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January 11, 2019

Via Electronic Filing

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P.O. Box 3265
Harrisburg, PA 17105-3265

In re: Buck Hill Water Company
Supplement No. 32 to Tariff Water – Pa. P.U.C. No. 3

Dear Secretary Chiavetta:

We are counsel to Buck Hill Water Company and are submitting, via electronic filing, Supplement No. 32 to the Company's Tariff Water – Pa. P.U.C. No. 3 ("Supplement No. 32") with accompanying supporting information. Supplement No. 32, which is issued today to become effective on April 1, 2019, proposes an increase in rates designed to produce additional annual revenue of \$106,458.

Please enter my appearance and contact me if anything further is required concerning this matter.

Very truly yours,

THOMAS, NIESEN & THOMAS, LLC

By 

Thomas T. Niesen

Encl.

cc: Certificate of Service (w/encl.)
Michael Linko (via email, w/encl.)
Dennis Kalbarczyk (via email, w/encl.)

CERTIFICATE OF SERVICE

I hereby certify that I have this 11th day of January, 2019, served a true and correct copy of the foregoing letter, Supplement No. 32 to Tariff Water Pa. P.U.C. No. 3 and accompanying supporting information upon the persons and in the manner set forth below:

FIRST CLASS MAIL, POSTAGE PREPAID

Bureau of Technical Utility Services
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

Office of Small Business Advocate
Suite 202, Commerce Building
300 North Second Street
Harrisburg, PA 17101

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265



Thomas T. Niesen
PA Attorney ID No. 31379

BUCK HILL WATER COMPANY
RATES, RULES AND REGULATIONS GOVERNING
THE DISTRIBUTION OF WATER
TO THE PUBLIC IN BUCK HILL FALLS AND VICINITY,
THE TOWNSHIP OF BARRETT,
MONROE COUNTY, PENNSYLVANIA

ISSUED: January 11, 2019

EFFECTIVE: April 1, 2019

BY: MICHAEL R. O'SHEA, PRESIDENT
BUCK HILL WATER COMPANY
P.O. Box 426
Buck Hill Falls, PA 18360

BUCK HILL WATER COMPANY

LIST OF CHANGES

INCREASE:

This tariff proposes to increase existing jurisdictional metered water rates by 34.57% or an annual revenue increase of \$106,458.

BUCK HILL WATER COMPANY

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BUCK HILL WATER COMPANY

SCHEDULE OF RATES AND CHARGES

Rates for Metered Service

Customer Charge: Every customer shall be assessed a customer service charge for each service line connected to the Company’s system based on the size of the diameter of the service meter serving the customer, as follows:

<u>Service/Meter Diameter (inches)</u>	<u>\$/Quarter</u>	
0.75 or less	\$ 203.34	(I)
1.00	\$ 258.78	(I)
2.00	\$ 536.01	(I)
4.00	\$2,587.84	(I)
6.00	\$3,851.56	(I)
8.00	\$5,360.26	(I)

Consumption Charge: In addition to the customer charge, the following water consumption charges will apply to all customers:

Rate per 1000 gallons	\$10.90 / 1000 gallons	(I)
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Bulk Rate Water Sale: Bulk rate sales of water shall be charged at the following metered rate per quarter.

Rate per 1000 gallons	\$ 5.47 / 1000 gallons	(I)
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SERVICE TERMINATION OR RESUMPTION RATES: The fee for shut-off or turn-on of service shall be \$50.00 per occurrence. Customers in the Bon Hill section only may be billed for shut-off or for turn-on only during the seasonal billing period of May 1 through October 31.

LATE-PAYMENT CHARGE: All amounts not paid when due shall accrue a late-payment Charge at the rate not to exceed one and one-half percent (1.5%) per billing period, not to exceed eighteen percent (18%) per year.

(I) Indicates increase, (C) Indicates change

Before the
PENNSYLVANIA PUBLIC UTILITY COMMISSION

BUCK HILL WATER COMPANY

**SUPPLEMENT NO. 32 to
TARIFF WATER - PA P.U.C. NO. 3**

**ISSUED: January 11, 2019
EFFECTIVE: April 1, 2019**

with

**INFORMATION SUBMITTED PURSUANT TO:
TITLE 52 PENNSYLVANIA CODE, SECTION 53.52**

By
Dennis M. Kalbarczyk
Consultant

**UTILITY RATE RESOURCES
910 PIKETOWN ROAD
HARRISBURG, PA 17112
Phone (717)-469-7232
utilityrate.dmk@verison.net**

BUCK HILL WATER COMPANY

Supporting Data Required by The Pennsylvania Public Utility Commission

<u>Line</u>	<u>Description</u>	<u>Section</u>
1.	General Information	A
2.	Notice of Proposed Rate Changes	B
3.	Press Release	C
4.	Supplement No. 32 to Tariff Water - PA P.U.C. No. 3	D
5.	Balance Sheet	E
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11.	Rate Design and Proof of Revenue	K

**CROSS REFERENCE TO INFORMATION SUBMITTED
PURSUANT TO PA PUBLIC UTILITY CODE REGULATIONS**

52 Pa. Code Section 53.52(a)

(1) THE SPECIFIC REASONS FOR EACH CHANGE.

The proposed tariff supplement makes changes to the Company's tariffed rates, which will increase the cost for service to all water customers by approximately 34.57%. See Section A of the filing for more detailed reasons for the changes.

(2) THE TOTAL NUMBER OF CUSTOMERS SERVED BY THE UTILITY.

Refer to Section A and summary detail Section G, Schedule G-3.

(3) A CALCULATION OF THE NUMBER OF CUSTOMERS, BY TARIFF SUBDIVISION, WHOSE BILLS, WILL BE AFFECTED BY THE CHANGE.

Refer to Section G, Schedules G-3, and Section K; a rate increase is proposed for all customer classes.

(4) THE EFFECT OF THE CHANGE ON THE UTILITY'S CUSTOMERS.

Refer to Section A; Section G, Schedules G-2 and G-4; and, Section K.

(5) THE DIRECT OR INDIRECT EFFECT OF THE PROPOSED CHANGE ON THE UTILITY'S REVENUE AND EXPENSES.

Refer to Section A; Section G, Schedules G-1 and G-2; and, Section H, Schedule H-1.

(6) THE EFFECT OF THE CHANGE ON THE SERVICE RENDERED BY THE UTILITY.

None.

(7) A LIST OF FACTORS CONSIDERED BY THE UTILITY IN ITS DETERMINATION TO MAKE THE CHANGE.

See Section A.

(8) STUDIES UNDERTAKEN BY THE UTILITY IN ORDER TO DRAFT ITS PROPOSED CHANGE.

The instant rate study contained herein provides all information in support of proposed change in rates, i.e., Sections A - K.

- (9) **CUSTOMER POLLS TAKEN AND OTHER DOCUMENTS, WHICH INDICATE CUSTOMER ACCEPTANCE AND DESIRE FOR THE PROPOSED CHANGE. IF THE POLL OR OTHER DOCUMENTS REVEAL DISERNABLE PUBLIC OPPOSITON, AN EXPLANATION OF WHY THE CHANGE IS IN THE PUBLIC INTEREST SHALL BE PROVIDIED.**

None.

- (10) **PLANS THE UTILITY HAS FOR INTRODUCING OR IMPLEMENTING THE CHANGES WITH RESPECT TO ITS RATEPAYERS.**

None.

- (11) **FCC, FERC OR COMMISSION ORDERS OR RULINGS APPLICABLE TO THE FILING.**

None.

52 Pa. Code Section 53.52(b)

(1) THE SPECIFIC REASONS FOR EACH INCREASE OR DECREASE.

The proposed tariff supplement makes changes to the Company's tariffed rates, which will increase the cost for service to all water customers' rates by approximately 34.57%. See Section A of the filing for more detailed reasons for the changes.

(2) THE OPERATING INCOME STATEMENT OF THE UTILITY FOR A 12-MONTH PERIOD, THE END OF WHICH MAY NOT BE MORE THAN 120 DAYS PRIOR TO THE FILING. WATER AND WASTEWATER UTILITIES WITH ANNUAL REVENUES UNDER \$100,000 AND MUNICIPAL CORPORATIONS SUBJECT TO COMMISSION JURISDICTION MAY PROVIDE OPERATING INCOME STATEMENTS FOR A 12-MONTH PERIOD, THE END OF WHICH MAY NOT BE MORE THAN 180 DAYS PRIOR TO THE FILING.

Refer to Section H, Schedules H-1, the Company's revenues are greater than \$100,000 and is being submitted under the 120 day filing requirement.

(3) A CALCULATION OF THE NUMBER OF CUSTOMERS, BY TARIFF SUBDIVISION, WHO'S BILLS, WILL BE INCREASED.

Refer to Section G, Schedules G-3 and G-4, and Section K; a 34.57% rate increase is proposed for all customer classes.

(4) A CALCULATION OF THE TOTAL INCREASES, IN DOLLARS, BY TARIFF SUBDIVISION, PROJECTED TO AN ANNUAL BASIS.

Refer to Section G, Schedules G-1, G-2, and Section K.

(5) A CALCULATION OF THE NUMBER OF CUSTOMERS, BY TARIFF SUBDIVISION, WHO'S BILLS, WILL BE DECREASED.

No PUC regulated customer tariff rates will decrease, as illustrated in Schedules G-2 and G-3; and, Section K.

(6) A CALCULATION OF THE TOTAL DECREASES IN DOLLARS, BY TARIFF SUBDIVISION, PROJECTED TO AN ANNUAL BASIS.

No PUC regulated customer tariff rates will decrease, as illustrated in Schedules G-2 through G-3; and, Section K.

52 Pa. Code Section 53.52(c)

- (1) **A STATEMENT SHOWING THE UTILITY'S CALCULATION OF THE RATE OF RETURN OR OPERATING RATIO EARNED IN THE 12-MONTH PERIOD REFERRED TO IN SUBSECTION (b)(2) AND THE ANTICIPATED RATE OF RETURN OR OPERATING RATIO TO BE EARNED WHEN THE TARIFF, REVISION OR SUPPLEMENT BECOMES EFFECTIVE. THE RATE BASE USED IN THIS CALCULATION SHALL BE SUPPORTED BY SUMMARIES OF ORIGINAL COSTS FOR THE RATE OF RETURN CALCULATION.**

Refer to Section F, Schedule F-1.

- (2) **A DETAILED BALANCE SHEET OF THE UTILITY AS OF THE CLOSE OF THE PERIOD REFERRED TO IN SUBSECTION (b)(2).**

Refer to Section E, Schedules E-1 to E-2.

- (3) **A SUMMARY, BY DETAILED PLANT ACCOUNTS, OF THE BOOK VALUE OF THE PROPERTY OF THE UTILITY AT THE DATE OF THE BALANCE SHEET REQUIRED BY PARAGRAPH (2).**

Refer to Section E, Schedules E-1 to E-3; and, Section J.

- (4) **A STATEMENT SHOWING THE AMOUNT OF THE DEPRECIATION RESERVE, AT THE DATE OF THE BALANCE SHEET REQUIRED BY PARAGRAPH (2), APPLICABLE TO THE PROPERTY, SUMMARIZED AS REQUIRED BY PARAGRAPH (3).**

Refer to Section E, Schedule E-1 to E-3; and, Section J.

- (5) **A STATEMENT OF OPERATING INCOME, SETTING FORTH THE OPERATING REVENUES AND EXPENSES BY DETAILED ACCOUNTS FOR THE 12-MONTH PERIOD ENDING ON THE DATE OF THE BALANCE SHEET REQUIRED BY PARAGRAPH (2).**

Refer to Section H, Schedule H-1.

- (6) **A BRIEF DESCRIPTION OF THE MAJOR CHANGE IN THE OPERATING OR FINANCIAL CONDITION OF THE UTILITY OCCURRING BETWEEN THE DATE OF THE BALANCE SHEET REQUIRED BY PARAGRAPH (2) AND THE DATE OF TRANSMITTAL OF THE TARIFF, REVISION OR SUPPLEMENT. AS USED IN THIS PARAGRAPH, A MAJOR CHANGE IS ONE, WHICH MATERIALLY ALTERS THE OPERATING OR FINANCIAL CONDITION OF THE UTILITY FROM THAT REFLECTED IN PARAGRAPHS (1-5).**

None.

BUCK HILL WATER COMPANY

SECTION A

GENERAL INFORMATION

I. WATER RATE STUDY

In response to the Buck Hill Water Company (“Company”) request, Utility Rate Resources (“URR”) has prepared the following water rate study in support of water rates to be charged to customers served by the Company. The Company provides water service to 300 residential and 13 commercial customers, respectively, or a total of 313 customers. By way of further discussion, the corporate makeup of the Company is rather unique as all 289 of the residential customers located within the Buck Hill Falls Community have a financial interest in the Company as each of these residential customers are shareholders of Buck Hill. There are 11 remaining residential customers located outside of the Buck Hill Falls community. They have no financial interest in the company. Of the 11 remaining residential customers, 4 residential customers are located just outside the Buck Hill Falls community and have year round access to water service, and 7 seasonal residential customers located in the Bonn Hill community who only have access to water service half of the year. Although located within the Buck Hill Falls Community, the 13 commercial customers have no financial interest in the Company. The Company’s last rate increase was in 2004 with the Pennsylvania Public Utility Commission (“PaPUC” or “Commission”) approving rates to go into effect in March 2005. In summary, as detailed below the pro forma revenue requirement study supports a total system proposed increase of \$106,458 or 34.57% over pro forma current operating revenues under existing rates.

By way of additional background, the Commission’s 2005 action approved a settlement agreement with the Company, Office of Trial Staff - now Bureau Of Investigation and Enforcement (“BI&E”) and Office Of Consumer Advocate (“OCA”) in which the Company would undertake additional efforts to minimize its lost and unaccounted for water so as to achieve a level at or below the Commission’s 20% threshold, if economically feasible. As more fully detailed in this report at III, C below the Company’s ongoing efforts have achieved this goal. The agreement also provided that within 60 days from the date of the next rate request the Company will sponsor a Question and Answer session in the Buck Hill Falls community to provide its customers an opportunity to understand the rate filing before any public input hearing that might be scheduled. Further, the Company agreed to provide notice of the Q&A sessions to all of its customers by positing such notice at the community’s post office, and by mailing to every customer at least two week in advance of the sessions. The notice of the Q&A session will be provided to BI&E and the OCA for their review and comment prior to be finalized for mailing to customers.

A. Introduction

A water rate study includes a revenue requirement study to determine the total pro forma level of revenue requirements in accordance with generally accepted ratemaking policy and procedures needed to cover the Company's cost of providing service. A water rate study where appropriate may also include a cost of service allocation study which allocates the total cost of service or revenue requirement among the classes of customers in accordance with generally accepted procedures to determine the relative cost responsibilities of each class of customer. The cost of service study also provides support for an appropriate rate design to provide for the recovery of the total revenue requirement based upon some reasonable relationship to the relative cost of service for each customer class. Based upon the Company's size and operating characteristics a cost of service study was not prepared. Consistent with the Company's prior rate case filings proposed changes in rates were applied uniformly on an across-the-board basis as both residential and commercial customers utilize the same rate structure as more fully discussed later in this report.

