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September 13, 2016

VIA ELECTRONIC AND FIRST CLASS MAIL

Administrative Law Judge Eranda Vero
Commonwealth of Pennsylvania Public Utility Commission
801 Market Street,
4th Floor, Suite 4063
Philadelphia, Pennsylvania 19107

RE: Community Utilities of Pennsylvania Inc. Water Division; Docket Nos. R-2016-2538660 and C-2016-2540738; **JOINT STIPULATION FOR ADMISSION OF TESTIMONY AND EXHIBITS INTO THE EVIDENTIARY RECORD (PUBLIC VERSION)**

Dear Judge Vero:

Enclosed is a copy of the Joint Stipulation for Admission of Testimony and Exhibits into the Evidentiary Record reached between Community Utilities of Pennsylvania Inc. Water Division, I&E and OCA in the above-captioned matter. Also included are the affidavits of Steve Lubertozi, Chuck Madison and Brian Halloran, stipulating their preserved testimony into the record. Copies have been served in accordance with the attached Certificate of Service.

If you have any questions regarding this filing, please do not hesitate to contact me.

Very truly yours,

Thomas J. Sniscak
William E. Lehman

*Counsel to Community Utilities of
Pennsylvania Inc. Water Division*

TJS/WEL/das

Enclosure

cc: Rosemary Chiavetta, Secretary (Via hand delivery/filing)
Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:		
Office of Consumer Advocate	:		
	:		
v.	:	Docket No.	R-2016-2538660
	:		C-2016-2540738
Community Utilities of Pennsylvania Inc.	:		
Water Division	:		

**JOINT STIPULATION FOR ADMISSION
OF TESTIMONY AND EXHIBITS INTO THE EVIDENTIARY RECORD
(PUBLIC VERSION)**

TO THE HONORABLE ERANDA VERO:

This Joint Stipulation for Admission of Testimony and Exhibits into the Evidentiary Record ("Joint Stipulation") is entered into by Community Utilities of Pennsylvania Inc. Water Division ("CUPA" or "Company"); the Bureau of Investigation & Enforcement ("I&E"); and the Office of Consumer Advocate ("OCA") (hereinafter collectively referred to as the "Joint Petitioners"), by their respective counsel, in connection with the above-captioned matter. The Joint Petitioners respectfully request that Administrative Law Judge Eranda Vero admit into the evidentiary record of this proceeding the previously distributed written testimony and exhibits prepared by CUPA's witnesses' as identified below. In support of this request, the Joint Petitioners aver and state as follows:

1. On or about April 6, 2016, CUPA filed Supplement No. 1 to Tariff Water – Pa. PUC No. 1, to become effective on June 5, 2016. This filing contained proposed changes in rates, rules, and regulations intended to unitize rates between its two existing service territories, Penn Estates Utilities, Inc. ("Penn Estates") and Utilities, Inc. – Westgate ("Westgate") and

produce \$427,817 in additional annual operating revenues based on a historic test year ending December 31, 2015, a future test year ending December 31, 2016, and fully projected future test year ending December 31, 2017.

2. On April 19, 2016, the OCA filed a Formal Complaint and Public Statement in this proceeding (C-2016-2540738). On that same day, I&E filed a Notice of Appearance. On May 23, 2016, Guillermo Barbosa filed a Formal Complaint at docket no. C-2016-2548235. On May 26, 2016, Erle Grubb filed a Formal Complaint at docket no. C-2016-2548262. On May 27, 2016, Yvette Lawson filed a Formal Complaint at docket no. C-2016-2549382. On June 6, 2016, Adrian and Diane Martenco filed a Formal Complaint at docket no. C-2016-2549995.

3. On April 19, 2016, I&E filed a Notice of Appearance in this proceeding.

4. By Order entered May 5, 2016, the Commission suspended the filing by operation of law until January 5, 2017, and instituted an investigation to determine the lawfulness, justness and reasonableness of the proposed rates, rules, and regulations.

5. On June 8, 2016, a prehearing conference was held before the Honorable Eranda Vero (“ALJ Vero”). All Parties attended the prehearing conference.

6. At the prehearing conference a litigation schedule was set based on the filing of Reply Briefs by September 22, 2016.

7. Pursuant to the litigation schedule adopted in this proceeding, the Company served the Direct Testimony of Steven M. Lubertozzi (CUPA Statement No. 1); Direct Testimony of Chuck Madison (CUPA Statement No. 2); Direct Testimony of Brian Halloran (CUPA Statement No. 3 including Exhibits)(Confidential); and, Direct Testimony of Brian Halloran (CUPA Statement No. 3 including Exhibits)(Public) on June 16, 2016.

8. During the course of this proceeding, the Company provided sworn answers to numerous sets of discovery propounded by the OCA and I&E.

9. Following the service of CUPA's direct testimony, negotiations took place among the parties seeking to achieve a full settlement of the rate case.

10. As a result of the afore-mentioned negotiations, the parties were able to agree to resolve all issues in the case, resulting in a comprehensive settlement ("Settlement").

11. The Joint Petitioners notified ALJ Vero of the Settlement, informed her that they would be submitting a Joint Petition for approval of the Settlement ("Joint Petition"), and requested that the hearings scheduled in this matter be cancelled.

12. On August 18, 2016, ALJ Vero issued an Order suspending the litigation schedule pending the filing of a Joint Petition for Settlement and supporting documents.

13. In support of the Settlement, each Joint Petitioner will submit, as an appendix to the Joint Petition, individual Statements in Support of the Settlement. If Administrative Law Judge Vero and the Commission approve the terms and conditions set forth in the Joint Petition without modification, this matter will be deemed to be fully resolved and no hearings will be held in connection with the Company's rate increase request.

14. In order to further support the Settlement, the Joint Petitioners hereby stipulate to the admission into the evidentiary record of the Direct Testimony of Steven M. Lubertozzi (CUPA Statement No. 1); Direct Testimony of Chuck Madison (CUPA Statement No. 2); Direct Testimony of Brian Halloran (CUPA Statement No. 3 including Exhibits)(Confidential); and, Direct Testimony of Brian Halloran (CUPA Statement No. 3 including Exhibits)(Public) attached thereto. For this purpose, full copies of the Direct Testimonies and Exhibits, along with an affidavit, are attached hereto for filing with the Commission.

NOW, THEREFORE, desiring to enter into this Joint Stipulation and intending to be bound hereby, the Joint Petitioners agree and stipulate to the following with respect to this proceeding:

A. That, upon the issuance of a separate Order or the inclusion of a provision in the Recommended Decision to be issued by Administrative Law Judge Eranda Vero in the above-captioned matter approving the Settlement, Direct Testimony of Steven M. Lubertozzi (CUPA Statement No. 1); Direct Testimony of Chuck Madison (CUPA Statement No. 2); Direct Testimony of Brian Halloran (CUPA Statement No. 3 including Exhibits)(Confidential); and, Direct Testimony of Brian Halloran (CUPA Statement No. 3 including Exhibits)(Public) attached thereto, shall be deemed to be made a part of the official evidentiary record of this proceeding and may be used for all proper and legal purposes in support of the Settlement and Joint Petition as if hearings had been conducted in this matter; and

B. By entering into this Joint Stipulation, no Joint Petitioner makes any precedential concession or admission as to the correctness or sufficiency of the law, facts, positions or assumptions upon which the other Joint Petitioners' testimony statements, exhibits or positions in this matter may be based. In addition, the Joint Petitioners agree that this Joint Stipulation may not be cited as precedent in any future proceeding, except to the extent required to implement and enforce the Joint Stipulation.

By their signatures below, the Joint Petitioners agree to the terms of this Joint Stipulation and represent that they are authorized to execute this Joint Stipulation on behalf of their respective clients/offices.

Respectfully submitted.

Thomas J. Sniscak

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(Dated) 9.13.16

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(Dated) 9/13/16

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(Dated) 9/13/16

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
Office of Consumer Advocate	:	
v.	:	Docket No. R-2016-2538660
Community Utilities of Pennsylvania Inc.	:	C-2016-2540738
Water Divisions	:	

DIRECT TESTIMONY

OF

STEVEN M. LUBERTOZZI

ON BEHALF OF

COMMUNITY UTILITIES OF PENNSYLVANIA INC.

Dated: June 16, 2016

COMMUNITY UTILITIES OF PENNSYLVANIA, INC

DOCKET NO. R-2016-2538660

Direct Testimony of Steven M. Lubertozi

1

INTRODUCTION AND QUALIFICATIONS

2 **Q: PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.**

3 A: My name is Steven Lubertozi. I am the President of Community Utilities of Pennsylvania
4 Inc. ("CUPA" or "Company"). My business address is 2335 Sanders Road, Northbrook,
5 IL 60062.

6 **Q: PLEASE DESCRIBE YOUR DUTIES IN YOUR CURRENT POSITION.**

7 A: As President I am responsible for all aspects of the Company's business culminating in the
8 ongoing provision of safe drinking water and environmentally responsible wastewater
9 service to all of our customers.

10 **Q: PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL**
11 **BACKGROUND.**

12 A: I graduated from Indiana University in 1990, and I am a Certified Public Accountant. I
13 earned my Master of Business Administration from Northwestern University's Kellogg
14 School of Management. I am a member of the American Institute of Certified Public
15 Accountants. I have been employed by Utilities, Inc. since June of 2001.

16 **Q: HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PENNSYLVANIA**
17 **PUBLIC UTILITY COMMISSION?**

18 A: Yes. I have provided written and oral testimony before public utilities commissions
19 throughout the United States, including written testimony at the Pennsylvania Public

1 Utility Commission (“Commission”), on topics ranging from cost of equity, capital
2 structure, cost of debt, acquisition adjustments, divestment strategies, appropriate levels of
3 operations and maintenance expense, parent company allocations, affiliate transactions,
4 income taxes and most every aspect of utility operations. The other state commissions
5 where I have presented testimony include Florida, Illinois, Indiana, Kentucky, Maryland,
6 Nevada, New Jersey, New Mexico, North Carolina and South Carolina.

7 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 A: My testimony: (1) introduces the other witnesses who will testify in support of our
9 requested rate relief; (2) provides background on CUPA and discusses the transition from
10 three Pennsylvania operating subsidiaries to one consolidated company; (3) explains why
11 the rate relief requested by CUPA is necessary and reasonable; and (4) discusses other
12 aspects of our rate request, including the declining consumption adjustment and capitalized
13 time related to rate case expense.

14 **WITNESSES**

15 **Q: WHO ARE THE OTHER WITNESSES PRESENTING TESTIMONY IN THIS**
16 **PROCEEDING?**

17 A: In addition to myself, CUPA’s request for rate relief is supported by the following
18 witnesses:

- 19 • Brian Halloran, Financial Analyst, presents the accounting schedules that support
20 the requested revenue increase and addresses how the Company developed the new
21 consolidated rates that are necessary to recover the requested revenues. Mr.
22 Halloran also explains the procedures and major assumptions used in preparing the

1 projections incorporated in the future test year developed by the Company and
2 explains their reasonableness.

- 3 • Chuck Madison, Regional Manager, describes CUPA’s system and operations and
4 identifies improvements and capital expenditures recently made and anticipated to
5 be placed in service during the future test year in connection with the water systems
6 to assure reliable, adequate, environmentally safe and cost efficient service to
7 customers.

8 **BACKGROUND**

9 **Q: PLEASE DESCRIBE THE HISTORY OF COMMUNITY UTILITIES OF**
10 **PENNSYLVANIA INC.**

11 A: CUPA is a Pennsylvania corporation and is a wholly owned subsidiary of Utilities, Inc.
12 (“UP”). UI is an Illinois corporation created and existing under the laws of the State of
13 Illinois that owns approximately 50 water and sewer utilities operating in 15 states,
14 including CUPA. UI has been involved in the water and sewer industry for over 40 years
15 and has approximately 300,000 customers. CUPA was incorporated in 2015 for
16 implementation of the merger into a single entity of the three separate wholly owned
17 Pennsylvania subsidiaries of UI that provided water and sewer services in Pennsylvania
18 (the “constituent Pennsylvania utilities”). Those subsidiaries are Penn Estates Utilities,
19 Inc. (“PEUI”), Utilities, Inc. of Pennsylvania (“UIP”), and Utilities, Inc. - Westgate
20 (“UIW”). The merger was approved by the Commission’s December 3, 2015 Order.
21 Pursuant to the terms of the approved Agreement and Plan of Merger (the “Merger”), the
22 constituent Pennsylvania utilities merged with and into CUPA, the surviving corporation.

1 All of the common stock of the constituent Pennsylvania utilities was cancelled and retired
2 and ceased to exist, and the separate corporate existence of each of the absorbed
3 Pennsylvania utilities ceased. By operation of law, from and after the effective time of the
4 merger of all the assets, rights, powers, duties, obligations, liabilities and debts of the
5 constituent Pennsylvania utilities transferred to and were assumed by CUPA. Under the
6 approved Merger, the existing rates of each of the constituent Pennsylvania utilities remain
7 in effect for the customers located in divisions of CUPA corresponding to the service areas
8 formerly served by the constituent Pennsylvania utilities.

9 UI continues to provide seasoned management and necessary funding to CUPA. The
10 former Pennsylvania operating subsidiaries relied on Water Service Corp. (“WSC”), an
11 affiliate of UI, for essentially all operational services. WSC provided these services
12 pursuant to the Affiliated Interest Agreement on file with the Commission. CUPA relies
13 on the same management, technology, processes and people that provided the high quality
14 service enjoyed by the former Pennsylvania operating subsidiaries’ customers.

15 CUPA provides water service to its customers via (7) wells and more than 230,000 linear
16 feet of water distribution mains. In addition, CUPA purchases bulk water from the City of
17 Bethlehem for some of its customers located in Hanover Township in Northampton
18 County, Pennsylvania.

19 **Q: WHAT IS THE RELATIONSHIP BETWEEN CUPA AND UTILITIES, INC., AND**
20 **HOW DOES THIS RELATIONSHIP BENEFIT THE COMPANY’S**
21 **CUSTOMERS?**

1 A: CUPA is a wholly owned subsidiary of UI. UI is unique in that for over 40 years its
2 business has been owning and operating smaller water and sewer companies. It is an
3 advantage to CUPA to be part of an organization whose sole focus is on its type and size
4 of operations. UI has the expertise needed in areas of importance to small water and sewer
5 companies, such as in construction and engineering, accounting, data processing, billing
6 and customer services, and regulation. Having its sole focus on its water and sewer
7 businesses, UI's personnel have the knowledge and ability to meet the challenges facing
8 this industry today. CUPA benefits financially from the services provided by WSC, the
9 service company of UI. If the Company were to be operated totally on a "stand alone"
10 basis, it would have to retain outside consultants to provide many of the services provided
11 by WSC.

12 **RELIEF REQUESTED**

13 **Q: ARE YOU FAMILIAR WITH THE TARIFF SUPPLEMENT AND SUPPORTING**
14 **DOCUMENTATION CUPA FILED INITIATING THIS PROCEEDING?**

15 A: Yes. I have read them and am familiar with their contents.

16 **Q: PLEASE DESCRIBE THE CURRENT RATES AND CHARGES APPROVED FOR**
17 **CUPA'S OPERATING DIVISIONS.**

18 A: The basic rates and charges for CUPA's operating divisions were previously approved in
19 separate rate proceedings for each division. PEUI's basic water rates and charges were
20 most recently approved by the Commission's March 29, 2012 Order at Dkt. No. R-2011-
21 2255159. UIW's base rates and charges were most recently approved by the Commission's
22 January 28, 2010 Order at Dkt. No. R-2009-2117389.

1 **Q: PLEASE DESCRIBE THE RELIEF REQUESTED BY CUPA.**

2 A: CUPA is requesting an increase in basic rates and charges so as to produce additional water
3 revenue of \$427,817. The specific rates and charges proposed by CUPA are discussed in
4 greater detail by Mr. Halloran.

5 **Q: WHY IS THE COMPANY REQUESTING RATE RELIEF AT THIS TIME?**

6 A: Under present rates, the Company is not able to meet its operating costs and earn a
7 reasonable return on its investment. For the 12 months ended December 31, 2015, CUPA
8 earned a -2.22% return on equity. Without appropriate rate relief, CUPA's ability to
9 continue to provide environmentally safe, reliable and efficient water and sewer utility
10 services to its customers and meet its financial obligations will be placed in jeopardy. Mr.
11 Halloran's testimony shows that during the 12 months ended December 31, 2015, which is
12 referred to as the "per books base year" in our testimony, the Company realized an overall
13 1.88% rate of return on the funds that finance the assets used in providing service to our
14 customers.

15 **Q: WHAT ARE SOME OF THE DRIVERS CAUSING CUPA TO SEEK RATE
16 RELIEF AT THIS TIME?**

17 A: Let me start by saying that CUPA understands that there is never a good time for a rate
18 increase. CUPA makes every effort to keep operating expenses to a reasonable minimum
19 while maintaining a system that produces safe and reliable service. As discussed by Mr.
20 Madison, CUPA has invested over \$589,000 in water infrastructure improvements in the
21 past 3 years. These improvements are a reasonable and necessary cost of providing service
22 and are appropriately included in the revenue requirement presented by Mr. Halloran.

1 Another phenomenon that is driving the need for this rate case is the shortfall in revenues
2 that the water divisions are experiencing due to declining usage. While a large part of the
3 increase in rates proposed in this case is needed simply to put us in a position to achieve a
4 level of revenues the Commission has already approved, declining usage will continue to
5 erode at revenues, impacting the opportunity for the Company to earn a reasonable return.
6 I discuss the declining consumption issue in further detail below.

7 **DECLINING CONSUMPTION**

8 **Q: WHAT IS DECLINING CONSUMPTION?**

9 A: As the Commission is aware, declining consumption is a common topic at national
10 conferences and meetings involving entities like NAWC, NARUC or the Illinois Institute
11 for Regulatory Policy Studies. CUPA, like its peers in the water industry, has seen a steady
12 decline in water consumption, which (along with regulatory lag) can eliminate a utility's
13 ability to earn its authorized return. Declining sales volumes create business risk for
14 utilities like CUPA because they render the utility vulnerable to revenue uncertainty and
15 the financial risk of insufficient cash flow to meet the cost of service.

16 **Q: IS CUPA EXPERIENCING DECLINING CONSUMPTION?**

17 A: Yes. CUPA analyzed average annual consumption from November 2008 to October 2015
18 to determine the appropriate adjustment to normalize usage. The usage normalization
19 adjustment is discussed more fully in Mr. Halloran's testimony.

20 **Q: IN YOUR OPINION, IS IT IMPORTANT FOR THE COMMISSION TO** 21 **RECOGNIZE THIS DECLINING CONSUMPTION IN ESTABLISHING RATES** 22 **IN THIS PROCEEDING?**

1 A: Yes. If the decline in water usage is not considered in setting rates CUPA will likely be
2 forced to file for a rate case sooner, which will only drive further increases in rates and
3 regulatory costs that are ultimately borne by the Company's ratepayers.

4 **Q: IS DECLINING WATER CONSUMPTION A TREND THROUGHOUT THE**
5 **INDUSTRY?**

6 A: Yes. The National Association of Water Companies provided the following comments
7 recently in the Commission's proceeding involving Alternative Ratemaking
8 Methodologies at Docket No. M- 2015-2518883:

9 In households across the U.S., water use is declining steadily, a trend
10 expected to continue for the next 15 years or more. Increased use of water-
11 efficient appliances, a growing conservation ethic among consumers, and
12 water efficiency programs implemented by utilities are some of the main
13 factors that have led to this trend. Declining per customer consumption is
14 observable in virtually every regulated operating state, often in the 1-3
15 percent per year range. This trend has positive environmental and societal
16 benefits; however, it directly and unfavorably impacts utility revenue
17 stability. Reduced water sales and the resulting reduction in revenues can
18 have significant adverse financial impact on utilities.

19
20 **Q: IS CUPA RECOMMENDING A UNITIZED RATE STRUCTURE?**

21 A: Yes, CUPA is proposing a unitized rate structure for its customers.

22 **Q: ARE THERE BENEFITS ASSOCIATED WITH A UNITIZED RATE**
23 **STRUCTURE?**

24 A: Yes, unitized rates are commonplace in other regulated utilities like gas and electric.
25 Unitized rates will allow CUPA to spread capital costs over a larger base of customers,
26 which ultimately benefits all customers and can protect customers from rate shock. If a
27 small standalone utility requires a significant capital improvement these costs can be spread

1 over a larger base of customers. In the long-term, unitized rates will strengthen CUPA and
2 allow the customers to enjoy lower rates via fewer rate cases and lower rate case expense.

3 **Q: DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?**

4 A: Yes.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
Office of Consumer Advocate	:	
	:	
v.	:	Docket No. R-2016-2538660
	:	C-2016-2540738
Community Utilities of Pennsylvania Inc.	:	
Water Divisions	:	

**DIRECT TESTIMONY
OF
CHUCK MADISON
ON BEHALF OF
COMMUNITY UTILITIES OF PENNSYLVANIA INC.**

Dated: June 16, 2016

COMMUNITY UTILITIES OF PENNSYLVANIA, INC.

DOCKET NO. R-2016-2538660

Direct Testimony of Chuck Madison

INTRODUCTION AND QUALIFICATIONS

1
2

3 **Q: PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.**

4 A: My name is Chuck Madison and I am Regional Manager for the Mid-Atlantic Region of
5 Utilities, Inc. (“UI”), which includes Pennsylvania, Virginia, Maryland and New Jersey.
6 Community Utilities of Pennsylvania, Inc. (“CUPA” or “Company”) is a wholly-owned
7 subsidiary of UI. My business address is 570 Hallet Road East Stroudsburg, PA 18301.

8 **Q: PLEASE DESCRIBE YOUR DUTIES IN YOUR CURRENT POSITION.**

9 A: I am Regional Manager for CUPA and am responsible for operations of water and
10 wastewater systems in four states - Virginia, New Jersey, Maryland, and Pennsylvania. As
11 such, I am responsible for overseeing all operating personnel, facility maintenance, capital
12 projects, as well as other operational issues. In addition, I am responsible for
13 communications with state and federal regulators, including state utility commissions and
14 environmental authorities.

15 **Q: PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL**
16 **BACKGROUND.**

17 A: After graduation from high school, I was a member of the United States Air Force and
18 worked as an aircraft technician. I received an honorable discharge in 1980. I then worked

1 at McGraw Edison Power Systems before being employed by Cranberry Hill Corporation
2 at the Penn Estates community as the Project Manager. When Utilities, Inc. purchased Penn
3 Estates in 1997, I was hired as the Area Manager for systems in Pennsylvania and New
4 Jersey. I became Regional Manager in 2015 for the systems in Maryland, Pennsylvania,
5 Virginia, and New Jersey. I have worked in the water & sewer industry for the last 36
6 years and hold water and wastewater licenses in both Pennsylvania and New Jersey.

7 **Q: HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PENNSYLVANIA**
8 **PUBLIC UTILITY COMMISSION?**

9 A: No, I have not.

10 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A: To provide a summary of the CUPA operations and systems and describe capital
12 improvements made to the system. Specifically, I will describe the system and operations
13 of CUPA's water division which consists of two territories, Penn Estates ("PEUI") and
14 Westgate ("UIW").

15 **PENN ESTATES**

16 **Q: PLEASE GENERALLY DESCRIBE PEUI'S SERVICE TERRITORY AND**
17 **WATER SYSTEM.**

18 A: Penn Estates is a residential subdivision located in Monroe County Pennsylvania. As of
19 May 2016, there were approximately 1,727 residential connections served by the water
20 company and approximately 58 available connections. Water is supplied by seven (7) deep

1 wells drilled in three aquifers. These wells were drilled between 1974 and 2007. The
2 average daily water production is between .275 mgd and .350 mgd. Submersible well
3 pumps pump the raw water through seven (7) well houses where the water is chlorinated
4 using sodium hypochlorite before entering the distribution system and five water storage
5 tanks. Well #6 also feeds AQUAMAG for manganese sequestration. The distribution
6 system consists of approximately 158,400 feet of 6-inch and 8-inch PVC water mains. The
7 chlorine retention lines are 10 and 12 inches in diameter. All service connections are
8 pressure reduced and metered. There are (204) hydrants located within the water
9 distribution system, along with (142) isolation valves and (25) K-copper blow-offs.

10 **Q: WHAT ARE THE DUTIES OF THE STAFF AT PEUI?**

11 A: The following are the staff duties:

- 12 • Collect samples and perform daily testing;
- 13 • Complete daily operations, equipment repairs and maintenance of assets;
- 14 • Submit complete and accurate monthly reports to the DEP;
- 15 • Maintain plant equipment and perform preventive maintenance on all equipment;
- 16 • Maintain the distribution system;
- 17 • Maintain all well houses, their pumps, and equipment;
- 18 • Order chemicals and safely store and identify;
- 19 • Complete service orders and respond to customer inquiries;
- 20 • Comply with all DEP permit regulations in the operation of the water facility;
- 21 • Meet with Penn Estates Property Owners Association, as mandated by the Public
22 Utility Commission or requested by the HOA;

- 1 • Complete and oversee capital projects.

2 **Q: PLEASE DESCRIBE ANY CAPITAL PROJECTS COMPLETED SINCE THE**
3 **LAST PEUI RATE CASE.**

4 A: PEUI completed a hydrant and valve replacement project in 2014 for approximately
5 \$60,000.

6 **Q: PLEASE DESCRIBE ANY SIGNIFICANT CAPITAL SPENDING SINCE THE**
7 **LAST PEUI RATE CASE.**

8 A: The following is a list of significant capital spending:

- 9 • PEUI replaced the well pump and motor in Well #4 in 2014 for approximately
10 \$13,000.
- 11 • PEUI purchased two hand-held meter reading devices in 2013 for approximately
12 \$9,000.
- 13 • PEUI completed a leak sweep of the entire system and restoration of leaking pipe
14 in 2014 for approximately \$12,015. The leak sweep revealed a broken main on
15 Stonehenge Drive that required 15 feet of pipe replacement for \$3,950 and a broken
16 saddle tap on Stonehenge Drive that required replacement for \$1,600.

17 **Q: PLEASE EXPLAIN THE REASON FOR THE PEUI CAPITAL PROJECT AND**
18 **CAPITAL SPENDING AND WHAT BENEFIT IT PROVIDES FOR THE**
19 **CUSTOMERS.**

20 A: The following is the reasoning and benefits of PEUI capital spending:

1 • The valve and hydrant project involved the replacement of (12) broken gate valves
2 within the distribution system along with the installation of three new hydrants.
3 The benefit to the customers is that PEUI is able to isolate the distribution system
4 in smaller increments which in turn reduces the number of customers impacted in
5 the case of a main break. The hydrant installations allow PEUI to more effectively
6 flush areas of the water distribution system.

7 • The well pump & motor replacement for Well #4 was necessary after the unit failed.
8 In order to maintain pressure and storage capacity, the unit was replaced. Adequate
9 pressure and storage helps to ensure that customers have uninterrupted water
10 service.

11 • The hand-held meter devices were replaced due to failure. These devices are used
12 to read meters and will be used as part of the meter replacement project as they will
13 be converted to radio readers.

14 The 2014 leak sweep covered the entire distribution system and included all water mains,
15 valves, and service connections.

16 **Q: PLEASE DESCRIBE ANY PEUI CAPITAL PROJECTS PLANNED FOR 2016.**

17 A: PEUI has a project planned for painting storage tanks #3 and #4.

18 **Q: PLEASE EXPLAIN THE REASON FOR THE PEUI CAPITAL PROJECT AND**
19 **WHAT BENEFIT IT PROVIDES FOR THE CUSTOMER.**

20 A: The painting project for water storage tanks #3 and #4 is to restore the protective tank
21 coatings which are now 30 years old. Restoring the coatings will extend the life of these
22 tanks.

