

THE NEWTOWN ARTESIAN WATER COMPANY

Rates and Rules
Governing the Supply
of Water Service
in
Newtown Borough,
the Township of Newtown, and
the Township of Middletown,
Bucks County, Pennsylvania

ISSUED: March 24, 2026

EFFECTIVE: May 1, 2026

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The Newtown Artesian Water Company
Newtown, Pennsylvania 18940

NOTICE

THIS TARIFF MAKES INCREASES AND CHANGES IN
EXISTING RATES, RULES AND REGULATIONS

(See One Hundred Forty Eighth Revised Page No. 2)

NEWTOWN ARTESIAN WATER COMPANY
Newtown, Pennsylvania 18940

Supplement No. 166
To
Water-PA P.U.C. No. 9
One Hundred Forty-Eighth Revised Page No. 2
Canceling
One Hundred Forty-Seventh Revised Page No. 2

LIST OF CHANGES MADE BY THIS SUPPLEMENT

A. Increases.

1. This tariff supplement increases the Purchased Water Adjustment Clause (PWAC) surcharge from \$0.00 per thousand gallons to \$0.3363 per thousand gallons on pages 4 and 5, effective May 1, 2026.

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(C) Indicates change

SURCHARGES

A. State Tax Adjustment Surcharge.

1. In addition to the net charges provided for in this Tariff, a State Tax Adjustment surcharge of 0.583% will apply to all bills for services rendered on or after April 1, 2026. (I)
2. The above surcharge will be recomputed, using the elements prescribed by the Commission:
 - (a) Whenever any of the tax rates used in calculation of the surcharge are changed;
 - (b) Whenever the utility makes effective increased or decreased rates;
 - (c) On March 31, 1975, and year thereafter.

B. Distribution System Improvement Charge (DSIC).

In addition to the net charges provided for in this Tariff, a Distribution System Improvement Charge (DSIC) surcharge of 0.00% will apply consistent with the Commission order dated January 1, 1999 at Docket No. R-00994900 approving the DSIC.

C. Purchased Water Adjustment Clause (PWAC).

In addition to the net charges provided for in this Tariff, a Purchased Water Adjustment Clause (PWAC) surcharge of \$0.3363 per thousand gallons will apply effective May 1, 2026, (I) consistent with the Commission order dated April 15, 2010, at Docket No. R-2009-2117550 approving the PWAC.

(I) Indicates Increase

Schedule of Meter Rates

Application

This schedule is applicable to metered domestic, commercial, industrial and public customers.

Meter Rates

Per 1,000 Gallons

All water used

\$7.676

Minimum Charges

Based upon the size of the meter required to render adequate service, each metered customer shall pay a service charge, billed quarterly or monthly at the Company's discretion. The Company is converting from quarterly to monthly billing. Eventually, all customers will be billed monthly. The conversion to monthly billing is ongoing. Customers should consult their bills to determine if they are billed on a quarterly or monthly basis or contact the Company to inquire.

<u>Size of Meter</u>	<u>Quarterly Service Charge</u>	<u>Monthly Service Charge</u>
5/8 inch	\$26.27	\$8.76
3/4 inch	\$39.46	\$13.15
1 inch	\$65.74	\$21.91
1 1/2 inch	\$131.48	\$43.83
2 inch	\$210.34	\$70.11
3 inch	\$394.43	\$131.48
4 inch	\$657.43	\$219.14
6 inch	\$1,314.88	\$438.29
8 inch	\$2,103.75	\$701.25
10 inch	\$3,024.17	\$1,008.06

Purchased Water Adjustment Clause

A Purchased Water Adjustment Clause of \$0.3363 per 1,000 gallons is applied to metered sales.

(I)

(I) Indicates Increase

<u>Public and Private Fire Protection</u>	<u>Per Quarter</u>	(C)
Hydrants.....	\$117.72	(I)
Each sprinkler system		
First 300 sprinkler heads or less		
4-inch connection.....	\$140.12	(I)
6-inch connection.....	\$140.12	(I)
8-inch connection.....	\$163.46	(I)
Each sprinkler head over 300	\$0.30	(I)

Wholesale Water Service

For water sold to Pennsylvania-American Water Company – Yardley Service Area. In the event wholesale sales to Pennsylvania-American Water Company result in an increase in Newtown Artesian Water Company’s minimum take-or-pay obligations to the Bucks County Water and Sewer Authority and to the extent Newtown Artesian Water Company is unable to sell all such water it is obligated to purchase, Pennsylvania-American Water Company will pay Newtown Artesian Water Company for all such unsold water at its actual costs for a period ending June 7, 2024.