B. Background on Revenue Requirement Study

In simple terms, the revenue requirement study could be referred to as a pro forma going forward operating budget that represents the total cost of providing service which must be derived from rates. There are two widely used methodologies for the development of the revenue requirement, the "cash-needs" approach and "utility" approach.

1. "Cash-Needs" Approach

The "cash-needs" approach assumes revenues must be sufficient to cover all cash needs, including debt obligations which will become due in the test period. The basic components considered under the cash-needs revenue requirement approach generally include: operating and maintenance expense; capital expenditures not financed by debt; and, debt service expenses (principal and interest payments) plus a coverage ratio i.e., a margin of income over and above the debt service to provide a measure of security to loan holders, and applicable taxes, if any. The total revenue requirement under the cash-needs approach could be expressed as the following formula:

$$\text{Rev. Req.} = \text{O\&M} + \text{Non-Debt Capital Projects} + (\text{Debt Service} \times 1.25 \text{ coverage ratio}) + \text{Taxes}$$

2. “Utility” Approach

The “utility” approach is mandated for investor-owned utilities regulated by state agencies. Generally, the revenue requirement includes operating and maintenance expenses and taxes, if any, the same as under the cash-needs approach. Where the “utility” approach differs is how capital expenditures and debt service plus coverage ratio are provided. Briefly, there are two components that provide for the return associated with capital expenditures or investment in facilities. The “return of” or depreciation expense and the “return on” or net operating income provide for both the non-debt (cash investment) and debt-financed capital expenditures (loan to include - principal, interest, and coverage ratio) requirements.

The “return of” or depreciation expense is the annual loss in value of a utility plant facility over its economic useful life. The “return on” referred to as net income or profit can be somewhat complicated. In general, the amount of net income is determined by multiplying the overall rate of return component, usually expressed as a percentage, times a utility’s net rate base values. The following provides a narrative of the overall rate of return and net rate base components.

The overall rate of return component consists of a return based upon the weighted cost of capital, i.e., debt and equity capital used to finance the utility’s operations. For example, a utility with 50% debt to total capital with a 5% weighted cost of debt would produce a weighted average cost of debt of a 2.5% (50% x 5%). Further, assume the remaining 50% equity to total capital would have a market value return of 10% similar to other utilities; the weighted average return on equity would be 5.0% (50% x 10%). Thus, the overall rate of return component would be 7.5% (2.5% Debt + 5.0% Equity) to be multiplied times the utility’s net rate base value to determine the return or profit.

Rate base consists of the net book value of the facilities used to provide service (book cost less accumulated depreciation) plus materials and supplies inventory, along with a cash working capital (“CWC”) allowance. For small water companies

and municipalities, the PaPUC has accepted what is referred to as the 45-day rule for determining a CWC allowance. This methodology simply recognizes 1/8th (45 days / 360 days) of the total operating and maintenance expense, exclusive of bad debt expense and certain annual tax requirements (corporate income taxes, PaPUC assessment, and real estate taxes) as the CWC allowance. Where the total revenue requirement under the utility approach could be expressed as the following formula:

$$\text{Rev. Req.} = \text{O\&M} + \text{Depreciation Exp.} + \text{Taxes} + \text{Net Income or Return} (\% \text{ Rate of Return} \times \text{Rate Base})$$

C. Results of Water Rate Study

In the instant water rate study, URR utilized the “utility” approach for the development of the Company’s revenue requirement. Included in the development of the revenue requirement was a review of the books and operations of the Company for the historic twelve months ended September 30, 2018 of which pro forma adjustments were made to reflect operations for a pro forma future test year of September 30, 2019. The study included a review of current and pro forma utility plant assets, financing arrangements, customer levels, operating revenues, operating and maintenance expenses, depreciation expense and levels of net operating income of which depreciation expense and operating income would provide for the Company’s debt service requirements, and applicable taxes.

In brief, pro forma current rates and other revenues will produce \$389,122 of revenues of which deductions of \$286,800 and \$103,289 for pro forma operating expenses and depreciation expense will produce a net loss of \$967. Under current rates, a net loss of \$967 when divided by \$1,409,606 of pro forma net rate base values will produce a negative 0.07% rate of return (See Schedule F-1). Thus, an increase in rates is necessary to provide for pro forma increased operating expenses along with an improvement in the overall rate of return on additional plant asset investments, i.e., rate base values which has eroded since the Company’s last rate case filing.

In summary, the pro forma revenue requirement study supports a total system proposed increase of \$106,458 or 34.57% over pro forma current operating revenues under existing rates (See Schedule H-1). The proposed increase, as supported by the study, would produce a pro forma net operating income of \$98,813 or an overall rate of return of 7.01%

on the total pro forma rate base (net utility plant and cash working capital allowances) of \$1,409,606.

A brief overview of the components that gave rise to the need for the \$106,458 increase is as follows. Since its last rate case in 2004 through 9/31/18 the Company has added over \$934,346 of additional water system assets.; and, in the 2019 pro forma period plant investment additions financed by the Company will increase investments by another \$360,000 for necessary facilities, a sum total of \$1,294,346 in increased plant investment.

The pro forma annual return on the \$345,125 of net book value investment (\$360,000 original cost less \$14,875 of depreciation reserves) at the 7.01% overall rate of return requested produces a carrying cost of \$24,193 for the return on investment along with \$29,750 of annualized depreciation expense, for a total carrying cost of \$53,943 exclusive of taxes or, in other words, this new investment represents 51% of the total increase (\$53,943 / \$106,458).

Further, the Company estimates that its pro forma normalized expenses will increase by \$17,613 over historical expenses or an increase of 6.5% (\$17,613 / \$269,187). Finally, the Company's filing would increase its net operating income to a positive net income of \$98,813 as compared to the pro forma net loss of \$967 under exiting rates. The combination of Net income and Depreciation expenses will provide necessary funds to provide for debt service obligations, payment of other debt and improve the Company's financial structure. In brief, current revenues are not sufficient to cover pro forma operating deductions, nor would they provide a reasonable rate of return on its pro forma rate base value investments.

The Company in prior rate case proceedings agreed to a uniform rate structure for all of its customers. Again it is important to note that this would include the same rate structure for all of the customers inside and outside the Buck Hill Falls Community. As noted earlier, all customers inside the Buck Hills Falls Community have a financial ownership interest in the Company while the remaining 11 customers outside (7 seasonal and 4 year round) have no financial ownership interest at all. The prior rate case proceedings also provided that the seasonal customers who take service only half the year are only billed twice a year and the 4 remaining residential customers who have year round service available are also billed at the same rate structure. The Company proposes to keep the same rate design methodology

as adopted in its prior rate case proceeding. Further, under the Company proposed rate design, each customer will receive the same rate increase, or in other words an across-the-board increase of approximately 34.57% to the customers inside and outside the Buck Hill Falls Community.

A detailed description of the rate study by section is as follows.

1. Notice of Proposed Rate Changes in Section B of the rate study contains a copy of the PaPUC mandated notice sent to all customers. This notice explains the impact of the total amount of the Company's proposed increase of \$106,458 or a 34.57% revenue increase over revenues derived from current rates. Additionally, it provides an explanation of the impact on a typical bill as it relates to proposed increases in rates as compared to current rates by the individual customer classes. Finally, the notice explains the rights of the customer as it relates to the instant rate case filing before the PaPUC. As noted, the typical residential customer using 7,000 gallons of water per quarter would see their quarterly bill of \$207.80 under existing rates increase to \$279.64 or \$71.84, a 34.57% increase under new proposed rates. See also Schedule G-5 and Schedule K-1.

Additionally, consistent with a prior agreement with BI&E and OCA, the Company will be providing a letter explaining that it will sponsor a Question and Answer session in the Buck Hill Falls community to provide its customers an opportunity to understand the rate filing.

2. The Press Release in Section C of the rate study is an actual copy sent to local press organizations briefly explaining the Company's request to increase rates as filed with the PaPUC. The requirement to notify the press regarding rate increases is required under PaPUC regulations. The press release also explains that the Company's rates have not increased since March 2005.
3. Section D contains the Pa PUC proposed tariff rates for all customers necessary to produce the revenue levels and increases explained in Section B. The proposed rate design can also be found in Section G, Schedules G-4 and G-5 and the proof of revenues in support of the proposed rate design is contained in Section K, Schedules K-1 and K-2.

4. The Balance Sheet contained in Section E of the rate study is part of the revenue requirement study. This section sets forth the current and pro forma assets, liabilities, and equity in the Company. Briefly, this section shows that the Company, in the future test period, will increase its investment in utility plant assets. As shown on Schedule E-3, in the pro forma period, the Company will construct \$360,000 in new water facility assets. These factors are utilized in the development of the net rate base values and overall rate of return more fully detailed in Section F – Pro Forma Rate Base and Rate of Return.

5. Section F (Pro Forma Rate Base and Rate of Return) as explained earlier, is a major component in the revenue requirement study. Briefly, Section F, Schedule F-1 shows that the Company' pro forma net plant-in-service values at \$1,375,378, plus CWC allowance of \$34,228 (See Schedule F-2) (1/8 of the \$273,824 pro forma operating deductions exclusive of bad debt expenses and related annual taxes) produces a pro forma net rate base value of \$1,409,606. As discussed earlier, the pro forma rate base values include a net book value of \$345,125 of new plant investment (\$360,000 less \$14,875 of accumulated depreciation) as fully shown on Schedule E-3.

Schedule F-3 provides additional details related to the development of the overall rate of return claim of 7.01%. For simplicity, the Company proposes to use a 50/50 hypothetical debt to equity capital structure ratio in the development of its overall rate of return as-filed. The Company's cost of debt was reflected at a cost of 4.25% of which a 50% debt ratio produces a weight cost of debt of 2.13%. The Company's as-filed cost of equity claim is 9.75% which, when applied to the 50% equity ratio, produces a weighted cost of equity claim of 4.88%. The sum of the 2.13% and 4.88% weighted cost of debt and equity, respectively produces a 7.01% overall rate of return. The Company believes its 9.75% cost of equity rate reflects a reasonable claim which balances the interest of the Company and Customer as more recent Commission decisions have granted cost of equity rates in excess of the Company's claimed 9.75% equity rate.

Finally, Schedule F-1 shows that pro forma current rates will produce a pro forma

net operating loss of \$967 and, when divided by the pro forma rate base value of \$1,409,606, will produce a negative return of 0.07%. Under the Company's rate study, a total system increase of \$106,458 will produce a positive net income of \$98,813 and, when divided by the same \$1,409,606 net rate base value, will produce an overall rate of return of 7.01%.

6. Section G (Statement of Revenue & Tariff Increases) sets forth the current and pro forma number of customers and revenues under current and proposed rates, as well as the proposed increase by customer class. This section incorporates the Company's proposal which reflects an across-the-board increase of approximately 34.57% to all rates and customer classes both inside and outside the Buck Hill Falls Community. The proof of revenue under the proposed Rate Design is provided in Section K.
7. Section H (Operating Statement and Adjustments) provides detailed information related to income, expenses and resultant net income on a per-books and pro forma basis under current and proposed rates. Schedule H-1 shows that the \$389,122 of current pro forma revenues and \$286,800 of operating expenses and \$103,289 of depreciation expense will produce a net operating loss of \$967. A \$106,458 total system increase in revenues will produce a net operating income level of \$98,813 or a return of 7.01%, as supported by Schedule F-1.
8. More specifically, Section H, Schedule H-1 of the revenue requirement study sets forth a summary income statement which reflects the per books revenues, operating deductions, depreciation expense, taxes, and net income for the calendar years ended December 31, 2015 to 2017, and the twelve months ended September 30, 2018 on a per books basis. The twelve months ended September 30, 2018 historic test year was then adjusted on a going forward basis to develop the Pro Forma September 30, 2019 future test year claims in support of the overall revenue requirement and required increase in rates over current rates charged. All pro forma adjustments are fully detailed and explained on Schedule H-2. In some cases, the individual pro forma adjustments may reference additional supporting schedules, which are clearly cross-referenced to their appropriate schedule in Section I of the rate study. Finally, Schedule H-1 provides a detail income statement by individual

account elements including four years of historical expense information along with appropriate pro forma adjustments, if any, as referenced and detailed on Schedule H-2. In brief, the type of pro forma adjustments reflected on Schedule H-2 includes adjustments to operating revenues and various expense adjustments. In brief, operating revenues were adjusted slightly based upon an annual bill analysis of meter charges and usage rates under current rates. The rate study approached was conservative in nature and reflected only a few operating expense adjustments to include an annual wage increase on payroll, increased cost for health and welfare such as pension benefits, associated payroll taxes i.e., FICA, Medicare, and Unemployment taxes. Office rent expense was also slightly increased to \$10,000 as the \$9,372 historic rent charges had not changed since 2000; and, the Company reflected a downward adjustment to its historic \$13,784 general legal expenses to reflect a normalized annual claim of \$5,000 which was more representative of cost incurred in 2016. The normalization adjustments also include a claim for normalized expenses for the instant rate case proceeding, and other adjustments for depreciation expenses as discussed in Section J below, along with adjustments to corporate income taxes on a historic and going forward basis. In an effort to moderate the rate increase impact the Company's future test year claim for income taxes only reflects a claim for Pennsylvania corporate income taxes. The Company reserves the right to amend its expense claims, if necessary, in support of its requested \$106,458 rate increase claim.

9. Section I contains all of the supporting schedules which are referenced in Section H above. In brief, each schedule provides the derivation of the various pro forma expenses normalized or annualized claims, as compared to the per books amounts in support of the necessary upward or downward adjustments.
10. Section J of the rate study contains the Depreciation report as of 9/30/18 and 9/30/19 on the current constructed assets. Section J, Schedule J includes the summary results for the original cost values from Contributed Assets for the same periods. Briefly, Schedule J provides the estimated original cost values, service lives, accumulated depreciation values and annual depreciation expense claim for each of the plant asset categories. Schedule J also provides the summary results of the pro forma asset values that are then reflected in the rate base value claims

detailed on Schedules E-2 and E-3 of the rate filing. Since its last rate case in 2004 through 9/31/18 the Company has added over \$934,346 of additional water system assets.; and, in the 2019 pro forma period plant investment additions financed by the Company will increase investments by another \$360,000 for necessary facilities, a sum total of \$1,294,346 in increased plant..

11. Section K contains the proof of revenue schedule (Schedule K-1) and the proposed rate design. In brief, these schedules demonstrate that the proposed rate design, when applied to the meter sizes and volumes, produce an increase approximately the same as the requested \$106,458 or 34.57% over current revenues of \$307,920 under current rates, in other words, a total adjusted revenue stream of \$414,079 from revenues under proposed rates. As shown on Schedule K-1 the proposed rates will produce a revenue stream from rate charges of \$414,373 over current revenues of \$307,920 or an increase of \$106,453 which is \$5 less than the \$106,458 requested increase.