1 **Q: WHAT IS THE FORECASTED COST FOR THIS PROJECT?**

2 A: The cost to paint the water storage tanks was forecasted at \$83,283, this was the Company's
3 estimate at the time of filing and is the cost included in CUPA's revenue requirement.
4 However, after soliciting bids the current forecasted cost to paint the water storage tanks is
5 \$135,051.

6 **Q: PLEASE DESCRIBE THE SCHEDULE FOR THIS PROJECT.**

7 A: This project is scheduled to start the week of June 20, 2016 and will be completed by July
8 31, 2016.

9 **Q: PLEASE DESCRIBE ANY PEUI CAPITAL PROJECTS PLANNED FOR 2017.**

10 A: PEUI has a project scheduled to replace customer meters with automatic read meters.

11 **Q: PLEASE EXPLAIN THE REASON FOR THE PEUI CAPITAL PROJECT AND**
12 **WHAT BENEFIT IT PROVIDES FOR THE CUSTOMER.**

13 A: The meter replacement project will benefit the customers by replacing old style
14 reciprocating meters with electronic units that have a service life of 20 years and will be
15 read via radio providing more accurate reading and records. Fully integrating the automated
16 meters into the PEUI territory will save the customers approximately \$13,000 in meter
17 reading expense per year.

18 **Q: WHAT IS THE FORECASTED COST FOR THIS PROJECT?**

1 A: The forecasted cost to outfit roughly 1,500 customers with automated meters is \$406,604,
2 which was the Company's estimate at the time of filing and is the cost included in CUPA's
3 revenue requirement.

4 **Q: PLEASE DESCRIBE THE SCHEDULE FOR THIS PROJECT.**

5 A: This project will be started and completed in 2017.

6 **WESTGATE**

7 **Q: PLEASE GENERALLY DESCRIBE UIW'S SERVICE TERRITORY AND**
8 **WATER SYSTEM.**

9 A: The water supply source for the UIW system is from the City of Bethlehem. Water flows
10 through two bulk water interconnects equipped with compound meters and backflow
11 prevention devices. The water distribution system consists of 69,000 feet of water main
12 ranging from four-inches to ten-inches in diameter. The piping is a mixture of ductile iron,
13 some galvanized and PVC. Service connections are K-type copper. The average system
14 pressure is approx. 75 psi and all connections are metered with Sensus touch-read systems.
15 There are 76 hydrants, 62 gate valves and 3 blow offs. There are approximately 962
16 customer connections. UIW is staffed by an Area Manager and one full time employee.

17 **Q: WHAT ARE THE DUTIES OF THE STAFF AT UIW?**

18 A: The following are the staff duties:

- 19
- Collect samples and perform daily testing;
 - Complete daily operations, equipment repairs and maintenance of assets;
- 20

- 1 • Maintain the distribution system;
- 2 • Complete service orders and respond to customer inquiries;
- 3 • Comply with all DEP permit regulations in the operation of the water facility;
- 4 • Meet with UIW's Advisory Board;
- 5 • Complete and oversee capital projects;
- 6 • Monthly meter reads.

7 **Q: PLEASE DESCRIBE ANY CAPITAL PROJECTS COMPLETED SINCE THE**
8 **LAST UIW RATE CASE.**

9 A: There were no capital projects completed since the last rate case.

10 **Q: PLEASE DESCRIBE ANY SIGNIFICANT CAPITAL SPENDING SINCE THE**
11 **LAST UIW RATE CASE.**

12 A: The following is a list of significant capital spending:

- 13 • From 2009 to 2015, UIW purchased \$14,160 in residential water meters.
- 14 • In 2012, UIW spent \$8,136 to upgrade the meter reading equipment and software
15 to replace obsolete touch readers that were no longer supported by the
16 manufacturer.
- 17 • From 2009 to 2015, UIW spent \$35,524 on pipe, fittings, and service line
18 replacements.

19 **Q: PLEASE EXPLAIN THE REASON FOR THE UIW CAPITAL SPENDING AND**
20 **WHAT BENEFIT IT PROVIDES FOR THE CUSTOMERS.**

21 A: The following is the reasoning and benefits of UIW capital spending:

- 1 • New meters were purchased to replace customer meters as they age or malfunction.
2 As a meter ages, it may not be as reliable in accuracy and performance.
- 3 • Upgrading meter reading equipment allowed the company to continue to obtain
4 accurate meter reads and provide correct bills to our customers.
- 5 • The replacement of piping, fittings, and service lines was completed as
6 infrastructure failed. These replacements were necessary to provide quality,
7 uninterrupted service to the customers.

8 **Q: PLEASE DESCRIBE ANY UIW CAPITAL PROJECTS PLANNED FOR 2016.**

9 A: UIW has a valve project scheduled for 2016 with a forecasted cost of \$54,701.

10 **Q: PLEASE EXPLAIN THE REASON FOR THE UIW CAPITAL PROJECT AND**
11 **WHAT BENEFIT IT PROVIDES FOR THE CUSTOMER.**

12 A: The 2016 valve project consists of replacing valves that are either broken or will not
13 completely shut-off which require larger sections of the system to be shut down due to
14 leaks and breaks. The benefit to the customers is less down time and smaller sections of
15 the system shut down during emergency work.

16 **Q: PLEASE DESCRIBE THE SCHEDULE FOR THIS PROJECT.**

17 A: This project will begin by June 30, 2016 and will be completed by the end of 2016.

18 **Q: PLEASE DESCRIBE ANY UIW CAPITAL PROJECTS PLANNED FOR 2017.**

19 A: In 2017, UIW will undertake \$54,701 valve and hydrant replacement project.

1 **Q: PLEASE EXPLAIN THE REASON FOR THE UIW CAPITAL PROJECT AND**
2 **WHAT BENEFIT IT PROVIDES FOR THE CUSTOMER.**

3 A: The valve project is a continuation of the project started in 2016 to replace broken valves
4 to be able to isolate the system more effectively.

5 **Q: PLEASE DESCRIBE THE SCHEDULE FOR THIS PROJECT.**

6 A: This project will be started and completed in 2017.

7 **Q: DOES CUPA HAVE A LEAK DETECTION PLAN FOR PENN ESTATES AND**
8 **WESTGATE?**

9 A: Yes, leak detection is performed yearly throughout the distribution system using a Heath
10 aqua scope leak detector, ground microphone, and curb box probe. The operator listens to
11 each hydrant, street valve, and curb box in the distribution system. In addition, every time
12 an employee is within the Company's service territory or is contact with a customer or the
13 public, the Company is monitoring for leaks.

14 **Q: ARE THE PENN ESTATES AND WESTGATE SYSTEMS IN COMPLIANCE**
15 **WITH ALL STATE AND FEDERAL REGULATIONS REGARDING WATER**
16 **QUALITY?**

17 A: Yes, our water quality meets or exceeds all federal and state standards. Penn Estates and
18 Westgate test for the following contaminants per the mandated state schedule.

19 CHLORINE

20 LEAD/COPPER GROUP CONTAMINANT

1 TOTAL COLIFORM PRESENCE

2 ARSENIC (IOC)

3 NITRATE

4 GROSS ALPHA

5 ENDRIN (SOC)

6 VINYL CHLORIDE

7 **Q: DOES THIS CONCLUDE YOUR TESTIMONY?**

8 A: Yes, it does.

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
Office of Consumer Advocate	:	
v.	:	Docket No. R-2016-2538660
Community Utilities of Pennsylvania Inc.	:	C-2016-2540738
Water Divisions	:	

PROPRIETARY

Contains Confidential Workpapers WP-BNH-02 and WP-BNH-18

DIRECT TESTIMONY

OF

BRIAN HALLORAN

ON BEHALF OF

COMMUNITY UTILITIES OF PENNSYLVANIA INC.

SPONSORING CUPA'S EXHIBIT NOS. 1 AND 2

Dated: June 16, 2016

COMMUNITY UTILITIES OF PENNSYLVANIA, INC.

DOCKET NO. R-2016-2538600

Direct Testimony of Brian Halloran

INTRODUCTION AND QUALIFICATIONS

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Q: PLEASE STATE YOUR NAME OCCUPATION AND BUSINESS ADDRESS.

A: My name is Brian Halloran. I am a Financial Analyst II for Utilities, Inc. (“UI”) and its subsidiaries. Community Utilities of Pennsylvania, Inc. (“CUPA” or “Company”) is a wholly owned subsidiary of UI. My business address is 2335 Sanders Road, Northbrook, IL 60062.

Q: PLEASE DESCRIBE YOUR DUTIES IN YOUR CURRENT POSITION.

A: My responsibilities include: financial analysis of individual subsidiaries of UI, preparation of rate applications, facilitation of regulatory audits and the submission of testimony and exhibits to support rate applications. I am responsible for ratemaking activities for individual companies, including CUPA.

Q: PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A: I graduated from the University of Illinois at Chicago in 2011, with a Bachelor of Science degree in Accounting. I have been employed by Utilities, Inc. (“UI”) since December of 2012.

1 **Q: HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PENNSYLVANIA**
2 **PUBLIC UTILITY COMMISSION?**

3 A: No, I have not.

4 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

5 A: My testimony will provide an overview of the components included in determining the
6 appropriate level of revenue relief requested by CUPA. I will sponsor CUPA Exhibit No.
7 1, which is supporting data as to the rate base, revenue and expense claims of CUPA. This
8 supporting data was supplied as part of CUPA's initial filing. I am also sponsoring CUPA
9 Exhibit No. 2 which contains all the workpapers referenced in my testimony.

10 I will provide an overview as to how the forecasted test year income statement and rate
11 base were developed. UI currently owns and operates one water and sewer company, with
12 two separate water territories in the State of Pennsylvania. The Company is recommending
13 consolidating rates to generate state-wide rates for all of CUPA's water customers.
14 However, the Company's financial schedules are presented on a unitized level and a
15 territory level basis since state-wide rates have not yet been authorized. The consolidation
16 is more fully discussed in Mr. Lubertozzi's testimony.

17 **Q: Please describe the contents of CUPA Exhibit No. 1.**

18 A: CUPA Exhibit No. 1 is divided into two sections. Section 1 contains general information
19 as to rate base, revenues and expenses in response to the Commission's regulations at 52
20 Pa. Code § 53.52. Section 2 contains Supporting Schedule Nos. 1 through 12, which
21 provide further, detailed information from which the Company's various claims, shown in
22 Section 1, were derived.

1 **Q: WHAT ARE THE NAMES OF THE WATER SERVICE TERRITORIES SERVED**
2 **BY CUPA?**

3 A: The service territories include:

- 4 • Penn Estates Utilities, Inc. (“PEUI”) which has both water and sewer operations.
- 5 • Utilities Inc. of Westgate (“UIW”) which has only water operations.

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TEST YEAR

9 **Q: WHAT TEST YEAR IS THE COMPANY PROPOSING?**

10 A: CUPA is proposing and has prepared all of the attachments and schedules using a fully
11 projected future test year (“FPFTY”) ended December 31, 2017. CUPA’s schedules also
12 include a “per books base period” for the fiscal year (“FY”) ended December 31, 2015 and
13 a forecasted period for the FY ended December 31, 2016.

14 **Q: WHY IS THE COMPANY PROPOSING THE USE OF A FPFTY?**

15 A: The Company is proposing the use of a future test year which will enable it to recover costs
16 for large forecasted projects and increasing operating expenses without seeking recovery
17 through multiple rate proceedings. The use of a forecasted test year will enable the
18 Company to reduce regulatory lag and provide the Company with a reasonable opportunity
19 to earn its authorized return.

20 **FORECASTING METHODOLOGY**

21

22 **Q: HOW WERE THE COMPANY’S FORECASTS DEVELOPED?**

1 A: The Company's forecasts were developed with input from Mr. Madison, Mr. Lubertozzi
2 and personnel from UI's shared services business unit. The projections were finalized in
3 October of 2015 and were approved by CUPA's Management Committee or Board in
4 December of 2015. Forecast guidelines are discussed in the below sections; "Net Income
5 Changes" and "Rate Base Changes".

6 **Q: HOW WAS THE COMPANY'S FORECASTED REVENUE REQUIREMENT**
7 **DEVELOPED?**

8 A: The Company revenue requirement is developed by matching the revenues for the year the
9 rate increase is authorized with the forecasted operating expenses and forecasted rate base
10 for such year. This will help provide the Company a reasonable opportunity to earn its
11 authorized return.

12 **Q: DO YOU ANTICIPATE ANY MATERIAL CHANGES TO THE PROJECTIONS?**

13 A: No, I do not.

14 **Q: IN YOUR OPINION DO THESE PROJECTIONS OR FORECASTS BEST**
15 **REPRESENT CUPA'S EXPECTED FINANCIAL PERFORMANCE?**

16 A: Yes, they do.

17 **Q: IN YOUR OPINION ARE THESE PROJECTIONS REASONABLE AND**
18 **RELIABLE?**

19 A: Yes, they are. The projections are reasonable and are justifiable. Additionally, CUPA's
20 work papers and planned projects and forecasts were created in such a way that the other
21 parties and Commission will be able to test their appropriateness and reasonableness.

RELIEF REQUESTED

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Q: PLEASE SUMMARIZE THE RELIEF SOUGHT BY CUPA.

A: As discussed in greater detail below, CUPA is requesting a basic water rate increase to produce additional revenues of \$427,817 per year.

Q: PLEASE SUMMARIZE THE PROPOSAL FOR CUPA’S REQUESTED RATE INCREASE.

A: On a state-wide rate level, assuming average residential customer usage of 4,500 gallons per month, an average 5/8” residential customer will pay \$49.65 per month for water service. The average residential bill impact is broken down by meter size in the following table.

**Community Utilities of Pennsylvania, Inc.
Average Residential Bill**

Meter Size	Proposed Base Charge	Proposed Gallonage	Proposed Gallonage Charge	Gallonage Charge	Total Bill Per Month
5/8"	\$ 22.32	4,500	\$ 6.073	\$ 27.33	\$ 49.65
1.5"	\$ 111.60	4,500	\$ 6.073	\$ 27.33	\$ 138.93

Q: WHY IS CUPA REQUESTING RATE RELIEF?

A: Under present rates, neither CUPA nor any of its service territories are able to cover their operating expenses, costs of capital, and earn a reasonable return on their system investments. The utility’s current operating income statement for twelve months ended December 31, 2015, (“Per Books”) is shown in Section 1, Page 11 of CUPA Exhibit No. 1. The current rates for CUPA’s territories do not reflect rising operational costs and capital

1 investments in infrastructure which have been realized since CUPA's territories' water
2 rates were last established. CUPA is requesting rate relief using a FPFTY for the twelve
3 months ended December 31, 2017 so that it can continue to provide safe, reliable and
4 efficient water and sewer utility services to its customers while earning a reasonable return
5 for its investors.

6 **NET INCOME CHANGES**

7
8 **Q: PLEASE EXPLAIN THE FORECASTED CHANGES TO WATER SERVICE**
9 **REVENUES.**

10 A: Forecasted levels of water revenues reflect test year-end customer counts and forecasted
11 consumption levels which incorporate a usage normalization adjustment. The derivation
12 of the forecasted/ FPFTY revenues is shown on Section 1 Page 9 of CUPA Exhibit No. 1,
13 and results in a state-wide increase of \$427,817 to base year water revenues.

14 **Q: PLEASE DESCRIBE HOW THE USAGE NORMALIZATION ADJUSTMENT**
15 **WAS CALCULATED.**

16 A: Due to the ongoing decline in the rate of consumption, forecasted consumption includes a
17 usage normalization adjustment specific to each territory and customer class. The usage
18 normalization adjustment, which is summarized below (in annual terms), was developed
19 by averaging the annual change in consumption per customer from November 2008
20 through October 2015. The Company's forecasted annual consumption decline is -1.54%
21 for its Westgate territory and -1.70% for its Penn Estates territory.

Community Utilities of Pennsylvania Inc.
Usage Normalization Rates

	A	B	D	E	F
	Annual Consumption				
Line No.	Service	Company	Class	Mtr Sz	Decline
1.	Water	Westgate	Residential	5/8"	-1.54%
2.	Water	Westgate	Residential	1.5"	-1.54%
3.	Water	Westgate	Commercial	5/8"	-1.54%
4.	Water	Westgate	Commercial	1"	-1.54%
5.	Water	Westgate	Commercial	2"	-1.54%
6.	Water	Penn Estates	Residential	5/8"	-1.70%
7.	Water	Penn Estates	Commercial	5/8"	-1.70%
8.	Water	Penn Estates	Commercial	1"	-1.70%
9.	Water	Penn Estates	Commercial	5/8"	-1.70%

Q: WHAT ANALYSIS DID THE COMPANY PERFORM TO IDENTIFY WHETHER THIS DECLINING USAGE WAS AFFECTED BY WEATHER?

A: The Company analyzed consumption patterns during winter months (December through February) over the same time period in order to assist in identifying if these trends shown above are weather-neutral. The below table illustrates a similar trend in consumption decline. The similar trend indicates that the declining consumption is not a result of weather impacts as weather has little, if any, impact on usage in the winter season. Additionally, since the Company's sample period spans seven years any weather variations from the norm are likely offsetting.

CUPA - Average Consumption Decline in Winter Months

Territory	Customer Class	Rate
Utilities Inc. of Westgate	Blended	-3.21%
Penn Estates Utilities, Inc.	Blended	-1.88%

1 **Q: PLEASE EXPLAIN THE FORECASTED CHANGES TO MISCELLANEOUS**
2 **REVENUES.**

3 A: Forecasted levels of miscellaneous revenues reflect per books miscellaneous revenues and
4 are forecasted to remain constant.

5 **Q: PLEASE EXPLAIN THE FORECASTED CHANGES TO UNCOLLECTIBLE**
6 **ACCOUNTS.**

7 A: Uncollectible Accounts are recalculated based on each individual water systems'
8 percentage of uncollectible amounts to water service revenues in the per books year and
9 applied to forecasted service revenues. The uncollectible rate for UIW is equal to
10 approximately .11%, and approximately 1.48% for PEUI.

11 **Q: PLEASE EXPLAIN GENERALLY HOW THE FORECASTED CHANGES TO**
12 **O&M (MAINTENANCE AND GENERAL EXPENSES) WERE DETERMINED.**

13 A: Forecasted O&M expense for periods December 31, 2016 and 2017 were populated using
14 the guidelines discussed below. O&M expenses can be direct-billed to CUPA, allocated
15 to CUPA by the Service Company or the President and Region Cost Centers, or a
16 combination of direct and allocated expenses. Allocations are based on December 31, 2015
17 weighted Equivalent Residential Connection ("ERC") counts for each cost type, as shown
18 in WP-BNH-01 (ERC Allocations).

19 **Q: PLEASE DETAIL THE FORECASTED WEIGHTED ERC CALCULATION**
20 **FROM EACH OVERHEAD COST CENTER.**

21 A: Forecasted costs are allocated based on updated December 31, 2015 ERC counts and are
22 shown in WP-BNH-01 (ERC Allocations).

- 1 • Water Service Corp. (“WSC”) - Costs which are allocated from WSC, shared
2 service costs, are allocated by multiplying the forecasted shared service cost by the
3 ERC ratio of the specific CUPA territory to all of UI’s service territories. Westgate
4 is allocated at 0.35% of WSC’s forecasted costs. Penn Estates is allocated at 1.19%
5 of WSC’s forecasted costs. Penn Estates is then allocated at 50.06% of those costs
6 to attribute to water services.
- 7 • Leadership – Costs which are allocated from CUPA’s Leadership/President cost
8 center, are allocated by multiplying the forecasted leadership cost center costs by
9 the ERC ratio of the specific CUPA territory to all of the leadership cost center’s
10 service territories. The other territories include operations in; IL, IN, KY, MD, NJ
11 and VA. Westgate is allocated at 1.85% of the Leadership’s forecasted costs. Penn
12 Estates is allocated at 6.32% of the Leadership’s forecasted costs. Penn Estates is
13 then allocated at 50.06% of those costs to attribute to water services.
- 14 • Mid-Atlantic - Costs which are allocated from CUPA’s Mid-Atlantic Regional cost
15 center, are allocated by multiplying the forecasted Mid-Atlantic regional cost center
16 costs by the ERC ratio of the specific CUPA territory to all of the Mid-Atlantic
17 regional cost center’s service territories. The other territories include operations in
18 MD, NJ, and VA. Westgate is allocated at 5.55% of the Mid-Atlantic’s forecasted
19 costs. Penn Estates is allocated at 19.01% of the Mid-Atlantic’s forecasted costs.
20 Penn Estates is then allocated at 50.06% of those costs to attribute to water services.
- 21 • State – Costs which are allocated from CUPA’s State cost center, are allocated by
22 multiplying the forecasted state cost center costs by the ERC ratio of the specific

1 CUPA territory to all of the CUPA's territories. Westgate is allocated at 17.10% of
2 the State's forecasted costs. Penn Estates is allocated at 58.53% of the State's
3 forecasted costs. Penn Estates is then allocated at 50.06% of those costs to attribute
4 to water services.

5
6 **Q: PLEASE EXPLAIN HOW FORECASTED SALARIES AND WAGES WERE**
7 **DETERMINED.**

8 A: Salaries and wages are calculated by employee and are based upon current and anticipated
9 levels of staffing. Salaries are calculated by averaging from a past period of the percentage
10 of increase for labor. A 3% wage level increase is standard across all operating companies
11 at UI. This wage increase is standard across all operating companies at UI because the
12 Company believes that by granting an annual 3% increase to wage levels, the Company is
13 able to retain key and highly trained personnel who are in demand by other water and sewer
14 operations, both privately and municipally. Most employees' wage increase is effective in
15 April of each year; however, some employee's increase is effective in January of each year.
16 Additional detail and underlying calculations are provided in WP-BNH-02 (Salaries and
17 Wages Expense – CONFIDENTIAL). As shown in Section 1, Page 12 of CUPA Exhibit
18 No. 1, total salaries and wages expense is forecasted to increase from \$197,690 in the base
19 period to \$240,516 in the test year. The Company is also ceasing its practice of capitalizing
20 time for rate case proceedings and instead will expense those costs.

21 Capitalized Time is forecasted for based on anticipated capital investments from
22 Operations. Additional detail and underlying calculations are provided in WP-BNH-02

1 (Salaries and Wages Expense – CONFIDENTIAL). Capitalized time or cap time, is
2 calculated based on the following three components:

- 3 • Capital Project Cap Time - Operations has supplied a forecasted number of hours
4 to be worked on each forecasted capital project. The unit of hours is multiplied
5 against current PA operator cap time rates to determine capitalized time.
- 6 • Capital Additions/Replacements Cap Time - FY 2017 forecast is based on a
7 historical 4 year average (2011-2014) of capitalized time for generic plant
8 additions/replacements.

9 **Q: PLEASE EXPLAIN HOW FORECASTED PURCHASED POWER COSTS WERE**
10 **DETERMINED.**

11 A: Electric power costs are forecasted, by month, based on the historical levels of electric
12 power costs. FY 2016 and FY 2017 forecasts are based on the latest four years of vendor
13 invoicing for the service periods 06/01/2011-05/30/2015. The latest twelve months
14 (06/01/2014-05/30/2015) of service costs were used as a base and an average annual
15 growth rate from the historical periods was applied to all forecast periods. It was assumed
16 that any seasonality from the four years analyzed will continue. Details of these
17 calculations are provided in WP-BNH-03 (Purchased Power Expense). As shown in
18 Section 1, Page 12 of CUPA Exhibit No. 1, purchased power costs are forecasted to
19 increase from \$38,186 in the base period to \$39,893 in the test year. By default, the
20 forecasted purchased power forecast includes forecasted reduction in usage.

21 **Q: PLEASE EXPLAIN HOW FORECASTED PURCHASED WATER COSTS WERE**
22 **DETERMINED.**

1 A: Purchased water costs are forecasted, by month, based on respective levels of forecasted
2 purchased water and forecasted purchased water rates. Forecasted purchased water rates
3 of \$4.59 per thousand gallons are based on current charges by CUPA's supplier, City of
4 Bethlehem, of \$4.31 and an anticipated increase of \$.28. Forecasted purchased water
5 volumes are calculated based on an average of the prior 9-10 years of purchased water
6 volumes, discounted by 1% annually. The 1% discount assumes both consumer
7 conservation and changes in water losses, as the volume used to calculate purchased water
8 expense is based on pumped water and not sold water. Details of these calculations are
9 provided in WP-BNH-04 (Purchased Water Expense). As shown in Section 1, Page 12 of
10 CUPA Exhibit No. 1, purchased water costs are forecasted to decrease from \$277,715 in
11 the base period to \$269,526 in the test year. By default, the forecasted purchased water
12 forecast includes forecasted reduction in usage.

13 **Q: PLEASE EXPLAIN HOW FORECASTED MATERIALS, SUPPLIES, AND**
14 **OTHER MAINTENANCE EXPENSE COSTS WERE DETERMINED.**

15 A: Maintenance and repair expenses are forecasted based on analysis of historical data and
16 estimated needs of Operations. Additional detail and underlying calculations are provided
17 in WP-BNH-05 (Maintenance and Repair Expense). As shown in Section 1, Page 12 of the
18 CUPA Exhibit No. 1, materials, supplies, and other maintenance expenses are forecasted
19 to increase from \$18,354 in the base period to \$30,221 in the test year. Maintenance and
20 Repair expenses are broken down into the following categories:

- 21 • Deferred Maintenance – Amortization of deferred maintenance is forecasted to
22 increase from \$0 in the base period to \$7,395 in the test year. Deferred maintenance

1 expense is forecasted based on current and planned deferred project costs. These
2 costs are amortized, by month, over their useful lives until no value remains.

3 • Uniforms – Uniforms are forecasted based on estimated needs of all departments.
4 Uniform costs are forecasted to increase from \$1,136 in the base period to \$1,745
5 in the test year.

6 • Weather/Hurricane/Fuel Expense – Weather/Hurricane/Fuel Expense is forecasted
7 based on estimated needs based on the historical average in the territories and state
8 cost center. Weather/Hurricane/Fuel Expense costs are forecasted to increase from
9 \$1,149 in the base period to \$1,825 in the test year.

10 • Other – Other maintenance and repairs expenses have been forecasted for calendar
11 year 2016 using the monthly average cost between periods January 2011 – June
12 2015. 2017 calendar year forecast assumes 2016 costs are inflated by the 10-year
13 average water maintenance growth rate of 3%. Other maintenance and repair
14 expenses are forecasted to increase from \$16,069 in the base period to \$19,257 in
15 the test year.

16 **Q: PLEASE EXPLAIN HOW FORECASTED TESTING, METER READING, AND**
17 **MISCELLANEOUS EXPENSE COSTS WERE DETERMINED.**

18 A: Additional detail and underlying calculations are provided in WP-BNH-17 (Testing, Meter
19 Reading, and Miscellaneous Expense). As shown in Section 1, Page 12 of CUPA Exhibit
20 No. 1, operating expenses charged to plant are forecasted to increase from \$36,742 in the
21 base period to \$39,904 in the test year. Testing, Meter Reading, and Miscellaneous
22 Expense is broken down into the following categories:

- 1 • Meter Reading – Meter Reading is forecasted based on an analysis of recurring
2 costs for meter reading and known future expenses that are expected to occur.
3 Meter reading costs are forecasted to decrease from \$21,158 in the base period to
4 \$9,231 in the test year. The decrease is primarily caused by the anticipated
5 elimination of Penn Estates meter reading costs in the test year.

- 6 • Miscellaneous Expense – Miscellaneous costs are forecasted based on an analysis
7 of recurring costs such as membership dues and bank service charges. Other
8 miscellaneous costs such as training expense, are based on the needs of each
9 department. Miscellaneous Expense is forecasted to increase from \$3,257 in the
10 base period to \$3,416 in the test year

- 11 • Travel Expense – Travel Expense is forecasted based on an analysis of historical
12 costs for travel related expenses in Pennsylvania, as well as the other cost centers
13 that are allocated to Pennsylvania operations. The increase in costs is driven by the
14 assumption, Mr. Bruce Haas, Vice President of Operations, will begin incurring
15 travel costs for site visits. Travel expense is forecasted to increase from \$2,667 in
16 the base period to \$4,416 in the test year

- 17 • Maintenance Testing – Maintenance testing costs are forecasted based on the
18 anticipated testing requirements for CUPA operations. Testing expense is
19 forecasted using the monthly average cost between periods January 2011 – June
20 2015. Maintenance testing costs are forecasted to increase from \$9,757 in the base
21 period to \$22,842 in the test year.

