

February 25, 2019

Via Electronic Filing

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

In re: PaPUC Docket No. R-2019-3007103
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 in the above matter and are enclosing for filing responses to the Bureau of Technical Utility Services Set 2 Data Requests A-21 through A-46. Please contact me with any questions about 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

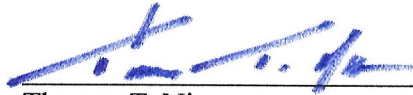
I hereby certify that I have this 25th day of February, 2019, served a true and correct copy of the foregoing letter and responses to Bureau of Technical Utility Services Set 1 Data Requests A-21 through A-46, upon the persons and in the manner set forth below:

FIRST CLASS MAIL, POSTAGE PREPAID

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

Christine Maloni Hoover
Senior Assistant Consumer Advocate
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



Thomas T. Niesen
PA Attorney ID No. 31379

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 2
Docket No. R-2019-3007103

- A-21. BHWC's current tariff contains several apparent errors and inconsistencies. Please provide *pro forma* tariff pages to correct errors and inconsistencies on the following BHWC tariff pages:
- i. Page No. 3 does not identify several tariff pages, including Page Nos. 4A and 5 through 13;
 - ii. Page No. 6 contains Rule 3, which indicates customers have the option of receiving monthly bills. However, BHWC's effective tariff and the Supplement do not contain applicable monthly rates;
 - iii. Page No. 6 contains Rule 5, which indicates a late payment charge of 1.25%. However, Page No. 5 of BHWC's effective tariff and the Supplement indicate a late payment charge of 1.5%; and
 - iv. Page No. 8 contains Rule 8, which references a "Rule 29". Rule 29 does not appear in BHWC's tariff.

Response:

- i. See Attachment TUS A-21, Revised Page No. 3 to include appropriate references along with additional Tariff Page Nos. 4A, 6 and 8 to be included with Supplement No. 32;
- ii. See Attachment TUS A-21 which corrects for this oversight;
- iii. See Attachment TUS A-21 which corrects for this oversight; and
- iv. See Attachment TUS A-21 which corrects for this oversight.

Prepared by: Dennis M. Kalbarczyk, Consultant

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BUCK HILL WATER COMPANY

Canceling Tenth Revised Page No.4A

RESERVED PAGE FOR FUTURE USE

RULES AND REGULATIONS (Continued)

Company's Service Lines

1. Company's Service Lines of a size and a location determined by the Company will be installed and maintained by the Company at its own expense as an integral part of its distribution system and are the property of the Company and under its exclusive control. Where the Customer requests a service line larger than that deemed necessary by the Company, the Company will install the larger service, provided the Customer pays the additional cost for the larger service.

Customer's Service Lines

2. Each Customer's Service Line shall be installed and maintained by or on behalf of such Customer at customer's expense. Customer's Service Line shall be of a material and at a location approved by the Company and shall be equipped at an accessible point within the Premises with a stop and waste cock of a pattern and material approved by the Company.

Bills and Notices to Customers

3. The Company will render bills quarterly or monthly for use of service (C) during the preceding monthly or quarterly billing period based upon the annual rates schedule contained herein. Customers have the option of receiving monthly bills, if they so desire. A customer requesting a monthly bill will be charged one-third of the current quarterly customer charge, rounded up to the nearest cent with usage charged at the applicable current volumetric rate.

4. All bills shall be due and payable as indicated on current billing. All bills unpaid 30 days after same may result in a notice sent to the Customer that the service will be discontinued within ten (10) days unless the undisputed portion of the bill is paid. If bill is still unpaid after 30 days after the notice is sent, then Company shall proceed to terminate water service to the premises of such delinquent Customer pursuant to the procedures established by the Pennsylvania Public Utility Commission. Such Customer will not again be supplied except upon payment of all arrearages, and for the expense incurred.

5. A late payment charge shall be applied to any outstanding bill unpaid for (C) 20 days after the date of the bill.

RULES AND REGULATIONS (Continued)

Limitation of Liability of Company

8. The Company shall not be liable for any damage or injury to any (C) person or property caused by the discontinuance of water service for any reasons for the purpose of making necessary repairs or connections or to meet any emergency or caused by failure of a Customer to maintain Customer's Service Line or caused by water escaping from Customer's Service Line or caused by the total or partial failure of water service or pressure for any cause beyond the control of the Company. The Company shall be under no liability for damage or injury by fire to any person or property caused by the total or partial failure of water service or pressure for any cause whether within or beyond the control of the Company.

Extensions

9. The Company will extend its mains of proper size, considering the future growth and additions, within its chartered territory only on public roads, streets, alleys and lanes, upon application, when in the judgment of the Company the annual revenue assured is sufficient to pay the annual operating costs and to provide a reasonable return on the investment.

General

10. The Company shall have the right to reserve a sufficient supply of water at all times in its reservoirs and tanks to provide for emergencies, or may restrict or regulate the quantity of water used by Customers in case of scarcity, or whenever the public welfare may require it.

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 2
Docket No. R-2019-3007103

A-22. BHWC's 2017 annual report filed with the Commission, and similar reports filed in previous years, reflect that approximately 40-50% of BHWC water is lost to located and repaired breaks in mains and services. Please provide a breakdown of the number of breaks and calculations supporting the volume of water identified as located and repaired breaks.