As noted, the typical residential customer using 7,000 gallons of water per quarter would see their quarterly bill of \$207.80 under existing rates increase to \$279.64 or \$71.84, a 34.57% increase under new proposed rates. The typical commercial customer using 144,000 gallons of water per quarter would see their quarterly bill of \$1,317.50 under existing rates increase to \$1,772.94 or \$455.44, a 34.57% increase under new proposed rates. See also Schedule G-5.

II. STATEMENT OF REASONS FOR INCREASE

The reasons for the Buck Hill Water Company proposed general rate increase is as follows:

1. To restore the Company's rate of return and net operating income to a more reasonable level and to recover a return on and a return of the Company's increased investments in water plant that have occurred and will occur on a pro forma basis since its last general rate increase. Schedule F-1 shows that pro forma current rates will produce a pro forma net operating loss of \$967 and when divided by the pro forma rate base value of \$1,409,606 will produce a negative return of 0.07%. A system increase of \$106,458 produces a net income of \$98,813 and when divided by the \$1,409,606 of rate base produces a 7.01% overall rate of return.
2. A brief overview of the components that gave rise to the need for the \$106,458 increase is as follows. Since its last rate case filing in 2004 through 9/31/18 the Company has added over \$934,346 of additional water system assets.; and, in the 2019 pro forma period plant investment additions financed by the Company will increase investments by another \$360,000 for necessary facilities, a sum total of \$1,294,346 in increased plant investment. The pro forma annual return on the \$345,125 of 2019 net book value investment (\$360,000 original cost less \$14,875 of depreciation reserves) at the 7.01% overall rate of return requested produces a carrying cost of \$24,193 for the return on investment along with \$29,750 of annualized depreciation expense, for a total carrying cost of \$53,943 exclusive of taxes or, in other words, this new investment represents 51% of the total increase ($\$53,943 / \$106,458$).

Further, the Company estimates that its pro forma normalized expenses will increase by \$17,613 over historical expenses or an increase of 6.5% ($\$17,613 / \$269,187$). Finally, the Company's filing would increase its net operating income to a positive net income of \$98,813 as compared to the pro forma net loss of \$967 under existing rates. The combination of Net income and Depreciation expenses will provide necessary funds to provide for debt service obligations, payment of other debt and improve the Company's financial structure. In brief, current revenues under Commission approved rates effective in March 2005 are not sufficient to cover pro forma operating deductions, nor would they provide a reasonable rate of return on its pro forma rate base value investments. In summary, the proposed increase will improve the Company's financial viability to reasonable positive overall rate of return as noted above.

III. Background Information

The Buck Hill Water Company (“Company”) was incorporated on April 11, 1902 to provide water service to the unincorporated village of Buck Hill Falls, Barrett Township, Monroe County, Pennsylvania. The Buck Hill Water Company (“Company”) is a wholly owned subsidiary of the Buck Hill Falls Company, which is an investor owned company. The stock of the parent company is held by property owners in the Buck Hill Falls Community, and stock ownership is required of any new purchaser in the community. The bulk of the Company’s customers i.e., residential and commercial customers are located in the village of Buck Hill Falls in Barrett Township, Monroe County, Pennsylvania. These include the 289 residential customers within the Buck Hill Falls Community who are the members/stockholders and owners of the Buck Hill Falls Company and its subsidiary Buck Hill Water Company. Water service is also provided to 13 commercial customers within the Buck Hill Falls Community. Further, the Company provides water service to eleven (11) residential customers located outside of the Buck Hill Falls Community which have no financial interest or ownership in the Company. By way of further background, in the prior rate case filing, the Company agreed to implement a seasonal rate for seven (7) of its outside residential customers who have access to water for half of the year and, thus, are billed only twice per year. The remaining four (4) customers are considered full-time customers who have access to water year-round. In summary, a combined total of 313 customers.

The Company’s sources of supply and distribution system facilities are regulated by the Pennsylvania Department of Environmental Protection (“PADEP”). PADEP regulations require strict adherence to regulatory requirements as it pertains to both operational and water quality requirements, which include but are not limited to mandatory Safe Drinking Water Act regulations. Groundwater & Surface Water Withdrawal are located within the drainage area to special protection waters under the regulation of the Delaware River Basin Commission (“DRBC”).

A. SOURCE OF SUPPLY.

The Company's water system has three sources of supply, an existing groundwater withdrawal referenced as Well No. 2, and two existing surface water withdrawals known as Intake No. 1 and Big Spring. The primary source is Big Spring with a PADEP water supply permit that provides about 120,000 gallons per ("gpd") and is limited by the 4" irrigation pipe that transports this water to the Company's water filtration plant. Well No. 2 withdraws water from the Long Run and Walcksville Members of the Catskill Formation, in the Brodhead Creek Watershed. Intake No. 1 and Big Spring, continue to withdraw water from Buck Hill Creek. All three withdrawals are located in Barrett Township, Monroe County, Pennsylvania, within the Middle of Delaware Special Protection Waters area. Well No. 2, Intake No. 1 and Big Spring has a pump capacity of 100 gpm, 288 gpm, and 200 gpm, respectively. Of this total, only a maximum of 338 gallons per minute has been captured and sent through the transmission system. At the interconnection point, a maximum of 280 gallons per minute can be sent to the water treatment plant and the balance is diverted into Buck Hill Creek. The DRBC permit under Docket N. D-2009-002 CP-1 provides for a combined maximum monthly withdrawal of 15.5 million gallons of water, 4.464 million gallons of groundwater and 12.855 million gallons of surface water or an amount approximately greater than 500,000 gpd. In 2017 the peak day water usage on June 21 was approximately 265,000 gpd while the average usage approximated 23,000 gpd. Since the last filing over \$72,000 of improvements have been made.

B. WATER TREATMENT.

In 1995, the Company constructed a new water treatment plant. The new plant went on-line in January 1996. The water treatment plant is an Infilco Degremont Advent 100 up-flow clarifier packaged water treatment plant. There are 2 Advent IDI up-flow clarifier filters in the plant. The plant was designed so that one filter would either be in backwash mode or rest mode while the other filter is in operation. Each filter is capable of processing a maximum of 288 gallons per minute (414,720 gallons per day). While it is not recommended, it is possible, in an emergency situation, to operate both

filters at the same time for limited periods of time.

Intake No. 1 and Big Spring are gravity fed systems to the Water Treatment Plant. Prior to entering the water distribution system, the ground water from Buck Hill Creek, i.e., Intake No. 1 and Big Spring is treated with soda ash, alum, prechlorine feed, and polymer feed at the water treatment plant. Water from Well No. 2 is pumped to the Water Treatment Plant and treated with sodium hypochloride prior to entering the water distribution system. The water treatment plant discharges to a 16,000 gallon backwash holding tank. The Company is in the process of replacing the filtration media along with other minor upgrades, thus the instant filing reflects an estimated additional investment cost of \$250,000 for this work which is expected to be completed by the end of the 2019 future test year.

C. SYSTEM SUPPLY AND DISTRIBUTION.

After the water has been processed in the treatment plant, the finished water flows into a 570,000 gallon covered stoned and concrete reservoir. Since the last rate case, the reservoir cover has been replaced at a cost in excess of \$128,000. The finished water flows via gravity from the reservoir through 8" and 6" water mains to all of the Company's customers. The Company constantly monitors the quality of the raw water and finished water and received a special commendation from the DEP. Over \$460,000 of improvements have been made to the distribution system since its last rate case in 2004 several water mains were replaced and/or upgraded. In addition, several water mains were added or extended. The Company was able to complete the looping of several water mains thereby reducing the number of dead-end mains in the distribution system. Additionally, 7 of the previous year's 16 winter bleeders reflected in the last rate case have been eliminated, leaving 9 active winter bleeders, a 43% reduction. The Company also purchased a leak detector in 2015 and now conducts leak detection inspections to monitor and repair leaks as necessary. As reflected in more recent PaPUC annual reports the Company's continued overall efforts to locate and repair main breaks and minimize leaks has resulted in a unaccounted-for-water rate below the Commission's 20% threshold. By separate letter the Company has provided a progress report to BI&E and OCA regarding its past and ongoing efforts since its last rate case to minimize lost and unaccounted water usage.

BUCK HILL WATER COMPANY

SECTION B

NOTICE OF PROPOSED RATE CHANGES

NOTICE OF PROPOSED RATE CHANGE

To Our Customers:

The Buck Hill Water Company (Company) is filing a request with the Pennsylvania Public Utility Commission (PUC) to increase your water rates as of April 1, 2019. This Notice describes the Company's request, the PUC's role and what actions you can take.

The Company has requested a rate increase of \$106,458 per year. If the Company's entire request is approved, the total bill for a typical residential customer using 7,000 gallons per quarter would increase from \$207.80 per quarter to \$279.64 per quarter, or by 34.57%. The total bill for all commercial customers will also increase by 34.57%. For example, a typical bill for a commercial customer using 144,000 gallons per quarter would increase from \$1,317.50 to \$1,772.94 per quarter, or by 34.57%.

To find out how the requested increase may affect your water bill, contact the Company at 570-595-7511. The rates requested by the Company may be found in Supplement No. 32 to Tariff-Water Pa. P.U.C. No. 3. You may examine the material filed with the PUC which explains the requested increase and the reasons for it. A copy of this material is kept at the Company's office. Upon request, the Company will send you the Statement of Reasons for Supplement No. 2, explaining why the rate increase has been requested.

The state agency which approves rates for public utilities is the PUC. The PUC will examine the requested rate increase and can prevent existing rates from changing until it investigates and/or holds hearings on the request. The Company must prove that the requested rates are reasonable. After examining the evidence, the PUC may grant all, some, or none of the request or may reduce existing rates.

The PUC may change the amount of the increase or decrease requested by the utility for each customer class. As a result, the rate charged to you may be different than the rate requested by the Company and shown above.

There are three ways to challenge the Company's request to change its rates:

1. You can file a formal complaint. If you want a hearing before a judge, you must file a formal complaint. By filing a formal complaint, you assure yourself the opportunity to take part in hearings about the rate increase request. All complaints should be filed with the PUC before April 1, 2019. If no formal complaints are filed, the PUC may grant all, some or none of the request without holding a hearing before a judge.

2. You can send us a letter telling why you object to the requested rate increase. Sometimes there is information in these letters that makes us aware of problems with the Company's service or management. This information can be helpful when we investigate the rate request.

Send your letter or request for a formal complaint form to the Pennsylvania Public Utility Commission, Post Office Box 3265, Harrisburg, PA 17105-3265.

3. You can be a witness at a public input hearing. Public input hearings are held if the PUC opens an investigation of the Company's rate increase request and if there are a large number of customers interested in the case. At these hearings you have the opportunity to present your view in person to the PUC judge hearing the case and the Company's representatives. All testimony given "under oath" becomes a part of the official rate case record. These hearings are held in the service area of the Company.

For more information, call the PUC at 1-800-692-7380. You may leave your name and address so you can be notified of any public input hearings that may be scheduled in this case.

BUCK HILL WATER COMPANY

BUCK HILL WATER COMPANY

SECTION C

PRESS RELEASE

PRESS RELEASE

.....

Buck Hill Water Company
P.O. Box 426
Buck Hill Falls, PA 18360

Dated: January 11, 2019

Buck Hill Water Company (“Company”) today filed a request to increase its existing water rates applicable to all customers effective April 1, 2019. The Company has requested a rate increase of \$106,458 per year. If the Company’s entire request is approved, the total bill for a typical residential customer using 7,000 gallons per quarter would increase from \$207.80 per quarter to \$279.64 per quarter, or by 34.57%. The total bill for all commercial customers will also increase by 34.57%. For example, a typical bill for a commercial customer using 144,000 gallons per quarter would increase from \$1,317.50 to \$1,772.94 per quarter, or by 34.57%.

The rate increase is required in order to cover the substantial investment in water utility assets since its last tariff rates went into effect in March 2005. Additionally, the Company has incurred and/or will realize increased operating expenses since its last increase in tariff rates due to increased water regulations as well as other increased operating costs that have increased over time due to normal operating conditions and/or other regulatory demands to meet customer service requirements.

Mr. Michael R. O’Shea, President of Buck Hill Water Company, stated,

“The Company’s current rate has been in effect since March 2005 and the Company has worked hard to continue to provide service at those rates without a rate increase. The requested increase is necessary to cover increased costs of operations and provide the necessary funds related to plant investments to serve customers within its service area, and to improve water service and service reliability. The Company will be cooperative with the Pennsylvania Public Utility Commission as the state agency conducts its review of the rate filing.”

Customers can contact the Company at 570-595-7511 to get further information on the proposed increase or to find out what actions they may take.

BUCK HILL WATER COMPANY

SECTION D

**SUPPLEMENT NO. 32 TO
TARIFF WATER - PA P.U.C. NO. 3**

BUCK HILL WATER COMPANY
RATES, RULES AND REGULATIONS GOVERNING
THE DISTRIBUTION OF WATER
TO THE PUBLIC IN BUCK HILL FALLS AND VICINITY,
THE TOWNSHIP OF BARRETT,
MONROE COUNTY, PENNSYLVANIA

ISSUED: January 11, 2019

EFFECTIVE: April 1, 2019

BY: MICHAEL R. O'SHEA, PRESIDENT
BUCK HILL WATER COMPANY
P.O. Box 426
Buck Hill Falls, PA 18360

BUCK HILL WATER COMPANY

LIST OF CHANGES

INCREASE:

This tariff proposes to increase existing jurisdictional metered water rates by 34.57% or an annual revenue increase of \$106,458.

BUCK HILL WATER COMPANY

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List of Changes	Sixteenth Revised Page No. 2
Table of Contents	Sixteenth Revised Page No. 3
Schedule of Rates	Fifteenth Revised Page No. 4

BUCK HILL WATER COMPANY

SCHEDULE OF RATES AND CHARGES

Rates for Metered Service

Customer Charge: Every customer shall be assessed a customer service charge for each service line connected to the Company’s system based on the size of the diameter of the service meter serving the customer, as follows:

<u>Service/Meter Diameter (inches)</u>	<u>\$/Quarter</u>	
0.75 or less	\$ 203.34	(I)
1.00	\$ 258.78	(I)
2.00	\$ 536.01	(I)
4.00	\$2,587.84	(I)
6.00	\$3,851.56	(I)
8.00	\$5,360.26	(I)

Consumption Charge: In addition to the customer charge, the following water consumption charges will apply to all customers:

Rate per 1000 gallons	\$10.90 / 1000 gallons	(I)
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Bulk Rate Water Sale: Bulk rate sales of water shall be charged at the following metered rate per quarter.