	<u>Per 1,000</u> <u>Gallons</u>	
Demand Charge	\$1.11	(I)
Electric pumping.....	actual cost	
Purchased water cost.....	actual cost	

(I) Indicates Increase
(C) Indicates Change

Rules and Regulations

Application for Services

1. Service connection will be made, and water will be furnished, upon written application by the prospective customer (or his properly authorized agent), or on a blank prepared by the Company for this purpose, and after the approval of such application by the Company. The application for service shall in general clearly outline the class, scope, and type of use to be made of the service, as well as the purpose for which it will be used.
2. The application and these rules and regulations constitute the contract between the Consumer and the Company; and each Consumer, by the taking of water, agrees to be bound thereby.
3. A new application must be made to, and approved by, the Company upon any change in the identity of the contracting Consumer at the property, or in the service described in the application, and the Company may, upon five days' notice, discontinue the water supply until such new application has been made and approved.
4. Each application for service shall be made in conformity with and stating the basis of rates applicable to Consumers under the tariff provisions.

Service Connection

5. The Company will make all connections to its mains, furnish, install and maintain all service lines from the main to and including the curb cock and box, which shall be placed within the utility easement, all of which service line shall be the property of the Company and shall be accessible to and under its control; with the exception of Public Fire Hydrants which may be installed and maintained at the expense of either party, as may be agreed upon. (C)
6. All service lines from the curb cock and box to the house shall be pipe approved by the Company, laid at least four feet below the surface of the ground and kept in good repair at the expense of the Customer. (C)
7. No service pipes shall be laid in the same trench with the gas pipe, sewer pipe or any other facility of a public service company, nor within three feet of any open excavation or vault.

(C) Indicates Change

Service Connection (continued)

8. There shall be placed in the service pipe, within the wall of the building supplied, and so located as to drain all of the pipes in the building as well as the meter, a brass, lever handle stop and waste cock, easily accessible to the occupants, for their protection in enabling them to turn off the water in the case of leaks and to rain the pipes to prevent freezing.
9. Hereafter in all future installations or re-installations of service lines, only one property will be supplied through one service pipe. Where more than one property is now supplied through one service pipe, and under the control of one curb cock, any violation of the rules of the Company by either or any of the Customers so supplied shall be deemed a violation as to all, and the Company may take such action as could be taken against a single Consumer, except that such action shall not be taken until the innocent Consumer, who is not in violation of the Company's rules, has been given a reasonable opportunity to attach his pipe to a separately controlled service connection according to Rules 5 and 6. Whenever a service pipe supplying two or more Consumers may, for the purpose of stopping leaks or making other repairs, require the main stops to be closed it will be replaced by a separate service line with curb cock and box for each supply according to Rules 5 and 6. Where one service pipe has been used for two or more properties held in one ownership and there be a division of such ownership, whether by sale or otherwise, each property will, thereafter, have its own service pipe according to Rules 5 and 6.
10. All leaks in service lines from the curb to, and in and upon, the premises supplied shall be properly repaired. On failure to make such repairs with reasonable dispatch, the Company may turn off the water and it will not be again turned on until all proper and necessary expense incurred in shutting off and turning on the water are paid in full. (C)
11. The Company shall in no event be responsible for maintenance of, or for damage done by water escaping from the service pipe or any other pipe or fixture on the outlet side of the curb cock; and the Consumer shall, at all times, comply with State and Municipal regulations in reference thereto and shall make any changes thereon required on account of change of grade, relocation of mains or otherwise.
- 11A. The customer service line shall be furnished, installed, maintained and/or replaced, when necessary, by and at the sole expense of the customer. The Company reserves the right to determine the size, kind and depth of customer service lines.
- 11B. The customer service line shall not be laid in the same trench with drain or wastewater 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, unless a written exception is granted by the Company.

(C) Indicates Change

Service Connection (continued)

11C. All service lines, connections and fixtures furnished by the customer shall be maintained by the customer in good working order. All valves, meters and appliances furnished by the Company and on property owned or leased by the customer shall be protected properly by the customer. All leaks in the customer service line or any pipe or fixtures in or upon the customer's premises must be repaired immediately by the customer.

11D. The Company may refuse to connect with any piping system or furnish water through a service already connected if such system or 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.

11E. This rule establishes maximum water use criteria for 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.

(a) Maximum permitted water usage levels shall be as follows:

<u>Plumbing Fixture</u>	<u>Maximum Water Use</u>
Showerheads	3.0 gallons / minute
Faucets	3.0 gallons / minute
Water Closets	1.6 gallons / flush
Urinals	1.5 gallons / flush

(b) The Company may exempt particular customers, or classes of customers, when it is determined that the water use standards for plumbing fixtures listed above are unreasonable, cannot be accommodated by existing technology or are otherwise inappropriate.

11F. The Company requires the installation of stop and waster valves and check valves on all new or reconnected customer service lines. The responsibility for the proper installation and maintenance of such valves shall be the customer's and at the customer's sole expense.

11G. The installation of a backflow device of the type approved by the Company may be required by the Company if, in the Company's opinion, such a device is needed to protect the integrity of the Company's system. The backflow prevention device shall be installed, owned and maintained by the customer at the customer's expense. The location of the backflow prevention device shall be approved by the Company. The Company recommends the installation of approved double check valves for service lines providing service to residential units. (C)

(C) Indicates Change

Service Connection (continued)

11H. Generally, the Company will maintain service pressures from 25 p.s.i.g (pounds per square inch gauge) to 125 p.s.i.g at the main, but during period of peak demand pressures at the main may range from 20 to 150 p.s.i.g. The Company may furnish service at other pressures where necessary to supply adequate service. (C)

If a customer needs the pressure reduced, the customer must install and maintain, at the customer's expense, a pressure regulator or valve. The pressure regulator will be installed on the inlet side of the meter.