1 **Q: PLEASE EXPLAIN HOW FORECASTED CHEMICAL COSTS WERE**
2 **DETERMINED.**

3 A: Chemical costs are forecasted, by month, based on historical levels of chemical costs. The
4 forecast is based on analysis completed by Operations, which includes estimated chemical
5 costs per unit, by chemical type. The estimated chemical costs are determined by review
6 of current costs, no cost increases are currently anticipated. An estimated number of units,
7 which is based on historical seasonal needs, of each chemical type is then used as a
8 multiplier to determine forecasted chemical expense for each system. Additional detail
9 and underlying calculations are provided in WP-BNH-07 (Chemical Expense). As shown
10 in Section 1, Page 12 of CUPA Exhibit No. 1, chemical expense is forecasted to increase
11 from \$33,356 in the base period to \$35,545 in the test year.

12 **Q: PLEASE EXPLAIN HOW FORECASTED TRANSPORTATION COSTS WERE**
13 **DETERMINED.**

14 A: Transportation expenses are forecasted for based on analysis of historical data and
15 estimated needs across all departments. Additional detail and underlying calculations are
16 provided in WP-BNH-08 (Transportation Expense). As shown in Section 1, Page 12 of
17 CUPA Exhibit No. 1, transportation costs are forecasted to increase from \$15,946 in the
18 base period to \$17,177 in the test year. Transportation expenses are broken down into the
19 following categories:

- 20 • Fuel – Fuel expense is forecasted to increase from \$10,842 in the base period to
21 \$13,265 in the test year. Fuel cost for FY 2017 were forecasted by using projected
22 national fuel prices (cost per gallon) from the US Energy Information
23 Administration’s July 2015 outlook as a base and adjusting by the average fuel

1 price change over the prior six years, and then normalizing for Pennsylvania. A two
2 year average of gallons used (July 2013 - June 2015) for the Company's vehicles
3 was used as a base for forecasted gallons to be purchased for FY 2017. The increase
4 to expense is driven by a forecasted increase in fuel costs.

- 5 • Auto Repairs – Auto repairs for the Pennsylvania State cost center have been
6 forecasted for using the monthly average cost between periods January 2011 – June
7 2015. Auto Repair expense is forecasted to decrease from \$3,809 in the base period
8 to \$2,402 in the test year.

- 9 • Other – Other transportation expenses are forecasted to increase from \$1,294 in the
10 base period to \$1,510 in the test year. Other transportation expense includes license
11 renewals and miscellaneous transportation costs.

12 **Q: PLEASE EXPLAIN HOW FORECASTED ENGINEERING FEES EXPENSES**
13 **WERE DETERMINED.**

14 A: Engineering Fees expenses are forecasted for based on analysis of historical data and
15 estimated needs across all departments. Additional detail and underlying calculations are
16 provided in WP-BNH-10 (Engineering Fees Expense). As shown in Section 1, Page 12 of
17 CUPA Exhibit No. 1, engineering fees expenses are forecasted to increase from \$2,052 in
18 the base period to \$2,853 in the test year.

19 **Q: PLEASE EXPLAIN HOW FORECASTED CONTRACTUAL SERVICES-**
20 **ACCOUNTING COSTS WERE DETERMINED.**

21 A: Contractual Services – Accounting costs are forecasted for based on analysis of historical
22 data and estimated needs across all departments. Additional detail and underlying

1 calculations are provided in WP-BNH-10 (Contractual Services - Accounting). As shown
2 in Section 1, Page 12 of CUPA Exhibit No. 1, contractual services – accounting costs are
3 forecasted to decrease from \$7,757 in the base period to \$6,452 in the test year.

4 **Q: PLEASE EXPLAIN HOW FORECASTED CONTRACTUAL SERVICES-LEGAL**
5 **COSTS WERE DETERMINED.**

6 A: Contractual Services – Legal costs are forecasted for based on analysis of historical data
7 and estimated needs across all departments. Additional detail and underlying calculations
8 are provided in WP-BNH-10 (Contractual Services - Legal). As shown in Section 1, Page
9 12 of CUPA Exhibit No. 1, contractual services – legal costs are forecasted to decrease
10 from \$31,563 in the base period to \$2,350 in the test year.

11 **Q: PLEASE EXPLAIN HOW FORECASTED CONTRACTUAL SERVICES-OTHER**
12 **COSTS WERE DETERMINED.**

13 A: Contractual Services – Other costs are forecasted for based on analysis of historical data
14 and estimated needs across all departments. Additional detail and underlying calculations
15 are provided in WP-BNH-10 (Contractual Services - Other). As shown in Section 1, Page
16 12 of CUPA Exhibit No. 1, contractual services – other costs are forecasted to increase
17 from \$5,390 in the base period to \$5,733 in the test year.

18 **Q: PLEASE EXPLAIN HOW FORECASTED OFFICE UTILITIES, SUPPLIES, &**
19 **OTHER OFFICE EXPENSES WERE DETERMINED.**

20 A: Office utilities, supplies and other office expenses are forecasted for based on analysis of
21 historical data and estimated needs across all departments. Additional detail and underlying
22 calculations are provided in WP-BNH-11 (Office Supplies, Utilities, and Other Office

1 Expense). As shown in Section 1, Page 12 of CUPA Exhibit No. 1, office supplies and
2 other office expenses are forecasted to increase from \$42,982 in the base period to \$53,016
3 in the test year. Office utilities, supplies and other office expenses are broken down into
4 the following categories:

5 • Office Expense – Office expenses are forecasted based on the assumption historical
6 costs will increase by a growth rate of 3%. Office costs are forecasted to increase
7 from \$2,172 in the base period to \$4,025 in the test year.

8 • Office Utility – Office utilities are forecasted based on the assumption historical
9 costs will increase by a growth rate of 3%. Office costs are forecasted to increase
10 from \$23,154 in the base period to \$27,463 in the test year.

11 • Billing and Customer Service – Billing and customer service costs are forecasted
12 to increase from \$8,512 in the base period to \$9,721 in the test year. The increase
13 in costs is related to an increase in customer mailings anticipated for FY 2017.

14 • Information Technology – Information Technology costs are forecasted at WSC for
15 calendar year 2016 by service contract; calendar year 2017 assumes a 3% cost increase and
16 additional maintenance agreements. Information Technology costs are forecasted to
17 increase from \$9,146 in the base period to \$11,809 in the test year. The increase is driven
18 by additional maintenance agreements for the data center. The data center was completed
19 approximately one year ago and came with a year of free maintenance, which will expire
20 the beginning of 2016.

1 **Q: PLEASE EXPLAIN HOW REGULATORY COMMISSION EXPENSES WERE**
2 **DETERMINED.**

3 A: Regulatory expenses are forecasted for based on current and planned rate case costs. These
4 costs are normalized, by month, over their useful lives until no value remains. As shown
5 in Section 2, Page 8 of CUPA Exhibit No. 1, regulatory commission expense is forecasted
6 to increase from \$32,144 in the base period to \$114,048 in the test year. The projected
7 increase in regulatory commission expense is driven by the normalization of forecasted
8 expenses to be incurred for the current case. If necessary, this expense will be updated at
9 the time rebuttal testimony is filed to reflect a more accurate forecast amount.

10 **Q: PLEASE EXPLAIN HOW PENSION AND OTHER BENEFITS COSTS WERE**
11 **DETERMINED.**

12 A: Pension and benefits costs are forecasted at WSC and are based on review and analysis of
13 current and projected headcounts and corresponding benefits. Additional detail and
14 underlying calculations are provided in WP-BNH-13 (Pension and Benefit Expense). As
15 shown in Section 1, Page 12 of CUPA Exhibit No. 1, pension and other benefits costs are
16 forecasted to increase from \$57,506 in the base period to \$61,221 in the test year. The
17 increase in costs is driven by increasing Health Insurance Claims. Health Insurance costs
18 are projected to increase 5.5% per year, this is based on recent health care cost trends as
19 provided by UI's employee benefits consultant, Hays Companies.

20 **Q: PLEASE EXPLAIN HOW RENT COSTS WERE DETERMINED.**

21 A: Rent expense is forecasted based on an analysis of current and anticipated lease obligations.
22 Additional detail and underlying calculations are provided in WP-BNH-14 (Rent Expense).

1 As shown in Section 1, Page 12 of CUPA Exhibit No. 1, rent expense is forecasted to
2 increase from \$2,584 in the base period to \$2,856 in the test year.

3 **Q: PLEASE EXPLAIN HOW INSURANCE COSTS WERE DETERMINED.**

4 A: Insurance costs are forecasted at WSC and are based on review and analysis of current and
5 projected insurance policies. Additional detail and underlying calculations are provided in
6 WP-BNH-15 (Insurance Expense). As shown in Section 1, Page 12 of CUPA Exhibit No.
7 1, insurance expense is forecasted to increase from \$25,370 in the base period to \$29,143
8 in the test year. The increase in costs is driven by an increase in 2016 business insurance
9 premiums from Liberty Mutual, WSC's primary insurance provider. 2017 costs are
10 determined by assuming a 3% increase over 2016 forecasted costs for business insurance
11 premiums and 0% increase in deductibles.

12 **Q: PLEASE EXPLAIN HOW TAXES OTHER THAN INCOME TAXES WERE**
13 **DETERMINED.**

14 A: Taxes Other than Income Taxes ("TOTI") are forecasted based on forecasted levels of
15 salaries, revenues, and plant in service. Additional detail and underlying calculations are
16 provided in supporting work papers (referenced below). As shown on Section 2, Page 5 of
17 CUPA Exhibit No. 1, TOTI expenses are forecasted to increase from \$32,383 in the base
18 period to \$53,601 in the test year. TOTI expenses are broken down into the following
19 categories:

- 20 • Payroll Taxes – Payroll taxes are forecasted to increase from \$19,045 in the base
21 period to \$24,861 in the test year. Payroll taxes are calculated based on forecasted

1 salaries. Additional detail and underlying calculations are provided in WP-BNH-
2 18 (Payroll Tax Expense - CONFIDENTIAL).

- 3 • Utility Commission Assessment – Utility Commission assessments are forecasted
4 to increase from \$5,772 in the base period to \$8,238 in the test year. Utility
5 Commission tax assessment is calculated as 0.58% of revenue. The increase in
6 utility assessments is based on an increase in recognized revenue. Additional detail
7 and underlying calculations are provided in WP-BNH-19 (Utility Commission Tax
8 Expense).

- 9 • Property Taxes – Property taxes are forecasted to increase from \$6,662 in the base
10 period to \$20,356 in the test year. PA Property tax rate is calculated using an
11 average historical property tax rate, which is an average of historical property taxes
12 as a percentage of net plant in service. The increase in property taxes is based on
13 an increase in forecasted net plant in service. Additional detail and underlying
14 calculations are provided in WP-BNH-20 (Property Tax Expense). Be advised
15 forecasted net plant in service used to calculate property taxes does not agree to
16 pro-forma net plant in service. If necessary, this expense will be updated at the time
17 rebuttal testimony is filed to reflect a more accurate forecast amount.

- 18 • Franchise Taxes – Franchise taxes are forecasted for WSC based on review of
19 historical costs. Franchise taxes are forecasted for CUPA based on an average of
20 last two years' tax expense. Additional detail and underlying calculations are
21 provided in WP-BNH-21 (Franchise Tax Expense).

22 **Q: PLEASE EXPLAIN THE FORECASTED CHANGES TO DEPRECIATION.**

1 A: The Company is not proposing any change to current depreciation rates for each water
2 operation.

3 **Q: PLEASE EXPLAIN THE FORECASTED CHANGES TO AMORTIZATION.**

4 A: The Company is not proposing any change to current amortization rates for each water
5 territory.

6 **Q: PLEASE EXPLAIN THE FORECASTED CHANGES TO INCOME TAXES.**

7 A: Forecasted Income Taxes are computed on taxable income at the following rates (0%
8 Federal and 9.99% State).

9 **Q: PLEASE EXPLAIN THE FORECASTED CHANGES TO INTEREST DURING**
10 **CONSTRUCTION.**

11 A: Interest During Construction (“IDC”) is eliminated for rate-making purposes.

12

13

RATE BASE CHANGES

14

15 **Q: PLEASE EXPLAIN THE FORECASTED CHANGES TO UTILITY PLANT IN**
16 **SERVICE.**

17 A: Forecasted Utility Plant in Service is based on the per books amounts and adjusted for the
18 proper reallocation of vehicles and computers. Forecasted changes also include forecasted
19 vehicle additions net of retirements and computer retirements, as shown on Supporting
20 Schedule No. 9(a-b), Section 2 of CUPA Exhibit No. 1. Forecasted investments for water
21 infrastructure is described below and included in “Net Pro Forma Plant.”

1 **Q: PLEASE EXPLAIN THE FORECASTED CHANGES TO ACCUMULATED**
2 **DEPRECIATION.**

3 A: Forecasted Accumulated Depreciation is based on the per books amounts and adjusted for
4 the proper reallocation of vehicles and computers and forecasted retirements of vehicles
5 and computers. Forecasted changes also include the incremental depreciation related to
6 the base year gross plant in service and forecasted plant additions net of all retirements.

7 **Q: PLEASE EXPLAIN THE FORECASTED CHANGES TO CASH WORKING**
8 **CAPITAL.**

9 A: Forecasted Working Capital is calculated based on forecasted O&M expense as well as
10 forecasted Taxes Other Than Income expense.

11 **Q: PLEASE EXPLAIN THE FORECASTED CHANGES TO NET CONTRIBUTIONS**
12 **IN AID OF CONSTRUCTION.**

13 A: Forecasted Net Contributions In Aid of Construction were adjusted by the incremental
14 amortization of the base year gross balances.

15 **Q: PLEASE EXPLAIN THE FORECASTED CHANGES TO ACCUMULATED**
16 **DEFERRED INCOME TAXES.**

17 A: Forecasted Accumulated Deferred Income Taxes was adjusted to reflect projected
18 differences between book depreciation and tax depreciation.

19 **Q: PLEASE EXPLAIN THE FORECASTED CHANGES TO NET PLANT**
20 **ACQUISITION ADJUSTMENT.**

21 A: Forecasted Net Plant Acquisition Adjustment for Penn Estates was adjusted by the
22 incremental amortization of the base year gross balances. Forecasted Net Plant Acquisition

1 Adjustment for Westgate was adjusted to remove any plant or accumulated amortization
2 amounts, for ratemaking purposes, per previous rate proceedings.

3 **Q: PLEASE EXPLAIN THE FORECASTED CHANGES TO NET PRO FORMA**
4 **PLANT.**

5 A: Net Pro Forma Plant includes the forecasted additions of capital projects net of retirements,
6 capital additions/replacements and capitalized time. Forecasted methods are explained
7 more fully below.

8 **Q: PLEASE EXPLAIN HOW FORECASTED CAPITAL INVESTMENTS WERE**
9 **DETERMINED.**

10 A: An analysis of the Company's utility plant in service was made by Operations in order to
11 determine the necessary capital projects and improvements for January 01, 2016-
12 December 31, 2017 (please refer to the testimony of Chuck Madison for further details on
13 the investments). Forecasted plant additions, net of retirements are forecasted at \$58,405
14 for FY 2016 and \$487,666 for FY 2017. Additional detail and underlying calculations are
15 provided in WP-BNH-22 (Net Capital Investments). Capital Investment is forecasted by
16 considering the below components.

- 17 • Capital Projects/Retirements: Capital Project costs are calculated based on
18 supported cost estimates provided by Operations (please refer to WP-BNH-22 (Net
19 Capital Investments)). Associated retirements are calculated using Handy-Whitman
20 indexes and estimated origination year of replaced plant assets.

- 21 • Capital Additions/Replacements: FY December 31, 2016 and 2017 forecasts are
22 estimated based on a historical 4 year spending average from years 2011-2014.

- 1 • Capitalized Time: FY December 31, 2016 and 2017 forecasts are estimated based
2 on a historical 4 year spending average from years 2011-2014.
- 3 • Transportation: Vehicle replacement costs are provided by Operations. Associated
4 retirements are based on book costs of the replaced vehicles.
- 5 • Computers: No Computer spending is forecasted. Computer retirements are based
6 on book costs of computer assets.

7
8 **COST OF CAPITAL AND CAPITAL STRUCTURE**

9
10 **Q: HAS THE COMPANY ENTERED INTO A NEGOTIATED STIPULATION**
11 **REGARDING OVERALL RATE OF RETURN?**

12 A: Yes, after negotiations regarding all parties involved, the parties have stipulated to an
13 overall rate of return of 8.08%. This will conserve rate case expense, which will benefit
14 the customers of the Company, as well as, the time, effort and expense of the parties and
15 the Commission.

16 **PROPOSED REVENUE INCREASE**

17
18 **Q: PLEASE EXPLAIN THE PROPOSED REVENUE INCREASE.**

19 A: Section 1, Page 11 of the Company's filing shows the forecasted future test year ended
20 December 31, 2017 net operating loss of (\$96,494) for the Company's consolidated water
21 services. The proposed rates are calculated to provide the opportunity to earn an 8.08%
22 rate of return on net original cost rate base of \$3,316,476. The future test year ended
23 December 31, 2017 revenue requirement is calculated by determining the requested

1 increase in operating income. The requested level of operating income is determined by
2 applying the stipulated rate of return of 8.08% to the proposed rate base as of December
3 31, 2017 for the Company (shown on Section 1, Page 14 of CUPA Exhibit No. 1). The
4 requested level of net operating income is \$267,955. The operating income is then grossed
5 up for: (a) Federal income taxes, (b) State income taxes and (c) Uncollectibles. The
6 resulting proposed increase in revenue requirements is \$410,096.

7 **RATE DESIGN**

8
9 **Q: WHAT ARE CUPA'S CURRENT RATES AND EACH SERVICE TERRITORY'S**
10 **CURRENT RATES?**

11 A: The Company's Schedule of Present Water Charges was provided with the Company's
12 original filing.

13 **Q: PLEASE DESCRIBE THE COMPANY'S PROPOSED RATE DESIGN.**

14 A: The Company is proposing unitizing water rate structure for the service territories formally
15 known as Utilities Inc. of Westgate and Penn Estates Utilities Inc. The proposed rates used
16 by the Company are blended unitized rates arrived at by dividing total units for both
17 Westgate and Penn Estates by total revenues for both Westgate and Penn Estates.

18 **Q: WHAT ARE THE PROPOSED CONSOLIDATED WATER RATES?**

19 A: Section 2, Page 2 of CUPA Exhibit No. 1 contains the Company's Schedule of Proposed
20 Water Charges. For water customers, the base facility charge is based upon the meter size
21 and starts at \$22.32 for a 5/8" meter. Water customers will also be charged \$6.073 per
22 1,000 gallons metered. Under the ROR stipulation, base facility charge rates will start at

1 \$22.03 for a 5/8" meter and all water customers will be charged \$6.001 per 1,000 gallons
2 metered for all meter sizes.

3 **Q: DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?**

4 A: Yes, although I reserve the right to update it if necessary due to any new or updated
5 information.

CUPA EXHIBIT NO. 1

Section 1

Community Utilities of Pennsylvania Inc.
Water Divisions

Supporting Data
for
Docket No. R-2016-_____

By

Robert Guttormsen
Senior Financial Analyst

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Community Utilities of Pennsylvania Inc.
Water Division
R-2016-_____
Statement of Reasons for Rate Increase
Answer to 52 PA. Code 53.52 (b) (1)

Community Utilities of Pennsylvania – Water Operations

Community Utilities of Pennsylvania Inc. (“Company”) is filing Supplement No. 1 to Tariff Water – Pa. P.U.C. No. 1. on April 6th 2016 with a requested effective date of June 5, 2016 for the purpose of increasing water service revenue by \$427,817 per annum which represents a 39.96% increase over the service revenues previously generated by the service territories formally known as Penn Estates Utilities, Inc. and Utilities Inc. - Westgate.

For the twelve months ended December 31, 2015, December 31, 2016, and December 31, 2017, respectively, utility operations produced book net income, forecasted net income under present rates, and fully projected pro-forma net income as follows:

<u>Period</u>	<u>Net Income/(Loss)</u>	<u>Reference</u>
Base Year per Books (12/31/2015)	(\$32,209) ¹	Section 1 (pp. 1-19)
Future Test Year (12/31/2016)	(\$65,364) ¹	Section 1 (pp. 1-19)
Future Test Year (12/31/2017)	(\$205,938) ¹	Section 1 (pp. 1-19)
Pro-Forma Proposed (12/31/2017)	\$174,099 ²	Section 1 (pp. 1-19)

The current rate filing is necessary to realize a reasonable rate of return on the Company’s capital investment and recover operating expenses. The factors given consideration in calculating the proposed increase are set forward in the following narrative.

Operating Revenues

The per books operating revenue for the twelve months ended December 31, 2015 totaled \$1,070,650. The Company performed a billing analysis to reflect the proper level of service revenue for the test years ended December 31, 2015, December 31, 2016, and December 31, 2017. The analysis produced an adjustment that resulted in an overall decrease in service revenue of \$8,522 for the twelve months ended

¹ Present rates
² Proposed rates

Community Utilities of Pennsylvania Inc.

Water Division

R-2016-_____

Statement of Reasons for Rate Increase

Answer to 52 PA. Code 53.52 (b) (1)

December 31, 2016 and an overall decrease in service revenue of \$8,383 for the twelve months ended December 31, 2017. These adjustments, combined with projected levels of miscellaneous revenues, forfeited discounts, and uncollectible accounts produce pro-forma operating revenue under present rates of \$1,018,664 and \$1,010,282 for the twelve months ended December 31, 2016, and December 31, 2017 respectively. After accounting for the increase in uncollectible accounts (\$3,886) related to the Company's revenue request of \$426,493, the Company's proposed fully projected test year operating revenue is \$1,438,099.

Operating Expenses

For the twelve months ended December 31, 2015, December 31, 2016, and December 31, 2017, respectively, utility operations produced per book, forecasted, and fully projected pro-forma operating expenses as follows:

<u>Period</u>	<u>Operating Expense</u>	<u>Reference</u>
Base Year Per books (12/31/2015)	\$1,007,369	Section 1 (pp. 1-11)
Future Test Year (12/31/2016)	\$982,091	Section 1 (pp. 1-11)
Future Test Year (12/31/2017)	\$1,097,730	Section 1 (pp. 1-11)
Fully projected (12/31/2017)	\$1,142,380	Section 1 (pp. 1-11)

The Company has projected net increased operating and maintenance costs of \$96,345 between the base year ended December 31, 2015 and the fully projected future test year ended December 31, 2017 as reflected in response to tariff Regulation c (1) Sheets 1b and 1c.

Original Cost – Plant in Service

The original costs of the plant in service at December 31, 2015 were compiled through Company records. The total plant in service per books at the end of the base year is \$7,850,876. Pro-forma plant additions (net of retirements) of \$58,406 and \$487,667 for the future test years ended December 31, 2016,

Community Utilities of Pennsylvania Inc.

Water Division

R-2016-_____

Statement of Reasons for Rate Increase

Answer to 52 PA. Code 53.52 (b) (1)

and December 31, 2017 respectively have been included on Tariff Regulation (c) (3) to reflect the fully projected future test year level of utility plant in service as of December 31, 2017

Accumulated Depreciation and Annual Depreciation Expense

The calculations of annual and accumulated depreciation are based upon the straight line method. An adjustment has been made to calculate pro-forma depreciation expense and the level of pro-forma accumulated depreciation using class of asset rates on the Company's books, going level, as well as, projected plant in service as of December 31, 2016, and December 31, 2017. This adjustment results in a decrease to depreciation expense of \$16,917 and increase of \$7,658 for the future test years ended December 31, 2016, and December 31, 2017 respectively. The pro-forma accumulated depreciation amounts to \$2,410,113 and \$2,427,424 as of December 31, 2016, and December 31, 2017 respectively. Please see Supporting Schedules No. 4 and No. 9 (a & b) in Section 2.

Calculation of Rate Base

Five elements were used to determine rate base for the Company. They are as follows:

- I. Net Plant in Service
- II. Contributions in Aid of Construction (Net)
- III. Net Plant Acquisition Adjustment
- IV. Customer Deposits
- V. Accumulated Deferred Income Taxes
- VI. Pro forma Plant Additions (Net of Retirements)
- VII. Cash Working Capital

- I. Net Plant in Service

Net Plant in Service was determined by deducting pre books and pro forma accumulated depreciation from per books and pro forma gross utility plant in service as of December 31, 2015, December 31, 2016, and December 31, 2017.

Community Utilities of Pennsylvania Inc.
Water Division
R-2016-_____
Statement of Reasons for Rate Increase
Answer to 52 PA. Code 53.52 (b) (1)

Water Operations	Supporting Schedule No.	Per Books Base Year Ended 12/31/2015	Future Test Year Ended 12/31/2016	Pro-forma FPFTY Ended 12/31/2017
Utility Plant in Service	(c)(2)	\$ 7,850,876	\$ 7,909,281	\$ 8,396,948
Accumulated Depreciation	(c)(2)	(2,520,106)	(2,410,113)	(2,427,424)
Net Utility Plant:		\$ 5,330,770	\$ 5,499,169	\$ 5,969,524

II. Cash Working Capital

The amount included for Cash Working Capital is based on 1/8 method using per books and pro forma operating and maintenance expenses of \$886,492, \$880,473, and \$1,004,055 for the test years ended December 31, 2015, December 31, 2016, and December 31, 2017 respectively resulting in cash working capital levels of \$110,811, \$110,059, and \$125,507 for the test years ended December 31, 2015, December 31, 2016, and December 31, 2017 respectively.

III. Accumulated Deferred Income Taxes

The amount included in Accumulated Deferred Income Taxes are per books and projected prorated amounts of (\$290,421), (\$435,780), and (\$484,204) for the test years ended December 31, 2015, December 31, 2016, and December 31, 2017 respectively.

IV. Customer Deposits

The amount included in Customer Deposits are per books (\$4,646), for the test years ended December 31, 2015, December 31, 2016, and December 31, 2017 respectively.

V. Plant Acquisition Adjustment

The amount included in Plant Acquisition Adjustment is the per books number net of accumulated amortization as of December 31, 2015 and amounts to (\$835,750). Net PAA is rolled forward to December 31, 2016 and December 31, 2017 using current amortization rates and result in Net PAA of (\$936,305) and (\$900,236) for the test years ended December 31, 2016, and December 31, 2017 respectively

Community Utilities of Pennsylvania Inc.
Water Division
R-2016-_____
Statement of Reasons for Rate Increase
Answer to 52 PA. Code 53.52 (b) (1)

Rate of Return

The Company uses the capital structure of its parent company, Utilities, Inc. to calculate its rate of return. Utilities Inc.'s capital structure as of December 31st 2015 is as follows:

Debt	\$197,000,000
Common Equity	<u>201,933,346</u>
Total Capital	\$398,933,346

For December 31, 2017, the Company adopts a 50/50 debt-to-equity capital ratio and 6.60% cost of debt. The Company has utilized an overall 8.55% weighted average cost of capital and 10.50% cost of equity for this application.