Rate per 1000 gallons	\$ 5.47 / 1000 gallons	(I)
-----------------------	------------------------	-----

SERVICE TERMINATION OR RESUMPTION RATES: The fee for shut-off or turn-on of service shall be \$50.00 per occurrence. Customers in the Bon Hill section only may be billed for shut-off or for turn-on only during the seasonal billing period of May 1 through October 31.

LATE-PAYMENT CHARGE: All amounts not paid when due shall accrue a late-payment Charge at the rate not to exceed one and one-half percent (1.5%) per billing period, not to exceed eighteen percent (18%) per year.

(I) Indicates increase, (C) Indicates change

BUCK HILL WATER COMPANY

SECTION E

BALANCE SHEET

BUCK HILL WATER CO.

Balance Sheet
September 30, 2018

ASSETS

<u>Utility-Plant-In-Service</u>		
Utility Plant at Original Cost	\$ 2,515,879	
Less Accumulated Depreciation	<u>1,412,087</u>	
Total Net Utility Plant Cost		\$ 1,103,792
 <u>Current Assets</u>		
Cash	\$ 207,084	
Construction Work In Progress	8,471	
Accounts Receivable	<u>2,110</u>	
Total Current Assets		\$ 217,665
 <u>Other Assets</u>		
Prepaid Expenses		\$ 16,248
 TOTAL ASSETS		 <u><u>\$ 1,337,705</u></u>

LIABILITIES AND EQUITY

<u>Long Term Debt</u>		
Notes Payable		\$ 943,921
 <u>Current Liabilities</u>		
Accounts Payable	\$ 1,384	
Accrued Interest	63	
Accounts Payable to Affiliate	-	
Deferred Taxes	8,092	
Deferred Revenue	<u>42,439</u>	
Total Current Liabilities		\$ 51,978
 <u>Contributed Facilities</u>		
Contributions-In-Aid-Construction	\$ 28,567	
Less Accum. Depr. On CIAC Assets	<u>28,567</u>	
Total Net Contributions-In-Aid-Construction		\$ -
 <u>Equity</u>		
Common Stock	\$ 10,000	
Paid-In-Capital	5,036	
Retained Earnings	<u>326,770</u>	
Total Equity		\$ 341,806
 TOTAL LIABILITIES AND EQUITY		 <u><u>\$ 1,337,705</u></u>

BUCK HILL WATER CO.
Pro Forma Balance Sheet
September 30, 2019

ASSETS

<u>Utility-Plant-In-Service</u>	
Utility Plant at Original Cost	\$ 2,875,879
Less Accumulated Depreciation	1,500,501
Total Net Utility Plant Cost	<u>\$ 1,375,378</u>
 <u>Current Assets</u>	
Cash	\$ 1,092
Construction Work In Progress	-
Accounts Receivable	2,110
Total Current Assets	<u>\$ 3,202</u>
 <u>Other Assets</u>	
Prepaid Expenses	\$ 16,248
 TOTAL ASSETS	 <u><u>\$ 1,394,828</u></u>

LIABILITIES AND EQUITY

<u>Long Term Debt</u>	
Notes Payable	\$ 891,000
 <u>Current Liabilities</u>	
Accounts Payable	\$ 1,384
Accrued Interest	63
Accounts Payable to Affiliate	35,000
Deferred Taxes	8,092
Deferred Revenue	42,439
Total Current Liabilities	<u>\$ 86,978</u>
 <u>Contributed Facilities</u>	
Contributions-In-Aid-Construction	\$ 28,567
Less Accum. Depr. On CIAC Assets	28,567
Total Net Contributions-In-Aid-Construction	<u>\$ -</u>
 <u>Equity</u>	
Common Stock	\$ 10,000
Paid-In-Capital	5,036
Retained Earnings	401,814
Total Equity	<u>\$ 416,850</u>
 TOTAL LIABILITIES AND EQUITY	 <u><u>\$ 1,394,828</u></u>

BUCK HILL WATER CO.Pro Forma Plant Additions
September 30, 2019

	<u>Amount</u>	<u>Life</u>	<u>Accum. Depr.</u>	<u>Remaining Value</u>	<u>Annual Depr. Exp.</u>
9/30/19 Plant In Service Original Cost (See Schedule J)	\$ 2,515,879		\$ 1,485,626	\$ 1,030,253	\$ 73,539
<u>Plant & Equipment Pro Forma Additions - Not Included In Sch. J</u>					
Media Replacement	\$ 250,000	10	\$ 12,500	\$ 237,500	\$ 25,000
Valve Replacement	10,000	20	250	9,750	500
Turbidmeters	5,000	20	125	4,875	250
Curb Meter Installation	50,000	20	1,250	48,750	2,500
Water Plant Roof	15,000	20	375	14,625	750
Water main upgrades	30,000	40	375	29,625	750
		40	-	-	-
Total Pro Forma Plant Additions 2004	<u>\$ 360,000</u>		<u>\$ 14,875</u>	<u>\$ 345,125</u>	<u>\$ 29,750</u>
9/30/19 Plant In Service Pro Forma Original Cost	\$ 2,875,879		\$ 1,500,501	\$ 1,375,378	\$ 103,289
9/30/19 CIAC (See Schedule J)	28,567		28,567	-	-
Net Rate Base Values	<u>\$ 2,847,312</u>		<u>\$ 1,471,934</u>	<u>\$ 1,375,378</u>	<u>\$ 103,289</u>

BUCK HILL WATER COMPANY

SECTION F

**PRO FORMA RATE BASE
&
RATE OF RETURN**

BUCK HILL WATER CO.

Rate Base At Original Cost / Overall Rate of Return
Per Books September 30, 2018 and Pro Forma September 30, 2019

<u>Line</u>	<u>Description</u>	<u>Per Books</u> <u>09/30/2018</u>	<u>Pro Forma Rates</u>	
			<u>Current</u> <u>09/30/2019</u>	<u>Proposed</u> <u>09/30/2019</u>
1	Plant-In-Service (See Schedule E-1 and E-2)	\$ 2,515,879	\$ 2,875,879	\$ 2,875,879
2	Less: Accumulated Provisions For Depreciation (See Schedule E-1 and E-2)	1,412,087	1,500,501	1,500,501
3	Net Plant-In-Service (See Schedule E-1 and E-2)	\$ 1,103,792	\$ 1,375,378	\$ 1,375,378
Additions:				
4	Inventory	\$ -	\$ -	\$ -
5	Cash Working Capital (See Schedule F-2)	32,026	34,228	34,228
Deductions:				
6	Contributions In Aid Of Const. Net of Accumulated Depreciation (See Schedule E-1 and E-2)	\$ -	\$ -	\$ -
7	Total Rate Base	\$ 1,135,818	\$ 1,409,606	\$ 1,409,606
Rate of Return per books 9/30/18				
8	Income per Books Available for Return	\$ 39,385		
9	Overall Rate of Return (L9 / L8)	3.47%		
Pro Forma Rate of Return Under Current Rates 9/30/19				
10	Pro forma Income under existing rate available for return		\$ (967)	
11	Overall Rate of Return (L11 / L8)		-0.07%	
Pro Forma Rate of Return Under Proposed Rates 9/30/19				
12	Pro forma Income under proposed rates available for return		\$ 98,813	
13	Overall Rate of Return (L13/L8, See also Schedule F-3)		7.01%	

BUCK HILL WATER CO.
Cash Working Capital Calculations
Per Books September 30, 2018 and Pro Forma September 30, 2019

<u>Line</u>	<u>Description</u>	<u>Per-Books</u> <u>09/30/2018</u> (1)	<u>Pro-Forma</u> <u>09/30/2019</u> (2)	<u>Pro-Forma</u> <u>09/30/2019</u> (2)
1	Operating Deduction (Excl. Bad Debt Exp) (See Schedule H-1)	\$256,211	\$273,824	\$273,824
2	Cash Working Capital Claim (1/8 of Oper. & Maint. Exp.)	\$32,026	\$34,228	\$34,228

BUCK HILL WATER CO.
Rate of Return
Hypothetical Capital Structure
Pro Forma Claim 9/30/19

<u>Line</u>	<u>Description</u>	<u>Ratio</u> (1)	<u>Weighted</u> <u>Cost</u> (2)	<u>Average</u> <u>Weighted</u> <u>Cost</u> (3)
1	Debt	50.00%	4.25%	2.13%
2	Equity	50.00%	9.75%	4.88%
3	Total	<u>100.00%</u>		<u>7.01%</u>

Capital Structure 9/30/18

<u>Description</u>	<u>09/30/2018</u>	<u>Ratio</u>	<u>Interest</u> <u>Rates</u>	<u>Weighted</u> <u>Cost</u>
<u>Debt Ratio</u>				
Peoples Security Bank	\$ 943,921	100.00%	4.25%	4.25%
		0.00%		0.00%
		0.00%		0.00%
Total Debt	<u>\$ 943,921</u>	<u>100.00%</u>		<u>4.25%</u>
<u>Debt/Equity Ratio</u>				
Debt	\$ 943,921	73.42%		4.25%
Equity	341,806	26.58%		
Total	<u>\$1,285,727</u>	<u>100.00%</u>		

Pro Forma Capital Structure 9/30/19

<u>Description</u>	<u>09/30/2019</u>	<u>Ratio</u>	<u>Interest</u> <u>Rates</u>	<u>Weighted</u> <u>Cost</u>
<u>Debt Ratio</u>				
Peoples Security Bank	\$ 891,000	100.0000%	4.25%	4.25%
		0.0000%		0.00%
		0.0000%		0.00%
Total Debt	<u>\$ 891,000</u>	<u>100.00%</u>		<u>4.25%</u>
<u>Debt/Equity Ratio</u>				
Debt	\$ 891,000	68.13%		4.25%
Equity	416,850	31.87%		
Total	<u>\$1,307,850</u>	<u>100.00%</u>		

BUCK HILL WATER COMPANY

SECTION G

STATEMENT OF REVENUES AND TARIFF INCREASE

BUCK HILL WATER CO.

Comparative Statement of Operating Revenues
Twelve Months Ended September 30, 2018 and Pro Forma September 30, 2019 Current and Proposed Rates

<u>Description</u>	<u>09/30/2018</u> <u>Per Books</u> (1)	<u>Pro Forma</u> <u>Adjustments *</u> (2)	<u>09/30/2019</u> <u>Pro Forma</u> <u>Adjusted</u> <u>Total</u> (3)	<u>09/30/2019</u> <u>Proposed</u> <u>Base Rate</u> <u>Increase</u> (4)	<u>09/30/2019</u> <u>Proposed</u> <u>Adjusted</u> <u>Total</u> (5)
<u>Operating Revenues</u>					
Residential	\$ 239,318	\$ 4	\$ 239,322	\$ 82,741	\$ 322,063
Commercial	68,591	7	68,598	23,717	92,315
Total Operating Revenues	\$ 239,318	\$ 4	\$ 307,920	\$ 106,458	\$ 414,378
Late Payment Charges	1,701	-	1,701	-	1,701
Total Customer Revenues	\$ 241,019	\$ 4	\$ 309,621	\$ 106,458	\$ 416,079
Other Revenues:					
Rental Income	77,341	-	77,341	-	77,341
Miscellaneous	2,160	-	2,160	-	2,160
Total Operating Revenues	\$ 320,520	\$ 4	\$ 389,122	\$ 106,458	\$ 495,580

*Refer to Schedules H-1,H-2, and Supporting Schedule I-1 regarding adjustments.

BUCK HILL WATER CO.Revenues Under Current and Proposed Rates and Percentage Increase by Customer Class

<u>Description</u>	<u>Pro Forma Revenues Existing Rates</u>	<u>Percentage Increase</u>	<u>Proposed Rates Revenue Increase</u>	<u>Proposed Rates Revenue Total</u>
<u>Operating Revenues</u>				
Residential	\$ 239,322	34.6%	\$ 82,739	\$ 322,061
Commercial	<u>68,598</u>	34.6%	<u>23,715</u>	<u>92,313</u>
Total Operating Revenues	\$ 307,920	34.6%	\$ 106,454	\$ 414,374
Late Payment Charges	<u>1,701</u>		<u>-</u>	<u>1,701</u>
Total Customer Revenues	\$ 309,621	34.4%	\$ 106,454	\$ 416,075
Other Revenues:				
Rental Income	77,341		-	77,341
Miscellaneous	<u>2,160</u>		<u>-</u>	<u>2,160</u>
Total Operating Revenues	\$ 389,122	27.4%	\$ 106,454	\$ 495,576
Rate Study Results (Sch H-1)	<u>389,122</u>		<u>106,458</u>	<u>495,580</u>
Over/(Under) Rate Study Results	<u>\$ -</u>		<u>\$ (4)</u>	<u>\$ (4)</u>

BUCK HILL WATER CO.

Number of Customers Served at
December 31, 2016 and 2017; and September 30, 2018 and Pro Forma September 30, 2019

	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>09/30/2018</u>	<u>Customer Additions</u>	<u>Pro Forma 09/30/2019</u>
<u>Customer Classifications:</u>					
Residential - Buck Hill Falls Community	288	284	289	0	289
Residential - Outside Buck Hill Falls Comm.	4	4	4	0	4
Residential - Bonn Hill Comm. Seasonal *	7	7	7	0	7
Total Residential	<u>299</u>	<u>295</u>	<u>300</u>	<u>0</u>	<u>300</u>
Commercial - Buck Hill Falls Community	13	13	13	0	13
Total Customers	<u>312</u>	<u>308</u>	<u>313</u>	<u>0</u>	<u>313</u>

* Note: Residential Bonn Hill Seasonal Customers are billed 2 quarters per year.

BUCK HILL WATER CO.Current and Proposed Quarterly Rates

	<u>Meter Size</u>	<u>Current Quarterly</u>	<u>Proposed Quarterly</u>	<u>% Increase</u>
<u>Customer Charge *</u>				
	3/4"	\$151.10	\$203.34	34.57%
	1"	\$192.30	\$258.78	34.57%
	2"	\$398.30	\$536.01	34.57%
	4"	\$1,923.00	\$2,587.84	34.57%
	6"	\$2,884.35	\$3,881.56	34.57%
	8"	\$3,983.15	\$5,360.26	34.57%
<u>Residential*/Commercial Volumetric Sales:</u>				
Consumption Charge per 1,000 gallons		\$8.10	\$10.90	34.57%
<u>Bulk Rate Water Volumetric Sales:</u>				
Consumption Charge per 1,000 gallons		\$4.06	\$5.47	34.73%

Note: Residential Seasonal Customers are billed 2 quarters per year.