Use of Service Must Be in Accordance with Application and Contract

12. The use of water service by a Consumer shall in general be in accordance with the class, scope and type of use, and the purpose stated in this application and service contract. A Consumer shall not use or allow use by others of water service through his service facilities for others or other purposes than covered in his application. (See Rule 39). A new application and contract will make service for other purposes or character of use available.

Availability of the Different Classes of Service and Rates

13. The various classes of service and rates are available to a Consumer in accordance with the obvious intent of, and statements as to application made under the different rates in the schedule of rates.

Metered Consumers

14. Each metered rate Consumer's service shall have a separate meter to register the amount of water consumed, except as provided in Rule 54.

15. All meters will be furnished by, and remain the property of, the Company and shall be accessible to and subject to its control. They shall be conveniently located within the building supplied, at a point approved by the Company, so as to control the entire supply; and, a proper place and protection therefor shall be provided by the Consumer.

16. In any case where it is not convenient to place the meter within the building, as provided in Rule 15, the Company may place it outside the building in a concrete or brick vault provided with a suitable cover and lock and key. Said vault shall be built inside the property line at the expense of the Customer.

(C) Indicates Change

Metered Consumers (continued)

17. In all cases where steam or hot water under pressure is used, a double check valve must be placed, at the expense of the Consumer, directly ahead of the meter and before any outlets are taken off from the service pipe, to prevent injury to the meter. (C)
18. Meters will be maintained by the Company as far as ordinary wear and tear is concerned, but the Consumer shall be responsible to the Company for any injury to, or loss of, any meter arising out of or caused by the Consumer's negligence or carelessness, or that of his servants, employees, members of his household, or any person upon his premises under or by his consent or sufferance. The Consumer shall permit no one, not an agent of the Company or otherwise lawfully authorized so to do, to remove, inspect or tamper with the Company's meter, or other property of the Company on his premises.
19. The quantity of water recorded by the meter shall be conclusive on both the Consumer and the Company, except when the meter has been found to be registering inaccurately or has ceased to register. In either case, the meter will be promptly repaired by the Company and the quantity of water consumed shall be estimated by the average registration of the meter on previous corresponding periods.
20. In case of a disputed account involving the accuracy of a meter, such meter shall be tested, upon the request of the Consumer, in conformity with the provisions of the rules and regulations pertaining to Water Service Utilities of the Public Utility Commission of the Commonwealth of Pennsylvania. In the event that the meter so tested is found to have an error in registration of four (4%) percent or more, the bills will be increased or decreased accordingly as provided by the aforesaid rules.
21. Each request for the test of a meter for accuracy shall be accompanied by a deposit, the amount of which shall be determined by the size of the meter as set forth in the rules and regulations pertaining to Water Service Utilities of the Public Utility Commission of the Commonwealth of Pennsylvania. If the meter so tested shall be found to have an error in registration of less than four (4%) percent, the deposit shall be retained by the Company as compensation for such test; if the error in registration is found to four (4%) percent, or more, then the cost of the test shall be borne by the Company and the amount of the deposit shall be returned to the Consumer.
22. The Consumer shall at once notify the Company of any injury to or any cessation in registration of, the meter, as soon as it comes to his knowledge.
23. Each Meter Rate Consumer is subject to a service charge, the amount of which is determined by the size of the meter as set forth in the Schedule of Rates.

(C) Indicates Change

Charges for Reinstalling Meters

24. The charge for re-installation of meters, when removed because damaged in any way for which the applicant is responsible, either because of willful deed or negligence, shall be at cost for meters one inch in diameter and smaller; and at cost per inch in diameter, or fraction thereof, for meters larger than one inch, which charge shall include testing of the repaired meter.

Bills

25. Flat Rate service bills are due and payable monthly at the office of the Company on the first day of each month covering service rendered during the previous month.
26. Bills for water service for building purposes are payable and due after service is rendered and upon presentation.
27. Bills for metered water service will be prepared and rendered immediately following the service period and such bills are due and payable on presentation
28. A late payment charge of one and one-half (1-1/2%) percent per month on the full and unpaid balance of the bill, excluding previous late payment charges, will be added to all bills for water service not paid within twenty (20) days from the due date of the bill. When annualized, the late payment charge is equivalent to, and shall not exceed, eighteen (18%) percent per annum. If not paid when due, the water may be shut off in accordance with Commission regulations. Payments mailed, as evidenced by the United Sate Post Office mark, on or previous to the end of the thirty-day period will be deemed to be a payment within such period. All bills will be made out in the name of the Consumer whom the Company will hold responsible for their payment.
- (I)
(C)
(I)

(I) Indicates Increase

(C) Indicates Change

Bills (continued)