Tariff Design

Community Utilities is proposing to consolidate rates between its two service territories formally known as Penn Estates Utilities, Inc. and Utilities, Inc. – Westgate. The overall proposed increase in an average 5/8" meter size customer's bill is approximately 47.82% for customers of the formally known territory, Penn Estates Utilities, Inc. and 20.06% for customers of the formally known territory Utilities, Inc. - Westgate as follows:

Community Utilities of Pennsylvania Inc.
Average Bills

A	B	C	D	E				F			G		H		I		K		L		M		N		O		P
Name	W/WW	Class	Meter Size	12/31/15		BFC	Usage Rate	PWAC	Average Bill	12/31/17		Proposed BFC*	Proposed Usage*	Proposed Average Bill	Proposed Increase	Increase %											
				Average Usage	Average Usage																						
315 - Utilities, Inc. - Westgate	W	RES	5/8"	4,439	\$ 16.83	\$ 4.61	\$ 0.69	\$ 40.36	4,303	\$ 22.32	\$ 6.073	\$ 48.45	\$ 8.10	20.06%													
317 - Penn Estates Utilities, Inc.	W	RES	5/8"	3,943	\$ 15.06	\$ 3.98	\$ -	\$ 30.75	3,810	\$ 22.32	\$ 6.073	\$ 45.46	\$ 14.71	47.82%													

A billing analysis at present rates was prepared for the twelve months ended December 31, 2015, December 31, 2016, and December 31, 2017. The Calculations are contained in supporting Schedule No. 1. The results of that analysis were used to prepare proof of revenues for the proposed rates contained

Community Utilities of Pennsylvania Inc.

Water Division

R-2016-_____

Statement of Reasons for Rate Increase

Answer to 52 PA. Code 53.52 (b) (1)

in supporting Schedule No. 2. The allocation of the proposed revenues is shown in response to tariff Regulation (b) (4).

General Comments

The proposed level of operating revenues will allow the company enough revenue to meet debt obligations, recover normal operating costs and increased operating costs as outlined in this filing. The increased revenue for Community Utilities of Pennsylvania Inc.'s water division will also ensure continued safe and adequate service to its customers.

**Community Utilities of Pennsylvania Inc.
Water Divisions**

**Operating Revenue for the Base Year Ended December 31, 2015 Under Present Rates,
the Future Test Year Ended December 31, 2016, and the FPFTY Ended December 31, 2017 Under Present Rates
Answer to 52 Pa. Code 53.52 (b)(2)**

<u>Water Operations</u>	<u>Base Year Ended</u> <u>12/31/2015</u>	<u>Pro-forma Revenue at</u> <u>Present Rates Future Test</u> <u>Year Ended 12/31/2016</u>	<u>Pro-forma Revenue at</u> <u>Present Rates FPFTY Ended</u> <u>12/31/2017</u>
<u>Customer Classification</u>			
<u>Volumetric Revenue</u>			
Residential	\$ 511,320	\$ 502,974	\$ 494,765
Commercial	11,315	11,139	10,965
Total Volumetric Revenue	<u>522,635</u>	<u>514,113</u>	<u>505,731</u>
<u>Flat/Base Rate Revenue</u>			
Residential	\$ 461,029	\$ 461,029	\$ 461,029
Commercial	7,657	7,657	7,657
Availability	8,346	8,346	8,346
Fire Hydrant	15,892	15,892	15,892
Total Flat Rate Revenue	<u>492,923</u>	<u>492,923</u>	<u>492,923</u>
Forfeited Discounts	\$ 9,363	\$ 9,363	\$ 9,363
Miscellaneous Service Revenues	2,265	2,265	2,265
Purchased Services	30,324	-	-
Accruals	13,140	-	-
Total Operating Revenues	<u>\$ 1,070,650</u>	<u>\$ 1,018,664</u>	<u>\$ 1,010,282</u>

Community Utilities of Pennsylvania Inc.
Water Divisions
Number of Customer Equivalents served at December 31, 2015,
and the Future Test Year Ended December 31, 2016, and FPFTY Ended December 31, 2017
Answer to 52 Pa. Code 53.52 (b)(3)

<u>Water Operations</u>		Pro-forma	Pro-forma
<u>Customer Classification</u>	<u>Total Customers</u>	<u>Customers</u>	<u>Customers</u>
	12/31/2015	12/31/2016	12/31/2017
<u>Customers</u>	[1]		
Residential	2,512	2,512	2,512
Commercial	40	40	40
School	-	-	-
Availability	52	52	52
Fire Hydrant (# of Hydrants)	1	1	1
Total Flat Rate Customers	<u>2,605</u>	<u>2,605</u>	<u>2,605</u>

[1] The Company uses Equivalent Residential Connections (ERCs) to count customers.

Community Utilities of Pennsylvania Inc.
Water Divisions
Statement of Operating Revenue Under the Existing and Proposed Rates for the Base Year Ended
December 31, 2015, the Future Test Years Ended December 31, 2016 and December 31, 2017, and FPPTY Ended December 31, 2017
Answer to 52 Pa. Code 53.52 (b)(4)

Water Operations	Schedule Number	Base Year Ended 12/31/2015	Change	Future Test Year Ended 12/31/2016	Change	Future Test Year Ended 12/31/2017	Change	Proposed FPPTY Ended 12/31/2017
<u>Volumetric Revenue</u>								
Residential	(b)(2)	\$ 511,320	\$ (8,346)	\$ 502,974	\$ (8,209)	\$ 494,765	\$ 212,304	\$ 707,070
Commercial	(b)(2)	11,315	(176)	11,139	(174)	10,965	5,837	16,802
Total Volumetric Revenue		<u>\$ 522,635</u>	<u>\$ (8,522)</u>	<u>\$ 514,113</u>	<u>\$ (8,383)</u>	<u>\$ 505,731</u>	<u>\$ 218,141</u>	<u>\$ 723,872</u>
<u>Flat/Basic Rate Revenue</u>								
Residential	(b)(2)	\$ 461,029	\$ -	\$ 461,029	\$ -	\$ 461,029	\$ 193,934	\$ 654,963
Commercial	(b)(2)	7,657	-	7,657	-	7,657	4,092	11,749
Availability	(b)(2)	8,346	-	8,346	-	8,346	2,789	11,135
Fire Hydrant	(b)(2)	15,892	-	15,892	-	15,892	8,860	24,752
Total Flat Rate Revenue		492,923	-	492,923	-	492,923	209,676	702,599
Forfeited Discounts	(b)(2)	\$ 9,363	\$ -	\$ 9,363	\$ -	\$ 9,363	\$ -	\$ 9,363
Miscellaneous Service Revenues	(b)(2)	2,265	-	2,265	-	2,265	-	2,265
Purchased Services	(b)(2)	30,324	(30,324)	-	-	-	-	-
Accruals	(b)(2)	13,140	(13,140)	-	-	-	-	-
Total Operating Revenues		<u>\$ 1,070,650</u>	<u>\$ (51,986)</u>	<u>\$ 1,018,664</u>	<u>\$ (8,383)</u>	<u>\$ 1,010,282</u>	<u>\$ 427,817</u>	<u>\$ 1,438,099</u>

Going Level Adjustments [1]**Customer Classification**

Residential	\$ (8,346)
Commercial	(176)
Purchased Services	(30,324)
Accruals	(13,140)

Availability	-
Fire Hydrant	-
See supporting Schedule No. 1	<u>\$ (8,522)</u>

Future Test Year Ended 12/31/17 Adjustments [1]**Customer Classification**

Residential	\$ (8,209)
Commercial	(174)
Purchased Services	-
Accruals	-

Availability	-
Fire Hydrant	-
See supporting Schedule No. 1	<u>\$ (8,383)</u>

FPPTY Ended 12/31/17 Adjustments**Volumetric Revenue**

Residential	\$ 212,304
Commercial	\$ 5,837

Flat/Basic Rate Revenue

Residential	193,934
Commercial	4,092
Availability	2,789
Fire Hydrant	8,860
See supporting Schedule No. 2	<u>\$ 427,817</u>

**Community Utilities of Pennsylvania Inc.
Water Divisions
Whose Bills will be Decreased Under the Proposed Tariff
for the Twelve Months Ended December 31, 2017
Answer to 52 Pa. Code 53.52 (b)(5)**

Under the proposed tariff, no customers in Community Utilities of Pennsylvania Inc. will receive a decrease in bills.

Community Utilities of Pennsylvania Inc.
Water Divisions

Statement of Net Operating Income Under the Existing and Proposed Rates for the Base Year Ended December 31, 2015, the Future Test Years Ended December 31, 2016 and December 31, 2017, and the FPFTY Ended December 31, 2017
Answer to 52 Pa. Code 53.52 (c)(1) - Sheet No. 1a

Water Operations	Schedule Number	Per Books Base Year Ended 12/31/2015	Change	Future Test Year Ended 12/31/2016	Change	Future Test Year Ended 12/31/2017	Change	Proposed FPFTY Ended 12/31/2017
<u>Operating Revenue</u>								
Gross Operating Revenue	(b)(2)	\$ 1,070,650	\$ (51,986)	\$ 1,018,664	\$ (8,383)	\$ 1,010,282	\$ 427,817	\$ 1,438,099
Allowance for Uncollectible Accounts	Sup. Sch. No.3	(9,368)	245	(9,123)	77	(9,046)	(3,130)	(12,176)
Net Operating Revenue		<u>1,061,282</u>	<u>(51,741)</u>	<u>1,009,541</u>	<u>(8,305)</u>	<u>1,001,236</u>	<u>424,687</u>	<u>1,425,922</u>
<u>Operating Expenses</u>								
Operating Expenses	(c)(1) - Sheet No. 1b	\$ 854,108	\$ (23,717)	\$ 830,392	\$ 120,062	\$ 950,454	\$ -	\$ 950,454
Depreciation	Sup. Sch. No. 4	196,757	(17,309)	179,447	7,658	187,105	-	187,105
Amortization of CIAC	Sup. Sch. No. 4	(30,894)	392	(30,502)	-	(30,502)	-	(30,502)
Amortization of PAA	Sup. Sch. No. 4	(36,069)	0	(36,069)	-	(36,069)	-	(36,069)
Taxes Other than Income	Sup. Sch. No. 5	32,383	17,697	50,081	3,520	53,601	2,471	56,072
Income Taxes								
Federal Income Tax	Sup. Sch. No. 6	\$ 24,059	\$ (24,059)	\$ -	\$ -	\$ -	\$ -	\$ -
State Income Tax	Sup. Sch. No. 6	(32,975)	21,717	(11,258)	(15,602)	(26,860)	42,179	15,320
Total Operating Expenses		<u>1,007,369</u>	<u>(25,278)</u>	<u>982,091</u>	<u>115,638</u>	<u>1,097,730</u>	<u>44,650</u>	<u>1,142,380</u>
Net Operating Income		<u>\$ 53,913</u>	<u>\$ (26,463)</u>	<u>\$ 27,450</u>	<u>\$ (123,944)</u>	<u>\$ (96,494)</u>	<u>\$ 380,037</u>	<u>\$ 283,543</u>

Community Utilities of Pennsylvania Inc.
Water Divisions

Statement of Operating Expenses for the Base Year Ended December 31, 2015,
the Future Test Year Ended December 31, 2016, and the FPFTY Ended December 31, 2017
Answer to 52 Pa. Code 53.52 (c)(1) - Sheet No. 1b

Water Operations

NARUC Acct. No.	Account Description	Per Books Base Year Ended		Per Book & Going Level Adjustments		Pro Forma Expenses at Going Rates		Per Book & Going Level Adjustments		Pro Forma Expenses at Going Rates		
		12/31/15	No.	Amount	No.	Amount	12/31/2016	No.	Amount	12/31/2017	No.	Amount
701	Water - Salaries & Wages - Employees	\$ 197,690	1,2	\$ 39,782	1,2	\$ 237,472	1,2	\$ 3,043	1,2	\$ 240,516	1,2	\$ 61,221
704	Water - Employee Pensions & Benefits	57,506	3	211	3	57,717	3	3,504	3	61,221	3	-
711	Water - Sludge Hauling & Sewer Rodding	-	4	-	4	-	4	-	4	-	4	-
615	Water - Purchased Power	38,186	5	2,559	5	40,745	5	(852)	5	39,893	5	39,893
610	Water - Purchased Water	277,715	6	(24,640)	6	253,075	6	16,451	6	269,526	6	269,526
718	Water - Chemicals	33,356	7	1,329	7	34,685	7	860	7	35,545	7	35,545
720	Water - Materials, Supplies, and Other Maintenance Expense	18,354	8	6,763	8	25,117	8	5,104	8	30,221	8	30,221
731	Water - Engineering Fees	2,052	9	801	9	2,853	9	-	9	2,853	9	2,853
732	Water - Contractual Services - Accounting	7,757	10	(1,493)	10	6,264	10	188	10	6,452	10	6,452
733	Water - Contractual Services - Legal	31,563	11	(29,258)	11	2,305	11	45	11	2,350	11	2,350
736	Water - Contractual Services - Other	5,390	12	121	12	5,511	12	222	12	5,733	12	5,733
741	Water - Rental of Building/Real Property	2,584	13	213	13	2,797	13	59	13	2,856	13	2,856
750	Water - Transportation Expenses	15,946	14	1,517	14	17,463	14	(286)	14	17,177	14	17,177
759	Water - Insurance - Other	25,370	15	3,068	15	28,438	15	705	15	29,143	15	29,143
760	Water - Advertising Expense	98	16	(98)	16	-	16	-	16	-	16	-
675	Water - Office Utilities, Supplies & Other Office Expenses	42,982	17	7,749	17	50,731	17	2,285	17	53,016	17	53,016
766	Water - Regulatory Commission Expenses - Amortization of Rate Case Expense	32,144	18	(5,766)	18	26,378	18	87,670	18	114,048	18	114,048
767	Water - Regulatory Commission Expenses - Other	28,675	19	(28,675)	19	-	19	-	19	-	19	-
775	Water - Testing, Meter Reading, and Miscellaneous Expenses	36,742	20	2,098	20	38,840	20	1,064	20	39,904	20	39,904
	Total Operating and Maintenance Expenses	\$ 854,108		\$ (23,717)		\$ 830,392		\$ 120,062		\$ 950,454		\$ 950,454

Community Utilities of Pennsylvania Inc.
Water Divisions
Adjustments to (c)(1) Sheet 1b
Answer to 52 Pa. Code 53.52 (c)(1) - Sheet No. 1c

<u>Going Level Adjustments [1]</u>	<u>2016</u>	<u>2017</u>
1 An adjustment is required to reflect the forecasted level of salary expense. Going Level Adjustment Refer to Supporting Schedule 7	\$ 39,786	\$ 9,430
2 An adjustment is required to reflect the forecasted level of Capitalized Time Charged to Plant for employees allocated to Community Utilities of PA Inc. Going Level Adjustment Refer to Supporting Schedule 7	\$ (4)	\$ (6,386)
3 An adjustment is required to reflect the forecasted level of Pension and Benefits for Employees Allocated to Community Utilities of PA Inc. Going Level Adjustment	\$ 211	\$ 3,504
4 An adjustment is required to reflect the forecasted level of Sludge Hauling and Sewer Rodding expense for territories providing wastewater service to Community Utilities of PA Inc. customers. Going Level Adjustment	\$ -	\$ -
5 An adjustment is required to reflect the forecasted level of Electric expense to be incurred by Community Utilities of PA Inc. Going Level Adjustment	\$ 2,559	\$ (852)
6 An adjustment is required to reflect the forecasted level of Purchased Water expense to be incurred by Community Utilities of PA Inc. Going Level Adjustment	\$ (24,640)	\$ 16,451
7 An adjustment is required to reflect the forecasted level of Chemical expense to be incurred by Community Utilities of PA Inc. Going Level Adjustment	\$ 1,329	\$ 860
8 An adjustment is required to reflect the forecasted level of Maintenance expense to be incurred by Community Utilities of PA Inc. Going Level Adjustment	\$ 6,763	\$ 5,104
9 An adjustment is required to reflect the forecasted level of Engineering fees to be incurred by Community Utilities of PA Inc. Going Level Adjustment	\$ 801	\$ -
10 An adjustment is required to reflect the forecasted level of Accounting fees to be allocated to Community Utilities of PA Inc. Going Level Adjustment	\$ (1,493)	\$ 188
11 An adjustment is required to reflect the forecasted level of outside Legal expense to be allocated to Community Utilities of PA Inc. Going Level Adjustment	\$ (29,258)	\$ 45
12 An adjustment is required to reflect the forecasted level of other Contractual services expenses to be allocated to Community Utilities of PA Inc. Going Level Adjustment	\$ 121	\$ 222
13 An adjustment is required to reflect the forecasted level of Rent expense to be incurred by Community Utilities of PA Inc. Going Level Adjustment	\$ 213	\$ 59
14 An adjustment is required to reflect the forecasted level of Transportation expense to be incurred by Community Utilities of PA Inc. Going Level Adjustment	\$ 1,517	\$ (286)

[1] "Adjustment" refers to the change between periods and is not meant to imply there was an "adjustment" to the base period.

Community Utilities of Pennsylvania Inc.
Water Divisions
Adjustments to (c)(1) Sheet 1b
Answer to 52 Pa. Code 53.52 (c)(1) - Sheet No. 1c

<u>Going Level Adjustments [1]</u>	<u>2016</u>	<u>2017</u>
15 An adjustment is required to reflect the forecasted level of Insurance expense to be incurred by Community Utilities of PA Inc. Going Level Adjustment	\$ 3,068	\$ 705
16 An adjustment is required to reflect the forecasted level of Advertising expense to be incurred by Community Utilities of PA Inc. Going Level Adjustment	\$ (98)	\$ -
17 An adjustment is required to reflect the forecasted level of Office Utilities expense to be incurred by Community Utilities of PA Inc. Going Level Adjustment	\$ 7,749	\$ 2,285
18 An adjustment is required to normalize Estimated Rate Case expense for this filing over three years. Going Level Adjustment	\$ (5,766)	\$ 87,670
Refer to Supporting Schedule 8		
19 An adjustment is required to eliminate outside regulatory commission expense. Going Level Adjustment	\$ (28,675)	\$ -
20 An adjustment is required to reflect the forecasted level of Testing, Meter Reading, and other miscellaneous expense to be incurred by Community Utilities of PA Inc. Going Level Adjustment	\$ 2,098	\$ 1,064

[1] "Adjustment" refers to the change between periods and is not meant to imply there was an "adjustment" to the base period.

**Community Utilities of Pennsylvania Inc.
Water Divisions**

**Statement of the Calculation of the Rate of Return Under the Present and Proposed Rates for the Base Year Ended December 31, 2015, the Future Test Years Ended December 31, 2016 and December 31, 2017, and FPFTY Ended December 31, 2017
Answer to 52 Pa. Code 53.52 (c)(1) - Sheet No. 2**

<u>Water Operations</u>	Supporting Schedule No.	Pro-forma Present 12/31/2015	Future Test Year 12/31/2016	Future Test Year 12/31/2017	Proposed FPFTY 12/31/2017
Utility Plant In Service	(c)(3)	\$ 7,850,876	\$ 7,581,003	\$ 7,559,381	\$ 7,559,381
Less:					
Accumulated Depreciation	(c)(4)	(2,520,106)	(2,410,113)	(2,427,424)	(2,427,424)
Net Plant In Service		5,330,770	5,170,890	5,131,957	5,131,957
Less:					
Contributions in Aid of Construction (Net)		(1,450,471)	(1,419,969)	(1,389,467)	(1,389,467)
Net Plant Acquisition Adjustment		(835,750)	(936,305)	(900,236)	(900,236)
Customer Deposits		(4,646)	(4,646)	(4,646)	(4,646)
Accumulated Deferred Income Taxes		(290,421)	(435,780)	(484,204)	(484,204)
Add:					
Proforma Level of Plant		-	328,279	837,567	837,567
Cash Working Capital	10	110,811	110,059	125,506	125,506
Total Rate Base		\$ 2,860,293	\$ 2,812,528	\$ 3,316,476	\$ 3,316,476
Net Operating Income	(c)(1) Sheet 1a	53,913	27,450	(96,494)	283,543
Percent Pro-forma Return		1.88% [1]	0.98% [1]	-2.91% [1]	8.55% [1]

[1] Net Operating Income over Total Rate Base.

Community Utilities of Pennsylvania Inc.
Water Divisions

**Assets and other Debits as of the Base Year Ended December 31, 2015 and Pro-forma Balance Sheets
for the Future Test Years Ended December 31, 2016 and December 31, 2017, and FPFTY Ended December 31, 2017
Answer to 52 Pa. Code 53.52 (c)(2) - Sheet No. 1**

<u>Water Operations</u>	Per Books Base Year Ended 12/31/2015	Future Test Year Ended 12/31/2016	Pro-forma FPFTY Ended 12/31/2017
Account			
<u>Net Utility Plant</u>			
Utility Plant in Service	\$ 7,850,876	\$ 7,909,281	\$ 8,396,948
Accumulated Depreciation	<u>(2,520,106)</u>	<u>(2,410,113)</u>	<u>(2,427,424)</u>
Purchased Acquisition Adjustment (Net)	5,330,770	5,499,169	5,969,524
Work in Progress (Net)	<u>(835,750)</u> 6,001	<u>(936,305)</u>	<u>(900,236)</u>
		-	-
<u>Current & Accrued Assets</u>			
Cash	-	-	-
Accounts Receivable (Net)	156,636	156,636	156,636
Other Current Assets	2,854	2,854	2,854
Deferred Charges	<u>-</u>	<u>342,145</u>	<u>228,097</u>
	159,490	501,635	387,587
Total Assets	<u>\$ 4,660,512</u>	<u>\$ 5,064,499</u>	<u>\$ 5,456,874</u>

Community Utilities of Pennsylvania Inc.
Water Divisions

Assets and other Debits as of the Base Year Ended December 31, 2015 and Pro-forma Balance
Sheets for the Future Test Year Ended December 31, 2016 and FPFTY Ended December 31, 2017
Answer to 52 Pa. Code 53.52 (c)(2) - Sheet No. 2

<u>Water Operations</u>	Per Books Base Year Ended 12/31/2015	Future Test Year Ended 12/31/2016	Pro-forma FPFTY Ended 12/31/2017
<u>Equity Capital</u>			
Common Stock and Paid In Capital	\$ 2,567,236	\$ 2,567,236	\$ 2,567,236
Retained Earnings	415,734	350,371	144,433
<u>Current and Accrued Liabilities</u>			
Accounts Payable-Trade	42,714	42,714	42,714
Taxes Accrued	(21,181)	(21,181)	(21,181)
Customer Deposits	4,205	4,205	4,205
Customer Deposits - Interest	441	441	441
Advances from Utilities, Inc.	1,113,237	1,113,237	1,113,237
AVP - Assoc. Companies	(1,202,768)	(790,340)	(265,772)
Contributions in Aid of Construction	1,450,471	1,419,969	1,389,467
<u>Accumulated Deferred Income Tax</u>			
Deferred Tax - Federal	298,584	364,493	443,085
Deferred Tax - State	(8,163)	13,352	39,007
Total Capitalization & Liabilities	<u>\$ 4,660,512</u>	<u>\$ 5,064,499</u>	<u>\$ 5,456,874</u>

Community Utilities of Pennsylvania Inc.
Water Divisions

Original Cost Utility Plant in Service for the Base Year Ended December 31, 2015
Future Test Year Ended December 31, 2016, and FPFTY Ended December 31, 2017
Answer to 52 Pa. Code 53.52 (c)(3)

Water Operations

NARUC Accl. No.	Account Description	Per Books Base Year Ended 12/31/2015	Future Test Year 2016 GL Additions & Pro-forma Plant	Future Test Year 2016 Retirements	Pro Forma Plant Future Test Year Ended 12/31/2016	FPFTY 2017 GL Additions & Pro-forma Plant	FPFTY 2017 Retirements	Pro Forma Plant FPFTY Ended 12/31/2017
		\$	\$	\$	\$	\$	\$	\$
301.1	WATER - ORGANIZATION	219,938	-	-	219,938	-	-	219,938
302.1	WATER - FRANCHISES	6,608	-	-	6,608	-	-	6,608
303.2	WATER - LAND & LAND RIGHTS PUMP	-	-	-	-	-	-	-
303.3	WATER - LAND & LAND RIGHTS WTR TRT	-	-	-	-	-	-	-
303.4	WATER - LAND & LAND RIGHTS TRANS DIST	-	-	-	-	-	-	-
303.5	WATER - LAND & LAND RIGHTS GEN PLT	7,238	389	-	7,627	389	-	8,016
304.2	WATER - STRUCT & IMPRV SRC SUPPLY	65,260	6,603	-	71,863	6,603	-	78,466
304.3	WATER - STRUCT & IMPRV WTR TRT PLT	30,686	1,902	-	32,588	1,902	-	34,489
304.4	WATER - STRUCT & IMPRV TRANS DIST PLT	12,015	3,004	-	15,018	3,004	-	18,022
304.5	WATER - STRUCT & IMPRV GEN PLT	63,435	375	-	63,810	375	-	64,185
305.2	WATER - COLLECTING RESERVOIRS	-	-	-	-	-	-	-
307.2	WATER - WELLS & SPRINGS	630,422	9,503	-	639,925	9,503	-	649,428
308.2	WATER - SUPPLY MAINS	66,576	2,468	-	69,044	2,468	-	71,512
310.2	WATER - POWER GENERATION EQUIP	835	-	-	835	-	-	835
311.2	WATER - ELECTRIC PUMP EQUIP SRC PUMP	2,363	602	-	2,965	602	-	3,566
311.3	WATER - ELECTRIC PUMP EQUIP WTP	212,991	11,180	-	224,172	11,180	-	235,352
311.4	WATER - ELECTRIC PUMP EQUIP TRANS DIST	9,168	2,292	-	11,460	2,292	-	13,752
320.3	WATER - WATER TREATMENT EQPT	87,161	4,479	-	91,640	4,479	-	96,119
330.4	WATER - DIST RESV & STANDPIPES	1,036,522	91,993	-	1,128,515	8,710	-	1,137,224
331.4	WATER - TRANS & DISTR MAINS	3,520,804	41,194	-	3,561,998	41,194	-	3,603,192
333.4	WATER - SERVICE LINES	410,890	91,380	(5,861)	496,409	91,380	(5,861)	581,928
334.4	WATER - METERS	412,859	23,415	-	436,274	430,018	(142,311)	723,981
334.4	WATER - METER INSTALLATIONS	57,504	9,852	-	67,356	9,852	-	77,207
335.4	WATER - HYDRANTS	356,465	16,328	-	372,793	16,328	-	389,121
336.4	WATER - BACKFLOW PREVENTION DEVICES	-	-	-	-	-	-	-
339.3	WATER - OTH PLT&MISC EQUIP WTP	-	-	-	-	-	-	-
304.5	WATER - OFFICE STRUCT & IMPRV	31,203	786	-	31,989	786	-	32,775
340.5	WATER - OFFICE FURN & EQPT	28,504	58	-	28,563	58	-	28,621
343.5	WATER - TOOL SHOP & MISC EQPT	80,934	3,144	-	84,078	3,144	-	87,222
344.5	WATER - LABORATORY EQUIPMENT	8,472	773	-	9,246	773	-	10,019
345.5	WATER - POWER OPERATED EQUIP	22,031	6,559	-	28,591	6,559	-	35,150
346.5	WATER - COMMUNICATION EQPT	21,201	5,150	-	26,351	5,150	-	31,500
347.5	WATER - MISC EQUIPMENT	-	-	-	-	-	-	-
392.7	WATER - STORES EQUIPMENT	1,483	713	-	2,196	713	-	2,909
341.5	WATER - TRANSPORTATION EQPT	150,671	13,707	(25,169)	139,209	-	-	139,209
340.5	WATER - MAINFRAME COMPUTER	10,223	-	(10,220)	3	-	-	3
340.5	WATER - MINI COMPUTERS	46,681	-	(28,167)	18,514	-	(13,235)	5,279
340.5	WATER - COMP SYS COST	234,444	-	(214,735)	19,709	-	(8,387)	11,322
340.5	WATER - MICRO SYS COST	5,289	-	(5,289)	(0)	-	-	(0)
348.5/398.7	WATER - OTHER PLANT	-	-	-	-	-	-	-
	Total Plant in Service	\$ 7,850,876	\$ 347,847	\$ (289,441)	\$ 7,909,282	\$ 657,461	\$ (169,794)	\$ 8,395,949

Community Utilities of Pennsylvania Inc.
Water Divisions

Reserve for Depreciation of Utility Plant

the Future Test Year Ended December 31, 2016, and FPFTY Ended December 31, 2017
Answer to 52 Pa. Code 53.52 (c)(4)

<u>Water Operations</u>	Adjustment [1]	Base Year Ended 12/31/2016 Total	Adjustment [1]	Future Test Year Ended 12/31/2017 Total
Per Books Reserve for Depreciation		\$ 2,520,106		\$ 2,410,113
<u>Accumulated Depreciation Adjustments:</u>				
Pro-forma Plant A/D	\$ 145,208		\$ 17,313	
Computers	\$ (244,826)		\$ (14,796)	
Vehicles	\$ (10,375)	\$ (109,994)	\$ 14,794	\$ 17,311
Pro-forma Reserve for Depreciation		<u>\$ 2,410,113</u>		<u>\$ 2,427,424</u>

[1] Supporting Schedule No. 9 includes additional Accumulated Depreciation associated with Pro-forma Capital Projects, General Ledger Additions and Retirements.