Response:

The Buck Hill Water Company (BHWC) has a unique service area with hilly terrain with shallow bedrock, seasonal services and century old infrastructure. Water leak detection is a combination of methods including acoustic and correlating noise technology, processed water production records and visual investigations. Distribution system leaks do not always surface due to the shallow bed rock topography requiring excavation to locate leak. BHWC uses processed water production, Missouri Rural Water Association water tracking tools to determine water losses. Loss volumes are calculated based on pipe size, system pressure, type of break and location.

In 2017 BHWC had a total of 6 known water leaks loosing 19.337 mg.

1. Old Stables 8" break amounts to 6.075 MG
2. Knoll Drive 1" service lateral = 9.768 MG
3. Grescom Road 6" main = 1.172 MG
4. Bowling Green 2" service = 1.24 MG
5. Bond Hill 2" service = .050 MG
6. Reservoir Overflow 1.032 MG

Prepared by: Dennis M. Kalbarczyk, Consultant.

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 2
Docket No. R-2019-3007103

A-23. Please provide additional explanation regarding what efforts BHWC is taking to reduce or prevent water loss in addition to the efforts identified in the filing's page A-14.

Response:

See response to A-5.

Prepared by: Dennis M. Kalbarczyk, Consultant.

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 2
Docket No. R-2019-3007103

A-24. Regarding the filing's Schedule E-3, please identify the anticipated date (i.e., month and year) each *pro forma* plant addition will be placed into service.

Response:

In brief, the Media Replacement project is underway with approximately 70% of the project being completed as of the date of this response with remaining work estimated to be finished by April or May to also include an additional 30 day test period for fine tuning; thus, the project is expected to be fully completed and classified as in-service by the end of June 2019. The remaining projects are ones which are undertaken during more favorable weather conditions during the summer and early fall; thus, are expected to be in-service by the end of the September 30, 2019 test year.

Prepared by: Dennis M. Kalbarczyk, Consultant.

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 2
Docket No. R-2019-3007103

A-25. Regarding the filing's Schedule E-3, please explain how cost estimates and service lives were calculated for each *pro forma* plant addition and provide any supporting documentation (i.e., engineering studies, contractor estimates, manufacturer's catalog cuts, etc.).

Response:

The cost of the media replacement project was estimated at \$250,000 which was based primarily upon quotes from the Company's primary contractor selected to perform the work along with additional work recommended by the Company's outside management contractor, i.e., Mr. Robert C. Ferri Environmental Management. In brief, Derstine Company LLC, Souderton, Pa. provided a total quote of \$231,036 as of the end of November 2018 to complete its required task. The additional work, i.e., computerized and other related technical upgrades to the project to be performed by other outside contractors was estimated at \$20,000; the actual cost incurred as of January 2019 for this additional work was \$20,085 with an additional \$5,000 of estimated cost to complete the project. In sum, the total updated estimated cost to complete the project is \$256,121. See also Attachment TUS A-25.

The balance of the projects reflected on Schedule E-3, to include the service lives were based upon typical cost incurred by the Company for similar type project work to also include the professional judgment of the Company's outside management contractor, i.e., Mr. Robert C. Ferri Environmental Management. Mr. Ferri's professional experience is more fully described in response to A-29. The Valve Replacement and Water main upgrades projects totaling \$40,000 are not directly identifiable as to location and time. Rather this work is based upon a normal annual ongoing budget approach to aggressively address problem areas within the distribution system. The Turbidmeters, Curb Meter Installation, and Water Plant Roof projects totaling \$70,000 are specific planned projects scheduled during periods of more favorable weather conditions as are part of the Company's ongoing plant asset improvement requirements.

Prepared by: Dennis M. Kalbarczyk, Consultant.

BUCK HILL WATER COMPANY
MEDIA REPLACEMENT PROJECT

			<u>Totals</u>
Quote	Derstine	\$ 199,386.00	
Quote	Derstine	10,400.00	
Quote	Derstine	10,100.00	
Quote	Derstine	7,000.00	
Quote	Derstine	2,950.00	
Quote	Derstine	1,200.00	
Total Cost Primary Contractor			\$ 231,036.00

Other Costs Electronics and Programing:

Incurred to date:

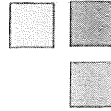
8/8/2018	Automationdirect	\$ 731.93	
8/9/2018	Automationdirect	220.48	
8/29/2018	LRM Inc	7,823.90	
8/31/2018	McMaster Carr	162.65	
9/30/2018	McMaster Carr	484.71	
10/31/2018	APR Supply Co	231.36	
10/31/2018	APR Supply Co	125.01	
10/31/2018	Automationdirect	157.68	
10/31/2018	McMaster Carr	969.69	
10/31/2018	McMaster Carr	200.42	
10/31/2018	Price Technology	6,885.00	
11/30/2018	McMaster Carr	34.60	
11/30/2018	McMaster Carr	110.88	
11/30/2018	Automationdirect	102.82	
12/3/2018	Automationdirect	268.18	
12/26/2018	Price Technology	1,475.00	
1/18/2019	Automationdirect	100.44	
Electronics and Programing Cost Incurred			20,084.75

Add'l Estimated Cost Electronics and Programing:

Estimate	Price Technology	<u>5,000.00</u>
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Total Media Replacement Project Cost \$ 256,120.75