29. Whenever the consumer desires to have this service contract terminated or his water service discontinued, he shall notify the Company to that effect in writing. The Consumer will be responsible for the payment of all service rendered by the Company until such written notice is received; and, in the instance of meter rate service, a reasonable time from the receipt of such notice shall have elapsed for the Company to take the final reading of the meter or meters; or water service is actually otherwise discontinued by the Company. A certification fee of \$50.00 will be charged whenever a final meter reading and bill is sent to an abstract company for use in property settlement proceedings. (I)
30. The presentation or non-presentation of a bill shall not be held to be a waiver of any of the above rules.
31. A charge of \$20.00 will apply to each check returned by a bank for any reason including non-sufficient funds. (C)

Consumers' Deposits

32. Deposits may be required from Consumers taking service for a period of less than thirty days, in an amount equal to the estimated gross bill for such temporary period. Deposits may be required from all other Consumers provided that, in no instance, will deposits be required in excess of the estimated gross bill for any single billing period, plus one month (the maximum period not to exceed four months) with a minimum of \$5.00.
33. Deposits will be returned to the depositor when he shall have paid undisputed bill for service over a period of twelve consecutive months, beginning at any time subsequent to June 1, 1936; and, any Consumer having secured the return of a deposit will not be required to make a new deposit unless the service has been discontinued and the Consumer's credit standing impaired through failure to comply with tariff provisions.
34. The payment of any undisputed bill, within the meaning of these rules shall be payment of the bill with or without discount or penalty, within twenty (20) days following the period for which the bill was rendered or payment with twenty days following presentation of the bill, or the payment of any contested bill, payment of which is withheld beyond the period herein mentioned if the dispute is terminated substantially in favor of the Consumer and if payment be made by the Consumer within ten days thereafter.

(I) Indicates Increase

(C) Indicates Change

Consumers' Deposits (continued)

35. Interest on deposits will be paid at the rate of six percent per annum without deduction of any taxes thereon. Upon deposits held for more than a year, the Company will pay to the depositor, at the end of each calendar year, the interest accrued thereon.
36. Any Consumer having a deposit shall pay bills for water service as rendered in accordance with the rules of the Company and the deposit shall not be considered as payment on account of a bill during the time the Consumer is receiving water service.

Private Fire Service

37. For automatic sprinklers or other automatic fire service devices located inside of a building or buildings, a service line may be required to be used exclusively for fire service. At the option of the Consumer, fire hydrants located outside of buildings may be connected to said service line. Each such line shall be metered and be subject to the charges shown in the rate schedule. The Company reserves the right to refuse an application for automatic fire service, where in the judgment of the Company, such service is not practical. The Consumer shall bear the cost of installing the entirety of the fire service line beginning at the point of connection to the Company main. The Company shall take title to the portion of the fire service line from the main to the curb cock and maintain that portion of the service line following its installation. (C)
38. Where meters are required for exclusive private fire service, the meters will be furnished and maintained by the Company. Meters will be set in brick, concrete or tile drained vaults on the property of the Consumer, and said vaults are to be constructed and maintained at the expense of the Consumer.

General

39. The water may be shut off, after due notice, from a Consumer failing to comply with these rules, and will not be again turned on until satisfactory assurance is given that these rules will be complied with and all proper and necessary expense incurred in shutting off and turning on the water are paid (C)
A minimum charge of \$30.00 will be assessed each time water is turned off and water is turned on. (I)

(I) Indicates Increase

(C) Indicates Change

General (continued)

40. All waste of water is prohibited. A consumer shall keep his faucets, valves, hydrants, service lines, and hose in good order and condition at his own expense. Sprinkling of any kind whatever must be done with ordinary spraying nozzles generally in use.
41. The water will, after due notice, be shut off from a Consumer allowing it to run to prevent freezing, or allowing it to run to waste, and will not be again turned on until satisfactory assurance is given that the practice will be discontinued and all proper and necessary expense incurred in shutting off and turning on the water is paid in full. A minimum charge of \$30.00 will be assessed each time water is turned off and each time water is turned on.
42. When premises will be temporarily unoccupied, the Consumer shall notify the Company in writing and the water will be turned off and all charges will cease from that date. When the property is again occupied, the Consumer shall again notify the Company in writing and the water will be turned on. No refund or allowance will be made for unoccupied property when written notice, both at time of vacancy and at time of occupancy, has not been given as above provided. No refund will be allowed for property unoccupied for a period of time less than one (1) month. A minimum charge of \$30.00 will be assessed each time water is turned off and each time water is turned on.
43. In cases of vacancy of a Consumer's property, the Consumer must notify the Company in writing of such vacancy, and upon his failure so to do he will become responsible for any damage to the property of the Company arising from such failure.
44. Water shall not be turned on to any premises by any person not an agent of the Company except temporarily by a plumber to enable him to test his work, provided it shall be turned off again immediately after the test is made. (C)
45. The authorized agents of the Company shall have the right of access, at all reasonable hours, to the premises supplied with water for the purpose of reading meters, examining pipes and fixtures, observing manner of using water, and for any other purpose which is proper and necessary in the conduct of the Water Company business, and will carry with them proper credentials denoting their employment by the Company.