Community Utilities of Pennsylvania Inc.
Water Divisions
Statement of Operating Income Setting Forth the Operating Revenues
at Present Rates by Detail Accounts for the Base Year Ended December 31, 2015, the
Future Test Year Ended December 31, 2016, and FPFTY Ended December 31, 2017
Answer to 52 Pa. Code 53.52 (c)(5)

<u>Water Operations</u>	<u>Per Books for the Base Year Ended 12/31/2015</u>	<u>Future Test Year Ended 12/31/2016</u>	<u>Future Test Year Ended 12/31/2017</u>	<u>Pro Forma FPFTY Ended 12/31/2017</u>
<u>Operating Revenue</u>				
Gross Operating Revenue	\$ 1,070,650	\$ 1,018,664	\$ 1,010,282	\$ 1,438,099
Allowance for Uncollectible Accounts	(9,368)	(9,123)	(9,046)	(12,176)
Net Operating Revenue	<u>1,061,282</u>	<u>1,009,541</u>	<u>1,001,236</u>	<u>1,425,922</u>
<u>Operating Expenses</u>				
Operating Expenses	\$ 854,108	\$ 830,392	\$ 950,454	\$ 950,454
Depreciation	\$ 196,757	\$ 179,447	\$ 187,105	\$ 187,105
Amortization of PAA	\$ (36,069)	\$ (36,069)	\$ (36,069)	\$ (36,069)
Taxes Other than Income	\$ 32,383	\$ 50,081	\$ 53,601	\$ 56,072
Amortization of CIAC	\$ (30,894)	\$ (30,502)	\$ (30,502)	\$ (30,502)
<u>Income Taxes</u>				
Federal Income Tax	\$ 24,059	\$ -	\$ -	\$ -
State Income Tax	\$ (32,975)	\$ (11,258)	\$ (26,860)	\$ 15,320
Total Operating Expenses	\$ 1,007,369	\$ 982,091	\$ 1,097,730	\$ 1,142,380
Net Operating Income	\$ 53,913	\$ 27,450	\$ (96,494)	\$ 283,543
<u>Non-Operating Income & Expenses</u>				
Interest Expense	\$ 87,058	\$ 92,813	\$ 109,444	\$ 109,444
Other Income	(936)	-	-	-
Total Non-Operating Expenses	\$ 86,122	\$ 92,813	\$ 109,444	\$ 109,444
Net Income (Loss)	<u>\$ (32,209)</u>	<u>\$ (65,364)</u>	<u>\$ (205,938)</u>	<u>\$ 174,099</u>

Community Utilities of Pennsylvania Inc.
Water Divisions
Statement Detailing Major Changes in the Operating or Financial
Condition Occurring between December 31, 2015 and December 31, 2017
Answer to 52 Pa. Code 53.52 (c)(6)

There were no major accounting changes between December 31, 2015 and December 31, 2017 which would effect the operating or financial condition of Community Utilities of Pennsylvania Inc.

Section 2

Community Utilities of Pennsylvania Inc.
Water Divisions

Supporting Data
for
Docket No. R-2016-_____

By

Robert Guttormsen
Senior Financial Analyst

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Section 2

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Community Utilities of Pennsylvania Inc.
Water Divisions
Base Year / Present Revenues
December 31, 2015

A	B	C	D	E	F	G	H	I	J	K
Line	Class	Meter Size	Meter Size	Gallons	Usage Charge	Vol Revenue	Units	BFC	Base Revenue	Revenues
1.	<u>All Subs:</u>									
2.	RES	5/8"	5/8" Res.	120,786,893	\$ 4.22	\$ 510,209	29,307	\$ 15.70	\$ 460,019	\$ 970,228
3.	RES	1"	1" Res.	-	-	-	-	-	-	-
4.	RES	1.5"	1.5" Res.	241,000	4.61	1,111	12	84.16	1,010	2,121
5.	RES	2"	2" Res.	-	-	-	-	-	-	-
6.	COML	5/8"	5/8" Coml.	1,027,888	4.52	4,641	238	16.49	3,924	8,565
7.	COML	1"	1" Coml.	1,294,691	4.53	5,863	55	38.83	2,118	7,981
8.	COML	1.5"	1.5" Coml.	-	-	-	-	-	-	-
9.	COML	2"	2" Coml.	176,000	4.61	811	12	134.64	1,616	2,427
10.				<u>123,526,472</u>		<u>522,635</u>	<u>29,623</u>		<u>468,686</u>	<u>991,321</u>
11.										
12.	FLAT	Fire Hydrant		-	-	-	760	20.91	15,892	15,892
13.	AVAIL	Construction		-	-	-	-	-	-	-
14.	AVAIL	Other		-	-	-	199	41.94	8,346	8,346
15.							<u>959</u>		<u>24,237</u>	<u>24,237</u>
16.										
17.	Water Total			<u>123,526,472</u>		<u>522,635</u>	<u>30,582</u>		<u>492,923</u>	<u>1,015,558</u>

Community Utilities of Pennsylvania Inc.
Water Divisions
Future Period / Pro Forma Present Revenues
Base Year (Per Books) Ended December 31, 2015
Future Period Ended December 31, 2016

Line	A	B	C	D	E	F	G	H	I	J	K
1.											
2.	RES	5/8"	5/8" Res.	118,808,378	\$ 4.22	\$ 501,881	29,307	\$ 15.70	\$ 460,019	\$ 961,899	
3.	RES	1"	1" Res.	-	-	-	-	-	-	-	
4.	RES	1.5"	1.5" Res.	237,289	\$ 4.61	\$ 1,094	12	\$ 84.16	\$ 1,010	\$ 2,104	
5.	RES	2"	2" Res.	-	-	-	-	-	-	-	
6.	COML	5/8"	5/8" Coml.	1,011,811	\$ 4.52	\$ 4,569	238	\$ 16.49	\$ 3,924	\$ 8,492	
7.	COML	1"	1" Coml.	1,274,484	\$ 4.53	\$ 5,772	55	\$ 38.83	\$ 2,118	\$ 7,889	
8.	COML	1.5"	1.5" Coml.	-	-	-	-	-	-	-	
9.	COML	2"	2" Coml.	173,290	\$ 4.61	\$ 799	12	\$ 134.64	\$ 1,616	\$ 2,415	
10.				121,505,252		\$ 514,113	29,623		\$ 468,686	\$ 982,799	
11.											
12.	FLAT		Fire Hydrant	-	-	-	760	\$ 20.91	\$ 15,892	\$ 15,892	
13.	AVAIL		Construction	-	-	-	-	-	-	-	
14.	AVAIL		Other	-	-	-	199	\$ 41.94	\$ 8,346	\$ 8,346	
15.				-	-	-	959		\$ 24,237	\$ 24,237	
16.				121,505,252		\$ 514,113	30,582		\$ 492,923	\$ 1,007,036	
17.			Water Total								

Community Utilities of Pennsylvania Inc.
Water Divisions
Test Year / Present Revenues
Base Year (Per Books) Ended December 31, 2015
Future Test Year Ended December 31 2015

A	B	C	D	E	F	G	H	I	J	K
Line	Class	Meter Size	Meter Size	Gallons	Usage Charge	Vol Revenue	Units	BFC	Base Revenue	Revenues
1.	<u>All Subs:</u>									
2.	RES	5/8"	5/8" Res.	116,862,345	\$ 4.22	\$ 493,688	29,307	\$ 15.70	\$ 460,019	\$ 953,707
3.	RES	1"	1" Res.	-	-	-	-	-	-	-
4.	RES	1.5"	1.5" Res.	233,635	\$ 4.61	\$ 1,077	12	\$ 84.16	\$ 1,010	\$ 2,087
5.	RES	2"	2" Res.	-	-	-	-	-	-	-
6.	COML	5/8"	5/8" Coml.	995,985	\$ 4.52	\$ 4,497	238	\$ 16.49	\$ 3,924	\$ 8,421
7.	COML	1"	1" Coml.	1,254,593	\$ 4.53	\$ 5,682	55	\$ 38.83	\$ 2,118	\$ 7,799
8.	COML	1.5"	1.5" Coml.	-	-	-	-	-	-	-
9.	COML	2"	2" Coml.	170,621	\$ 4.61	\$ 787	12	\$ 134.64	\$ 1,616	\$ 2,402
10.				119,517,179		\$ 505,731	29,623		\$ 468,686	\$ 974,416
11.										
12.	FLAT	Fire Hydrant		-	-	\$ -	760	\$ 20.91	\$ 15,892	\$ 15,892
13.	AVAIL	Construction		-	-	\$ -	-	-	-	\$ -
14.	AVAIL	Other		-	-	\$ -	199	\$ 41.94	\$ 8,346	\$ 8,346
15.				-	-	\$ -	959		\$ 24,237	\$ 24,237
16.										
17.	Water Total			119,517,179		\$ 505,731	30,582		\$ 492,923	\$ 998,653

Community Utilities of Pennsylvania Inc.
Water Division
Calculation of Proposed Consolidated Rates
Base Year (Per Books) Ended December 31, 2015
Future Test Year Ended December 31, 2017

Line No.	Meter Size	A	B	C	D	E	F	G	H
			# of bills/units	Proposed Base Charge	Base Charge Revenue	Gallons	Proposed Gallonage Charge	Gallonage Charge Revenue	Total Revenue
1.	Water Residential								
2.	Meter Size								
3.	5/8"		29,307	\$ 22.32	\$ 654,129	116,862,345	\$ 6.073	\$ 709,705	\$ 1,363,834
4.	1"		-	\$ 55.80	\$ -	-	\$ 6.073	\$ -	\$ -
5.	1.5"		12	\$ 111.60	\$ 1,339	233,635	\$ 6.073	\$ 1,419	\$ 2,758
6.	2"		-	\$ 178.56	\$ -	-	\$ 6.073	\$ -	\$ -
7.	Total Residential Water								\$ 1,366,592
8.									
9.	Water Commercial								
10.	Meter Size								
11.	5/8"		238	\$ 22.32	\$ 5,311	995,985	\$ 6.073	\$ 6,049	\$ 11,360
12.	1"		55	\$ 55.80	\$ 3,043	1,254,593	\$ 6.073	\$ 7,619	\$ 10,662
13.	1.5"		-	\$ 111.60	\$ -	-	\$ 6.073	\$ -	\$ -
14.	2"		12	\$ 178.56	\$ 2,143	170,621	\$ 6.073	\$ 1,036	\$ 3,179
15.	Total Commercial Water								\$ 25,201
16.									
17.	Unmetered - Public Fire Protection (Hydrants)		760	\$ 29.87	\$ 22,701	-	\$ 6.073	\$ -	\$ 22,701
18.	Unmetered - Construction Availability		-	\$ -	\$ -	-	\$ 6.073	\$ -	\$ -
19.	Unmetered - Other Availability		199	\$ 59.91	\$ 11,921	-	\$ 6.073	\$ -	\$ 11,921
20.									
21.	Total Water								\$ 1,426,416
22.	Water Revenue Requirement from Rates								\$ 1,426,471
23.	Difference								\$ (55)

Community Utilities of Pennsylvania Inc.
Water Divisions
Uncollectible Accounts
Base Year (Per Books) Ended December 31, 2015
Future Test Year Ended December 31, 2017

	A	B
Line		Water
	Community Utilities of Pennsylvania Inc.	
1.	December 31, 2015 Revenues	\$ 1,043,131
2.		
3.	Uncollectible Accounts	\$ 9,368
4.		
5.	Uncollectible %	0.90%
6.		
7.	Community Utilities of Pennsylvania Inc.	
8.	PROPOSED Revenues	\$ 1,426,471
9.		
10.	Uncollectible %	0.90%
11.		
12.		
13.	Uncollectible Accounts	\$ 12,176

Community Utilities of Pennsylvania Inc.
Water Divisions
Depreciation Expense
Base Year (Per Books) Ended December 31, 2015
Future Test Year Ended December 31, 2017

<u>Line</u>	A	B
		<u>Water</u>
1.	December 31, 2015	
2.	Utility Plant	\$ 145,328
3.	Transportation	16,230
4.	Computers	35,199
5.		
6.	CIAC	(30,894)
7.		
8.	PAA	(36,069)
9.		
10.	Per Books December 31, 2015	<u>\$ 129,794</u>
11.		
12.		
13.	December 31, 2016	
14.	Utility Plant	\$ 151,069
15.	Transportation	14,794
16.	Computers	13,585
17.		
18.	CIAC	(30,502)
19.		
20.	PAA	(36,069)
21.		
22.	Future Period December 31, 2016	<u>\$ 112,876</u>
23.		
24.		
25.	December 31, 2017	
26.	Utility Plant	\$ 165,485
27.	Transportation	14,794
28.	Computers	6,826
29.		
30.	CIAC	(30,502)
31.		
32.	PAA	(36,069)
33.		
34.	FPFTY December 31, 2017	<u>\$ 120,534</u>

Community Utilities of Pennsylvania Inc.
Water Divisions
Calculation of Taxes Other Than Income Taxes
Base Year (Per Books) Ended December 31, 2015
Future Test Year Ended December 31, 2017

Line No.	A	B
		Water
1.	<u>Test Year 12/31/2015</u>	
2.		
3.	Utility/Commission Tax	\$ 5,772
4.	Real Estate Tax	6,658
5.	Personal Property Tax	4
6.	Gross Receipts Tax	-
7.	Franchise Tax	904
8.	Sales/Use Tax	-
9.		
10.	Payroll Taxes	19,045
11.		
12.	Total	<u>\$ 32,383</u>
13.		
14.	<u>Forecast 12/31/2016</u>	
15.		
16.	Utility/Commission Tax	\$ 5,816
17.	Real Estate Tax	19,910
18.	Personal Property Tax	-
19.	Gross Receipts Tax	-
20.	Franchise Tax	139
21.	Sales/Use Tax	-
22.		
23.	Payroll Taxes	24,216
24.		
25.	Total	<u>\$ 50,081</u>
26.		
27.	<u>Forecast 12/31/2017</u>	
28.		
29.	Utility/Commission Tax	\$ 8,238
30.	Real Estate Tax	20,356
31.	Personal Property Tax	-
32.	Gross Receipts Tax	-
33.	Franchise Tax	146
34.	Sales/Use Tax	-
35.		
36.	Payroll Taxes	24,861
37.		
38.	Total	<u>\$ 53,601</u>
39.		
40.	<u>Pro Forma Proposed</u>	
41.		
42.	Proposed Revenue Increase	\$ 427,817
43.		
44.	Gross Receipts Increase	0.58%
45.	(Utility/Commission Tax)	
46.		
47.	Adjustment	<u>\$ 2,471</u>

Community Utilities of Pennsylvania Inc.
 Water Divisions
 Calculation of Income Taxes
 Base Year (Per Books) Ended December 31, 2015
 Future Test Year Ended December 31, 2017

Line No.	A				
	B	C	D	E	
	12/31/2016 Forecast	12/31/2017 Forecast	Pro Forma Future Test Year	Pro Forma Proposed	
1.					
	<u>WATER</u>				
	<u>State Income Taxes</u>				
2.					
3.	\$ 1,009,541	\$ 1,001,236	\$ 1,001,236	\$ 1,425,922	
4.					
5.	610,653	634,420	634,420	634,420	
6.	219,739	316,034	316,034	316,034	
7.	148,945	156,603	156,603	156,603	
8.	50,081	53,601	53,601	56,072	
9.	-	-	-	-	
10.	92,813	109,444	109,444	109,444	
11.					
12.	\$ (112,690)	\$ (268,866)	\$ (268,866)	\$ 153,350	
13.	9.99%	9.99%	9.99%	9.99%	
14.					
15.	\$ (11,258)	\$ (26,860)	\$ (26,860)	\$ 15,320	
16.					
	<u>Federal Taxes</u>				
17.					
18.					
19.	\$ (112,690)	\$ (268,866)	\$ (268,866)	\$ 153,350	
20.					
21.	(11,258)	(26,860)	(26,860)	15,320	
22.					
23.	\$ (101,433)	\$ (242,007)	\$ (242,007)	\$ 138,030	
24.	0%	0%	0%	0%	
25.					
26.	\$ -	\$ -	\$ -	\$ -	

Community Utilities of Pennsylvania Inc.
Water Divisions
Salary Expense
Base Year (Per Books) Ended December 31, 2015
Future Test Year Ended December 31, 2017

Line	A	B
		Water
1.	<u>December 31, 2015</u>	
2.	ACCOUNTING	\$ 9,859
3.	ADMIN	1,746
4.	OFFICERS/STKHLDR	8,072
5.	HR	1,548
6.	IT	3,610
7.	HSE	2,874
8.	CUSTOMER SERVICE	9,682
9.	BILLING	4,074
10.	<u>General Salaries</u>	\$ 41,463
11.		
12.	LEADERSHIP OPS	\$ 24,673
13.	OPERATIONS FIELD	155,711
14.	OPERATIONS OFFICE	7,941
15.	<u>CAPITALIZED TIME ADJUSTMENT</u>	(32,098)
16.	<u>Maintenance Salaries</u>	\$ 156,227
17.		
18.	<u>Per Books December 31, 2015</u>	<u>\$ 197,690</u>
19.		
20.		
21.	<u>December 31, 2016</u>	
22.	ACCOUNTING	\$ 10,826
23.	ADMIN	1,959
24.	OFFICERS/STKHLDR	8,037
25.	HR	1,713
26.	IT	3,954
27.	HSE	3,154
28.	CUSTOMER SERVICE	10,975
29.	BILLING	4,564
30.	<u>General Salaries</u>	\$ 45,182
31.		
32.	LEADERSHIP OPS	\$ 51,528
33.	OPERATIONS FIELD	163,369
34.	OPERATIONS OFFICE	9,495
35.	<u>CAPITALIZED TIME ADJUSTMENT</u>	(32,101)
36.	<u>Maintenance Salaries</u>	\$ 192,291
37.		
38.	<u>Future Period December 31, 2016</u>	<u>\$ 237,472</u>
39.		
40.		
41.	<u>December 31, 2017</u>	
42.	ACCOUNTING	\$ 11,809
43.	ADMIN	2,112
44.	OFFICERS/STKHLDR	8,510
45.	HR	1,849
46.	IT	4,119
47.	HSE	3,249
48.	CUSTOMER SERVICE	11,557
49.	BILLING	4,715
50.	<u>General Salaries</u>	\$ 47,919
51.		
52.	LEADERSHIP OPS	\$ 53,625
53.	OPERATIONS FIELD	168,070
54.	OPERATIONS OFFICE	9,390
55.	<u>CAPITALIZED TIME ADJUSTMENT</u>	(38,488)
56.	<u>Maintenance Salaries</u>	\$ 192,597
57.		
58.	<u>FPFTY December 31, 2017</u>	<u>\$ 240,516</u>

Community Utilities of Pennsylvania Inc.
Water Divisions
Rate Case Expense
Base Year (Per Books) Ended December 31, 2015
Future Test Year Ended December 31, 2017

Line No.	A	B	C	D	E	Total
1.	Legal Fees:					\$ 300,000
2.						
3.	Customer Notices (2 notices):					
4.	Postage	2,605	=	Customers x \$0.49		1,276
5.	Stock	2,605	=	Notices x (.103)		268
6.						
7.	Fed Ex, mailings, postage, and miscellaneous costs:					\$ 1,000
8.						
9.				# of Trips/ Nights		
10.		Personnel	Cost			
11.	Travel:					
12.	Airfare	3	500	3		\$ 4,500
13.	Hotel/Meals	3	200	3		1,800
14.	Rental Car	1	200	3		600
15.						
16.						
17.	External Consultants (Sussex Economic Advisors ROE):					<u>\$ 32,700</u>
18.						
19.						
20.	Total Cost of current case - estimated cost to complete:					342,145
21.						
22.	Allocation Weight to Community Utilities of Pennsylvania Inc.					1.00
23.						
24.						
25.	Total:					342,145
26.						
27.	Normalized over 3 years					<u>3</u>
28.						
29.						
30.	Forecast Amortization Expense per year [1]					<u><u>\$ 114,048</u></u>

[1] Rate case expense, including legal and any consulting fees may be more or less than estimated, depending upon the amount of discovery, scope and scale of litigation, or if and when the case settles.

Community Utilities of Pennsylvania Inc.
Water Divisions
Net Plant In Service
Base Year (Per Books) Ended December 31, 2015
Future Test Year Ended December 31, 2017

Line	A	B
		Water
1.	December 31, 2015	
2.	Utility Plant In Service (UPIS)	\$ 7,403,567
3.	Transportation	150,671
4.	Computers	296,637
5.	Total Gross Plant In Service	\$ 7,850,876
6.		
7.	Accumulated Depreciation UPIS	\$ (2,125,455)
8.	Accumulated Depreciation Transportation	(124,929)
9.	Accumulated Depreciation Computers	(269,722)
10.	Total Accumulated Depreciation	\$ (2,520,106)
11.		
12.	Per Books December 31, 2015	\$ 5,330,770
13.		
14.		
15.	Additions	
16.	Utility Plant In Service (UPIS)	\$ 334,139
17.	Transportation	13,707
18.	Computers	-
19.	Total Additions	\$ 347,846
20.		
21.	Retirements	
22.	Utility Plant In Service (UPIS)	\$ (5,861)
23.	Transportation	(25,169)
24.	Computers	(258,411)
25.	Total Retirements	\$ (289,441)
26.		
27.	Depreciation	
28.	Utility Plant In Service (UPIS)	\$ 151,069
29.	Transportation	14,794
30.	Computers	13,585
31.	Total Depreciation	\$ 179,447
32.		
33.	December 31, 2016	
34.	Utility Plant In Service (UPIS)	\$ 7,731,846
35.	Transportation	139,209
36.	Computers	38,227
37.	Total Gross Plant In Service	\$ 7,909,281
38.		
39.	Accumulated Depreciation UPIS	\$ (2,270,663)
40.	Accumulated Depreciation Transportation	(114,554)
41.	Accumulated Depreciation Computers	(24,896)
42.	Total Accumulated Depreciation	\$ (2,410,113)
43.		
44.	Future Period December 31, 2016	\$ 5,499,169

Community Utilities of Pennsylvania Inc.
Water Divisions
Net Plant In Service
Base Year (Per Books) Ended December 31, 2015
Future Test Year Ended December 31, 2017

A	B
Line	Water
1.	Future Period December 31, 2016
2.	Utility Plant In Service (UPIS) \$ 7,731,846
3.	Transportation 139,209
4.	Computers 38,227
5.	Total Gross Plant In Service \$ 7,909,281
6.	
7.	Accumulated Depreciation UPIS \$ (2,270,663)
8.	Accumulated Depreciation Transportation (114,554)
9.	Accumulated Depreciation Computers (24,896)
10.	Total Accumulated Depreciation \$ (2,410,113)
11.	
12.	Future Period December 31, 2016
13.	<u>\$ 5,499,169</u>
14.	
15.	Additions
16.	Utility Plant In Service (UPIS) \$ 657,460
17.	Transportation -
18.	Computers -
19.	Total Additions \$ 657,460
20.	
21.	Retirements
22.	Utility Plant In Service (UPIS) \$ (148,172)
23.	Transportation -
24.	Computers (21,622)
25.	Total Retirements \$ (169,794)
26.	
27.	Depreciation
28.	Utility Plant In Service (UPIS) \$ 165,485
29.	Transportation 14,794
30.	Computers 6,826
31.	Total Depreciation \$ 187,105
32.	
33.	December 31, 2017
34.	Utility Plant In Service (UPIS) \$ 8,241,134
35.	Transportation 139,209
36.	Computers 16,605
37.	Total Gross Plant In Service \$ 8,396,948
38.	
39.	Accumulated Depreciation UPIS \$ (2,287,976)
40.	Accumulated Depreciation Transportation (129,348)
41.	Accumulated Depreciation Computers (10,100)
42.	Total Accumulated Depreciation \$ (2,427,424)
43.	
44.	FPFTY December 31, 2017
	<u>\$ 5,969,524</u>

Community Utilities of Pennsylvania Inc.
Water Divisions
Calculation of Working Capital
Base Year (Per Books) Ended December 31, 2015
Future Test Year Ended December 31, 2017

<u>Line No.</u>	A	B	C <u>Water</u>
1.	<u>12/31/2015 Base Year</u>		
2.	Maintenance Expenses		646,135
3.	General Expenses		207,974
4.	Taxes Other Than Income		32,383
5.			
6.	Total		<u>886,492</u>
7.			
8.	Working Capital	45/360	<u>110,811</u>
9.			
10.			
11.	<u>12/31/2016 Forecast</u>		
12.	Maintenance Expenses		610,653
13.	General Expenses		219,739
14.	Taxes Other Than Income		50,081
15.			
16.	Total		<u>880,473</u>
17.			
18.	Working Capital	45/360	<u>110,059</u>
19.			
20.			
21.	<u>12/31/2017 FPFTY</u>		
22.	Maintenance Expenses		634,420
23.	General Expenses		316,034
24.	Taxes Other Than Income		53,601
25.			
26.	Total		<u>1,004,055</u>
27.			
28.	Working Capital	45/360	<u>125,507</u>

UTILITIES, INC. AND SUBSIDIARIES
 Capital Structure
 Base Year (Per Books) Ended December 31, 2015

Line No.	A	B	C	D
		12/31/2015 Per Books	Annual Interest Expense	Capital Structure
1.	<u>COMMON SHAREHOLDERS' EQUITY:</u>			
2.	Common shares, \$.10 par value; authorized 1,000 and			
3.	issued 1,000 shares	\$ 100		
4.	Paid-in capital	149,122,616		
5.	Retained earnings	52,810,630		
6.				
7.	Total Common Shareholder's Equity	<u>\$ 201,933,346</u>		<u>50.62%</u>
8.				
9.	<u>DEBT:</u>			
10.				
11.	Collateral trust notes-			
12.	6.58%, \$9,000,000 due in annual installments			
13.	beginning in 2017 through 2035	180,000,000	11,886,434	
14.				
15.	Revolver	17,000,000	306,000	
16.				
17.	Total Debt	<u>\$ 197,000,000</u>	<u>\$ 12,192,434</u>	<u>49.38%</u>
18.				
19.				
20.	TOTAL CAPITALIZATION	<u>\$ \$ 398,933,346</u>		<u>100.00%</u>
21.				
22.	COST OF DEBT	<u>6.19%</u>		

Community Utilities of Pennsylvania Inc.
Water Divisions
Pro Forma Interest Expense/Forecasted Capital Structure
Base Year (Per Books) Ended December 31, 2015
Future Test Year Ended December 31, 2017

<u>Line No.</u>	A	B
		<u>Water</u>
1.	Forecast Rate Base 12/31/2016	2,812,528
2.		
3.	Debt Ratio	50.00%
4.		
5.	Embedded Cost of Debt	6.60%
6.		
7.		
8.	Forecast Interest Expense 12/31/2016	<u>92,813</u>
9.		
10.	Forecast Rate Base 12/31/2017	3,316,476
11.		
12.	Debt Ratio	50.00%
13.		
14.	Embedded Cost of Debt	6.60%
15.		
16.		
17.	Forecast Interest Expense 12/31/2017	<u>109,444</u>

CUPA EXHIBIT NO. 2

PUBLIC VERSION

**PROPRIETARY INFORMATION HAS
BEEN REDACTED**

Community Utilities of Pennsylvania, Inc.
Purchased Power Expense Forecast

WP-BNH-03 (Purchased Power Expense)
Purchased Power Expense Forecast

	(A) Source Tab - Electric Forecast	(B) Rounding	(C) Water Total 12/31/2016
Water Territory			
Westgate	-	-	\$ -
Penn Estates	40,746	(1)	\$ 40,745
CUPA Forecast	\$ 40,746	\$ (1)	\$ 40,745

Description of calculations:

Purchased power forecast calculations for each service territory can be found on the tab labeled, "Electric Forecast" Forecasted period is found in columns U through AF. Purchased power costs are calculated using the average year-over-year growth rate % calculated in column M of the "Electric Forecast" tab using historical purchased power costs from June 2011 to May 2015 for each service territory. Historical costs are found in columns E through H of "Electric Forecast" tab. Historical invoicing is shown on tab, "Electric PV" and allocated to the appropriate service period on tab, "Electric Service Period" The seasonality weights are shown in Rows 4-7 on tab, "Summarized Service Period"

Notes/Source:

- (A) Electric Forecast Tab
- (B) Rounding
- (C) = (A) + (B)

Community Utilities of Pennsylvania, Inc.
Purchased Power Expense Forecast

WP-BNH-03 (Purchased Power Expense)
Purchased Power Expense Forecast

	(A) Source Tab - Electric Forecast	(B) Rounding	(C) Water Total 12/31/2017
Water Territory			
Westgate	-	-	\$ -
Penn Estates	39,895	(2)	\$ 39,893
CUPA Forecast	\$ 39,895	\$ (2)	\$ 39,893

Description of calculations:

Purchased power forecast calculations for each service territory can be found on the tab labeled, "Electric Forecast" Forecasted period is found in columns AG through AR. Purchased power costs are calculated using the average year-over-year growth rate % calculated in column M of the "Electric Forecast" tab using historical purchased power costs from June 2011 to May 2015 for each service territory. Historical costs are found in columns E through H of "Electric Forecast" tab. Historical invoicing is shown on tab, "Electric PV" and allocated to the appropriate service period on tab, "Electric Service Period" The seasonality weights are shown in Rows 4-7 on tab, "Summarized Service Period"

Notes/Source:

- (A) Electric Forecast Tab
- (B) Rounding
- (C) = (A) + (B)

Community Utilites of Pennsylvania, Inc.
Purchased Water Expense Forecast

WP-BNH-04 (Purchased Water Expense)
Purchased Water Expense Forecast

Water Territory	(A) Source Tab - 315	(B) Rounding	(C) Water Total 12/31/2016
Westgate	253,077	(2)	253,075
Penn Estates	-	-	-
CUPA Forecast	\$ 253,077	\$ (2)	\$ 253,075

Description of calculations:

Purchased water expense forecast can be found on tab, "315" row 40.