Derstine Company LLC



320 Cowpath Road * Souderton, PA 18964
Ph. 215-723-4798 * Fax 215-723-6081
Email: sales@derstine-company.com

Quote

July 25, 2018
Quotation # 18-114_R2

Customer Name/Address		Terms	Quoted By	Attention:
Buck Hill Falls Waste Water Treatment Plant		Revised	MWS	Jeremy
Scope of Work			Bid/Cost	
Rehabilitation of two (2) up flow and two (2) down flow filters limited to: Repair/Replace under drains, collection headers, and diffusers. Replace all filtration media. Repaint or repair any rust areas. Replace surface wash nozzles on down flow filters. Replace 8" Dezurick butterfly valve, on No.2 filter. (valve only) Replace two (2) 3" air scour valves on up flow filters. Install two (2) 2 1/2" butterfly valves on existing tank drains. Replace four (4) 6" Dezurick butterfly influent valves, on manual and pneumatic controlled valves. (valves only) Replace two (2) 4" butterfly valves on effluent line. Installation of two (2) customer supplied flow meters on each effluent filter line. Supply up to 10Lf of 4" DIP for installing flow meters.			\$164,000.00	
Adder #1: -One (1) Actuator for 8" Effluent Butterfly Valve (valve quoted above). -One (1) Actuated 8" Effluent Valve -Two (2) Actuated 8" Waste Valves -Two (2) Actuators for Two (2) 6" Effluent Valves (valves quoted above). -Two (2) Actuated 6" Influent Valves -Two (2) Actuators for Two (2) 3" Air Scour Wafer Butterfly Valves (valves quoted above). -All above mentioned valves to be K-Flo Valves and Rotork Actuators -Includes installation labor and all bolts, gaskets, and hardware for quoted valves			\$28,400.00	
Adder #2: -Two (2) 4" Actuated Butterfly Valves, Installed Valve-Apollo LD14104BE1XA - Lug Style Actuator - Rotork GT110K08 - Air Spring Fail- closed sized for 80 PSI, NEMA 4 Solenoid Electro-Pneumatic Positioner - Mounted 41N-E1N-SF (4-20mA signal) Non-Declutching type Manual Override by Dynatorque			\$6,986.00	

The enclosed bid is based on work performed during normal weekday hours.

6% sales tax where Applicable:

The price included is for the outlined scope of work only. Should the scope of work change, additional charges will be negotiated before work continues.

Total Bid Price: \$192,400.00
ADDER #2: \$ 6,986.00

This price will be held for 10 days.

Signature: _____

Signature: _____

Neil M. Derstine, Owner

Date: _____

Customer Approval

Derstine

Company LLC

320 Cowpath Road * Souderton, PA 18964

Ph. 215-723-4798 * Fax 215-723-6081

Email: sales@derstine.org



Quote 18-185

October 4, 2018

Customer Name/Address		
Buck Hill Falls Waste Water Treatment Plant Jeremy – 570-236-2158 Email: bhjeremy@ptd.net		
Terms	Quoted By	Attention:
	NMD	Jeremy
Scope of Work		

The Derstine Company LLC is pleased to submit the following quote:

Project:

Filter 1 & 2 Full Interior Coating and Bear Replacement

- Derstine Co.(DC) shall Prep all tank interiors
- DC shall apply Base Coat(Pota Pox FC20)
- DC shall apply Top Coat(Pota Pox FC20 – Delft Blue)
(2 men 3days per tank) \$4800.00 per tank

Price.....

\$9,600.00

- DC shall replace Agitator Bearing in both tanks at our Cost
(Bearing - \$250.00 x 2 = \$500.00)

Price.....

\$500.00

TOTAL PRICE: \$ 10,100.00

The price included is for the outlined scope of work only. Should the scope of work change, additional charges will be negotiated before work continues.

CUSTOMER APPROVAL

Signature: Neil M. Derstine
Neil M. Derstine, Owner

Signature: _____

Date: _____

Derstine Company LLC



320 Cowpath Road * Souderton, PA 18964
 Ph. 215-723-4798 * Fax 215-723-6081
 Email: sales@derstine-company.com

Quote

November 28, 2018
 Quotation # 18-196

Customer Name/Address		
Buck Hill Falls Waste Water Treatment Plant Attn: Jeremy Price		
Terms	Quoted By	Attention:
	NMD	Jeremy
Scope of Work		Bid/Cost
Derstine Company, LLC is pleased to supply the following quote: 1. Replace Victaulic valves on drain line of both tanks with new Victaulic valves and components		\$1,200.00
The enclosed bid is based on work performed during normal weekday hours.		6% sales tax where Applicable:
The price included is for the outlined scope of work only. Should the scope of work change, additional charges will be negotiated before work continues.		Total Bid Price: \$1,200.00
This price will be held for 10 days.		

Signature: NEIL M. DERSTINE, Owner

Signature: _____

Date: _____

Customer Approval

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 2
Docket No. R-2019-3007103

A-26. Regarding the filing's Schedule E-3, please identify which *pro forma* plant additions represent partial or total replacements of existing assets and update Schedule J to remove the original cost of assets that will be retired.

Response:

In brief, the Media Replacement is a rehabilitation project which will not result in the replacement of existing assets. The balance of the projects are more directly associated with items which have already been fully depreciated and would not have any material impact on the Company's overall net book value claim reflected in the instant rate case filing. The Company also respectfully submits that some listed assets which are fully depreciated and no longer in service should be removed from its books, a process upon completion which would have no material impact on the Company's overall net book value claim reflected in the instant rate case filing. To complete this type of analysis the Company would need to engage outside professionals at an estimated cost of \$7,500 to \$10,000 which is not reflected in the instant rate case filing claim.

Prepared by: Dennis M. Kalbarczyk, Consultant.

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 2
Docket No. R-2019-3007103

A-27. Regarding the filing's Schedule E-3, please provide a detailed breakdown of the Water Main Upgrades line item (i.e., identify the anticipated quantity, location, material type and size of materials).