(C) Indicates Change

General (continued)

46. The Company will not be liable for any claim or damage arising from a shortage of water, the breaking of machinery or other facilities, or any other cause beyond its control.
47. As necessity may arise in case of break, emergency or other unavoidable cause, the Company shall have the right to temporarily cut off the water supply in order to make necessary repairs, connections, etc.; but the Company will use all reasonable and practicable measures to notify the Consumer, in advance, of such discontinuance of service. In such case, the Company shall not be liable for any damage or inconvenience suffered by the Consumer, or in any case for any claim against it at any time for interruption in service, lessening of supply, inadequate pressure, poor quality of water, or any cause beyond its control. The Company shall have the right to reserve a sufficient supply of water at all times in its reservoirs to provide for fire or any other emergencies and may restrict or regulate the quantity of water used by Consumers in case of scarcity, or whenever the public welfare may require it.
48. Water from hydrants or other fire protection systems shall be used only in case of fires, except that water from public fire hydrants may be used in a reasonable amount and at such times as the Company may permit, for the purpose of testing the hydrants and the fire apparatus of the Borough of Newtown, such tests to be conducted only by the properly authorized agents or employees of said Borough and after the consent of the Company has been obtained.
49. No consumer, unless specially authorized to do so, shall open or close any of the Company's stock cocks or valves in any public or private line.
50. No agent or employee of the Company shall have the right or authority to bind it by any promise, agreement or representation contrary to the letter or intent of these rules and regulations.
51. The Company reserves the right to alter or amend these rules and regulations in the manner provided by law.

Definitions

52. The word "Company" as used herein shall mean Newtown Artesian Water Company acting through its properly authorized officers, agents or employees, each acting within the scope of the particular duties entrusted to him.

Definitions (continued)

- 53.
- A. The word "Consumer" as used in this tariff shall mean the party contracting for the supply of water to a property classified hereinbelow:
 - 1. One building used as one dwelling unit.
 - 2. One side of a double house having a solid partition wall.
 - 3. One dwelling unit in a group of townhouses or row homes.
 - 4. One dwelling unit of a duplex house.
 - 5. One apartment house building.
 - 6. One condominium building.
 - 7. One hotel or motel building.
 - 8. One tourist home or lodging house building or one house trailer or mobile home.
 - 9. One house trailer or mobile home camp.
 - 10. One hospital, nursing home or convalescent home building.
 - 11. One school building.
 - 12. One office building.
 - 13. One shopping center.
 - 14. One factory building.
 - B. The word "unit" as used in this tariff shall mean a separate part of a building suitable for complete living quarters for one person, or more than one person sharing said living quarters in common or a separate part of a building suitable for a single business, governmental or nonprofit enterprise.
54. Each Consumer shall be supplied through a separate service line and a separate meter, except in property classified under Rule 52.A.13 (shopping center), in which case each unit served shall have a separate line and separate meter, as the term "unit" is defined in Rule 52.B.
55. The Company reserves the right to apply meter rates and the Consumers have the same option.

Non-Penalty Period for Commonwealth of Pennsylvania

56. The Commonwealth of Pennsylvania and any agency thereof shall be entitled to a thirty (30) day period from the due date of any bill for payment of such bill without the imposition of a penalty or without the loss of a discount.

Main Extensions

Whenever a developer, owner or occupant of a property within the service territory of the Company requests the Company to extend service to such property, the Company will extend service under the conditions set forth herein. For purpose of this section, the following terms shall have the meanings set forth below:

Annual Line Extension Costs: The sum of the 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 a line extension based on the Company's currently effective tariff rates and on the average annual usage of consumers similar in nature and size to the bona fide service applicant.

Bona Fide Service Applicant: A person or entity applying for water service to an existing or proposed structure within the Company's certificated service territory for which a valid occupancy or building permit has been issued if the structure is either a primary residence of the applicant or a place of business. An applicant shall not be deemed a bona fide service applicant if:

- (a) applicant is requesting water service to a building lot, subdivision or a secondary residence;
- (b) the request for service is part of a plan for the development of a residential dwelling or subdivision; or
- (c) the applicant is requesting special utility service.

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 of the Company or of a comparable jurisdictional water utility.

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

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

Main Extensions (continued)

Operating and Maintenance Costs: The Company's average annual operating and maintenance costs associated with serving an additional customer, including customer accounting, billing, collections, water purchased, power purchased, 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.

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.

Request by Bona Fide Service Applicant: Upon request by a bona fide service applicant, the Company shall construct a line extension within its franchised territory consistent with the following directives:

- (a) A line extension to a bona fide service applicant shall be funded without customer advance where the annual revenue from the line extension will equal or exceed the Company's annual line extension costs.
- (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 the Company's cost of construction for the line extension. The Company'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 shall be determined by subtracting the Company's investment for the line extension from the total construction costs.