Rates used to calculate the expense are found on row 39, this is multiplied by the forecasted pumped water, found in row 14

Forecasted pumped water is pulled from tab, "Pumped Forecast" row 89

Notes/Source:

(A) 315 Tab

(B) Rounding

(C) = (A) + (B)

Community Utilites of Pennsylvania, Inc.
Purchased Water Expense Forecast

WP-BNH-04 (Purchased Water Expense)
Purchased Water Expense Forecast

Water Territory	(A) Source Tab - 315	(B) Rounding	(C) Water Total 12/31/2017
Westgate	269,527	(1)	269,526
Penn Estates	-	-	-
CUPA Forecast	\$ 269,527	\$ (1)	\$ 269,526

Description of calculations:

Purchased water expense forecast can be found on tab, "315" row 40.

Rates used to calculate the expense are found on row 39, this is multiplied by the forecasted pumped water, found in row 14

Forecasted pumped water is pulled from tab, "Pumped Forecast" row 89

Notes/Source:

(A) 315 Tab

(B) Rounding

(C) = (A) + (B)

	(A) Source Tab - Deferred Maintenance	(B) Source Tab - Uniforms	(C) Source Tab - Weather	(D) Source Tab - Other Maintenance	(E) Rounding	(F) Water Total 12/31/2016
Westgate	-	\$ 724	\$ 256	\$ 4,690	\$ 1	\$ 5,671
Penn Estates	3,698	\$ 725	\$ 1,471	\$ 13,553	\$ (1)	\$ 19,446
CUPA Forecast	\$ 3,698	\$ 1,448	\$ 1,727	\$ 18,243	\$ -	\$ 25,117

Description of calculations:

The line item labeled "Water - Materials, Supplies, and Other Maintenance Expense" in Section 1-12 is comprised of all Maintenance & Repair accounts. The accounts "Deferred Maintenance", "Uniforms", and "Weather/Hurricane/Fuel" are allocated by customers. All other maintenance accounts are actuals and not allocated by water or sewer customers.

Notes/Source:

- (A) Deferred Maintenance Tab
- (B) Uniforms Tab
- (C) Weather Tab
- (D) Other Maintenance Tab
- (E) Rounding
- (F) = (A) + (B) + (C) + (D) + (E)

Community Utilities of Pennsylvania, Inc.
 Deferred Maintenance Expense Forecast

WP-BNH-05 (Maintenance and Repair Expense)
 Deferred Maintenance Expense Forecast

	(A) Source Tab - Projected Def Assets	(B) Rounding	(C) Total 12/31/2016	(D) Water ERC Allocation Weight	(E) Water Total 12/31/2016
Water Territory					
Westgate	-	\$ -	\$ -	100.00%	\$ -
Penn Estates	7,387	\$ -	\$ 7,387	50.06%	\$ 3,698
CUPA Forecast	\$ 7,387	\$ -	\$ 7,387		\$ 3,698

Description of calculations:

Forecasted amortization of projected assets is shown on tab, "Projected Def Assets", columns AA-AL
 The projected assets can be found in Column C, with Asset information in Columns D-F

Notes/Source:

- (A) Project Def Assets Tab
- (B) Rounding
- (C) = (A) + (B)
- (D) WP-BNH-01 (ERC Allocations) - Water Co
- (E) = (C) * (D)

Community Utilities of Pennsylvania, Inc.
Uniforms Expense Forecast

WP-BNH-05 (Maintenance and Repair Expense)
Uniform Expense Forecast

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
	Source Tab -	Source Tab -	State	Source Tab -	Mid-Atlantic	Source Tab -	WSC	Source Tab -		Total	Water	Water Total
Water Territory	315	317	ERC Allocation	858	ERC Allocation	803	ERC Allocation	106 CS	Rounding	12/31/2016	ERC Allocation	12/31/2016
			Weight		Weight		Weight				Weight	
Westgate	652	-	17.10%	225	5.55%	300	0.35%	5,000	(1)	\$ 724	100.00%	\$ 724
Penn Estates	-	1,200	58.53%	225	19.01%	300	1.19%	5,000	-	\$ 1,448	50.06%	\$ 725
CUPA Forecast	\$ 652	\$ 1,200							\$ (1)	\$ 2,172		\$ 1,448

Description of calculations:

Uniforms are forecasted for WSC Customer Service, tab "106 CS"
Mid-Atlantic Regional Operating personnel, tab "803"
and Pennsylvania Operating personnel, tab "858", "315", and "317"

Notes/Source:

- (A) 315 Tab
- (B) 317 Tab
- (C) WP-BNH-01 (ERC Allocations) - State
- (D) 858 Tab
- (E) WP-BNH-01 (ERC Allocations) - Mid-Atlantic
- (F) 803 Tab
- (G) WP-BNH-01 (ERC Allocations) - WSC
- (H) 106 CS Tab
- (I) Rounding
- (J) = (A) + (B) + (C)*(D) + (E)*(F) + (G)*(H) + (I)
- (K) WP-BNH-01 (ERC Allocations) - Water Co
- (L) = (J) * (K)

Community Utilities of Pennsylvania, Inc.
Weather/Hurricane/Fuel Expense Forecast

WP-BNH-05 (Maintenance and Repair Expense)
Weather/Hurricane/Fuel Expense Forecast

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
	Source Tab -	Source Tab -	State	Source Tab -		Total	Water	
<u>Water Territory</u>	<u>315</u>	<u>317</u>	<u>ERC Allocation</u>	<u>858</u>	<u>Rounding</u>	<u>12/31/2016</u>	<u>ERC Allocation</u>	<u>Water Total</u>
			<u>Weight</u>				<u>Weight</u>	<u>12/31/2016</u>
Westgate	-	-	17.10%	1,500	-	\$ 256	100.00%	\$ 256
Penn Estates	-	2,060	58.53%	1,500	-	\$ 2,938	50.06%	\$ 1,471
CUPA Forecast	\$ -	\$ 2,060			\$ -	\$ 3,195		\$ 1,727

Description of calculations:

Weather/Hurricane/Fuel Expense is forecasted for each territory and the state cost center, tab "858", "315", and "317"

Notes/Source:

(A) 315 Tab

(B) 317 Tab

(C) WP-BNH-01 (ERC Allocations) - State

(D) 858 Tab

(E) Rounding

(F) = (A) + (B) + (C)*(D) + (E)

(G) WP-BNH-01 (ERC Allocations) - Water Co

(H) = (F) * (G)

Community Utilities of Pennsylvania, Inc.
Other Water Maintenance Expense Forecast

WP-BNH-05 (Maintenance and Repair Expense)
Other Water Maintenance Expense Forecast

	(A)	(B)	(C)	(D)
<u>Water Territory</u>	<u>Source Tab - 315</u>	<u>Source Tab - 317</u>	<u>Rounding</u>	<u>Water Total 12/31/2016</u>
Westgate	4,690	-	-	\$ 4,690
Penn Estates	-	13,556	(3)	\$ 13,553
CUPA Forecast	\$ 4,690	\$ 13,556	\$ (3)	\$ 18,243

Description of calculations:

Other Maintenance expense includes the below accounts and are summarized in Row 198 on tabs, "315" and "317"

2016 costs are based on an average of historical balances found in columns K-P

These maintenance costs are anticipated to continue into 2017 and are inflated by 5.67%, with the exception of State Cost Center costs, which are forecast to rer

Calculated costs for FY 2017 are located in row 198 on tabs, "315" "317" and "858"

The inflation rate is based on the historical average Water and Sewerage Maintenance CPI

The calculation for the average can be found on tab, "BLS Data Series"

WATER-MAINT SUPPLIES

WATER-MAINT REPAIRS

WATER-MAIN BREAKS

WATER-ELEC EQUIPT REPAI

WATER-OTHER MAINT EXP

COMMUNICATION EXPENSE

EQUIPMENT RENTALS

OPER CONTRACTED WORKERS

OUTSIDE LAB FEES-LAB,LA

REPAIRS & MAINT-MAINT,L

Notes/Source:

(A) 315 Tab

	(A) Source Tab - Deferred Maintenance	(B) Source Tab - Uniforms	(C) Source Tab - Weather	(D) Source Tab - Other Maintenance	(E) Rounding	(F) Water Total 12/31/2017
Westgate	-	\$ 780	\$ 271	\$ 4,962	\$ (1)	\$ 6,012
Penn Estates	7,395	\$ 965	\$ 1,554	\$ 14,295	\$ -	\$ 24,209
CUPA Forecast	\$ 7,395	\$ 1,745	\$ 1,825	\$ 19,257	\$ (1)	\$ 30,221

Description of calculations:

The line item labeled "Water - Materials, Supplies, and Other Maintenance Expense" in Section 1-12 is comprised of all Maintenance & Repair accounts. The accounts "Deferred Maintenance", "Uniforms", and "Weather/Hurricane/Fuel" are allocated by customers. All other maintenance accounts are actuals and not allocated by water or sewer customers.

Notes/Source:

- (A) Deferred Maintenance Tab
- (B) Uniforms Tab
- (C) Weather Tab
- (D) Other Maintenance Tab
- (E) Rounding
- (F) = (A) + (B) + (C) + (D) + (E)

Community Utilities of Pennsylvania, Inc.
 Deferred Maintenance Expense Forecast

WP-BNH-05 (Maintenance and Repair Expense)
 Deferred Maintenance Expense Forecast

	(A) Source Tab - Projected Def Assets	(B) Rounding	(C) Total 12/31/2017	(D) Water ERC Allocation Weight	(E) Water Total 12/31/2017
Water Territory					
Westgate	-	\$ -	\$ -	100.00%	\$ -
Penn Estates	14,775	\$ (2)	\$ 14,773	50.06%	\$ 7,395
CUPA Forecast	\$ 14,775	\$ (2)	\$ 14,773		\$ 7,395

Description of calculations:

Forecasted amortization of projected assets is shown on tab, "Projected Def Assets", columns AA-AL
 The projected assets can be found in Column C, with Asset information in Columns D-F

Notes/Source:

- (A) Project Def Assets Tab
- (B) Rounding
- (C) = (A) + (B)
- (D) WP-BNH-01 (ERC Allocations) - Water Co
- (E) = (C) * (D)

Community Utilities of Pennsylvania, Inc.
Uniforms Expense Forecast

WP-BNH-05 (Maintenance and Repair Expense)
Uniform Expense Forecast

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
	Source Tab -	Source Tab -	State	Source Tab -	Mid-Atlantic	Source Tab -	WSC	Source Tab -		Total	Water	Water Total
Water Territory	315	317	ERC Allocation	858	ERC Allocation	803	ERC Allocation	106 CS	Rounding	12/31/2017	ERC Allocation	12/31/2017
			Weight		Weight		Weight				Weight	
Westgate	683	-	17.10%	357	5.55%	300	0.35%	5,150	1	\$ 780	100.00%	\$ 780
Penn Estates	-	1,600	58.53%	357	19.01%	300	1.19%	5,150	-	\$ 1,927	50.06%	\$ 965
CUPA Forecast	\$ 683	\$ 1,600							\$ 1	\$ 2,707		\$ 1,745

Description of calculations:

Uniforms are forecasted for WSC Customer Service, tab "106 CS"
Mid-Atlantic Regional Operating personnel, tab "803"
and Pennsylvania Operating personnel, tab "858", "315", and "317"

Notes/Source:

- (A) 315 Tab
- (B) 317 Tab
- (C) WP-BNH-01 (ERC Allocations) - State
- (D) 858 Tab
- (E) WP-BNH-01 (ERC Allocations) - Mid-Atlantic
- (F) 803 Tab
- (G) WP-BNH-01 (ERC Allocations) - WSC
- (H) 106 CS Tab
- (I) Rounding
- (J) = (A) + (B) + (C)*(D) + (E)*(F) + (G)*(H) + (I)
- (K) WP-BNH-01 (ERC Allocations) - Water Co
- (L) = (J) * (K)

Community Utilities of Pennsylvania, Inc.
Weather/Hurricane/Fuel Expense Forecast

WP-BNH-05 (Maintenance and Repair Expense)
Weather/Hurricane/Fuel Expense Forecast

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
	Source Tab -	Source Tab -	State	Source Tab -		Total	Water	
<u>Water Territory</u>	<u>315</u>	<u>317</u>	<u>ERC Allocation</u>	<u>858</u>	<u>Rounding</u>	<u>12/31/2017</u>	<u>ERC Allocation</u>	<u>Water Total</u>
			<u>Weight</u>				<u>Weight</u>	<u>12/31/2017</u>
Westgate	-	-	17.10%	1,585	-	\$ 271	100.00%	\$ 271
Penn Estates	-	2,177	58.53%	1,585	-	\$ 3,105	50.06%	\$ 1,554
CUPA Forecast	\$ -	\$ 2,177			\$ -	\$ 3,376		\$ 1,825

Description of calculations:

Weather/Hurricane/Fuel Expense is forecasted for each territory and the state cost center, tab "858", "315", and "317"

Notes/Source:

(A) 315 Tab

(B) 317 Tab

(C) WP-BNH-01 (ERC Allocations) - State

(D) 858 Tab

(E) Rounding

(F) = (A) + (B) + (C)*(D) + (E)

(G) WP-BNH-01 (ERC Allocations) - Water Co

(H) = (F) * (G)

Community Utilities of Pennsylvania, Inc.
Other Water Maintenance Expense Forecast

WP-BNH-05 (Maintenance and Repair Expense)
Other Water Maintenance Expense Forecast

	(A)	(B)	(C)	(D)
<u>Water Territory</u>	<u>Source Tab - 315</u>	<u>Source Tab - 317</u>	<u>Rounding</u>	<u>Water Total 12/31/2017</u>
Westgate	4,962	-	-	\$ 4,962
Penn Estates	-	14,296	(1)	\$ 14,295
CUPA Forecast	\$ 4,962	\$ 14,296	\$ (1)	\$ 19,257

Description of calculations:

Other Maintenance expense includes the below accounts and are summarized in Row 198 on tabs, "315" and "317"

2016 costs are based on an average of historical balances found in columns K-P

These maintenance costs are anticipated to continue into 2017 and are inflated by 5.67%, with the exception of State Cost Center costs, which are forecast to rer

Calculated costs for FY 2017 are located in row 198 on tabs, "315" "317" and "858"

The inflation rate is based on the historical average Water and Sewerage Maintenance CPI

The calculation for the average can be found on tab, "BLS Data Series"

WATER-MAINT SUPPLIES

WATER-MAINT REPAIRS

WATER-MAIN BREAKS

WATER-ELEC EQUIPT REPAI

WATER-OTHER MAINT EXP

COMMUNICATION EXPENSE

EQUIPMENT RENTALS

OPER CONTRACTED WORKERS

OUTSIDE LAB FEES-LAB,LA

REPAIRS & MAINT-MAINT,L

Notes/Source:

(A) 315 Tab

Community Utilities of Pennsylvania, Inc.
 Chemical Expense Forecast

WP-BNH-07 (Chemical Expense)
 Chemical Expense Forecast

	(A) Source Tab - 317100	(B) Source Tab - 317101	(C) Water ERC Allocation Weight	(D) Rounding	(E) Water Total 12/31/2016
Westgate	-	-	100.00%	-	-
Penn Estates	3,322	65,961	50.06%	1	34,685
CUPA Forecast	\$ 3,322	\$ 65,961		\$ 1	\$ 34,685

Description of calculations:

Chemical expense forecast calculations for each service territory can be found on individual service territory tabs labeled "317100", "317101", in columns BE through BP. Transportation costs and chemical costs by type are listed in columns G & H in the individual service territory tabs. Chemical forecast amounts are calculated using the actual number of chemical units expected to be purchased (which are found in columns O through Z on the service territory tabs) multiplied by the effective cost per unit (column G plus column H) for each chemical type used by each service territory.

Notes/Source:

(A) 317100 Tab

(B) 317101 Tab

(C) WP-BNH-01 (ERC Allocations) - Water Co

(D) Rounding

(E) = [(A) + (B)] * (C) + (D)

Community Utilities of Pennsylvania, Inc.
 Chemical Expense Forecast

WP-BNH-07 (Chemical Expense)
 Chemical Expense Forecast

	(A) Source Tab - 317100	(B) Source Tab - 317101	(C) Water ERC Allocation Weight	(D) Rounding	(E) Water Total 12/31/2017
Westgate	-	-	100.00%	-	-
Penn Estates	3,614	67,386	50.06%	2	35,545
CUPA Forecast	\$ 3,614	\$ 67,386		\$ 2	\$ 35,545

Description of calculations:

Chemical expense forecast calculations for each service territory can be found on individual service territory tabs labeled "317100", "317101", in columns BQ through CB. Transportation costs and chemical costs by type are listed in columns G & H in the individual service territory tabs. Chemical forecast amounts are calculated using the actual number of chemical units expected to be purchased (which are found in columns AA through AL on the service territory tabs) multiplied by the effective cost per unit (column G plus column H) for each chemical type used by each service territory.

Notes/Source:

(A) 317100 Tab

(B) 317101 Tab

(C) WP-BNH-01 (ERC Allocations) - Water Co

(D) Rounding

(E) = [(A) + (B)] * (C) + (D)

Community Utilities of Pennsylvania, Inc.
 Transportation Expense Forecast

WP-BNH-08 (Transportation Expense)
 Transportation Expense Forecast

	(A)	(B)	(C)	(D)	(E)
Water Territory	Source Tab - Fuel	Source Tab - Auto Repairs	Source Tab - Other Transportation	Rounding	Water Total 12/31/2016
Westgate	4,995	898	543		\$ 6,436
Penn Estates	8,558	1,539	930		\$ 11,027
CUPA Forecast	\$ 13,553	\$ 2,437	\$ 1,474	\$ -	\$ 17,463

Notes/Source:

- (A) Fuel Tab
- (B) Auto Repairs Tab
- (C) Other Transportation Tab
- (D) Rounding
- (E) = (A) + (B) + (C) + (D)

Community Utilities of Pennsylvania, Inc.
Fuel Expense Forecast

WP-BNH-08 (Transportation Expense)
Fuel Expense Forecast

	(A) State ERC Allocation Weight	(B) Source Tab - Midwest	(C) Leadership ERC Allocation Weight	(D) Source Tab - Midwest	(E) WSC ERC Allocation Weight	(F) Source Tab - Combined SS	(G) Total 12/31/2016	(H) Water ERC Allocation Weight	(I) Water Total 12/31/2016
Water Territory									
Westgate	17.10%	28,446	1.85%	6,217	0.35%	4,548	\$ 4,995	100.00% \$ 4,995	
Penn Estates	58.53%	28,446	6.32%	6,217	1.19%	4,548	\$ 17,096	50.06% \$ 8,558	
CUPA Forecast							\$ 22,091	\$ 13,553	

Description of calculations:

Fuel expense is budgeted at the appropriate cost center and allocated down to Pennsylvania territories

Fuel for the Pennsylvania State cost center is forecasted on the Midwest tab, Row 45. Forecasted cost per gallon is multiplied by forecasted gallons purchased.

Cost per gallon is based on forecasted national average, shown on tab "DOE-EIA"

Cost is then forecasted on the state level by adjusting the national average by the long-run average deviation per state, as shown on tab, "National Avg & State Proj"

Forecasted gallons purchased is based on an average of historical gallons purchased from July 2013-June 2015, shown on tab, "Gallons Purchased"

Fuel for the President/Leadership cost center is forecasted on the Midwest tab, Row 58. Cost per gallon is an average of all states included in the cost center

Fuel for WSC/Shared Services is forecasted on tab "Combined SS"

Notes/Source:

(A) WP-BNH-01 (ERC Allocations) - State

(B) Midwest Tab

(C) WP-BNH-01 (ERC Allocations) - Leadership

(D) Midwest Tab

(E) WP-BNH-01 (ERC Allocations) - WSC

(F) Combined SS Tab

(G) = (A) * (B) + (C) * (D) + (E) * (F)

(H) WP-BNH-01 (ERC Allocations) - Water Co

(I) = (G) * (H)

Community Utilities of Pennsylvania, Inc.
Auto Repairs Expense Forecast

WP-BNH-08 (Transportation Expense)
Auto Repairs Expense Forecast

	(A) State ERC Allocation Weight	(B) Source Tab - 858	(C) Leadership ERC Allocation Weight	(D) Source Tab - 700	(E) WSC ERC Allocation Weight	(F) Source Tab - Combined SS	(G) Rounding	(H) Total 12/31/2016	(I) Water ERC Allocation Weight	(J) Water Total 12/31/2016
Westgate	17.10%	5,072	1.85%	1,100	0.35%	3,000		\$ 898	100.00%	\$ 898
Penn Estates	58.53%	5,072	6.32%	1,100	1.19%	3,000		\$ 3,074	50.06%	\$ 1,539
CUPA Forecast							\$ -	\$ 3,972		\$ 2,437

Description of calculations:

Auto Repairs expense for PA are based on an average of historical balances found in Columns K-P on tab, "858"

Auto Repairs expense for the President cost center are based on estimated needs, including oil changes

Auto Repairs for WSC/Shared Services is forecasted on tab "Combined SS", are also based on estimated needs, including oil changes

Notes/Source:

(A) WP-BNH-01 (ERC Allocations) - State

(B) Midwest Tab

(C) WP-BNH-01 (ERC Allocations) - Leadership

(D) Midwest Tab

(E) WP-BNH-01 (ERC Allocations) - WSC

(F) Combined SS Tab

(G) Rounding

(H) = (A) * (B) + (C) * (D) + (E) * (F) + (G)

(I) WP-BNH-01 (ERC Allocations) - Water Co

(J) = (H) * (I)

Community Utilities of Pennsylvania, Inc.
Other Transportation Expense Forecast

WP-BNH-08 (Transportation Expense)
Other Transportation Expense Forecast

	(A) State ERC Allocation Weight	(B) Source Tab - 858	(C) Leadership ERC Allocation Weight	(D) Source Tab - 700	(E) WSC ERC Allocation Weight	(F) Source Tab - Combined SS	(G) Rounding	(H) Total 12/31/2016	(I) Water ERC Allocation Weight	(J) Water Total 12/31/2016
Water Territory										
Westgate	17.10%	2,562	1.85%	5,700	0.35%	60		100.00%	\$ 543	
Penn Estates	58.53%	2,562	6.32%	5,700	1.19%	60	(2)	50.06%	\$ 930	
CUPA Forecast							\$ (2)		\$ 1,474	

Description of calculations:

Auto Repairs expense for PA are based on an average of historical balances found in Columns K-P on tab, "858"

Auto Repairs expense for the President cost center are based on estimated needs, including oil changes

Auto Repairs for WSC/Shared Services is forecasted on tab "Combined SS", are also based on estimated needs, including oil changes

Notes/Source:

(A) WP-BNH-01 (ERC Allocations) - State

(B) Midwest Tab

(C) WP-BNH-01 (ERC Allocations) - Leadership

(D) Midwest Tab

(E) WP-BNH-01 (ERC Allocations) - WSC

(F) Combined SS Tab

(G) Rounding

(H) = (A) * (B) + (C) * (D) + (E) * (F) + (G)

(I) WP-BNH-01 (ERC Allocations) - Water Co

(J) = (H) * (I)

Community Utilities of Pennsylvania, Inc.
 Transportation Expense Forecast

WP-BNH-08 (Transportation Expense)
 Transportation Expense Forecast

	(A)	(B)	(C)	(D)	(E)
Water Territory	Source Tab - Fuel	Source Tab - Auto Repairs	Source Tab - Other Transportation	Rounding	Water Total 12/31/2017
Westgate	4,888	885	557		\$ 6,330
Penn Estates	8,376	1,517	954		\$ 10,847
CUPA Forecast	\$ 13,265	\$ 2,402	\$ 1,510	\$ -	\$ 17,177

Notes/Source:

- (A) Fuel Tab
- (B) Auto Repairs Tab
- (C) Other Transportation Tab
- (D) Rounding
- (E) = (A) + (B) + (C) + (D)

Community Utilities of Pennsylvania, Inc.
Fuel Expense Forecast

WP-BNH-08 (Transportation Expense)
Fuel Expense Forecast

	(A) State ERC Allocation Weight	(B) Source Tab - Midwest	(C) Leadership ERC Allocation Weight	(D) Source Tab - Midwest	(E) WSC ERC Allocation Weight	(F) Source Tab - Combined SS	(G) Total 12/31/2017	(H) Water ERC Allocation Weight	(I) Water Total 12/31/2017
Water Territory									
Westgate	17.10%	27,836	1.85%	6,082	0.35%	4,684	\$ 4,888	100.00% \$ 4,888	
Penn Estates	58.53%	27,836	6.32%	6,082	1.19%	4,684	\$ 16,732	50.06% \$ 8,376	
CUPA Forecast							\$ 21,620	\$ 13,265	

Description of calculations:

Fuel expense is budgeted at the appropriate cost center and allocated down to Pennsylvania territories

Fuel for the Pennsylvania State cost center is forecasted on the Midwest tab, Row 45. Forecasted cost per gallon is multiplied by forecasted gallons purchased.