Response:

See response to A-25.

Prepared by: Dennis M. Kalbarczyk, Consultant.

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 2
Docket No. R-2019-3007103

A-28. BHWC's cash working capital (CWC) claim, included in the filing's Schedule F-2, appears to include several types of operating expenses which are not typically paid in advance of receiving customer payments, including electric, telephone, and water expenses. Please explain why BHWC includes these types of operating expenses in its CWC claim.

Response:

The Company respectfully submits that the Company's CWC 45 day or 1/8th approach as-reflected in its filing for the expense items noted is consistent with the Commission's requirements for determining an appropriate CWC claim. As the Company's rate consultant, I submit that the methodology utilized is the same approach which I have utilized in other cases for small water and wastewater utilities over my entire professional career, of which same has been approved by the Commission on numerous occasions. Additionally, I have also reviewed rate filings by other rate consulting firms which also utilized the same approach for small water and wastewater utilities, which were also approved by the Commission. By way of further discussion, the concept of the CWC method described in the filing relates to items of expense based upon the billing frequency, i.e., when bill is received and when payment is due. By way of additional comment, the Company respectfully submits that since customers are billed on quarterly basis the lag in revenue to that of monthly expenses incurred in theory results in a greater lag than that provided for under the 45 day method. The Company submits that the CWC claim approach reflected in its filing is consistent with the Commission's well accepted approach and should be approved as requested.

Prepared by: Dennis M. Kalbarczyk, Consultant

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 2
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A-29. Regarding the filing's Schedule H-1, please provide a detailed breakdown and description of the Management Fee operating expense.

Response:

The Company utilizes the services of an outside professional to provide for needed regulatory environmental compliance and reporting, to also include oversight and planning as it relates to both water system operations and plant asset planning and improvements. These services are provided by Mr. Robert C. Ferri, Environmental Management, who is a certified Pennsylvania Department of Environmental Protection (PaDEP) Class A Water operator. He previously worked for the PaDEP and other professional consulting firms. Mr. Ferri is responsible for the preparation of the Company's PaDEP Chapter 110 Water Resource Planning Reports, Delaware River Basin Commission Reports, and PaPUC statistical water usage reports. He also assists staff with oversight and planning of facility operation and maintenance issues at the water filtration plant, maintains water system mapping and leak detection survey on an ongoing basis, and performs onsite inspections of facilities and repair work. Lastly, he interacts with Company management in the evaluation and planning of major and routine ongoing capital improvement projects and services as the intermediary when dealing with the above referenced water regulatory agencies. The monthly management fee is \$500 or \$6,000 per year; the \$5,500 amount reflected was understated as the Company in error booked one of the \$500 monthly payments to the Maintenance and Repair account, see also response to A-31.

Prepared by: Dennis M. Kalbarczyk, Consultant.

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 2
Docket No. R-2019-3007103

A-30. The filing's Schedule H-1 reflects \$2,160 in turn on/off charges for the 12 months ended September 30, 2018. However, BHWC's tariff indicates a turn on/off fee of \$50 per occurrence. Please explain why turn on/off fee revenue is not an increment of \$50.

Response:

The Company respectfully submits that the revenue account listed on Schedule H-1, as "Turn On/Off Charges" also includes Miscellaneous Revenues related to reimbursements from customers. The total cost associated for Turn On/Off charges totaled \$1,450 while the \$710 balance was related to customer reimbursements associated with the replacement or repair of water meter equipment and parts which the customers assumes the responsibility to provide for its adequate care in the customers' home. In the future, the Company will provide for two separate revenue accounts, i.e., a Turn On/Off Revenue account and a Miscellaneous Revenue account.

Prepared by: Dennis M. Kalbarcyk, Consultant.

BUCK HILL WATER COMPANY
 Response to Bureau of Technical Utility Services
 Water/Wastewater Division
 Data Request Set 2
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A-31. Regarding the filing's Schedule H-1, the Materials & Supplies and Maintenance & Repairs operating expense accounts appear higher in 2018 than in previous years. Please provide a breakdown of these operating expense accounts for 2018.

Response:

The following table provides a summary of the Materials & Supplies items. In general, costs are related to the overall water system and as noted include 8% of Allocated General Adm. M&S items from Buck Hill Falls Company, see also response to A-33.

MATERIALS AND SUPPLIES	
Test Equip. items for chlorine analyzers, probes, general small parts	\$ 2,555
Small tools and related parts, etc.	993
Parts for meters and electronics	3,822
Dist. Main Parts and Plumbing items	6,081
Equip. Rental	421
Misc. Cleaning, First Aid, small general items	689
8% of Allocated Gen. Adm. M&S items from Buck Hill Falls Co.	3,654
Totals	\$18,215

The following table provides a summary of the Maintenance & Repairs items. In general, costs related to leak repairs, maintain electric equipment, annual service on analytical equipment, security system, and grounds maintenance. The Company in error booked one of the monthly \$500 Management Fee to this account rather than the Management Fee account, see also response to A-29.

MAINTENANCE AND REPAIRS	
Leaks	\$ 3,147
Service & Repair Electronic Control System	3,398
Service & Repair Analysis, Turbidimeters, & Chlorine Analyzers Equip.	6,990
Electronic Control System Well & Water Plant	4,378
Software Maintenance	1,875
Service & Repair Generators	5,370
Safety & Security	884
Grounds & Pest Control	959
Management Fee	500
Totals	\$27,501

Prepared by: Dennis M. Kalbarczyk, Consultant.