Main Extensions (continued)

- (c) The Company's investment for the line extension shall be based on the following formula, where X equals the Company's investment attributed to each bona fide applicant:

X = [AR – OM] divided by [I + DI] and,

AR = the Company's annual revenue

OM = the Company's operating and maintenance costs

I = the Company's current debt ratio multiplied by the Company's weighted long-term debt cost rate

D = The Company's current depreciation accrual rate.

Customer Advance, Financing, Refunds and Facilities on Private Property:

- (a) When a customer advance is required of a service applicant and an additional customer or customers attach service lines to the line extension within ten years, the Company shall refund a portion of the advance to the customer. Deposits made for additional facilities other than the line extension, such as booster pumps, storage tanks and the like are contributions-in-aid-of-construction and need not be refunded.
- (b) The Company will refund to the applicant, during a period of ten (10) years from the date of the extension deposit, a per-customer amount for each additional bona fide service applicant from whom a street service connection shall be directly attached to such main extension as distinguished from extensions or branches thereof. Provided, however, that the total amount refunded shall not exceed the original deposit without interest, and provided that all or any part of the deposit not refunded within said 10-year period shall become the property of the Company and shall be treated as Contributions-In-Aid-of-Construction for ratemaking purposes. The per customer refund amount shall equal the utility's investment attributed to each bona fide applicant, as calculated in the formula contained in this tariff.

Main Extensions (continued)

- (c) The Company shall require a customer to pay, in advance, a reasonable charge for service lines and equipment installed on private property for the exclusive use of the customer.

Special Utility Service: This tariff rule is not intended to require and shall not be interpreted to require the Company to provide special utility service. 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 bona fide applicant status, including the corresponding Company contributions toward the cost of a line extension which does not meet the special utility service criteria.

Requirement for Extension Deposit Agreement: Where extension of facilities is not fully funded by the Company's line extension investment, the execution by the applicant of an Extension Deposit Agreement for customer contribution or advance shall be a condition of extending the facilities. Upon notice that the Company is prepared and able to go forward with the work, the applicant will deposit with the Company the amount specified in the Extension Deposit Agreement.

Size of Line: The Company shall have the exclusive right to determine the type and size of line to be installed and the other facilities required to render adequate service. However, whether the Company decides to install a pipe larger than necessary to render extension of adequate service to the applicant, estimated or actual cost figures in the Extension Deposit Agreement shall include only the material necessary to provide adequate service to the applicant. Any incremental costs of a larger pipe will be the responsibility of the Company. All estimated or actual cost figures referred to in the Extension Deposit Agreement shall include a reasonable allowance for overhead costs and taxes as appropriate. The minimum pipe size for main extensions will be six (6) inches pursuant to Commission regulation at 52 Pa. Code §65.17(b).

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Main Extensions (continued)

Length of Extensions: In determining the necessary length of an extension, the terminal point of such extension shall be at the point in the curb line, which is equidistant from the side property lines of the last lot for which water service is requested. A company service connection will be provided only for customer service lines that extend at right angles from the curb line in a straight line to the premises to be serviced.

Cost True-Up: At the conclusion of the line extension project there shall be a reconciliation of the actual costs incurred to the amount of extension deposit that has been paid by the customer. If the actual cost exceeds the deposit, the applicant shall be responsible for payment to the Company of the difference. If the deposit exceeds the actual cost, the Company shall refund the difference.

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RULES AND REGULATIONS GOVERNING THE
DISTRIBUTION AND SALE OF WATER

Water Conservation

58. (a) General

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 measure to reduce or eliminate nonessential uses of water.

(b) Voluntary Conservation

The Company shall first request voluntary curtailment of all nonessential uses of water.

(c) Mandatory Conservation

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, after proper notice and explanation, either adjust the outside water valve connection in a manner which will restrict water flow up to one-half or otherwise restrict flow such as by the insertion of a plug device. If customer compliance is still not achieved, complete service termination may be imposed by and Administrative Law Judge or other presiding officer following an expedited hearing.

(d) Nonessential Uses of Water

Nonessential uses of water include, at a minimum, those contained in 52 Pa. Code §65.1, as follows:

- (1) The use of hoses, sprinklers, or other means for sprinkling or watering of shrubbery, trees, lawns, grass, plants, vines, garden, vegetables, flowers, or any other vegetation.
- (2) The use of water for washing automobiles, trucks, trailers, trailer bases or any other type of mobile equipment.
- (3) The washing of streets, driveways, parking lots, service station aprons, office buildings, exteriors of home, sidewalks, apartments, or other outdoor services.

Water Conservation (continued)

- (4) The operations 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 air conditioning which does not have water-conserving equipment.
- (7) The use of water from fire hydrants for construction purposes or fire drills. (C)
- (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 bar minimum to preserve plans, crops and livestock.

(e) Water Rationing Plan

In addition to the provisions set forth above, the Pennsylvania Emergency Management Agency is authorized to promulgate, adopt and enforce a Water Rationing Plan by virtue of the Emergency Management Services Code, 35 Pa. C.S. §7101 *et seq.*, as implemented by the Drought Emergency Proclamation dated November 6, 1980.