BUCK HILL WATER CO.Typical Bills Under Current and Proposed Tariff Rates

	<u>Current</u>	<u>Proposed</u>	<u>\$ Increase</u>	<u>% Increase</u>
3/4" Customer Charge	\$151.10	\$203.34	\$52.24	34.57%
1" Customer Charge	\$192.30	\$258.78	\$66.48	34.57%
2" Customer Charge	\$398.30	\$536.01	\$137.71	34.57%
4" Customer Charge	\$1,923.00	\$2,587.84	\$664.84	34.57%
Usage Tariff Rate	\$8.10	\$10.90	\$2.80	34.57%
Bulk Usage Tariff Rate	\$4.06	\$5.47	\$1.41	34.73%

Pro Forma Typical Usage3/4" Residential

Typical Quarterly Gallon Usage	7,000	7,000		
Cust. Charge	\$151.10	\$203.34	\$52.24	34.57%
Usage Charge	56.70	76.30	19.60	34.57%
Typical Quarterly Bill	<u>\$207.80</u>	<u>\$279.64</u>	<u>\$71.84</u>	34.57%

3/4" Commercial

Typical Quarterly Gallon Usage	144,000	144,000		
Cust. Charge	\$151.10	\$203.34	\$52.24	34.57%
Usage Charge	1,166.40	1,569.60	403.20	34.57%
Typical Quarterly Bill	<u>\$1,317.50</u>	<u>\$1,772.94</u>	<u>\$455.44</u>	34.57%

Note: Residential Bonn Hill Seasonal Customers are billed 2 quarters per year.

BUCK HILL WATER COMPANY

SECTION H

OPERATING STATEMENT AND ADJUSTMENTS

BUCK HILL WATER CO.

Statement of Water Income & Deductions
For The Twelve Months Ended December 31, 2015 to 2017, and September 30, 2018 and Pro Forma Adjusted 2019 Rate Study

	Per Books				Pro Forma		Pro Forma	Rate Study	Pro Forma
	12/31/2015	12/31/2016	12/31/2017	09/30/2018	Adj.	(Ref.)	Adjusted 09/30/2019	Base Rate Increase (Ref.)	Adjusted Totals
Water Billings								34.57%	
Residential	\$ 247,306	\$ 251,379	\$ 240,040	\$ 239,318	\$ 4	(1)	\$ 239,322	\$ 82,741	\$ 322,063
Commercial	45,654	47,968	55,423	68,591	7	(1)	68,598	23,717	92,315
Total Water Billing	\$ 292,960	\$ 299,347	\$ 295,463	\$ 307,909	\$ 11		\$ 307,920	\$ 106,458	\$ 414,378
Late Payment Charges	2,405	1,761	1,503	1,701	-		1,701	-	1,701
Sub total Operating Revenues	\$ 295,365	\$ 301,108	\$ 296,966	\$ 309,610	\$ 11		\$ 309,621	\$ 106,458	\$ 416,079
Other Income									
Rental Income	\$ 69,152	\$ 70,807	\$ 72,528	\$ 77,341	\$ -		\$ 77,341	\$ -	\$ 77,341
Turn On/Off Charges	5,601	2,275	2,790	2,160			2,160	-	2,160
	-	-	-	-			-	-	-
	-	-	-	-			-	-	-
Sub total Other Income	\$ 74,753	\$ 73,082	\$ 75,318	\$ 79,501	\$ -		\$ 79,501	\$ -	\$ 79,501
Operating Revenues	\$ 370,118	\$ 374,190	\$ 372,284	\$ 389,111	\$ 11		\$ 389,122	\$ 106,458	\$ 495,580
Operating Deductions									
Operating Expenses:									
	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -
Salaries	90,242	92,105	96,401	99,329	2,979	(3)	102,308	-	102,308
Payroll Taxes (FICA, Med, Unp)	8,099	8,449	8,176	8,687	227	(4)	8,914	-	8,914
Employee Benefits Exp.	11,600	11,729	11,154	11,390	63	(5)	11,453	-	11,453
Materials & Supplies	15,738	14,574	13,220	18,215			18,215	-	18,215
Maintenance & Repairs	28,676	22,214	19,656	27,502			27,502	-	27,502
Chemicals	12,189	9,180	10,435	12,656			12,656	-	12,656
Lab Fees	6,080	3,250	2,858	6,760			6,760	-	6,760
Electric	7,412	9,623	7,492	7,061			7,061	-	7,061
Fuel - Transp. Exp.	1,694	1,207	791	909			909	-	909
Propane	-	-	927	482			482	-	482
Vehicle Ins.	1,198	1,185	1,343	1,333			1,333	-	1,333
Gen. Liability Ins.	10,787	10,665	12,090	11,999			11,999	-	11,999
Workers Comp. Ins.	1,410	1,623	2,187	2,009			2,009	-	2,009
Telephone	3,212	2,949	2,354	2,644			2,644	-	2,644
Licenses and Permits	725	425	1,627	1,979			1,979	-	1,979
Dues and Subscriptions	1,034	556	877	300			300	-	300
Water Expenses	669	628	645	670			670	-	670
Legal Fees General	15,792	4,992	29,324	13,784	(8,784)	(6)	5,000	-	5,000
Accounting and Auditing	5,000	5,000	5,000	5,500			5,500	-	5,500
Professional Fees Eng.	3,089	3,938	6,854	3,439			3,439	-	3,439
Management Fee	6,996	5,500	3,000	5,500			5,500	-	5,500
Rate Case Expense	-	-	-	-	22,500	(7)	22,500	-	22,500
Office Rent	9,372	9,372	9,372	9,372	628	(2)	10,000	-	10,000
Administrative Cost	7,336	5,205	4,634	4,691			4,691	-	4,691
Bad Debt Expense	5,332	(2,387)	3,431	2,225			2,225	-	2,225
Operating Expenses	\$ 253,682	\$ 221,982	\$ 253,848	\$ 258,436	\$ 17,613		\$ 276,049	\$ -	\$ 276,049
Taxes-Other:									
PaPUC Asses	\$ 1,633	\$ 1,508	\$ 1,507	\$ 1,844	\$ -		\$ 1,844	\$ -	\$ 1,844
Capital Stk Tax	1,998	1,918	-	-			-	-	-
Prop. & PURTA Taxes	10,287	12,199	8,998	8,907			8,907	-	8,907
Total Operating Expenses	\$ 267,600	\$ 237,607	\$ 264,353	\$ 269,187	\$ 17,613		\$ 286,800	\$ -	286,800
Depreciation	74,753	73,579	74,120	74,677	28,612	(8)	103,289	-	103,289
Total Operating Expenses	\$ 342,353	\$ 311,186	\$ 338,473	\$ 343,864	\$ 46,225		\$ 390,089	\$ -	\$ 390,089
Net Income Before Taxes	\$ 27,765	\$ 63,004	\$ 33,811	\$ 45,247	\$ (46,214)		\$ (967)	\$ 106,458	\$ 105,491
Corporate Income Taxes									
State	\$ 2,269	\$ 4,307	\$ 6,186	\$ 4,505	\$ (4,505)	(9)	\$ -	\$ 6,678 (10)	\$ 6,678
Federal	4,441	1,255	97	1,357	(1,357)	(9)	-	- (10)	-
Total Corp. Income Taxes	\$ 6,710	\$ 5,562	\$ 6,283	\$ 5,862	\$ (5,862)		\$ -	\$ 6,678	\$ 6,678
Net Income	\$ 21,055	\$ 57,442	\$ 27,528	\$ 39,385	\$ (40,352)		\$ (967)	\$ 99,780	\$ 98,813

BUCK HILL WATER COMPANY

Pro Forma Adjustments to Operating Revenues and Expenses
For the Pro Forma Twelve Months Ended September 30, 2019

Pro Forma Operating Revenue Adjustments

1 Pro Forma Adjustment to reflect annualized level of revenues under current rates at pro forma annualized level of customers as of 9/30/19.

Residential	\$	4
Commercial	\$	7
(See Schedule I-1)		

Total Pro Forma Operating Revenue Adjustments	<u>\$</u>	<u>11</u>
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BUCK HILL WATER COMPANY

Pro Forma Adjustments to Operating Revenues and Expenses
For the Pro Forma Twelve Months Ended December 31, 2004

Pro Forma Operating Expense Adjustments

2 Pro Forma Adjustment to reflect an annualized level of office rent expense as of 9/30/19 vs old rate which had remained unchanged since 2000. (See Schedule I-2)	\$ 628
3 Pro Forma Adjustment to reflect an annualized level of salaries and wages based upon 2019 salary and wage levels. (See Schedule I-3)	\$ 2,979
4 Pro Forma Adjustment to reflect an annualized level of employee payroll tax expenses based upon 2019 salary and wage levels. (See Schedule I-3)	\$ 227
5 Pro Forma Adjustment to reflect an annualized level of employee 401K Benefits expenses based upon 2019 salary and wage levels. (See Schedule I-3)	\$ 63
6 To minimize controvery, a Pro Forma Adjustment to reflect a normalized level of Legal Fees General expense based upon similar cost incurred in 2016. (See Schedule I-4)	\$ (8,784)
7 Pro Forma Adjustment to reflect the cost of a fully litigated rate case expense normalized over a 36 months or 3 year period. (See Schedule I-5)	\$ 22,500
8 Pro Forma Adjustment to reflect annualized level of depreciation expense. (See Schedule I-6)	\$ 28,612
9 Pro Forma Adjustments to 9/30/19 Income Taxes Under Current Rates	
State Income Taxes	\$ (4,505)
Federal Income Taxes	\$ (1,357)
(See Schedule I-7)	
10 Pro Forma Adjustments to 9/30/19 Income Taxes Under Proposed Rates	
To moderate impact on customers Company is only claiming State Income Taxes	
State Income Taxes	\$ 6,678
Federal Income Taxes	\$ -
(See Schedule I-7)	
 Total Pro Forma Operating Expense Adjustments	 <u><u>\$ 47,041</u></u>

BUCK HILL WATER COMPANY

SECTION I

SUPPORTING ADJUSTMENT SCHEDULES

BUCK HILL WATER COMPANY

Pro Forma Analysis of Annualized Revenues Under Existing Rates for the Twelve Months Ended September 30, 2018 and Pro Form September 30, 2019

Bill Date	Meter Size	No. Cust.	Billing Cycle	No. Bills	Cust. Charge	Revenues	Gallons	\$/1,000 Gal.	Revenues	Total Revenues
<u>Residential Sales</u>										
8/1/2018 Residential	3/4"	300	1	300	\$151.10	45,330.00	2,700,000	\$8.10	21,870.00	67,200.00
5/1/2018 Residential	3/4"	287	1	287	\$151.10	43,365.70	1,044,000	\$8.10	8,456.00	51,821.70
2/1/2018 Residential	3/4"	279	1	279	\$151.10	42,156.90	1,728,000	\$8.10	13,997.00	56,153.90
11/1/2017 Residential	3/4"	295	1	295	\$151.10	44,574.50	2,416,300	\$8.10	19,572.00	64,146.50
Total Residential		1,161		1,161		\$ 175,427.10	7,888,300		\$ 63,895.00	\$ 239,322.10
Total System Sales Per Books 9/30/18										239,318.00
Pro Forma Adjustment										\$ 4.10
<u>Commercial Sales</u>										
8/1/2018 Commercial	3/4"	13	1	13	\$151.10	1,964.30	3,092,000	\$8.10	25,045.00	27,009.30
5/1/2018 Commercial	3/4"	13	1	13	\$151.10	1,964.30	244,000	\$8.10	1,976.00	3,940.30
2/1/2018 Commercial	3/4"	13	1	13	\$151.10	1,964.00	283,000	\$8.10	2,292.00	4,256.00
11/1/2017 Commercial	3/4"	13	1	13	\$151.10	1,964.00	3,880,000	\$8.10	31,428.00	33,392.00
Total Commercial		52		52		\$ 7,856.60	7,499,000		\$ 60,741.00	\$ 68,597.60
Total System Sales Per Books 9/30/18										68,591.00
Pro Forma Adjustment										\$ 6.60
Total System Sales and Pro Forma Claim		1,213		1,213		\$ 183,283.70	15,387,300		\$ 124,636.00	\$ 307,919.70
Total System Sales Per Books 9/30/18										307,909.00
Pro Forma Adjustment										\$ 10.70

Note: The Company did not experience any net customer growth or loss of customers during the historic test year. The Company's pro forma September 30, 2019 future test period is based upon the results of the same September 30, 2018 Bill Analysis.

Development of pro forma residential and commercial usage:

	Meter Size	No. Bills	Gallons	Avg. Gal/bill
<u>Residential</u>				
Residential Totals Per Above	3/4"	1,161	7,888,300	6,794
Average Usage	3/4"		Avg. Usage 6,000	
<u>Commercial</u>				
Commercial Totals Per Above	3/4"	52	7,499,000	144,212
	3/4"		Avg. Usage 144,000	

BUCK HILL WATER COMPANY

Pro Forma 9/30/19 Adjustment Rental Expense

Annual Office Rent Claim	\$ 10,000
Office Rent Per Books 9/30/18	9,372
Pro Forma Office Rent Adjustment	<u>\$ 628</u>

BUCK HILL WATER CO.
Pro Forma Adjustment Salaries and Wages Claim

	9/30/2018 Per Books	Wage Inc. 3% 2019	Allocation Factor	Water Co. Allocated Share	
				9/30/2018 Per Books	9/30/2019 Pro Forma Claim
Pres. - Chief Operating Office	\$ 131,716	\$ 135,667	10%	\$ 13,172	\$ 13,567
Sec./Tres. - Controller	89,700	92,391	20%	17,940	18,478
Licensed WTP Operator	42,183	43,448	100%	42,183	43,448
Maintenance Supervisor	81,238	83,675	20%	16,248	16,735
Office Administrator/Bookkeeper	48,236	49,683	20%	9,647	9,937
Misc. P/T	139	143	100%	139	143
	-	-	100%	-	-
	-	-	100%	-	-
Total Salaries and Wages	<u>\$ 393,212</u>	<u>\$ 405,008</u>	25%	<u>\$ 99,329</u>	<u>\$ 102,308</u>
9/30/18 Per Books Salaries and Wages					99,329
Pro Forma Salaries and Wage Adjustment					<u>\$ 2,979</u>

Pro Forma Adjustment Employee Payroll Taxes Expense Claim

	9/30/2018		9/30/2019	
	Per Books	Pro Forma Claim	Per Books	Pro Forma Claim
Total Salaries and Wages	<u>\$ 99,329</u>	<u>\$ 102,308</u>		
			<u>Tax Rates</u>	
FICA			6.20%	\$ 6,158
Medicare			1.45%	1,440
<u>Unemp Taxes</u>	<u>Alloc.</u>	<u>Base Salry</u>	<u>Alloc.</u>	<u>Base</u>
Pres. - Chief Operating Office	10%	\$ 8,000		\$ 800
Sec./Tres. - Controller	20%	8,000		1,600
Licensed WTP Operator	100%	8,000		8,000
Maintenance Supervisor	20%	8,000		1,600
Office Administrator/Bookkeeper	20%	8,000		1,600
		<u>\$ 13,600</u>	8.00%	<u>1,088</u>
Total 9/30/18 Per Books and Pro Forma Employee Payroll Taxes Expense Claim				<u>\$ 8,687</u>
9/30/18 Per Books Employee Payroll Tax Expenses				8,687
Pro Forma Employee Payroll Taxes Expense Adjustment				<u>\$ 227</u>