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 2
Docket No. R-2019-3007103

A-32. Regarding the filing's Schedule H-1, please provide additional explanation and justification for the Dues and Subscriptions and Water Expenses operating expense accounts.

Response:

The Company, consistent with Commission requirements, participates in the PaOne Call service which notifies a utility in advance when excavation will be performed to protect underground utility services. The cost for this service is reflected in the Due and Subscriptions account.

The Company's Water Treatment plant utilizes a small amount of water for domestic usage purposes, i.e., a restroom etc., which said service is metered. The total amount billed for the 9/30/18 period was \$670 and so reflected in the Water Expense account, conversely the same was reflected as income in the Commercial Revenue; thus, a zero sum impact on the total revenue requirement.

Prepared by: Dennis M. Kalbarczyk, Consultant.

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
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A-33. In the filing's Schedule H-1, other than Salaries, Payroll Taxes, Employee Benefits Expense and Office Rent, please identify any operating expense accounts that represent an expense shared with another entity. For these expenses, please explain how BHWC's share of the expense is determined. Please supplement this response with billing statements for affiliate transactions for the 12-month period ending September 30, 2018.

Response:

The general common administrative staff operating expense items are allocated from Buck Hill Falls Company to the Buck Hill Water Company at 8%. See response to A-35 which supports the 8% allocation factor. As noted in response to A-31, the Materials and Supply account as of 9/30/18 was \$18,215 which included \$3,654 of the Water Company's 8% share of the Buck Hill Falls Company Materials and Supply, i.e., \$45,678 x 8%. Telephone expenses reflected in the filing totaled \$2,644 of which \$1,423 was the Company's 8% share of the Buck Hill Falls Company \$17,785 telephone expense. Administrative Cost totaling \$4,691 included \$4,606 of the Water Company's 8% allocated charges for such items as \$2,390 Computer Expense, \$1,067 Software Maintenance Agreement, \$664 Postage Expense and \$485 of other miscellaneous office expenses.

While the Company's preliminary estimate of property value for the Water Company to the total Buck Hill Falls Company property is estimated at 14%, the Company in an effort to minimize controversy allocates General insurance expense at 10%, while workers compensation is allocated at 2%.

Lastly, outside accounting services are allocated to the Water Company at a rate of 25%. The Company submits that this is reasonable given the outside accountants review and prepare the required audited financial statements and tax returns for the both Buck Hill Falls Company and its subsidiaries to include the Water Company. The total cost for audit and tax services was \$17,500 plus \$3,550, respectively or \$21,050, exclusive of out of pocket expenses. The total cost allocated to the water company was \$5,500.

Supporting analysis and related documentation is attached to this response as Attachment TUS A-33.

Prepared by: Dennis M. Kalbarczyk, Consultant.

BUCK HILL FALLS COMPANY
 G & A EXPENSES
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	SIX MONTHS 9/30/2017	FYE ENDED 3/31/2018	SIX MONTHS 9/30/2018	TOTAL	WATER CO. ALLOC 8.00%
OPERATING EXPENSE					
MATERIALS AND SUPPLIES	16,649	35,422	26,905	45,678	3,654
TELEPHONE	7,093	16,206	8,672	17,785	1,423
COMPUTER EXPENSE	11,657	30,210	11,323	29,876	2,390
JONAS SOFTWARE MAINT AGREEMENT	13,343	13,343	13,343	13,343	1,067
POST OFFICE EXPENSE				-	-
POSTAGE	5,438	9,234	4,502	8,298	664
OFFICE EXPENSE	4,457	7,127	3,395	6,065	485
TOTAL OPERATING EXPENSES	58,637	111,542	68,140	121,045	9,684

BUCK HILL FALLS COMPANY
 INSURANCE EXPENSES TO BUCK HILL WATER COMPANY
 MARCH 31, 2018

PER ENDORSEMENTS:

COVERAGES	TERM	PREMIUM
General Commercial	11/01/17 - 11/01/18	\$ 108,400.00
Accident and Health	11/01/17 - 11/01/18	732.00
Fiduciary Liability	11/01/17 - 11/01/18	7,068.00
Directors and Officers	11/01/17 - 11/01/18	8,701.00
Excess Directors and Officers	11/01/17 - 11/01/18	5,250.00
		<hr/>
Total Annual Premiums		\$ 130,151.00
Annual Pollution Insurance \$30,453	4/25/14-04/25/19	<hr/> 6,090.00
Total		<hr/> <u>\$ 136,241.00</u>
		<hr/>
10% to Buck Hill Water Company		\$ 13,624.10
		<hr/>
PER Water Co H-1	General Liability	\$ 11,999.00
	Vehicle Liability	1,333.00
	Misc diff	<hr/> 292
		<hr/> <u>\$ 13,624</u>
		<hr/>
Workers Comp	11/01/17 - 11/01/18	35,175.00
Annual Payroll per 2018 W-2's		2,111,080.00
	Rate	2%
	Salary per Water Co H-1	99,329
	Salary multiplied by rate	1,655
	Misc diff	<hr/> 354
	Worker's Comp per Water H-1	<hr/> <u>2,009</u>

BUCK HILL FALLS COMPANY
RDP - PROPERTY AND EQUIPMENT
3/31/2018

	BHF	BHW	Total
Land	457,180	4,222	461,402
Buildings	2,517,980	181,001	2,698,981
Recreational Facilities	5,018,010		5,018,010
Operation System Facilities	2,185,107	2,200,226	4,385,333
Machinery and Equipment	2,997,066		2,997,066
Automotive Equipment	690,066		690,066
Assets under capital lease	230,819		230,819
Furniture and Fixtures	377,876		377,876
Construction in Progress			-
Total	14,474,104	2,385,449	16,859,553
Allocation	86%	14%	



BAKER TILLY

Baker Tilly Virchow Krause, LLP
46 Public Sq, Ste 400
Wilkes-Barre, PA 18701-2609
tel 570 820 0100
tel 800 267 9405
fax 888 264 9617
bakertilly.com

April 10, 2018

Board of Directors
Buck Hill Falls Company
PO Box 426
Buck Hill Falls, PA 18323

Thank you for using Baker Tilly Virchow Krause, LLP ("Baker Tilly") as your auditors.