(f) Excess Use Charge.

In the event of a drought emergency, (as declared by a river basin commission and/or by a proclamation or executive order issued by the Governor), Newtown Artesian Water 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.

Contributions In Aid Of Construction

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(C) Indicates Change

Distribution System Improvement Charge (DSIC)

1. General Description.

A. Purpose: To recover the reasonable and prudent costs incurred to repair, improve or replace eligible property which is completed and placed in service and recorded in the individual accounts, as noted below, between base rate cases and to provide the Company with the resources to accelerate the replacement of aging infrastructure, to comply with evolving regulatory requirements, and to develop and implement solutions to regional supply problems.

The costs of extending facilities to serve new customers are not recoverable through DSIC.

Company projects receiving PENNVEST funding or using PENNVEST surcharges are not DSIC-eligible property to the extent of the PENNVEST funding or surcharge.

B. Eligible Property: The DSIC-eligible property will consist of the following:

- Services (account 333000), meters (account 334100) and hydrants (account 335000) installed as in-kind replacement for customers;
- mains and valves (account 331800) installed as replacements for existing facilities that have worn out, are in deteriorated conditions, or upgraded to meet 52 Pa Code §65 (related to water service);
- main extensions (account 331800) 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;
- main cleaning and relining (account 331800) project;
- unreimbursed funds related to highway relocation projects where the Company must relocate its facilities; and
- other related capital costs.

C. Effective Date: The DSIC will be effective January 1, 1999.

Distribution System Improvement Charge (DSIC)

2. Computation of the DSIC

A. Calculation: The initial charge, effective May 1, 1999, shall be calculated to recover the fixed costs of eligible plan additions that have not previously been reflected in the Company's rates or rate base and will have been placed in service between January 1, 1999, and March 31, 1999. Thereafter, the DSIC will be updated on a quarterly basis to reflect eligible plan 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 Addition Reflected</u>
August 1	June 30
November 1	September 30
February 1	December 31
May 1	March 31

B. Determination of Fixed Costs: 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 will be calculated by applying the annual accrual rates employed in the Company's most recent base rate case for the plan 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 will be calculated by 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 of 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.

Distribution System Improvement Charge (DSIC)

C. Application of DSIC: The DSIC will be expressed as a percentage carried to two decimal places and will be applied to the total amount billed to each customer for distribution service under the Company's otherwise applicable rates and charges, excluding amounts billed for public fire protection service and the State Tax Adjustment Surcharge (STAS). To calculate the DSIC, one-fourth of the annual fixed costs associated with all property eligible for cost recovery under the DSIC will be divided by the Company's projected revenue for distribution service (including all applicable clauses and riders) for the quarterly period during which the charge will be collected, exclusive of revenues from public fire protection service and the STAS.

D. Formula: The formula for calculation of the DSIC is as follows:

$$\text{DSIC} = \frac{(\text{DSI} \times \text{PTTR} + \text{STFT} + \text{Dep} + e) \times 1/(1-T)}{\text{PQR}}$$

Where:

DSI = Original cost of eligible distribution system improvement projects net of accrued depreciation and associated accumulated deferred incomes taxes pertaining to property-related book/tax depreciation timing differences resulting from the use of accelerated depreciation per Internal Revenue Code, 26 U.S. Code § 168.

PTTR = Pre-tax return rate applicable to DSIC-eligible property.

STFT = Pre-tax flowthrough calculated on book-tax timing differences between accelerated tax depreciation and book depreciation net of federal tax.

Dep = Depreciation expense related to DSIC-eligible property.

e = Amount calculated (+/-) under the annual reconciliation feature or Commission audit, as described below.

T = If applicable, Pennsylvania Gross Receipts Tax Rate in effect during the billing month, expressed in decimal form.

PQR = Projected quarterly revenues for distribution service (including all applicable clauses and riders) from applicable customers. Such quarterly revenue projection will be determined on the basis of one-fourth of projected annual revenues.

Distribution System Improvement Charge (DSIC)

3. **Quarterly Updates:** Supporting data for each quarterly update will be filed with the Commission and served upon the Commissions' 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 will be capped at 5.0 % of the amount billed to customers for distribution 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. The DSIC is subject to annual reconciliation based on a reconciliation period consisting of the twelve months ending December 31 of each year or the Company 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 specified by the Secretary of Banking in accordance with the Lon Interest and Protection Law (41 P.S. §§ 101 *et seq.*) and will be refunded in the same manner as an over-collection. The Company is not permitted to accrue interest on under collections.

C. **New Base Rates:** The DSIC will be reset at zero as of the effective date of new base rates to customer billings that provide for prospective recovery of the annual costs that had theretofore 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, would be reflected in the quarterly updates of the DSIC.