Cost per gallon is based on forecasted national average, shown on tab "DOE-EIA"

Cost is then forecasted on the state level by adjusting the national average by the long-run average deviation per state, as shown on tab, "National Avg & State Proj"

Forecasted gallons purchased is based on an average of historical gallons purchased from July 2013-June 2015, shown on tab, "Gallons Purchased"

Fuel for the President/Leadership cost center is forecasted on the Midwest tab, Row 58. Cost per gallon is an average of all states included in the cost center

Fuel for WSC/Shared Services is forecasted on tab "Combined SS"

Notes/Source:

(A) WP-BNH-01 (ERC Allocations) - State

(B) Midwest Tab

(C) WP-BNH-01 (ERC Allocations) - Leadership

(D) Midwest Tab

(E) WP-BNH-01 (ERC Allocations) - WSC

(F) Combined SS Tab

(G) = (A) * (B) + (C) * (D) + (E) * (F)

(H) WP-BNH-01 (ERC Allocations) - Water Co

(I) = (G) * (H)

Community Utilities of Pennsylvania, Inc.
Auto Repairs Expense Forecast

WP-BNH-08 (Transportation Expense)
Auto Repairs Expense Forecast

	(A) State ERC Allocation Weight	(B) Source Tab - 858	(C) Leadership ERC Allocation Weight	(D) Source Tab - 700	(E) WSC ERC Allocation Weight	(F) Source Tab - Combined SS	(G) Rounding	(H) Total 12/31/2017	(I) Water ERC Allocation Weight	(J) Water Total 12/31/2017
Westgate	17.10%	5,072	1.85%	400	0.35%	3,090		\$ 885	100.00%	\$ 885
Penn Estates	58.53%	5,072	6.32%	400	1.19%	3,090		\$ 3,030	50.06%	\$ 1,517
CUPA Forecast							\$ -	\$ 3,916		\$ 2,402

Description of calculations:

Auto Repairs expense for PA are based on an average of historical balances found in Columns K-P on tab, "858"

Auto Repairs expense for the President cost center are based on estimated needs, including oil changes

Auto Repairs for WSC/Shared Services is forecasted on tab "Combined SS", are also based on estimated needs, including oil changes

Notes/Source:

(A) WP-BNH-01 (ERC Allocations) - State

(B) Midwest Tab

(C) WP-BNH-01 (ERC Allocations) - Leadership

(D) Midwest Tab

(E) WP-BNH-01 (ERC Allocations) - WSC

(F) Combined SS Tab

(G) Rounding

(H) = (A) * (B) + (C) * (D) + (E) * (F) + (G)

(I) WP-BNH-01 (ERC Allocations) - Water Co

(J) = (H) * (I)

Community Utilities of Pennsylvania, Inc.
Other Transportation Expense Forecast

WP-BNH-08 (Transportation Expense)
Other Transportation Expense Forecast

	(A) State ERC Allocation Weight	(B) Source Tab - 858	(C) Leadership ERC Allocation Weight	(D) Source Tab - 700	(E) WSC ERC Allocation Weight	(F) Source Tab - Combined SS	(G) Total 12/31/2017	(H) Water ERC Allocation Weight	(I) Water Total 12/31/2017
Water Territory									
Westgate	17.10%	2,639	1.85%	5,700	0.35%	62	\$ 557	100.00%	\$ 557
Penn Estates	58.53%	2,639	6.32%	5,700	1.19%	62	\$ 1,905	50.06%	\$ 954
CUPA Forecast							\$ 2,462		\$ 1,510

Description of calculations:

Auto Repairs expense for PA are based on an average of historical balances found in Columns K-P on tab, "858"

Auto Repairs expense for the President cost center are based on estimated needs, including oil changes

Auto Repairs for WSC/Shared Services is forecasted on tab "Combined SS", are also base on estimated needs, including oil changes

Notes/Source:

(A) WP-BNH-01 (ERC Allocations) - State

(B) Midwest Tab

(C) WP-BNH-01 (ERC Allocations) - Leadership

(D) Midwest Tab

(E) WP-BNH-01 (ERC Allocations) - WSC

(F) Combined SS Tab

(G) = (A) * (B) + (C) * (D) + (E) * (F)

(H) WP-BNH-01 (ERC Allocations) - Water Co

(I) = (G) * (H)

Community Utilities of Pennsylvania, Inc.
 Contractual Services - Accounting Forecast

WP-BNH-10 (Contractual Services - Accounting)
 Contractual Services - Accounting Forecast

	(A) WSC ERC Allocation Weight	(B) Source Tab - Combined SS	(C) Total 12/31/2016	(D) Water ERC Allocation Weight	(E) Water Total 12/31/2016
Water Territory					
Westgate	0.35%	666,000	2,308	100.00%	\$ 2,308
Penn Estates	1.19%	666,000	7,901	50.06%	\$ 3,955
CUPA Forecast			\$ 10,210		\$ 6,264

Notes/Source:

(A) WP-BNH-01 (ERC Allocations) - WSC

(B) Combined SS Tab

(C) = (A) * (B)

(D) WP-BNH-01 (ERC Allocations) - Water Co

(E) = (C) * (D)

Community Utilities of Pennsylvania, Inc.
 Contractual Services - Legal Forecast

WP-BNH-10 (Contractual Services - Legal)
 Contractual Services - Legal Forecast

	(A) State ERC Allocation Weight	(B) Source Tab - 858	(C) Rounding	(D) Total 12/31/2016	(E) Water ERC Allocation Weight	(F) Water Total 12/31/2016
Water Territory						
Westgate	17.10%	4,968	-	849	100.00%	\$ 849
Penn Estates	58.53%	4,968	-	2,908	50.06%	\$ 1,456
CUPA Forecast			\$ -	\$ 3,757		\$ 2,305

Notes/Source:

- (A) WP-BNH-01 (ERC Allocations) - WSC
- (B) 858 Tab
- (C) Rounding
- (D) = (A)*(B) + (C)
- (E) WP-BNH-01 (ERC Allocations) - Water Co
- (F) = (D) * (E)

Community Utilities of Pennsylvania, Inc.
Contractual Services - Other Forecast

WP-BNH-10 (Contractual Services - Other)
Contractual Services - Other Forecast

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
	Source Tab -	Source Tab -	WSC	Source Tab -		Total	Water	
	315	317	ERC Allocation	Combined SS	Rounding	12/31/2016	ERC Allocation	Water Total
			Weight				Weight	12/31/2016
Water Territory								
Westgate	1,097	-	0.35%	380,373	-	2,416	100.00%	\$ 2,416
Penn Estates	-	1,670	1.19%	380,373	-	6,183	50.06%	\$ 3,095
CUPA Forecast	\$ 1,097	\$ 1,670			\$ -	\$ 8,599		\$ 5,511

Notes/Source:

- (A) 315 Tab
- (B) 317 Tab
- (C) WP-BNH-01 (ERC Allocations) - WSC
- (D) Combined SS Tab
- (E) Rounding
- (F) = (A) + (B) + (C)*(D)
- (G) WP-BNH-01 (ERC Allocations) - Water Co
- (H) = (F) * (G)

Community Utilities of Pennsylvania, Inc.
Engineering Fees Expense Forecast

WP-BNH-10 (Engineering Fees Expense)
Engineering Fees Expense Forecast

	(A)	(B)	(C)	(D)	(E)
Water Territory	Source Tab - 315	Source Tab - 317	Total 12/31/2016	Water ERC Allocation Weight	Water Total 12/31/2016
Westgate	-	-	-	100.00%	\$ -
Penn Estates	-	5,700	5,700	50.06%	\$ 2,853
CUPA Forecast	\$ -	\$ 5,700	\$ 5,700		\$ 2,853

Notes/Source:

(A) 315 Tab

(B) 317 Tab

(C) = (A) + (B)

(D) WP-BNH-01 (ERC Allocations) - Water Co

(E) = (C) * (D)

Community Utilities of Pennsylvania, Inc.
 Contractual Services - Accounting Forecast

WP-BNH-10 (Contractual Services - Accounting)
 Contractual Services - Accounting Forecast

	(A) WSC ERC Allocation Weight	(B) Source Tab - Combined SS	(C) Total 12/31/2017	(D) Water ERC Allocation Weight	(E) Water Total 12/31/2017
Water Territory					
Westgate	0.35%	685,980	2,378	100.00%	\$ 2,378
Penn Estates	1.19%	685,980	8,138	50.06%	\$ 4,074
CUPA Forecast			\$ 10,516		\$ 6,452

Notes/Source:

(A) WP-BNH-01 (ERC Allocations) - WSC

(B) Combined SS Tab

(C) = (A) * (B)

(D) WP-BNH-01 (ERC Allocations) - Water Co

(E) = (C) * (D)

Community Utilities of Pennsylvania, Inc.
 Contractual Services - Legal Forecast

WP-BNH-10 (Contractual Services - Legal)
 Contractual Services - Legal Forecast

	(A) State ERC Allocation Weight	(B) Source Tab - 858	(C) Rounding	(D) Total 12/31/2017	(E) Water ERC Allocation Weight	(F) Water Total 12/31/2017
Water Territory						
Westgate	17.10%	5,067	-	866	100.00%	\$ 866
Penn Estates	58.53%	5,067	(2)	2,964	50.06%	\$ 1,484
CUPA Forecast			\$ (2)	\$ 3,830		\$ 2,350

Notes/Source:

- (A) WP-BNH-01 (ERC Allocations) - WSC
- (B) 858 Tab
- (C) Rounding
- (D) = (A)*(B) + (C)
- (E) WP-BNH-01 (ERC Allocations) - Water Co
- (F) = (D) * (E)

Community Utilities of Pennsylvania, Inc.
Contractual Services - Other Forecast

WP-BNH-10 (Contractual Services - Other)
Contractual Services - Other Forecast

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
	Source Tab -	Source Tab -	WSC	Source Tab -		Total	Water	
	315	317	ERC Allocation	Combined SS	Rounding	12/31/2017	ERC Allocation	Water Total
			Weight				Weight	12/31/2017
Water Territory								
Westgate	1,134	-	0.35%	391,784	-	2,492	100.00%	\$ 2,492
Penn Estates	-	1,827	1.19%	391,784	-	6,475	50.06%	\$ 3,241
CUPA Forecast	\$ 1,134	\$ 1,827			\$ -	\$ 8,966		\$ 5,733

Notes/Source:

- (A) 315 Tab
- (B) 317 Tab
- (C) WP-BNH-01 (ERC Allocations) - WSC
- (D) Combined SS Tab
- (E) Rounding
- (F) = (A) + (B) + (C)*(D)
- (G) WP-BNH-01 (ERC Allocations) - Water Co
- (H) = (F) * (G)

Community Utilities of Pennsylvania, Inc.
 Office Supplies, Utilities, and Other Office Expense Forecast Summary

WP-BNH-11 (Office Supplies, Utilities, and Other Office Expense)
 Office Supplies, Utilities, and Other Office Expense Forecast Summary

	(A) Source Tab - Office Expense	(B) Source Tab - Office Utility	(C) Source Tab - Billing & Customer Service	(D) Source Tab - Information Technology	(E) Rounding	(F) Water Total 12/31/2016
Westgate	1,243	\$ 15,226	\$ 3,539	\$ 3,939		\$ 23,947
Penn Estates	2,669	\$ 11,457	\$ 5,909	\$ 6,750		\$ 26,784
CUPA Forecast	\$ 3,912	\$ 26,683	\$ 9,448	\$ 10,689	\$ -	\$ 50,731

Notes/Source:

- (A) Office Expense Tab
- (B) Office Utility Tab
- (C) Billing and Customer Service Tab
- (D) Information Technology Tab
- (E) Rounding
- (F) = (A) + (B) + (C) + (D) + (E)

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
	Source Tab -	Source Tab -	State	Source Tab -	WSC	Source Tab -		Total	Water	Water Total
Water Territory	315	317	ERC Allocation	858	ERC Allocation	Combined SS	Rounding	12/31/16	ERC Allocation	12/31/16
			Weight		Weight				Weight	
Westgate	640	-	17.10%	1,006	0.35%	124,266	-	\$ 1,243	100.00%	\$ 1,243
Penn Estates	-	3,268	58.53%	1,006	1.19%	124,266	-	\$ 5,331	50.06%	\$ 2,669
CUPA Forecast	\$ 640	\$ 3,268					\$ -	\$ 6,574		\$ 3,912

Description of calculations:

Tab, "315" "317" and "858" forecasts for FY 2017 is based on an average of historical balances shown in columns K-P
Office Expense for WSC/Shared Services is forecasted on tab "Combined SS"

Notes/Source:

- (A) 315 Tab
- (B) 317 Tab
- (C) WP-BNH-01 (ERC Allocations) - State
- (D) 858 Tab
- (E) WP-BNH-01 (ERC Allocations) - WSC
- (F) Combined SS Tab
- (G) Rounding
- (H) = (A) + (B) + (C)*(D) + (E)*(F) + (G)
- (I) WP-BNH-01 (ERC Allocations) - Water Co
- (J) = (H) * (I)

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
	Source Tab - 315	Source Tab - 317	State ERC Allocation Weight	Source Tab - 858	Leadership ERC Allocation Weight	Source Tab - Supervisor Telecom	WSC ERC Allocation Weight	Source Tab - Combined SS	Rounding	Total 12/31/2016	Water ERC Allocation Weight	Water Total 12/31/16
Westgate	10,006		17.10%	1,119	1.85%	3,720	0.35%	1,430,898	-	\$ 15,226	100.00%	\$ 15,226
Penn Estates		5,018	58.53%	1,119	6.32%	3,720	1.19%	1,430,898	2	\$ 22,886	50.06%	\$ 11,457
CUPA Forecast	\$ 10,006	\$ 5,018							\$ 2	\$ 38,112		\$ 26,683

Description of calculations:

Tab, "315" "317" and "858" forecasts for FY 2017 is based on an average of historical balances shown in columns K-P, with the exception of telemetering expense
Telemetering expense is based on analysis and review of current and anticipated Mission Communications contracts
Tab, "Supervisor Telecom" shows anticipated telephone expenses for supervisory personnel
Tab, "Regional Garbage" shows anticipated expenses for regional garbage removal
Office utilities are forecasted for WSC costs on tab, "Combined SS"
Calendar year 2017 costs are anticipated to increase 3% over calendar year 2016.

Notes/Source:

- (A) 315 Tab
- (B) 317 Tab
- (C) WP-BNH-01 (ERC Allocations) - State
- (D) 858 Tab
- (E) WP-BNH-01 (ERC Allocations) - Leadership
- (F) Supervisor Telecom Tab
- (G) WP-BNH-01 (ERC Allocations) - WSC
- (H) Combined SS Tab
- (I) Rounding
- (J) = (A) + (B) + (C)*(D) + (E)*(F) + (G)*(H) + (I)
- (K) WP-BNH-01 (ERC Allocations) - Water Co
- (L) = (J) * (K)

	(A)	(B)	(C)	(D)	(E)	(F)	(G)
	Source Tab - PA Mailings	WSC ERC Allocation Weight	Source Tab - Billing	Rounding	Total 12/31/16	Water ERC Allocation Weight	Water Total 12/31/16
Westgate	189	0.35%	966,553	-	\$ 3,539	100.00%	\$ 3,539
Penn Estates	335	1.19%	966,553	1	\$ 11,803	50.06%	\$ 5,909
CUPA Forecast	\$ 524			\$ 1	\$ 15,342		\$ 9,448

Description of calculations:

Tab, "PA Mailings" shows anticipated customer mailing costs for CCR and other notices will remain constant

Tab, "Billing" assumes billing costs for calendar year 2016 will increase by 3% over calendar year 2015. Additional Costs are projected with "Customer Service" expense account due to the inclusion of First Billing Services.

Costs for calendar year 2017 are forecasted to increase 3%.

Notes/Source:

(A) PA Mailings Tab

(B) WP-BNH-01 (ERC Allocations) - WSC

(C) Billing Tab

(D) Rounding

(E) = (A) + (B) * (C) + (D)

(F) WP-BNH-01 (ERC Allocations) - Water Co

(G) = (E) * (F)

	(A) WSC ERC Allocation Weight	(B) Source Tab - Computer Maint	(C) Source Tab - Internet Supplier	(D) Rounding	(E) Total 12/31/16	(F) Water ERC Allocation Weight	(G) Water Total 12/31/16
Water Territory							
Westgate	0.35%	950,488	186,000	-	\$ 3,939	100.00%	\$ 3,939
Penn Estates	1.19%	950,488	186,000	-	\$ 13,483	50.06%	\$ 6,750
CUPA Forecast				\$ -	\$ 17,422		\$ 10,689

Description of calculations:

Tab, "Computer Maint" shows a breakdown of IT related maintenance costs for calendar year 2016. These costs are projected to increase in 2017 by 3%

Forecasted costs for 2017 also includes two additional maintenance contracts, costs are forecasted in Row 63.

Tab, "Internet Supplier" assumes calendar year 2016 costs will increase by 3% for calendar year 2017, as shown in Row 7

Notes/Source:

(A) WP-BNH-01 (ERC Allocations) - WSC

(B) Computer Maint Tab

(C) Internet Supplier Tab

(D) Rounding

(E) = (A) * [(B) + (C)] + (D)

(F) WP-BNH-01 (ERC Allocations) - Water Co

(G) = (E) * (F)

	(A) Source Tab - Office Expense	(B) Source Tab - Office Utility	(C) Source Tab - Billing & Customer Service	(D) Source Tab - Information Technology	(E) Rounding	(F) Water Total 12/31/2017
Westgate	1,311	\$ 15,701	\$ 3,640	\$ 4,352		\$ 25,003
Penn Estates	2,714	\$ 11,762	\$ 6,081	\$ 7,457	\$ (1)	\$ 28,013
CUPA Forecast	\$ 4,025	\$ 27,463	\$ 9,721	\$ 11,809	\$ (1)	\$ 53,016

Notes/Source:

- (A) Office Expense Tab
- (B) Office Utility Tab
- (C) Billing and Customer Service Tab
- (D) Information Technology Tab
- (E) Rounding
- (F) = (A) + (B) + (C) + (D) + (E)

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
	Source Tab -	Source Tab -	State	Source Tab -	WSC	Source Tab -		Total	Water	Water Total
Water Territory	315	317	ERC Allocation	858	ERC Allocation	Combined SS	Rounding	12/31/17	ERC Allocation	12/31/17
			Weight		Weight				Weight	
Westgate	686	-	17.10%	1,058	0.35%	127,993	-	\$ 1,311	100.00%	\$ 1,311
Penn Estates	-	3,284	58.53%	1,058	1.19%	127,993	-	\$ 5,422	50.06%	\$ 2,714
CUPA Forecast	\$ 686	\$ 3,284					\$ -	\$ 6,733		\$ 4,025

Description of calculations:

Tab, "315" "317" and "858" forecasts for FY 2017 is based on an average of historical balances shown in columns K-P
Office Expense for WSC/Shared Services is forecasted on tab "Combined SS"

Notes/Source:

- (A) 315 Tab
- (B) 317 Tab
- (C) WP-BNH-01 (ERC Allocations) - State
- (D) 858 Tab
- (E) WP-BNH-01 (ERC Allocations) - WSC
- (F) Combined SS Tab
- (G) Rounding
- (H) = (A) + (B) + (C)*(D) + (E)*(F) + (G)
- (I) WP-BNH-01 (ERC Allocations) - Water Co
- (J) = (H) * (I)

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
	Source Tab -	Source Tab -	State	Source Tab -	Leadership	Source Tab -	WSC	Source Tab -		Total	Water	Water Total
Water Territory	315	317	ERC Allocation	858	ERC Allocation	Supervisor	ERC Allocation	Combined SS	Rounding	12/31/2017	ERC Allocation	12/31/17
			Weight		Weight	Telecom	Weight				Weight	
Westgate	10,335		17.10%	1,114	1.85%	3,720	0.35%	1,473,825	(2)	\$ 15,701	100.00%	\$ 15,701
Penn Estates		5,120	58.53%	1,114	6.32%	3,720	1.19%	1,473,825	3	\$ 23,495	50.06%	\$ 11,762
CUPA Forecast	\$ 10,335	\$ 5,120							\$ 1	\$ 39,196		\$ 27,463

Description of calculations:

Tab, "315" "317" and "858" forecasts for FY 2017 is based on an average of historical balances shown in columns K-P, with the exception of telemetering expense
 Telemetering expense is based on analysis and review of current and anticipated Mission Communications contracts
 Tab, "Supervisor Telecom" shows anticipated telephone expenses for supervisory personnel
 Tab, "Regional Garbage" shows anticipated expenses for regional garbage removal
 Office utilities are forecasted for WSC costs on tab, "Combined SS"
 Calendar year 2017 costs are anticipated to increase 3% over calendar year 2016.

Notes/Source:

- (A) 315 Tab
- (B) 317 Tab
- (C) WP-BNH-01 (ERC Allocations) - State
- (D) 858 Tab
- (E) WP-BNH-01 (ERC Allocations) - Leadership
- (F) Supervisor Telecom Tab
- (G) WP-BNH-01 (ERC Allocations) - WSC
- (H) Combined SS Tab
- (I) Rounding
- (J) = (A) + (B) + (C)*(D) + (E)*(F) + (G)*(H) + (I)
- (K) WP-BNH-01 (ERC Allocations) - Water Co
- (L) = (J) * (K)

	(A)	(B)	(C)	(D)	(E)	(F)	(G)
	Source Tab - PA Mailings	WSC ERC Allocation Weight	Source Tab - Billing	Rounding	Total 12/31/17	Water ERC Allocation Weight	Water Total 12/31/17
Water Territory							
Westgate	189	0.35%	995,550	-	\$ 3,640	100.00%	\$ 3,640
Penn Estates	335	1.19%	995,550	1	\$ 12,147	50.06%	\$ 6,081
CUPA Forecast	\$ 524			\$ 1	\$ 15,787		\$ 9,721

Description of calculations:

Tab, "PA Mailings" shows anticipated customer mailing costs for CCR and other notices will remain constant

Tab, "Billing" assumes billing costs for calendar year 2016 will increase by 3% over calendar year 2015. Additional Costs are projected with "Customer Service" expense account due to the inclusion of First Billing Services.

Costs for calendar year 2017 are forecasted to increase 3%.

Notes/Source:

(A) PA Mailings Tab

(B) WP-BNH-01 (ERC Allocations) - WSC

(C) Billing Tab

(D) Rounding

(E) = (A) + (B) * (C) + (D)

(F) WP-BNH-01 (ERC Allocations) - Water Co

(G) = (E) * (F)

	(A) WSC ERC Allocation Weight	(B) Source Tab - Computer Maint	(C) Source Tab - Internet Supplier	(D) Rounding	(E) Total 12/31/17	(F) Water ERC Allocation Weight	(G) Water Total 12/31/17
Water Territory							
Westgate	0.35%	1,064,003	191,580	-	\$ 4,352	100.00%	\$ 4,352
Penn Estates	1.19%	1,064,003	191,580	-	\$ 14,896	50.06%	\$ 7,457
CUPA Forecast				\$ -	\$ 19,248		\$ 11,809

Description of calculations:

Tab, "Computer Maint" shows a breakdown of IT related maintenance costs for calendar year 2016. These costs are projected to increase in 2017 by 3%
Forecasted costs for 2017 also includes two additional maintenance contracts, costs are forecasted in Row 63.
Tab, "Internet Supplier" assumes calendar year 2016 costs will increase by 3% for calendar year 2017, as shown in Row 7

Notes/Source:

- (A) WP-BNH-01 (ERC Allocations) - WSC
- (B) Computer Maint Tab
- (C) Internet Supplier Tab
- (D) Rounding
- (E) = (A) * [(B) + (C)] + (D)
- (F) WP-BNH-01 (ERC Allocations) - Water Co
- (G) = (E) * (F)

Water Territory	(A) WSC ERC Allocation Weight	(B) Source Tab - Profit Sharing	(C) Source Tab - Health Ins Claims	(D) Source Tab - Other Benefits	(E) Total 12/31/2016	(F) Water ERC Allocation Weight	(G) Water Total 12/31/2016
Westgate	0.35%	1,060,120	4,362,876	713,747	\$ 21,270	100.00%	\$ 21,270
Penn Estates	1.19%	1,060,120	4,362,876	713,747	\$ 72,805	50.06%	\$ 36,447
CUPA Forecast					\$ 94,075		\$ 57,717

Description of calculations:

Pension and benefits are forecasted at WSC and are based on review and analysis of current and projected headcounts and corresponding benefits.
 Tab, "Profit Sharing" is forecasted for calendar year 2016 is based on forecasted W-2 wages and historical % of profit sharing paid
 Calendar year 2017 assumes a 3% inflation for base pay and another 5% inflation for P50 migration
 Tab, "Health Ins Claims" are forecasted for calendar year 2016 by current enrolled employees * cost per employee
 2017 calendar year costs are projected to increase 5.5% over 2016 costs
 Tab, "Other Benefits" are forecasted at the WSC level and are based on review of historical costs

Notes/Source:

(A) WP-BNH-01 (ERC Allocations) - WSC
 (B) Profit Sharing tab
 (C) Health Ins Claims tab
 (D) Other Benefits tab
 (E) = (A) * [(B) + (C) + (D)]
 (F) WP-BNH-01 (ERC Allocations) - Water Co
 (G) = (E) * (F)

<u>Water Territory</u>	<u>(A) WSC ERC Allocation Weight</u>	<u>(B) Source Tab - Profit Sharing</u>	<u>(C) Source Tab - Health Ins Claims</u>	<u>(D) Source Tab - Other Benefits</u>	<u>(E) Total 12/31/2017</u>	<u>(F) Water ERC Allocation Weight</u>	<u>(G) Water Total 12/31/2017</u>
Westgate	0.35%	1,144,930	4,602,835	761,542	\$ 22,561	100.00%	\$ 22,561
Penn Estates	1.19%	1,144,930	4,602,835	761,542	\$ 77,225	50.06%	\$ 38,660
CUPA Forecast					\$ 99,787		\$ 61,221

Description of calculations:

Pension and benefits are forecasted at WSC and are based on review and analysis of current and projected headcounts and corresponding benefits.