The purpose of this letter (the "Engagement Letter") is to confirm our understanding of the terms and objectives of our engagement and the nature of the services we will provide as independent accountants of Buck Hill Falls Company and Subsidiaries (the "Company").

Services and Related Report

We will audit the consolidated financial statements and supplemental information of the Company as of March 31, 2018 and for the year then ending.

The supplementary information accompanying the consolidated financial statements (consolidating balance sheet and statement of income schedules, schedules of revenues, cost of revenues and general and administrative expenses) will be subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America ("GAAS"), and our auditor's report will provide an opinion on it in relation to the consolidated financial statements as a whole.

Upon completion of our audit, we will provide the Company with our audit report on the consolidated financial statements and supplemental information referred to above. If, for any reasons caused by or relating to the affairs or management of the Company, we are unable to complete the audit or are unable to or have not formed an opinion, or if we determine in our professional judgment the circumstances necessitate, we may withdraw and decline to issue a report as a result of this engagement.

Our Responsibilities and Limitations

The objective of a financial statement audit is the expression of an opinion on the consolidated financial statements and supplemental information. We will be responsible for performing the audit in accordance with GAAS. These standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements and supplemental information are free of material misstatement, whether caused by error or fraud. The audit will include examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements and supplemental information, assessing accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. Our audit does not relieve management or the Board of Directors of their responsibilities.

Board of Directors
Buck Hill Falls Company

April 10, 2018
Page 2

The audit will include obtaining an understanding of the Company and its environment, including internal controls, sufficient to assess the risks of material misstatement of the consolidated financial statements and supplemental information and to design the nature, timing and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and the board of directors internal control matters that are required to be communicated under professional standards.

We will design our audit to obtain reasonable, but not absolute, assurance of detecting errors or fraud that would have a material effect on the consolidated financial statements and supplemental information as well as other illegal acts having a direct and material effect on consolidated financial statement amounts. An audit is not designed to detect error or fraud that is immaterial to the financial statements. Our audit will not include a detailed audit of transactions, such as would be necessary to disclose errors or fraud that did not cause a material misstatement of the consolidated financial statements and supplemental information. It is important to recognize that there are inherent limitations in the auditing process. Audits are based on the concept of selective testing of the data underlying the consolidated financial statements and supplemental information, which involves judgment regarding the areas to be tested and the nature, timing, extent and results of the tests to be performed. Our audit is not a guarantee of the accuracy of the consolidated financial statements and supplemental information and, therefore, is subject to the limitation that material errors or fraud or other illegal acts having a direct and material financial statement impact, if they exist, may not be detected. Because of the characteristics of fraud, particularly those involving concealment through collusion, falsified documentation and management's ability to override controls, an audit designed and executed in accordance with GAAS may not detect a material fraud. Further, while effective internal control reduces the likelihood that errors, fraud or other illegal acts will occur and remain undetected, it does not eliminate that possibility. For these reasons, we cannot ensure that errors, fraud or other illegal acts if present, will be detected. However, we will communicate to you, as appropriate, any such matters that we identify during our audit.

We are also responsible for determining that the Finance Committee is informed about certain other matters related to the conduct of the audit, including (i) our responsibility under GAAS; (ii) an overview of the planned scope and timing of the audit; and (iii) significant findings from the audit, which include (a) our views about the qualitative aspects of the Company's significant accounting practices, accounting estimates and financial statement disclosures, (b) difficulties encountered in performing the audit, (c) uncorrected misstatements and material corrected misstatements that were brought to the attention of management as a result of auditing procedures, and (d) other significant and relevant findings or issues (e.g., any disagreements with management about matters that could be significant to the Company's consolidated financial statements and supplemental information or our report thereon, consultations with other independent accountants, issues discussed prior to our retention as independent auditors, fraud and illegal acts and all significant deficiencies and material weaknesses identified during the audit). Lastly, we are responsible for ensuring that the board of directors receives copies of certain written communications between us and management including written communications on accounting, auditing, internal controls or operational matters and representations that we are requesting from management.

The audit will not be planned or conducted in contemplation of reliance by any specific third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction.

Board of Directors
Buck Hill Falls Company

April 10, 2018
Page 3

Management's Responsibilities

The Company's management is responsible for the consolidated financial statements and supplemental information referred to above. In this regard, management is responsible for establishing policies and procedures that pertain to the maintenance of adequate accounting records and effective internal controls over financial reporting, the selection and application of accounting principles, the authorization of receipts and disbursements, the safeguarding of assets, the proper recording of transactions in the accounting records and for reporting financial information in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Management is also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us in the management representation letter (i) about all known or suspected fraud affecting the Company involving (a) management, (b) employees who have significant roles in internal control over financial reporting and (c) others where the fraud could have a material effect on the consolidated financial statements and supplemental information and (ii) of its knowledge of any allegations of fraud or suspected fraud affecting the Company received in communications from employees, former employees, analysts, regulators or others.