Distribution System Improvement Charge (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 DSIC 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 reports show that the Company would 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 Company shall file a tariff supplement implementing the reset to zero due to overearning on one-day's notice and such supplement shall be filed simultaneously with the filing of the most recent Annual or Quarterly Earnings reports indicating that the Company 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 Company 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 Company can collect or credit the residual over/under collection balance when the DSIC rate is reset to zero. The Company shall refund any overcollection to customers and is entitled to recovery any under collections as set forth in Section 4.B (Audit/Reconciliation). Once the Company determines the specific amount of the residual over or under collection amount after the DSIC rate is reset to zero, the Company 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.

Purchased Water Adjustment Charge

The Company may apply a Purchased Water Adjustment Clause (“PWAC”) to its water rates set forth under Schedule of Metered Rates to reflect an increase or decrease in the rates charged by its wholesale water suppliers, Bucks County Water and Sewer Authority (“BCWSA”) and Pennsylvania American Water Company (“PENN-AM”), who are referred to jointly as “Wholesalers.” The purchased water adjustment charges will not apply to wholesale customers because they are billed the actual cost of purchased water each month on a current basis.

The PWAC will be calculated based on changes in the Company’s Wholesalers rates from the purchased water included in the Company’s Baseline Cost. For the purpose of calculating the PWAC the Baseline Cost is the annual purchased water cost reflected as an operating expense in the Company’s most recently concluded base rate case. This amount will remain constant until such time base rates are reset.

Customers shall be notified of changes in the PWAC 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.

When the Company’s water suppliers change their rates for water purchased by the Company, the Company will re-compute the PWAC based upon its annual purchased water costs reflecting the level of consumption and other billing determinants that formed the basis for the Baseline Cost.

Determination of Purchased Water Adjustment Charge

A PWAC may be implemented on the effective date of a change in Wholesalers’ rates charged to the Company for purchased water but not on less than forty-five (45) days’ notice. The Company may, at its option, implement a PWAC, to recover an increase in purchased water costs. However, if the rate is a decrease, the Company must implement a credit PWAC to reflect the decrease.

The baseline items determined in the Company’s most recently concluded base rate case are:

Baseline Purchased Water Cost (per thousand gallons)		\$3.581	(I)
BCWSA (Customer)	\$0.017		(D)
BCWSA (Consumption)	\$3.614		(I)
PENN-AM	\$3.328		(I)
Baseline 1,000 Gallons of Purchased Water		446,135	(D)
BCWSA	372,081		(D)
PENN-AM	74,054		(D)
Baseline 1,000 Gallons of Water Sales		671,941	(D)

The PWAC, per thousand gallons, shall be computed to the nearest one-hundredth cent (0.01¢) in accordance with the formulas set forth below:

$$\text{PWAC} = \frac{(\text{CHGPWC} \times 446,135)}{671,941} \quad (C)$$

- (C) Indicates change
- (D) Indicates decrease
- (I) Indicates increase

Purchased Water Adjustment Charge (continued)

Determination of Purchased Water Adjustment Charge (continued)

In computing the PWAC, per thousand gallons, pursuant to the formula above, the following definitions shall apply:

“CHGPWC” – Change in Purchased Water Cost, per thousands, is determined by subtracting the Baseline Purchased Water Cost per thousand gallons from the Company’s most recently concluded base rate case from the Pro Forma Purchased Water Cost per thousand gallons that arises from the Wholesalers change of the rates. (C)

“PWAC” – the PWAC determined to the nearest one-hundredth cent (0.01¢) to be charged for each thousand gallons of domestic metered water sales supplied under Schedule of Metered Rates after allowance for any applicable state gross receipts tax. (C)

Safeguards

Annual Reconciliation

The Company will provide an annual reconciliation of PWAC revenues with the cost of purchased water from the Wholesalers pursuant to Section 1307(e) of the Public Utility Code upon implementation of a PWAC. The revenue received under the PWAC for the reconciliation period will be compared to the Company’s eligible costs for that period. The difference between the revenue and costs will be recouped or refunded, as appropriate, in accordance with Section 1307(e), over a one-year period commencing on May 1 of each year. If PWAC revenues exceed PWAC-eligible costs, such overcollections will be refunded with interest. Interest on the overcollections will be calculated at the residential mortgage lending 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. (C)

New Base Rates

The charge will be reset at zero as of the effective date of new base rates that provide for the prospective recovery of the annual costs that had theretofore been recovered under the PWAC. Thereafter, only new purchased water adjustments, which have not previously been reflected in the Company’s base rate, are eligible for PWAC recovery. (C)

Cap

The PWAC shall not exceed seven and one-half percent (7.5%) of the amount billed to customers, exclusive of the amounts recovered under the State Tax Adjustment Surcharge.

(C) Indicates change

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Purchased Water Adjustment Charge (continued)

Residual E-Factor Recovery Upon Reset to Zero

The Company shall file with the Commission interim rate revisions to resolve the residual over/under collection or E-factor amount after the PWAC rate has been reset to zero. The Company can collect or credit the residual over/under collection balance when the PWAC rate is reset to zero. The Company shall refund any overcollection to customers and is entitled to recover any undercollections as set forth above in Audit/Reconciliation. Once the Company determines the specific amount of the residual over or under collection amount after the PWAC rate is reset to zero, the Company 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.