Pro Forma Adjustment Employee 401K Expense Claim

	9/30/2018		9/30/2019	
	Per Books	Pro Forma Claim	Per Books	Pro Forma Claim
Total Salaries and Wages	<u>\$ 99,329</u>	<u>\$ 102,308</u>		
% of Employee Expenses to Salaries and Wages				103%
401K Expenses 9/30/18 Per Books and Pro Forma Claim	\$ 2,099	\$ 2,162		
401K Expenses 9/30/18 Per Books				2,099
Pro Forma 401K Employee Benefit Expense Adjustment				<u>\$ 63</u>

BUCK HILL WATER CO.Pro Forma Legal Fees General Operating Expense ClaimLegal Fees General

12/31/2015	\$ 15,792
12/31/2016	4,992
12/31/2017	29,324
09/30/2018	13,784

To Minimize Controversy, the Company is requesting a Legal Claim similar to that of 2016	
Pro Forma Claim	\$ 5,000
Per Books 9/30/18	13,784
Pro Forma Adjustment	<u>\$ (8,784)</u>

BUCK HILL WATER CO.Pro Forma Analysis of Rate Case Expense Claim

	<u>To File & Review</u>	<u>Litigation</u>	<u>Total Estimated Cost For Litigated Case</u>
Legal	\$ 12,000	\$ 30,000	\$ 42,000
Consulting	8,000	15,000	23,000
Accounting	1,000	1,000	2,000
Expenses	250	250	500
Total	<u>\$ 21,250</u>	<u>\$ 46,250</u>	<u>\$ 67,500</u>
Normalization Period in Months			<u>36</u>
Rate Per Month			\$1,875
Annualized No. of Months			<u>12</u>
Pro Forma Annualized Rate Case Expense Claim			<u>\$ 22,500</u>
Rate Case Expense per books 9/30/18			-
Pro Forma Rate Case Expense Adjustment			<u>\$ 22,500</u>

BUCK HILL WATER CO.Pro Forma 9/30/19 Depreciation Expense Claim

Pro Forma 9/30/19 Depr. Exp. (See Sch. E-3 and Sch. J)	\$ 73,539
Pro Forma Depr. Exp. 9/30/19 New Assets (See Sch. E-3 and Sch. J)	29,750
Total Pro Forma Depr. Exp. (See Sch. E-3)	<u>\$ 103,289</u>
Less Pro Forma CIAC Depr. Exp. (See Sch. E-3 and Sch. J)	-
Total Pro Forma Depr. Expense Claim	<u>\$ 103,289</u>
Depreciation Expense Per Books 9/30/18 (See Schedule H-1)	74,677
Pro Forma Depreciation Expense Adjustment	<u><u>\$ 28,612</u></u>

BUCK HILL WATER CO.Pro Forma Corporate Income Tax Claim Under Proposed Rates

	Pro Forma Claims		Moderated Proposed Rates
	Current Rates	Full Allow. Rates	
Pro Forma Claim After Tax Net Income - per rate filing <u>Add'l Revenues</u>	\$ (967)	\$ 98,813	\$ 98,813
	-	-	-
Total Adjusted Income	\$ (967)	\$ 98,813	\$ 98,813
<u>Other Expenses</u>			
Interest Expense	(38,644)	(38,644)	(38,644)
	-	-	-
Estimated After Tax Net (Loss)/Income	\$(39,611)	\$ 60,169	\$ 60,169
Tax Rate Gross Up (1)	40.63%	40.63%	11.10%
Total estimated corporate income taxes	\$ -	\$ 24,447	\$ 6,678
<u>Tax Break Down and Proof</u>			
Estimated Income after taxes	\$(39,611)	\$ 60,169	\$ 60,169
Total estimated corporate income taxes	-	24,447	6,678
Pa. Taxable Income	\$(39,611)	\$ 84,616	\$ 66,847
Pa Corp. Tax Rate	9.99%	9.99%	9.99%
Pa Corp. Taxes	\$ -	\$ 8,453	\$ 6,678
Fed. Taxable Income	\$(39,611)	\$ 76,163	\$ 60,169
Fed Corp. Tax Rate	21%	21%	0%
Fed Corp. Taxes	\$ -	\$ 15,994	\$ -
Total Taxes	\$ -	\$ 24,447	\$ 6,678
Proof (Est. Taxes - Total Taxes)	\$ -	\$ (0)	\$ 0
Pa Taxes Per Books 9/30/18	\$ 4,505	\$ -	\$ -
Federal Taxes Per Books 9/30/18	1,357	-	-
Total Income Taxes	\$ 5,862	\$ -	\$ -
<u>Pro Forma Tax Adjustments</u>			
Pa Corp. Taxes	\$ (4,505)	\$ 8,453	\$ 6,678
Fed Corp. Taxes	(1,357)	15,994	-
	\$ (5,862)	\$ 24,447	\$ 6,678

(1) Calculation of Tax Rates/Gross Up Tax Rates:

Applicable Combined Pa & Fed Tax RateFormula $T = PaTaxRate + (1 - PaTaxRate)Fed Tax Rate$

Pa Tax Rate	9.99%	9.99%
Fed Tax Rate	21%	0%

T (Tax Rate) 28.8921% 9.9900%

Tax Gross up Rate to be applied to each dollar of net income or taxable revenue

Formula for Gross Up Rate	$\frac{1}{1 - Tax Rate}$	$\frac{1}{1 - Tax Rate}$
---------------------------	--------------------------	--------------------------

Gross Up Rate 1.40631 1.11099

BUCK HILL WATER COMPANY

SECTION J

DEPRECIATION REPORT

BUCK HILL WATER CO.
SUMMARY OF PROPERTY, PLANT & EQUIPMENT
SEPTEMBER 30, 2018 AND PRO FORMA SEPTEMBER 30, 2019

DESCRIPTION	DATE PLACED IN SERVICE	LIFE YRS	COST	9/30/2017	9/30/2018	9/30/2018	9/30/2018	9/30/2019	9/30/2019	9/30/2019
				ACCUM. DEPR.	DEPR. EXP.	ACCUM. DEPR.	NET VALUE	DEPR. EXP.	ACCUM. DEPR.	NET VALUE
FIXED CAPITAL INSTALLED PRIOR TO 01/01/1918:										
Land			\$ 4,222.04	\$ -	\$ -	\$ -	\$ 4,222.04	\$ -	\$ -	\$ 4,222.04
Plant	60		38,477.84	38,477.84	0.00	38,477.84	0.00	0.00	38,477.84	0.00
ASSETS INSTALLED PRIOR TO 1/1/1918 TOTAL			\$ 42,699.88	\$ 38,477.84	\$ -	\$ 38,477.84	\$ 4,222.04	\$ -	\$ 38,477.84	\$ 4,222.04
FIXED CAPITAL INSTALLED SINCE 12/31/1917:										
WATER COLLECTION SYSTEM										
Water Supply Reservation	2005	20	\$ 7,741.59	\$ 4,548.18	\$ 387.08	\$ 4,935.26	\$ 2,806.33	\$ 387.08	\$ 5,322.34	\$ 2,419.25
Spring Wells	1955	100	18,509.57	11,386.28	185.10	11,571.38	6,938.19	185.10	11,756.47	6,753.10
Collection Reservoirs & Intake Wells	1920	75	5,109.84	5,109.84	0.00	5,109.84	0.00	0.00	5,109.84	0.00
Water Collection Box	1986	75	230.00	97.41	3.07	100.48	129.52	3.07	103.54	126.46
Gravity Intake Conduits & Suction Mains	1920	75	6,007.32	6,007.32	0.00	6,007.32	0.00	0.00	6,007.32	0.00
Creek Intake Upgrade	2005	20	13,389.00	8,535.49	669.45	9,204.94	4,184.06	669.45	9,874.39	3,514.61
Creek Intake Upgrade	2007	20	36,770.34	17,925.54	1,838.52	19,764.06	17,006.28	1,838.52	21,602.57	15,167.77
Reservoir Cover Replacement	2011	50	123,735.47	16,704.29	2,474.71	19,179.00	104,556.47	2,474.71	21,653.71	102,081.76
Secondary Intake Well	2011	50	22,665.74	3,059.87	453.31	3,513.19	19,152.55	453.31	3,966.50	18,699.24
Reservoir Cover Repairs	2015	20	4,410.00	606.38	220.50	826.88	3,583.13	220.50	1,047.38	3,362.63
		20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
WATER COLLECTION SYSTEM TOTAL			\$ 238,568.87	\$ 73,980.60	\$ 6,231.73	\$ 80,212.33	\$ 158,356.54	\$ 6,231.73	\$ 86,444.06	\$ 152,124.81
PURIFICATION SYSTEM										
Chemical Treatment Plant	1972	30	\$ 2,342.68	\$ 2,342.68	\$ -	\$ 2,342.68	\$ -	\$ -	\$ 2,342.68	\$ -
Water filtration system	1995	30	880,319.88	667,575.93	29,344.00	696,919.93	183,399.95	29,344.00	726,263.92	154,055.96
Water filtration system	2005	30	2,047.00	801.74	68.23	869.97	1,177.03	68.23	938.21	1,108.79
		10	0.00	-	0.00	-	0.00	0.00	-	0.00
		10	0.00	-	0.00	-	0.00	0.00	-	0.00
PURIFICATION SYSTEM TOTAL			\$ 884,709.56	\$ 670,720.35	\$ 29,412.23	\$ 700,132.58	\$ 184,576.98	\$ 29,412.23	\$ 729,544.81	\$ 155,164.75
OTHER POWER PUMPING										
Pump & Equipment	1980	30	\$ 21,037.28	\$ 21,037.28	\$ -	\$ 21,037.28	\$ -	\$ -	\$ 21,037.28	\$ -
Mud Pump	2000	50	620.82	220.39	12.42	232.81	388.01	12.42	245.22	375.60
Pump Upgrade	2003	20	16,465.00	11,402.01	823.25	12,225.26	4,239.74	823.25	13,048.51	3,416.49
Pump Upgrade	2003	10	367.11	367.11	0.00	367.11	0.00	36.71	403.82	(36.71)
Pump Upgrade	2003	10	315.00	315.00	0.00	315.00	0.00	31.50	346.50	(31.50)
Chemical Pumps Upgrade	12/21/2012	10	14,910.00	8,573.25	1,491.00	10,064.25	4,845.75	1,491.00	11,555.25	3,354.75
Chemical Pumps Upgrade	3/31/2013	10	5,252.25	2,494.82	525.23	3,020.04	2,232.21	525.23	3,545.27	1,706.98
Chemical Pumps Upgrade	5/13/2013	10	2,200.00	1,045.00	220.00	1,265.00	935.00	220.00	1,485.00	715.00
Chemical Pumps Upgrade	6/5/2013	10	3,248.00	1,542.80	324.80	1,867.60	1,380.40	324.80	2,192.40	1,055.60
		10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OTHER POWER PUMPING TOTAL			\$ 64,415.46	\$ 46,997.66	\$ 3,396.69	\$ 50,394.35	\$ 14,021.11	\$ 3,464.90	\$ 53,859.25	\$ 10,556.21
DISTRIBUTION SYSTEM										
Storage Reservoir	1925	75	\$ 29,404.10	\$ 29,404.10	\$ -	\$ 29,404.10	\$ -	\$ -	\$ 29,404.10	\$ -
Distribution Mains	1981	35	111,214.10	111,214.10	0.00	111,214.10	0.00	0.00	111,214.10	0.00
Distribution Mains	1983	60	3,761.85	2,178.79	62.70	2,241.48	1,520.37	62.70	2,304.18	1,457.67
Distribution Mains	1983	60	9,277.40	5,373.21	154.62	5,527.83	3,749.57	154.62	5,682.45	3,594.95
Water Lines	1984	60	826.58	465.01	13.78	478.78	347.80	13.78	492.56	334.02