You are responsible for the preparation of the supplementary information in conformity with GAAP. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited consolidated financial statements with any presentation of the supplementary information that includes our report thereon.

Management is responsible for (i) adjusting the consolidated financial statements and supplemental information to correct material misstatements and for affirming to us in a management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the year under audit are immaterial, both individually and in the aggregate, to the consolidated financial statements and supplemental information taken as a whole and (ii) notifying us of all material weaknesses, including other significant deficiencies, in the design or operation of the Company's internal control over financial reporting that are reasonably likely to adversely affect the Company's ability to record, process, summarize and report external financial data reliably in accordance with GAAP. Management also is responsible for identifying and ensuring that the Company complies with the laws and regulations applicable to its activities.

As part of management's responsibility for the consolidated financial statements and supplemental information and the effectiveness of its system of internal control over financial reporting, management is responsible for making available to us, on a timely basis, all of the Company's original accounting records and related information and for the completeness and accuracy of that information and Company personnel to whom we may direct inquiries. As required by GAAS, we will make specific inquiries of management and others about the representations embodied in the consolidated financial statements and supplemental information and the effectiveness of internal control over financial reporting. GAAS also requires that we obtain written representations covering audited consolidated financial statements and supplemental information from certain members of management. The results of our audit tests, the responses to our inquiries and the written representations comprise the evidential matter we intend to rely upon in forming our opinion on the consolidated financial statements and supplemental information.

Non-Attest Services

Prior to or as part of our audit engagement, it may be necessary for us to perform certain non-attest services. Non-attest services that we will be providing are as follows:

- > Preparation of the Company's fiscal 2018 federal and Pennsylvania income tax returns.
- > Assistance with the preparation of the consolidated financial statements, including footnotes.

Board of Directors
Buck Hill Falls Company

April 10, 2018
Page 4

We will not perform any management functions or make management decisions on your behalf with respect to any non-attest services we provide.

In connection with our performance of any non-attest services, you agree that you will:

- > Continue to make all management decisions and perform all management functions, including approving all journal entries and general ledger classifications when they are submitted to you.
- > Designate an employee with suitable skill, knowledge, and/or experience, preferably within senior management, to oversee the services we perform.
- > Evaluate the adequacy and results of the non-attest services we perform.
- > Accept responsibility for the results of our non-attest services.
- > Establish and maintain internal controls, including monitoring ongoing activities related to the non-attest function.

On a periodic basis, as needed, we will meet with you to discuss your accounting records and the management implications of your consolidated financial statements and supplemental information. We will notify you, in writing, of any matters of which we believe you should be aware and will meet with you upon request.

Other Documents

GAAS requires that we read any annual report that contains our audit report. The purpose of this procedure is to consider whether other information in the annual report, including the manner of its presentation, is materially inconsistent with information appearing in the consolidated financial statements and supplemental information. We assume no obligation to perform procedures to corroborate such other information as part of our audit.

If you intend to reproduce or publish the consolidated financial statements and supplemental information, and make reference to our firm name in connection therewith, you agree to publish the consolidated financial statements and supplemental information in their entirety. In addition, you agree to provide us, for our approval and consent, proofs before printing and final materials before distribution.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

The Company may wish to include our report on these consolidated financial statements and supplemental information in a registration statement proposed to be filed under the Securities Act of 1933, or in some other securities offering. You agree that the aforementioned audit report or reference to Baker Tilly will not be included in such offering without our prior written permission or consent. Any agreement to perform work in connection with an offering, including an agreement to provide permission or consent, will be a separate agreement.

Board of Directors
Buck Hill Falls Company

April 10, 2018
Page 5

We will maintain our independence in accordance with the standards of the American Institute of Certified Public Accountants ("AICPA"). Under certain circumstances, as described below, we are also required to be independent under the rules of the Securities Exchange Commission ("SEC") and / or the Public Company Accounting Oversight Board ("PCAOB"). The rules of the SEC and PCAOB are different from those of the AICPA. Examples of services allowed under the AICPA rules that would impair independence under the SEC and PCAOB rules included preparation of the financial statements (including printing and binding services), preparation of the tax provision, implementing financial information systems, internal audit outsourcing, and performance of tax services for a contingent fee.

The circumstances that would require SEC and / or PCAOB independence rules include a public offering of debt or equity securities, a reverse merger into a public shell company, and use of the Company's audited financial statements to satisfy the SEC Custody Rule (Rule 306(4)-2).

Please notify us immediately if you require us to be independent under SEC and / or PCAOB independence rules. If our independence were determined to be impaired under the SEC and PCAOB rules for any period where independence with such rules would be required, the Company would be required to have the impacted periods re-audited, at the Company's expense, by another firm.

The documentation for this engagement, including the workpapers, is the property of Baker Tilly and constitutes confidential information. We may have a responsibility to retain the documentation for a period of time sufficient to satisfy any applicable legal or regulatory requirements for records retention. If we are required by law, regulation or professional standards to make certain documentation available to regulators, the Company hereby authorizes us to do so.