Tab, "Profit Sharing" is forecasted for calendar year 2016 is based on forecasted W-2 wages and historical % of profit sharing paid

Calendar year 2017 assumes a 3% inflation for base pay and another 5% inflation for P50 migration

Tab, "Health Ins Claims" are forecasted for calendar year 2016 by current enrolled employees * cost per employee

2017 calendar year costs are projected to increase 5.5% over 2016 costs

Tab, "Other Benefits" are forecasted at the WSC level and are based on review of historical costs

Notes/Source:

(A) WP-BNH-01 (ERC Allocations) - WSC

(B) Profit Sharing tab

(C) Health Ins Claims tab

(D) Other Benefits tab

(E) = (A) * [(B) + (C) + (D)]

(F) WP-BNH-01 (ERC Allocations) - Water Co

(G) = (E) * (F)

Community Utilities of Pennsylvania, Inc.
Rent Expense Forecast

WP-BNH-14 (Rent Expense)
Rent Expense Forecast

	(A) State ERC Allocation Weight	(B) Source Tab - 858	(C) WSC ERC Allocation Weight	(D) Source Tab - Combined SS	(E) Total 12/31/2016	(F) Water ERC Allocation Weight	(G) Water Total 12/31/2016
Water Territory							
Westgate	17.10%	5,552	0.35%	23,520	\$ 1,031	100.00%	\$ 1,031
Penn Estates	58.53%	5,552	1.19%	23,520	\$ 3,529	50.06%	\$ 1,766
CUPA Forecast	75.63%		1.53%		\$ 4,559		\$ 2,797

Description of calculations:

Rent expense is forecasted at the PA state cost center based on current and anticipated lease obligations
 Rent expense is projected to remain constant for PA state cost center
 Rent for WSC/Shared Services is forecasted on tab "Combined SS"

Notes/Source:

- (A) WP-BNH-01 (ERC Allocations) - State
- (B) 858 Tab
- (C) WP-BNH-01 (ERC Allocations) - WSC
- (D) Combined SS Tab
- (E) = (A) * (B) + (C) * (D)
- (F) WP-BNH-01 (ERC Allocations) - Water Co
- (G) = (E) * (F)

Community Utilities of Pennsylvania, Inc.
Rent Expense Forecast

WP-BNH-14 (Rent Expense)
Rent Expense Forecast

	(A) State ERC Allocation Weight	(B) Source Tab - 858	(C) WSC ERC Allocation Weight	(D) Source Tab - Combined SS	(E) Total 12/31/2017	(F) Water ERC Allocation Weight	(G) Water Total 12/31/2017
Water Territory							
Westgate	17.10%	5,664	0.35%	24,226	\$ 1,052	100.00%	\$ 1,052
Penn Estates	58.53%	5,664	1.19%	24,226	\$ 3,603	50.06%	\$ 1,803
CUPA Forecast					\$ 4,655		\$ 2,856

Description of calculations:

Rent expense is forecasted at the PA state cost center based on current and anticipated lease obligations

Rent expense is projected to remain constant for PA state cost center

Rent for WSC/Shared Services is forecasted on tab "Combined SS"

Rent expense is forecasted for 2016 is based on current lease obligations and assumed to increase 3% for calendar year 2017

Notes/Source:

(A) WP-BNH-01 (ERC Allocations) - State

(B) 858 Tab

(C) WP-BNH-01 (ERC Allocations) - WSC

(D) Combined SS Tab

(E) = (A) * (B) + (C) * (D)

(F) WP-BNH-01 (ERC Allocations) - Water Co

(G) = (E) * (F)

Community Utilities of Pennsylvania, Inc.
Insurance Expense Forecast

WP-BNH-15 (Insurance Expense)
Insurance Expense Forecast

	(A) WSC	(B) Source Tab -	(C) Total	(D) Water	(E) Water
<u>Water Territory</u>	<u>ERC Allocation Weight</u>	<u>Amortization Schedule</u>	<u>12/31/2016</u>	<u>ERC Allocation Weight</u>	<u>12/31/2016</u>
Westgate	0.35%	3,023,662	\$ 10,480	100.00%	\$ 10,480
Penn Estates	1.19%	3,023,662	\$ 35,872	50.06%	\$ 17,958
CUPA Forecast	1.53%		\$ 46,352	150.06%	\$ 28,438

Description of calculations:

Insurance costs are forecasted at WSC and are based on review and analysis of current and projected insurance policies. Formulaic support for the amounts in column G of this worksheet can be found on line 170 in the Amortization Schedule tab in columns CN through CY.

Notes/Source:

- (A) WP-BNH-01 (ERC Allocations) - WSC
- (B) Amortization Schedule tab
- (C) = (A) * (B)
- (D) WP-BNH-01 (ERC Allocations) - Water Co
- (E) = (C) * (D)

Community Utilities of Pennsylvania, Inc.
Insurance Expense Forecast

WP-BNH-15 (Insurance Expense)
Insurance Expense Forecast

	(A) WSC	(B) Source Tab - Amortization Schedule	(C) Total 12/31/2017	(D) Water ERC Allocation Weight	(E) Water Total 12/31/2017
Water Territory	ERC Allocation Weight				
Westgate	0.35%	3,098,614	\$ 10,740	100.00%	\$ 10,740
Penn Estates	1.19%	3,098,614	\$ 36,761	50.06%	\$ 18,403
CUPA Forecast	1.53%		\$ 47,501	150.06%	\$ 29,143

Description of calculations:

Insurance costs are forecasted at WSC and are based on review and analysis of current and projected insurance policies. 2017 costs are determined by assuming a 3% increase over 2016 forecasted costs for business insurance premiums and 0% increase in deductibles. The 3% increase can be found in column DA where 2017 projections begin in the Amortization Schedule tab. Formulaic support for the amounts in column G of this worksheet can be found on line 170 in the Amortization Schedule tab in columns DB through DM.

Notes/Source:

- (A) WP-BNH-01 (ERC Allocations) - WSC
- (B) Amortization Schedule tab
- (C) = (A) * (B)
- (D) WP-BNH-01 (ERC Allocations) - Water Co
- (E) = (C) * (D)

	(A)	(B)	(C)	(D)	(E)	(F)
Water Territory	Source Tab - Meter Reading	Source Tab - Miscellaneous	Source Tab - Travel	Source Tab - Maint Testing	Rounding	Water Total 12/31/2016
Westgate	9,156	1,216	1,767	3,129	-	\$ 15,268
Penn Estates	12,800	2,477	3,036	5,259	(1)	\$ 23,571
CUPA Forecast	\$ 21,956	\$ 3,693	\$ 4,803	\$ 8,388	\$ (1)	\$ 38,840

Notes/Source:

- (A) Meter Reading Tab
- (B) Miscellaneous Tab
- (C) Travel Tab
- (D) Maint Testing Tab
- (E) Rounding
- (F) = (A) + (B) + (C) + (D) + (E)

Community Utilities of Pennsylvania, Inc.
 Meter Reading Expense Forecast

WP-BNH-17 (Testing, Meter Reading, and Miscellaneous Expense)
 Meter Reading Expense Forecast

	(A) Source Tab - 315	(B) Source Tab - 317	(C) Rounding	(D) Water Total 12/31/2016
Westgate	9,156	-	-	\$ 9,156
Penn Estates	-	12,798	2	\$ 12,800
CUPA Forecast	\$ 9,156	\$ 12,798	\$ 2	\$ 21,956

Notes/Source:

- (A) 315 Tab
- (B) 317 Tab
- (C) Rounding
- (D) = (A) + (B) + (C)

	(A) Leadership ERC Allocation Weight	(B) Source Tab - Supervisor Costs	(C) Source Tab - 315	(D) Source Tab - 317	(E) Mid-Atlantic ERC Allocation Weight	(F) Source Tab - 803	(G) WSC ERC Allocation Weight	(H) Source Tab - Combined SS	(I) Rounding	(J) Total 12/31/2016	(K) Water ERC Allocation Weight	(L) Water Total 12/31/2016
Water Territory												
Westgate	1.85%	8,665	665	-	5.55%	900	0.35%	98,517	-	\$ 1,216	100.00%	\$ 1,216
Penn Estates	6.32%	8,665	-	3,059	19.01%	900	1.19%	98,517	1	\$ 4,947	50.06%	\$ 2,477
CUPA Forecast			\$ 665	\$ 3,059					\$ 1	\$ 6,164		\$ 3,693

Notes/Source:

- (A) WP-BNH-01 (ERC Allocations) - Leadership
- (B) Supervisor Costs Tab
- (C) 315 Tab
- (D) 317 Tab
- (E) WP-BNH-01 (ERC Allocations) - Mid-Atlantic
- (F) 803 Tab
- (G) WP-BNH-01 (ERC Allocations) - WSC
- (H) Combined SS Tab
- (I) Rounding
- (J) = (A)*(B) + (C) + (D) + (E)*(F) + (G)*(H) + (I)
- (K) WP-BNH-01 (ERC Allocations) - Water Co
- (L) = (J) * (K)

	(A) Leadership ERC Allocation Weight	(B) Source Tab - Supervisor Costs	(C) Source Tab - 315	(D) Source Tab - 317	(E) State ERC Allocation Weight	(F) Source Tab - 858	(G) Mid-Atlantic ERC Allocation Weight	(H) Source Tab - 803	(I) WSC ERC Allocation Weight	(J) Source Tab - Combined SS	(K) Total 12/31/2016	(L) Water ERC Allocation Weight	(M) Water Total 12/31/2016
Westgate	1.85%	34,948	122	-	17.10%	1,642	5.55%	3,990	0.35%	143,410	\$ 1,767	100.00%	\$ 1,767
Penn Estates	6.32%	34,948	-	436	58.53%	1,642	19.01%	3,990	1.19%	143,410	\$ 6,065	50.06%	\$ 3,036
CUPA Forecast			\$ 122	\$ 436							\$ 7,832		\$ 4,803

Notes/Source:

- (A) WP-BNH-01 (ERC Allocations) - Leadership
- (B) Supervisor Costs Tab
- (C) 315 Tab
- (D) 317 Tab
- (E) WP-BNH-01 (ERC Allocations) - State
- (F) 858 Tab
- (G) WP-BNH-01 (ERC Allocations) - Mid-Atlantic
- (H) 803 Tab
- (I) WP-BNH-01 (ERC Allocations) - WSC
- (J) Combined SS Tab
- (K) = (A)*(B) + (C) + (D) + (E)*(F) + (G)*(H) + (I)*(J)
- (L) WP-BNH-01 (ERC Allocations) - Water Co
- (M) = (K) * (L)

Community Utilities of Pennsylvania, Inc.
Maintenance Testing Expense Forecast

WP-BNH-17 (Testing, Meter Reading, and Miscellaneous Expense)
Maintenance Testing Expense Forecast

	(A) Source Tab - 315 (6255 - Test-Water)	(B) Source Tab - 317 (6255 - Test-Water)	(C) Water ERC Allocation Weight	(D) Source Tab - 315 (6260 - Equip/Chem)	(E) Source Tab - 317 (6260 - Equip/Chem)	(F) Water Total 12/31/2016
Westgate	3,000	-	100.00%	129	-	\$ 3,129
Penn Estates	-	2,760	50.06%	-	4,992	\$ 5,259
CUPA Forecast	\$ 3,000	\$ 2,760		\$ 129	\$ 4,992	\$ 8,388

Notes/Source:

- (A) 315 Tab
- (B) 317 Tab
- (C) WP-BNH-01 (ERC Allocations) - Water Co
- (D) 315 Tab
- (E) 317 Tab
- (F) = (A) + (B) + (C)*[(D)+(E)]

	(A)	(B)	(C)	(D)	(E)	(F)
Water Territory	Source Tab - Meter Reading	Source Tab - Miscellaneous	Source Tab - Travel	Source Tab - Maint Testing	Rounding	Water Total 12/31/2017
Westgate	9,231	1,146	1,624	2,609	(1)	\$ 14,609
Penn Estates	-	2,270	2,792	20,233	-	\$ 25,295
CUPA Forecast	\$ 9,231	\$ 3,416	\$ 4,416	\$ 22,842	\$ (1)	\$ 39,904

Notes/Source:

- (A) Meter Reading Tab
- (B) Miscellaneous Tab
- (C) Travel Tab
- (D) Maint Testing Tab
- (E) Rounding
- (F) = (A) + (B) + (C) + (D) + (E)

Community Utilities of Pennsylvania, Inc.
 Meter Reading Expense Forecast

WP-BNH-17 (Testing, Meter Reading, and Miscellaneous Expense)
 Meter Reading Expense Forecast

	(A) Source Tab - 315	(B) Source Tab - 317	(C) Water Total 12/31/2017
Westgate	9,231	-	\$ 9,231
Penn Estates	-	-	\$ -
CUPA Forecast	\$ 9,231	\$ -	\$ 9,231

Notes/Source:

(A) 315 Tab

(B) 317 Tab

(C) = (A) + (B)

	(A) Leadership ERC Allocation Weight	(B) Source Tab - Supervisor Costs	(C) Source Tab - 315	(D) Source Tab - 317	(E) Mid-Atlantic ERC Allocation Weight	(F) Source Tab - 803	(G) WSC ERC Allocation Weight	(H) Source Tab - Combined SS	(I) Total 12/31/2017	(J) Water ERC Allocation Weight	(K) Water Total 12/31/2017
Water Territory											
Westgate	1.85%	5,550	665	-	5.55%	480	0.35%	101,473	\$ 1,146	100.00%	\$ 1,146
Penn Estates	6.32%	5,550	-	2,889	19.01%	480	1.19%	101,473	\$ 4,535	50.06%	\$ 2,270
CUPA Forecast			\$ 665	\$ 2,889					\$ 5,681		\$ 3,416

Notes/Source:

- (A) WP-BNH-01 (ERC Allocations) - Leadership
- (B) Supervisor Costs Tab
- (C) 315 Tab
- (D) 317 Tab
- (E) WP-BNH-01 (ERC Allocations) - Mid-Atlantic
- (F) 803 Tab
- (G) WP-BNH-01 (ERC Allocations) - WSC
- (H) Combined SS Tab
- (I) = (A)*(B) + (C) + (D) + (E)*(F) + (G)*(H)
- (J) WP-BNH-01 (ERC Allocations) - Water Co
- (K) = (I) * (J)

	(A) Leadership ERC Allocation Weight	(B) Source Tab - Supervisor Costs	(C) Source Tab - 315	(D) Source Tab - 317	(E) State ERC Allocation Weight	(F) Source Tab - 858	(G) Mid-Atlantic ERC Allocation Weight	(H) Source Tab - 803	(I) WSC ERC Allocation Weight	(J) Source Tab - Combined SS	(K) Total 12/31/2017	(L) Water ERC Allocation Weight	(M) Water Total 12/31/2017
Westgate	1.85%	35,198	126	-	17.10%	664	5.55%	4,020	0.35%	147,713	\$ 1,624	100.00%	\$ 1,624
Penn Estates	6.32%	35,198	-	447	58.53%	664	19.01%	4,020	1.19%	147,713	\$ 5,577	50.06%	\$ 2,792
CUPA Forecast			\$ 126	\$ 447							\$ 7,201		\$ 4,416

Notes/Source:

- (A) WP-BNH-01 (ERC Allocations) - Leadership
- (B) Supervisor Costs Tab
- (C) 315 Tab
- (D) 317 Tab
- (E) WP-BNH-01 (ERC Allocations) - State
- (F) 858 Tab
- (G) WP-BNH-01 (ERC Allocations) - Mid-Atlantic
- (H) 803 Tab
- (I) WP-BNH-01 (ERC Allocations) - WSC
- (J) Combined SS Tab
- (K) = (A)*(B) + (C) + (D) + (E)*(F) + (G)*(H) + (I)*(J)
- (L) WP-BNH-01 (ERC Allocations) - Water Co
- (M) = (K) * (L)

Community Utilities of Pennsylvania, Inc.
Maintenance Testing Expense Forecast

WP-BNH-17 (Testing, Meter Reading, and Miscellaneous Expense)
Maintenance Testing Expense Forecast

	(A) Source Tab - 315 (6255 - Test-Water)	(B) Source Tab - 317 (6255 - Test-Water)	(C) Water ERC Allocation Weight	(D) Source Tab - 315 (6260 - Equip/Chem)	(E) Source Tab - 317 (6260 - Equip/Chem)	(F) Water Total 12/31/2017
Westgate	2,480	-	100.00%	129	-	\$ 2,609
Penn Estates	-	17,620	50.06%	-	5,220	\$ 20,233
CUPA Forecast	\$ 2,480	\$ 17,620		\$ 129	\$ 5,220	\$ 22,842

Notes/Source:

- (A) 315 Tab
- (B) 317 Tab
- (C) WP-BNH-01 (ERC Allocations) - Water Co
- (D) 315 Tab
- (E) 317 Tab
- (F) = (A) + (B) + (C)*[(D)+(E)]

PUBLIC VERSION

**PROPRIETARY INFORMATION HAS
BEEN REDACTED**

Community Utilities of Pennsylvania, Inc.
Utility Commission Tax Expense Forecast

WP-BNH-19 (Utility Commission Tax Expense)
Utility Commission Tax Expense Forecast

	(A) Source Tab - Westgate	(B) Source Tab - Penn Estates	(C) Water Total 12/31/2016
Water Territory			
Utilities Inc of Westgate	2,452	-	\$ 2,452
Penn Estates Utilities Inc	-	3,364	\$ 3,364
CUPA Forecast	\$ 2,452	\$ 3,364	\$ 5,816

Description of calculations:

Forecasted revenue is multiplied by Utility Commission tax rate of 0.58%

Forecasted revenue is calculated seperately within the various sections in the Company's filing

Notes/Source:

(A) Westgate Tab

(B) Penn Estates Tab

(C) = (A) + (B)

Community Utilities of Pennsylvania, Inc.
Utility Commission Tax Expense Forecast

WP-BNH-19 (Utility Commission Tax Expense)
Utility Commission Tax Expense Forecast

	(A) Source Tab - Westgate	(B) Source Tab - Penn Estates	(C) Water Total 12/31/2017
Water Territory			
Utilities Inc of Westgate	3,788	-	\$ 3,788
Penn Estates Utilities Inc	-	4,451	\$ 4,451
CUPA Forecast	\$ 3,788	\$ 4,451	\$ 8,238

Description of calculations:

Forecasted revenue is multiplied by Utility Commission tax rate of 0.58%

Forecasted revenue is calculated seperately within the various sections in the Company's filing

Notes/Source:

(A) Westgate Tab

(B) Penn Estates Tab

(C) = (A) + (B)

Community Utilities of Pennsylvania, Inc.
Property Tax Expense Forecast

WP-BNH-20 (Property Tax Expense)
Property Tax Expense Forecast

	(A)	(B)	(C)	(D)	(E)	(F)	(G)
	Source Tab -	WSC	Source Tab -		Total	Water	
Water Territory	Real Estate	ERC Allocation	Combined SS	Rounding	12/31/2016	ERC Allocation	Water Total
		Weight				Weight	12/31/2016
Westgate	9,295	0.35%	81,600	(11)	\$ 9,567	100.00%	\$ 9,567
Penn Estates	19,694	1.19%	81,600	-	\$ 20,662	50.06%	\$ 10,343
CUPA Forecast	\$ 28,989				\$ 30,229		\$ 19,910

Description of calculations:

Forecasted property taxes for PA are based on historical averages of property tax to net plant in service.
Forecasted property taxes for WSC are located on tab, "Combined SS"

Notes/Source:

- (A) Real Estate Tab
- (B) WP-BNH-01 (ERC Allocations) - WSC
- (C) Combined SS Tab
- (D) Rounding
- (E) = (A) + [(B)*(C)] + (D)
- (F) WP-BNH-01 (ERC Allocations) - Water Co
- (G) = (E) * (F)

Community Utilities of Pennsylvania, Inc.
Property Tax Expense Forecast

WP-BNH-20 (Property Tax Expense)
Property Tax Expense Forecast

	(A)	(B)	(C)	(D)	(E)	(F)	(G)
	Source Tab -	WSC	Source Tab -		Total	Water	
Water Territory	Real Estate	ERC Allocation	Combined SS	Rounding	12/31/2017	ERC Allocation	Water Total
		Weight				Weight	12/31/2017
Westgate	9,640	0.35%	84,100	(12)	\$ 9,920	100.00%	\$ 9,920
Penn Estates	19,849	1.19%	84,100	-	\$ 20,847	50.06%	\$ 10,436
CUPA Forecast	\$ 29,489				\$ 30,766		\$ 20,356

Description of calculations:

Forecasted property taxes for PA are based on historical averages of property tax to net plant in service.
Forecasted property taxes for WSC are located on tab, "Combined SS"

Notes/Source:

- (A) Real Estate Tab
- (B) WP-BNH-01 (ERC Allocations) - WSC
- (C) Combined SS Tab
- (D) Rounding
- (E) = (A) + [(B)*(C)] + (D)
- (F) WP-BNH-01 (ERC Allocations) - Water Co
- (G) = (E) * (F)

Community Utilities of Pennsylvania, Inc.
Franchise Tax Expense Forecast

WP-BNH-21 (Franchise Tax Expense)
Franchise Expense Forecast

	(A) WSC ERC Allocation Weight	(B) Source Tab - Combined SS	(C) Rounding	(D) Total 12/31/2016	(E) Water ERC Allocation Weight	(F) Water Total 12/31/2016
Water Territory						
Westgate	0.35%	15,000	(2)	\$ 50	100.00%	\$ 50
Penn Estates	1.19%	15,000	-	\$ 178	50.06%	\$ 89
CUPA Forecast			(2)	\$ 228	150.06%	\$ 139

Description of calculations:

Forecasted franchise taxes for WSC are located on tab, "Combined SS"

Notes/Source:

(A) WP-BNH-01 (ERC Allocations) - WSC

(B) Combined SS Tab

(C) Rounding

(D) = (A) * (B) + (C)

(E) WP-BNH-01 (ERC Allocations) - Water

(F) = (D) * (E)

Community Utilities of Pennsylvania, Inc.
Franchise Tax Expense Forecast

WP-BNH-21 (Franchise Tax Expense)
Franchise Expense Forecast

	(A) WSC ERC Allocation Weight	(B) Source Tab - Combined SS	(C) Rounding	(D) Total 12/31/2017	(E) Water ERC Allocation Weight	(F) Water Total 12/31/2017
Water Territory						
Westgate	0.35%	15,750	(3)	\$ 52	100.00%	\$ 52
Penn Estates	1.19%	15,750	(1)	\$ 186	50.06%	\$ 93
CUPA Forecast			(4)	\$ 237	150.06%	\$ 145

Description of calculations:

Forecasted franchise taxes for WSC are located on tab, "Combined SS"

Notes/Source:

(A) WP-BNH-01 (ERC Allocations) - WSC

(B) Combined SS Tab

(C) Rounding

(D) = (A) * (B) + (C)

(E) WP-BNH-01 (ERC Allocations) - Water

(F) = (D) * (E)

Community Utilities of Pennsylvania, Inc.
Net Capital Investment Forecast

WP-BNH-22 (Net Capital Investments)
Net Capital Investment Forecast

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)
Water Territory	Source Tab - Capital Project Adds	Source Tab - Capital Project Retirements	Source Tab -	Source Tab -	State ERC Allocation Weight	Source Tab - Transportati on	Source Tab - Computer Retirement s	WSC ERC Allocation Weight	Source Tab - Computer Retirements	Total 12/31/17	Source Tab - GL Capital	Source Tab - GL Captive	Water ERC Allocation Weight	Rounding	Water 12/31/17
Westgate	109,403	(11,722)	13,358	132,556	17.10%	(24,704)	(23,637)	0.35%	(28,608,322)	\$ 136,172	-	-	100.00%		\$ 136,172
Penn Estates	489,887	(142,311)	43,366	178,731	58.53%	(24,704)	(23,637)	1.19%	(28,608,322)	\$ 201,974	46,133	2,407	50.06%	1	\$ 409,900
CUPA Forecast	\$ 599,289	\$ (154,033)	\$ 56,724	\$ 311,286						\$ 338,147	\$ 46,133	\$ 2,407		\$ 1	\$ 546,072

Notes/Source:

(A) Capital Project Adds Tab

(B) Capital Project Retirements Tab

(C) GL Cap Time Tab

(D) GL Capital Tab

(E) WP-BNH-01 (ERC Allocations) - State

(F) Transportation Tab

(G) Computer Retirements Tab

(H) WP-BNH-01 (ERC Allocations) - WSC

(I) Computer Retirements Tab

(J) = (A) + (B) + (C) + (D) + (E) * [(F) + (G)] + (H)*(I)

(K) GL Capital Tab; Allocated Water/Sewer accounts

(L) GL Captive Tab; Allocated Water/Sewer accounts

(M) WP-BNH-01 (ERC Allocations) - Water Co.

(N) Rounding

(O) = (A) + (B) + (C) + (D) + { (M)*[(E)*[(F)+(G)] + (H)*(I) + (K) + (L)] } + (N)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
Office of Consumer Advocate	:	
v.	:	Docket No. R-2016-2538660
	:	C-2016-2540738
Community Utilities of Pennsylvania Inc.	:	
Water Division	:	

**AFFIDAVIT IN SUPPORT OF STIPULATING ENTRY OF
COMMUNITY UTILITIES OF PENNSYLVANIA INC.'S TESTIMONY AND EXHIBITS
OF BRIAN HALLORAN INTO THE RECORD**

I, Brian Halloran, on behalf of Community Utilities of Pennsylvania Inc. ("CUPA"), hereby certify that I am a Financial Analyst for CUPA and, as such, I verify that I have provided the following written Testimony for admission into the record and that these documents were prepared by me and under my supervision:

- CUPA Statement No. 3, Direct Testimony of Brian Halloran, including Exhibit Nos. 1 and 2 (Proprietary Version); and,
- CUPA Statement No. 3, Direct Testimony of Brian Halloran, including Exhibit Nos. 1 and 2 (Public Version).

I certify that the facts set forth in the testimony are true and correct to the best of my knowledge, information and belief; that if I were asked the questions contained therein today that my answers would remain the same and that I do not have any corrections or additions to make to my testimony at this time. I understand that the statements made in my testimony are subject to the penalties at 18 Pa C.S. § 4909 related to the unsworn falsification to authorities.

Date: _____

9/13/16



Brian Halloran
Financial Analyst for Community Utilities
of Pennsylvania, Inc.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission
Office of Consumer Advocate

v.

Community Utilities of Pennsylvania Inc.
Water Division

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Docket No. R-2016-2538660
C-2016-2540738

**AFFIDAVIT IN SUPPORT OF STIPULATING ENTRY OF
COMMUNITY UTILITIES OF PENNSYLVANIA INC.'S TESTIMONY OF CHUCK
MADISON INTO THE RECORD**

I, Chuck Madison, on behalf of Community Utilities of Pennsylvania Inc. ("CUPA"), hereby certify that I am Regional Operations Manager for CUPA and, as such, I verify that I have provided the following written Testimony for admission into the record and that this document was prepared by me and under my supervision:

- CUPA Statement No. 2, Direct Testimony of Chuck Madison.

I certify that the facts set forth in the testimony are true and correct to the best of my knowledge, information and belief; that if I were asked the questions contained therein today that my answers would remain the same and that I do not have any corrections or additions to make to my testimony at this time. I understand that the statements made in my testimony are subject to the penalties at 18 Pa C.S. § 4909 related to the unsworn falsification to authorities.

Date: 9/7/16



Chuck Madison
Regional Operations Manager
Community Utilities of Pennsylvania, Inc.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission
Office of Consumer Advocate

:
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:
:

v.

Docket No. R-2016-2538660
C-2016-2540738

Community Utilities of Pennsylvania Inc.
Water Division

**AFFIDAVIT IN SUPPORT OF STIPULATING ENTRY OF
COMMUNITY UTILITIES OF PENNSYLVANIA, INC.'S TESTIMONY OF STEVEN M.
LUBERTOZZI INTO THE RECORD**

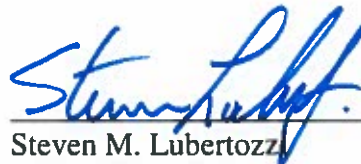
I, Steven M. Lubertozi, on behalf of Community Utilities of Pennsylvania Inc. ("CUPA"), hereby certify that I am President of CUPA and, as such, I verify that I have provided the following written Testimony for admission into the record and that this document was prepared by me and under my supervision:

- CUPA Statement No. 1, Direct Testimony of Steven M. Lubertozi.

I certify that the facts set forth in the testimony are true and correct to the best of my knowledge, information and belief; that if I were asked the questions contained therein today that my answers would remain the same and that I do not have any corrections or additions to make to my testimony at this time. I understand that the statements made in my testimony are subject to the penalties at 18 Pa C.S. § 4909 related to the unsworn falsification to authorities.

Date: _____

9/13/16



Steven M. Lubertozi
President
Community Utilities of Pennsylvania, Inc.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

BY ELECTRONIC AND FIRST CLASS MAIL

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Bureau of Investigation and Enforcement
P.O. Box 3265
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phikirchne@pa.gov

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Thomas J. Sniscak
Christopher M. Arfaa
William E. Lehman

Dated this 13th day of September, 2016