BUCK HILL WATER CO.
SUMMARY OF PROPERTY, PLANT & EQUIPMENT
SEPTEMBER 30, 2018 AND PRO FORMA SEPTEMBER 30, 2019

DESCRIPTION	DATE		COST	9/30/2017 ACCUM. DEPR.	9/30/2018 DEPR. EXP.	9/30/2018 ACCUM. DEPR.	9/30/2018 NET VALUE	9/30/2019 DEPR. EXP.	9/30/2019 ACCUM. DEPR.	9/30/2019 NET VALUE
	PLACED IN SERVICE	LIFE YRS								
Additions	1985	60	4,875.65	2,661.28	81.26	2,742.54	2,133.11	81.26	2,823.80	2,051.85
Water Supply System	1986	60	4,643.00	2,456.95	77.38	2,534.33	2,108.67	77.38	2,611.71	2,031.29
Water Supply System - Additions	1988	60	393.00	194.86	6.55	201.41	191.59	6.55	207.96	185.04
Pipe line	1995	60	870.03	329.88	14.50	344.38	525.65	14.50	358.88	511.15
Water Lines	1997	60	9,014.00	3,117.34	150.23	3,267.57	5,746.43	150.23	3,417.80	5,596.20
Locator	1999	60	894.73	279.60	14.91	294.51	600.22	14.91	309.42	585.31
Main Line	1999	60	21,775.00	6,804.69	362.92	7,167.60	14,607.40	362.92	7,530.52	14,244.48
New Value	1999	60	2,088.21	652.57	34.80	687.37	1,400.84	34.80	722.17	1,366.04
Water- Generator	1999	60	2,500.00	781.25	41.67	822.92	1,677.08	41.67	864.58	1,635.42
Main Repairs	1999	60	1,210.77	378.37	20.18	398.55	812.22	20.18	418.73	792.04
Spring Lines	1999	60	5,172.99	1,616.56	86.22	1,702.78	3,470.21	86.22	1,788.99	3,384.00
Water Main Improvements	2000	60	32,229.33	9,534.51	537.16	10,071.66	22,157.67	537.16	10,608.82	21,620.51
Big Spring Replacement	2000	60	19,573.00	5,790.34	326.22	6,116.56	13,456.44	326.22	6,442.78	13,130.22
Reservoir Fence	2000	60	2,290.00	677.46	38.17	715.62	1,574.38	38.17	753.79	1,536.21
Reservoir Emergency Light	2000	60	788.00	233.12	13.13	246.25	541.75	13.13	259.39	528.61
Water Main Line	2000	60	44,103.65	13,047.33	735.06	13,782.39	30,321.26	735.06	14,517.45	29,586.20
Water Mains	2001	60	7,165.00	2,000.24	119.42	2,119.65	5,045.35	119.42	2,239.07	4,925.93
Water Mains - Lenape	2001	60	11,275.00	3,147.61	187.92	3,335.53	7,939.47	187.92	3,523.44	7,751.56
Water Upgrades	2001	60	7,142.50	1,993.94	119.04	2,112.99	5,029.51	119.04	2,232.03	4,910.47
Water Co. Upgrades	2001	60	23,817.48	6,649.05	396.96	7,046.01	16,771.47	396.96	7,442.97	16,374.51
Water Co. Main Upgrades	2001	60	5,032.50	1,404.92	83.88	1,488.79	3,543.71	83.88	1,572.67	3,459.83
Water Co. Main Upgrades	2001	60	28,810.00	8,042.80	480.17	8,522.97	20,287.04	480.17	9,003.13	19,806.87
Water Co. Mains	2001	60	3,445.00	961.74	57.42	1,019.15	2,425.85	57.42	1,076.57	2,368.43
Water Line Installation	2001	60	3,450.00	963.13	57.50	1,020.63	2,429.38	57.50	1,078.13	2,371.88
Water Main Installation	2001	60	2,145.00	598.81	35.75	634.56	1,510.44	35.75	670.31	1,474.69
Water Main Installation	2002	60	7,404.90	1,933.50	123.42	2,056.92	5,347.98	123.42	2,180.33	5,224.57
Water Main Installation	2002	60	16,030.88	4,163.57	267.18	4,430.76	11,600.12	267.18	4,697.94	11,332.94
Water Main Installation	2002	60	13,889.10	3,607.30	231.49	3,838.79	10,050.31	231.49	4,070.27	9,818.83
Water Main Installation	2002	60	32,829.00	8,617.61	547.15	9,164.76	23,664.24	547.15	9,711.91	23,117.09
Lighting Damage Repair	2002	60	3,909.00	1,015.25	65.15	1,080.40	2,828.60	65.15	1,145.55	2,763.45
Equipment	2002	60	2,545.20	657.52	42.42	699.94	1,845.27	42.42	742.36	1,802.85
Repair-Elbow Lane	2002	60	526.87	136.11	8.78	144.89	381.98	8.78	153.67	373.20
Equipment	2002	60	2,013.26	520.10	33.55	553.65	1,459.61	33.55	587.21	1,426.05
Repair-Elbow Lane	2002	60	1,759.00	451.96	29.32	481.28	1,277.72	29.32	510.59	1,248.41
Main Upgrade	2002	60	2,100.00	519.17	35.00	554.17	1,545.83	35.00	589.17	1,510.83
Main Upgrade	2003	60	2,100.00	516.25	35.00	551.25	1,548.75	35.00	586.25	1,513.75
Main Upgrade	2003	60	1,759.25	432.48	29.32	461.80	1,297.45	29.32	491.12	1,268.13
Main Upgrade	2003	60	2,725.77	647.37	45.43	692.80	2,032.97	45.43	738.23	1,987.54
Main Upgrade	2003	60	3,235.00	750.34	53.92	804.26	2,430.74	53.92	858.17	2,376.83
Main Upgrade	2003	60	14,549.57	3,374.69	242.49	3,617.18	10,932.39	242.49	3,859.68	10,689.89
Locator	2003	60	2,544.00	583.00	42.40	625.40	1,918.60	42.40	667.80	1,876.20
Plant Valve	2003	60	7,656.00	1,818.30	127.60	1,945.90	5,710.10	127.60	2,073.50	5,582.50
Main Upgrades	2003	60	14,007.00	3,248.85	233.45	3,482.30	10,524.70	233.45	3,715.75	10,291.25
Plant Generator	2004	10	26,200.00	26,200.00	0.00	26,200.00	0.00		26,200.00	0.00
Reservoir Improvements	2004	10	2,100.00	2,100.00	0.00	2,100.00	0.00		2,100.00	0.00
Valve replacement	2005	20	14,898.00	9,497.48	744.90	10,242.38	4,655.63	744.90	10,987.28	3,910.73
Water mains	2006	60	6,332.00	1,240.02	105.53	1,345.55	4,986.45	105.53	1,451.08	4,880.92
Water main valve	2006	10	1,070.00	811.42	107.00	918.42	151.58	107.00	1,025.42	44.58
Water main valve	2007	10	47,288.00	35,071.93	4,728.80	39,800.73	7,487.27	4,728.80	44,529.53	2,758.47
Main Upgrades	2009	5	6,112.00	6,112.00	0.00	6,112.00	(0.00)		6,112.00	(0.00)

BUCK HILL WATER CO.
SUMMARY OF PROPERTY, PLANT & EQUIPMENT
SEPTEMBER 30, 2018 AND PRO FORMA SEPTEMBER 30, 2019

DESCRIPTION	DATE		LIFE YRS	COST	9/30/2017	9/30/2018	9/30/2018	9/30/2018	9/30/2019	9/30/2019	9/30/2019
	PLACED IN SERVICE				ACCUM. DEPR.	DEPR. EXP.	ACCUM. DEPR.	NET VALUE	DEPR. EXP.	ACCUM. DEPR.	NET VALUE
Butterfly Valves	2011	5	15,129.00	15,129.00	0.00	15,129.00	0.00		15,129.00	0.00	
Main Upgrades	11/30/2012	5	4,665.00	4,665.00	0.00	4,665.00	0.00		4,665.00	0.00	
Valve replacement	9/30/2013	10	7,168.00	4,121.60	716.80	4,838.40	2,329.60	716.80	5,555.20	1,612.80	
Water Mains - Lenape	4/30/2014	60	145,205.51	9,075.34	2,420.09	11,495.44	133,710.07	2,420.09	13,915.53	131,289.98	
Water mains - Flat Rock	6/30/2014	60	4,540.00	283.75	75.67	359.42	4,180.58	75.67	435.08	4,104.92	
Water mains - Laurel Lane	9/30/2014	60	12,095.00	755.94	201.58	957.52	11,137.48	201.58	1,159.10	10,935.90	
Water Main - FWG parking Lot	4/30/2015	60	46,780.00	2,144.08	779.67	2,923.75	43,856.25	779.67	3,703.42	43,076.58	
Water main - Repair Ledge Drive	5/28/2015	5	4,286.00	2,357.30	857.20	3,214.50	1,071.50	857.20	4,071.70	214.30	
Water main - Wintergreen and Treetop	6/30/2016	60	33,943.00	990.00	565.72	1,555.72	32,387.28	565.72	2,121.44	31,821.56	
Water Main - Piney Road	3/31/2016	60	111,677.00	3,257.25	1,861.28	5,118.53	106,558.47	1,861.28	6,979.81	104,697.19	
		60		0.00	0.00	0.00	0.00	0.00	0.00	0.00	
		60		0.00	0.00	0.00	0.00	0.00	0.00	0.00	
		60		0.00	0.00	0.00	0.00	0.00	0.00	0.00	
			\$ 1,020,260.18	\$ 379,759.01	\$ 19,666.80	\$ 399,425.81	\$ 620,834.37	\$ 19,666.80	\$ 419,092.61	\$ 601,167.57	
Additions	1988	50	\$ 745.18	\$ 413.50	\$ 14.90	\$ 428.40	\$ 316.78	\$ 14.90	\$ 443.31	\$ 301.87	
Meter, Meter Boxes & Vaults	1979	35	1,287.78	1,287.78	0.00	1,287.78	0.00	0.00	1,287.78	0.00	
Meterhead & Totalizer	1984	60	667.46	364.26	11.12	375.38	292.08	11.12	386.51	280.95	
Water Meter	1986	50	770.96	443.31	15.42	458.73	312.23	15.42	474.15	296.81	
Water Meter	1996	50	16,366.88	7,119.61	327.34	7,446.94	8,919.94	327.34	7,774.28	8,592.60	
Water Meter	1996	50	1,815.00	789.53	36.30	825.83	989.18	36.30	862.13	952.88	
Water Meter	1997	50	3,708.00	1,538.82	74.16	1,612.98	2,095.02	74.16	1,687.14	2,020.86	
Water Meter	1998	50	1,486.00	586.97	29.72	616.69	869.31	29.72	646.41	839.59	
Water Meter	1998	50	5,943.98	2,347.87	118.88	2,466.75	3,477.23	118.88	2,585.63	3,358.35	
Water Meter	1999	50	2,384.59	894.22	47.69	941.91	1,442.68	47.69	989.60	1,394.99	
Pro Mag Meter	2006	20	7,776.00	3,402.00	388.80	3,790.80	3,985.20	388.80	4,179.60	3,596.40	
Water Meter	2007	20	15,020.00	6,270.85	751.00	7,021.85	7,998.15	751.00	7,772.85	7,247.15	
Water Meter	2008	20	6,384.00	2,537.64	319.20	2,856.84	3,527.16	319.20	3,176.04	3,207.96	
Water Meter	2009	20	6,367.21	2,403.62	318.36	2,721.98	3,645.23	318.36	3,040.34	3,326.87	
Water Meter	2010	20	9,400.00	3,360.50	470.00	3,830.50	5,569.50	470.00	4,300.50	5,099.50	
Water Meter	2011	20	7,383.00	2,491.76	369.15	2,860.91	4,522.09	369.15	3,230.06	4,152.94	
Water Meter	2/20/2013	20	2,185.18	518.98	109.26	628.24	1,556.94	109.26	737.50	1,447.68	
Water Meter	2/27/2013	20	4,752.00	1,128.60	237.60	1,366.20	3,385.80	237.60	1,603.80	3,148.20	
Water Meter	4/22/2013	20	3,536.00	839.80	176.80	1,016.60	2,519.40	176.80	1,193.40	2,342.60	
Water Meter	8/31/2013	20	10,023.00	2,380.46	501.15	2,881.61	7,141.39	501.15	3,382.76	6,640.24	
Water Meter	3/31/2014	20	4,616.94	865.68	230.85	1,096.52	3,520.42	230.85	1,327.37	3,289.57	
Water Meter	4/30/2014	20	6,474.28	1,213.93	323.71	1,537.64	4,936.64	323.71	1,861.36	4,612.92	
Water Meter	12/31/2015	20	4,217.40	579.89	210.87	790.76	3,426.64	210.87	1,001.63	3,215.77	
Water Meter	8/11/2016	20	1,879.56	164.46	93.98	258.44	1,621.12	93.98	352.42	1,527.14	
Water Meter	11/23/2016	20	1,944.00	170.10	97.20	267.30	1,676.70	97.20	364.50	1,579.50	
Water Meter	11/23/2016	20	5,473.62	478.94	273.68	752.62	4,721.00	273.68	1,026.30	4,447.32	
Water Meter	6/21/2017	20	2,607.78	-	130.39	130.39	2,477.39	130.39	260.78	2,347.00	
		20	0.00	-	0.00	-	0.00	0.00	-	0.00	
		20	0.00	-	0.00	-	0.00	0.00	-	0.00	
		20	0.00	-	0.00	-	0.00	0.00	-	0.00	
			\$ 135,215.80	\$ 44,593.08	\$ 5,677.53	\$ 50,270.61	\$ 84,945.19	\$ 5,677.53	\$ 55,948.15	\$ 79,267.65	
Fire Hydrants	1986	60	\$ 2,244.55	\$ 1,187.75	\$ 37.41	\$ 1,225.16	\$ 1,019.39	\$ 37.41	\$ 1,262.57	\$ 981.98	
Fire Hydrant	1989	60	700.00	335.45	11.67	347.12	352.88	11.67	358.78	341.22	
Fire Hydrant	1999	60	1,925.00	601.56	32.08	633.64	1,291.36	32.08	665.73	1,259.27	

BUCK HILL WATER CO.
SUMMARY OF PROPERTY, PLANT & EQUIPMENT
SEPTEMBER 30, 2018 AND PRO FORMA SEPTEMBER 30, 2019

DESCRIPTION	DATE		LIFE YRS	COST	9/30/2017	9/30/2018	9/30/2018	9/30/2018	9/30/2019	9/30/2019	9/30/2019
	PLACED IN SERVICE				ACCUM. DEPR.	DEPR. EXP.	ACCUM. DEPR.	NET VALUE	DEPR. EXP.	ACCUM. DEPR.	NET VALUE
Fire Hydrant	1995	60		1,559.13	591.19	25.99	617.18	941.95	25.99	643.16	915.97
Fire Hydrant	2007	50		10,168.00	2,050.55	203.36	2,253.91	7,914.09	203.36	2,457.27	7,710.73
Fire Hydrant	2011	50		7,720.91	1,042.32	154.42	1,196.74	6,524.17	154.42	1,351.16	6,369.75
		50		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		50		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
				\$ 24,317.59	\$ 5,808.82	\$ 464.92	\$ 6,273.74	\$ 18,043.85	\$ 464.92	\$ 6,738.67	\$ 17,578.92
DISTRIBUTION SYSTEM TOTAL				\$ 1,179,793.57	\$ 430,160.91	\$ 25,809.26	\$ 455,970.16	\$ 723,823.41	\$ 25,809.26	\$ 481,779.42	\$ 698,014.15
GENERAL PROPERTIES											
Vehicle	1/3/92	7	\$	2,000.00	\$ 2,000.00	\$ -	\$ 2,000.00	\$ -	\$ -	\$ 2,000.00	\$ -
Vehicle	5/31/1999	7		9,500.00	9,500.00	0.00	9,500.00	0.00	0.00	9,500.00	0.00
2000 Dodge Truck	2002	7		16,420.00	16,420.00	0.00	16,420.00	0.00	0.00	16,420.00	0.00
Water Billing Software	7/31/1999	5		5,000.00	5,000.00	0.00	5,000.00	0.00	0.00	5,000.00	0.00
Computer Equipment	7/31/1999	5		3,037.91	3,037.91	0.00	3,037.91	0.00	0.00	3,037.91	0.00
Water Billing Software	6/29/2005	5		3,250.00	3,250.00	0.00	3,250.00	0.00	0.00	3,250.00	0.00
Turbidimeter Control System	3/31/2009	10		9,633.45	8,429.27	963.35	9,392.61	240.84	240.84	9,633.45	(0.00)
Spectrophotometer	6/17/2011	5		4,622.95	4622.95	0.00	4622.95	0.00	0.00	4622.95	0.00
Flow Meter	9/22/2011	5		4,684.50	4684.50	0.00	4684.50	0.00	0.00	4684.50	0.00
Chlorine Analyzer	7/31/2012	5		3,226.00	3226.00	0.00	3226.00	0.00	0.00	3226.00	0.00
Drilling Machine	5/22/2014	5		3,224.29	2418.22	644.86	3063.08	161.21	161.21	3224.29	0.00
Turbidimeter Control System	5/20/2015	5		4,748.72	2611.80	949.74	3561.54	1,187.18	949.74	4511.28	237.44
Leakage Detector	7/31/2015	5		14,075.00	7741.25	2,815.00	10556.25	3,518.75	2,815.00	13371.25	703.75
Battery Backup	5/17/2016	5		6,469.40	2264.29	1,293.88	3558.17	2,911.23	1,293.88	4852.05	1,617.35
Battery Backup	5/31/2016	5		3,072.00	1075.20	614.40	1689.60	1,382.40	614.40	2304.00	768.00
Security Radio Cabinet	6/30/2017	5		5,277.00	791.70	1,055.40	1847.10	3,429.90	1,055.40	2902.50	2,374.50
Pipe Locator	2/28/2018	5		7,450.00	0.00	1,490.00	1490.00	5,960.00	1,490.00	2980.00	4,470.00
		5		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		5		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL PROPERTIES TOTAL				\$ 105,691.22	\$ 77,073.08	\$ 9,826.63	\$ 86,899.71	\$ 18,791.51	\$ 8,620.47	\$ 95,520.18	\$ 10,171.04
TOTAL ORIGINAL COST VALUES				\$ 2,515,878.56	\$ 1,337,410.43	\$ 74,676.54	\$ 1,412,086.97	\$ 1,103,791.59	\$ 73,538.60	\$ 1,485,625.57	\$ 1,030,252.99
LESS CONTRIBUTION AID OF CONSTRUCTION				60 (28,566.65)	(28,566.65)	0.00	(28,566.65)	0.00	0.00	(28,566.65)	0.00
NET RATE BASE VALUES				\$ 2,487,311.91	\$ 1,308,843.78	\$ 74,676.54	\$ 1,383,520.32	\$ 1,103,791.59	\$ 73,538.60	\$ 1,457,058.92	\$ 1,030,252.99

BUCK HILL WATER COMPANY

SECTION K

**RATE DESIGN
&
PROOF OF REVENUE**

BUCK HILL WATER COMPANY
Proof Of Revenue Analysis Proposed Rates
Pro Forma Analysis Proposed Rates for the Pro Forma Twelve Months Ended September 30, 2019

Bill Date	Meter Size	No. Cust.	Billing Cycle	No. Bills	Cust. Charge	Revenues	Gallons	\$/1,000 Gal.	Revenues	Total Revenues
<u>Residential Sales</u>										
8/1/2018 Residential	3/4"	287	1	287	\$203.34	\$ 58,358.58	2,994,000	\$10.90	\$ 32,635.00	\$ 90,993.58
5/1/2018 Residential	3/4"	280	1	280	\$203.34	56,935.20	1,169,000	\$10.90	12,742.00	69,677.20
2/1/2018 Residential	3/4"	280	1	280	\$203.34	56,935.20	1,728,000	\$10.90	18,835.00	75,770.20
11/1/2017 Residential	3/4"	287	1	287	\$203.34	58,358.58	2,501,000	\$10.90	27,261.00	85,619.58
Pro Forma Residential Proposed Rates		1,134		1,134		\$ 230,587.56	8,392,000		\$ 91,473.00	\$ 322,060.56
Pro Forma Residential Current Rates										239,322.10
Pro Forma Total Proposed Residential Increase										<u>\$ 82,738.46</u>
<u>Commercial Sales</u>										
8/1/2018 Commercial	3/4"	13	1	13	\$203.34	\$ 2,643.42	3,092,000	\$10.90	\$ 33,703.00	\$ 36,346.42
5/1/2018 Commercial	3/4"	13	1	13	\$203.34	2,643.42	244,000	\$10.90	2,660.00	5,303.42
2/1/2018 Commercial	3/4"	13	1	13	\$203.34	2,643.00	283,000	\$10.90	3,085.00	5,728.00
11/1/2017 Commercial	3/4"	13	1	13	\$203.34	2,643.00	3,880,000	\$10.90	42,292.00	44,935.00
Pro Forma Commercial Proposed Rates		52		52		\$ 10,572.84	7,499,000		\$ 81,740.00	\$ 92,312.84
Pro Forma Commercial Current Rates										68,597.60
Pro Forma Total Proposed Commercial Increase										<u>\$ 23,715.24</u>
Pro Forma Total Proposed Rates		<u>1,186</u>		<u>1,186</u>		<u>\$ 241,160.40</u>	<u>15,891,000</u>		<u>\$ 173,213.00</u>	<u>\$ 414,373.40</u>
Pro Forma Total Current Rates										307,919.70
Pro Forma Total Proposed Increase										\$ 106,453.70
Increased Supported by Revenue Requirement Study (Schedule H-1)										106,458.00
Over/(Under) Revenue Requirement Study										<u>\$ (4.30)</u>

Note: The Company did not experience any net customer growth or loss of customers during the historic test year.

The Company's pro forma September 30, 2019 future test period is based upon the results of the same September 30, 2018 Bill Analysis.

Development of pro forma residential and commercial usage:

	Meter Size	No. Bills	Gallons	Avg. Gal/bill
<u>Residential</u>				
Residential Totals Per Above	3/4"	1,134	8,392,000	7,400
Average Usage	3/4"		<u>Avg. Usage</u> 7,000	
<u>Commercial</u>				
Commercial Totals Per Above	3/4"	52	7,499,000	144,212
	3/4"		<u>Avg. Usage</u> 144,000	

BUCK HILL WATER COMPANY
Analysis of Bills Under Existing and Proposed Rates by volumetric range and meter size

	3/4"				1"				2"				4"			
	Existing	Proposed	\$/Inc.	%/Inc.	Existing	Proposed	\$/Inc.	%/Inc.	Existing	Proposed	\$/Inc.	%/Inc.	Existing	Proposed	\$/Inc.	%/Inc.
<u>Cust. Chg.</u>	\$151.10	\$203.34	\$52.24	34.57%	\$192.30	\$258.78	\$66.48	34.57%	\$398.30	\$536.01	\$137.71	34.57%	\$1,923.00	\$2,587.84	\$664.84	34.57%
<u>Usage Chg.</u>	\$8.10	\$10.90	\$2.80	34.57%	\$8.10	\$10.90	\$2.80	34.57%	\$8.10	\$10.90	\$2.80	34.57%	\$8.10	\$10.90	\$2.80	34.57%
<u>1,000's of Gal.</u>																
0	\$151.10	\$203.34	\$52.24	34.57%	\$192.30	\$258.78	\$66.48	34.57%	\$398.30	\$536.01	\$137.71	34.57%	\$1,923.00	\$2,587.84	\$664.84	34.57%
1	159.20	214.24	55.04	34.57%	200.40	269.68	69.28	34.57%	406.40	546.91	140.51	34.57%	1,931.10	2,598.74	667.64	34.57%
2	167.30	225.14	57.84	34.57%	208.50	280.58	72.08	34.57%	414.50	557.81	143.31	34.57%	1,939.20	2,609.64	670.44	34.57%
3	175.40	236.04	60.64	34.57%	216.60	291.48	74.88	34.57%	422.60	568.71	146.11	34.57%	1,947.30	2,620.54	673.24	34.57%
4	183.50	246.94	63.44	34.57%	224.70	302.38	77.68	34.57%	430.70	579.61	148.91	34.57%	1,955.40	2,631.44	676.04	34.57%
5	191.60	257.84	66.24	34.57%	232.80	313.28	80.48	34.57%	438.80	590.51	151.71	34.57%	1,963.50	2,642.34	678.84	34.57%
6	199.70	268.74	69.04	34.57%	240.90	324.18	83.28	34.57%	446.90	601.41	154.51	34.57%	1,971.60	2,653.24	681.64	34.57%
7	207.80	279.64	71.84	34.57%	249.00	335.08	86.08	34.57%	455.00	612.31	157.31	34.57%	1,979.70	2,664.14	684.44	34.57%
8	215.90	290.54	74.64	34.57%	257.10	345.98	88.88	34.57%	463.10	623.21	160.11	34.57%	1,987.80	2,675.04	687.24	34.57%
9	224.00	301.44	77.44	34.57%	265.20	356.88	91.68	34.57%	471.20	634.11	162.91	34.57%	1,995.90	2,685.94	690.04	34.57%
10	232.10	312.34	80.24	34.57%	273.30	367.78	94.48	34.57%	479.30	645.01	165.71	34.57%	2,004.00	2,696.84	692.84	34.57%
11	240.20	323.24	83.04	34.57%	281.40	378.68	97.28	34.57%	487.40	655.91	168.51	34.57%	2,012.10	2,707.74	695.64	34.57%
12	248.30	334.14	85.84	34.57%	289.50	389.58	100.08	34.57%	495.50	666.81	171.31	34.57%	2,020.20	2,718.64	698.44	34.57%
13	256.40	345.04	88.64	34.57%	297.60	400.48	102.88	34.57%	503.60	677.71	174.11	34.57%	2,028.30	2,729.54	701.24	34.57%
14	264.50	355.94	91.44	34.57%	305.70	411.38	105.68	34.57%	511.70	688.61	176.91	34.57%	2,036.40	2,740.44	704.04	34.57%
15	272.60	366.84	94.24	34.57%	313.80	422.28	108.48	34.57%	519.80	699.51	179.71	34.57%	2,044.50	2,751.34	706.84	34.57%
16	280.70	377.74	97.04	34.57%	321.90	433.18	111.28	34.57%	527.90	710.41	182.51	34.57%	2,052.60	2,762.24	709.64	34.57%
17	288.80	388.64	99.84	34.57%	330.00	444.08	114.08	34.57%	536.00	721.31	185.31	34.57%	2,060.70	2,773.14	712.44	34.57%
18	296.90	399.54	102.64	34.57%	338.10	454.98	116.88	34.57%	544.10	732.21	188.11	34.57%	2,068.80	2,784.04	715.24	34.57%
19	305.00	410.44	105.44	34.57%	346.20	465.88	119.68	34.57%	552.20	743.11	190.91	34.57%	2,076.90	2,794.94	718.04	34.57%
20	313.10	421.34	108.24	34.57%	354.30	476.78	122.48	34.57%	560.30	754.01	193.71	34.57%	2,085.00	2,805.84	720.84	34.57%
21	321.20	432.24	111.04	34.57%	362.40	487.68	125.28	34.57%	568.40	764.91	196.51	34.57%	2,093.10	2,816.74	723.64	34.57%
22	329.30	443.14	113.84	34.57%	370.50	498.58	128.08	34.57%	576.50	775.81	199.31	34.57%	2,101.20	2,827.64	726.44	34.57%
23	337.40	454.04	116.64	34.57%	378.60	509.48	130.88	34.57%	584.60	786.71	202.11	34.57%	2,109.30	2,838.54	729.24	34.57%
24	345.50	464.94	119.44	34.57%	386.70	520.38	133.68	34.57%	592.70	797.61	204.91	34.57%	2,117.40	2,849.44	732.04	34.57%
25	353.60	475.84	122.24	34.57%	394.80	531.28	136.48	34.57%	600.80	808.51	207.71	34.57%	2,125.50	2,860.34	734.84	34.57%
26	361.70	486.74	125.04	34.57%	402.90	542.18	139.28	34.57%	608.90	819.41	210.51	34.57%	2,133.60	2,871.24	737.64	34.57%
27	369.80	497.64	127.84	34.57%	411.00	553.08	142.08	34.57%	617.00	830.31	213.31	34.57%	2,141.70	2,882.14	740.44	34.57%
28	377.90	508.54	130.64	34.57%	419.10	563.98	144.88	34.57%	625.10	841.21	216.11	34.57%	2,149.80	2,893.04	743.24	34.57%
29	386.00	519.44	133.44	34.57%	427.20	574.88	147.68	34.57%	633.20	852.11	218.91	34.57%	2,157.90	2,903.94	746.04	34.57%
30	394.10	530.34	136.24	34.57%	435.30	585.78	150.48	34.57%	641.30	863.01	221.71	34.57%	2,166.00	2,914.84	748.84	34.57%
31	402.20	541.24	139.04	34.57%	443.40	596.68	153.28	34.57%	649.40	873.91	224.51	34.57%	2,174.10	2,925.74	751.64	34.57%
32	410.30	552.14	141.84	34.57%	451.50	607.58	156.08	34.57%	657.50	884.81	227.31	34.57%	2,182.20	2,936.64	754.44	34.57%
33	418.40	563.04	144.64	34.57%	459.60	618.48	158.88	34.57%	665.60	895.71	230.11	34.57%	2,190.30	2,947.54	757.24	34.57%
34	426.50	573.94	147.44	34.57%	467.70	629.38	161.68	34.57%	673.70	906.61	232.91	34.57%	2,198.40	2,958.44	760.04	34.57%
35	434.60	584.84	150.24	34.57%	475.80	640.28	164.48	34.57%	681.80	917.51	235.71	34.57%	2,206.50	2,969.34	762.84	34.57%
36	442.70	595.74	153.04	34.57%	483.90	651.18	167.28	34.57%	689.90	928.41	238.51	34.57%	2,214.60	2,980.24	765.64	34.57%
37	450.80	606.64	155.84	34.57%	492.00	662.08	170.08	34.57%	698.00	939.31	241.31	34.57%	2,222.70	2,991.14	768.44	34.57%
38	458.90	617.54	158.64	34.57%	500.10	672.98	172.88	34.57%	706.10	950.21	244.11	34.57%	2,230.80	3,002.04	771.24	34.57%
39	467.00	628.44	161.44	34.57%	508.20	683.88	175.68	34.57%	714.20	961.11	246.91	34.57%	2,238.90	3,012.94	774.04	34.57%
40	475.10	639.34	164.24	34.57%	516.30	694.78	178.48	34.57%	722.30	972.01	249.71	34.57%	2,247.00	3,023.84	776.84	34.57%
45	515.60	693.84	178.24	34.57%	556.80	749.28	192.48	34.57%	762.80	1,026.51	263.71	34.57%	2,287.50	3,078.34	790.84	34.57%
50	556.10	748.34	192.24	34.57%	597.30	803.78	206.48	34.57%	803.30	1,081.01	277.71	34.57%	2,328.00	3,132.84	804.84	34.57%
100	961.10	1,293.34	332.24	34.57%	1,002.30	1,348.78	346.48	34.57%	1,208.30	1,626.01	417.71	34.57%	2,733.00	3,677.84	944.84	34.57%
150	1,366.10	1,838.34	472.24	34.57%	1,407.30	1,893.78	486.48	34.57%	1,613.30	2,171.01	557.71	34.57%	3,138.00	4,222.84	1,084.84	34.57%
200	1,771.10	2,383.34	612.24	34.57%	1,812.30	2,438.78	626.48	34.57%	2,018.30	2,716.01	697.71	34.57%	3,543.00	4,767.84	1,224.84	34.57%
300	2,581.10	3,473.34	892.24	34.57%	2,622.30	3,528.78	906.48	34.57%	2,828.30	3,806.01	977.71	34.57%	4,353.00	5,857.84	1,504.84	34.57%
400	3,391.10	4,563.34	1,172.24	34.57%	3,432.30	4,618.78	1,186.48	34.57%	3,638.30	4,896.01	1,257.71	34.57%	5,163.00	6,947.84	1,784.84	34.57%
500	4,201.10	5,653.34	1,452.24	34.57%	4,242.30	5,708.78	1,466.48	34.57%	4,448.30	5,986.01	1,537.71	34.57%	5,973.00	8,037.84	2,064.84	34.57%