Timing and Fees

Completion of our work is subject to, among other things, (i) appropriate cooperation from Company personnel, including timely preparation of necessary schedules, (ii) timely responses to our inquiries and (iii) timely communication of all significant accounting and financial reporting matters. When and if for any reason the Company is unable to provide such schedules, information and assistance, Baker Tilly and you will mutually revise the fee to reflect additional services, if any, required of us to complete the audit. Delays in the issuance of our audit report beyond the date that was originally contemplated may require us to perform additional auditing procedures which will likely result in additional fees. Revisions to the scope of our work will be set forth in the form of an "Amendment to Existing Engagement Letter." In addition, if we discover compliance issues that require us to perform additional procedures and/or provide assistance with these matters, fees at our standard hourly rates apply.

Our fee for these services will be \$17,500 plus travel and administrative expenses.

Invoices are payable upon presentation. A charge of 1.5% per month shall be imposed on accounts not paid within thirty (30) days of receipt of our statement for services provided. In accordance with our firm policies, work may be suspended if your account becomes thirty (30) days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notice of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all expenditures through the date of termination.

Our fee is based upon the current accounting and auditing standards that have been issued and are effective as of the date of this letter. Should additional accounting or auditing standards be issued subsequent, to or become effective for the periods covered by this engagement, our estimated fees may be adjusted accordingly.

Any additional services that may be requested and we agree to provide will be the subject of a separate engagement letter.

Board of Directors
Buck Hill Falls Company

April 10, 2018
Page 6

We may be required to disclose confidential information to federal, state and international regulatory bodies or a court in criminal or other civil litigation. In the event that we receive a request from a third party (including a subpoena, summons or discovery demand in litigation) calling for the production of information, we will promptly notify the Company, unless otherwise prohibited. In the event we are requested by the Company or required by government regulation, subpoena or other legal process to produce our engagement working papers or our personnel as witnesses with respect to services rendered to the Company, so long as we are not a party to the proceeding in which the information is sought, we may seek reimbursement for our professional time and expenses, as well as the fees and legal expenses, incurred in responding to such a request.

Resolution of Disagreements

In the unlikely event that differences concerning services or fees should arise that are not resolved by mutual agreement, both parties agree to attempt in good faith to settle the dispute by mediation administered by the American Arbitration Association ("AAA") under its mediation rules for professional accounting and related services disputes before resorting to litigation or any other dispute-resolution procedure. Each party shall bear their own expenses from mediation.

If mediation does not settle the dispute or claim, then the parties agree that the dispute or claim shall be settled by binding arbitration. The arbitration proceeding shall take place in the city in which the Baker Tilly office providing the relevant services is located, unless the parties mutually agree to a different location. The proceeding shall be governed by the provisions of the Federal Arbitration Act and will proceed in accordance with the then current Arbitration Rules for Professional Accounting and Related Disputes of the AAA, except that no pre-hearing discovery shall be permitted unless specifically authorized by the arbitrator. The arbitrator will be selected from AAA, Judicial Arbitration & Mediation Services, the Center for Public Resources or any other internationally or nationally-recognized organization mutually agreed upon by the parties. Potential arbitrator names will be exchanged within fifteen (15) days of the parties' agreement to settle the dispute or claim by binding arbitration, and arbitration will thereafter proceed expeditiously. The arbitration will be conducted before a single arbitrator, experienced in accounting and auditing matters. The arbitrator shall have no authority to award non-monetary or equitable relief and will not have the right to award punitive damages. The award of the arbitration shall be in writing and shall be accompanied by a well-reasoned opinion. The award issued by the arbitrator may be confirmed in a judgment by any federal or state court of competent jurisdiction. Each party shall be responsible for their own costs associated with the arbitration, except that the costs of the arbitrator shall be equally divided by the parties. The arbitration proceeding and all information disclosed during the arbitration shall be maintained as confidential, except as may be required for disclosure to professional or regulatory bodies or in a related confidential arbitration. In no event shall a demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim would be barred under the applicable statute of limitations.

Our services shall be evaluated solely on our substantial conformance with the terms expressly set forth herein, including all applicable professional standards. Any claim of nonconformance must be clearly and convincingly shown.

Limitation on Damages and Indemnification

The liability (including attorney's fees and all other costs) of Baker Tilly and its present or former partners, principals, agents or employees related to any claim for damages relating to the services performed under this Engagement Letter shall not exceed the fees paid to Baker Tilly for the portion of the work to which the claim relates, except to the extent finally determined to have resulted from the willful misconduct or fraudulent behavior of Baker Tilly relating to such services. This limitation of liability is intended to apply to the full extent allowed by law, regardless of the grounds or nature of any claim asserted, including the negligence of either party. Additionally, in no event shall either party be liable for any lost profits, lost business opportunity, lost data, consequential, special, incidental, exemplary or punitive damages, delays or interruptions arising out of or related to this Engagement Letter even if the other party has been advised of the possibility of such damages.

Board of Directors
Buck Hill Falls Company

April 10, 2018
Page 7

As Baker Tilly is performing the services solely for your benefit, you will indemnify Baker Tilly, its subsidiaries and their present or former partners, principals, employees, officers and agents against all costs, fees, expenses, damages and liabilities (including attorneys' fees and all defense costs) associated with any third-party claim, relating to or arising as a result of the services, or this Engagement Letter.

Because of the importance of the information that you provide to Baker Tilly with respect to Baker Tilly's ability to perform the services, you hereby release Baker Tilly and its present and former partners, principals, agents and employees from any liability, damages, fees, expenses and costs, including attorneys' fees, relating to the services, that arise from or relate to any information, including representations by management, provided by you, Company personnel or agents, that is not complete, accurate or current.

Each party recognizes and agrees that the warranty disclaimers and liability and remedy limitations in this Engagement Letter are material bargained for bases of this Engagement Letter and that they have been taken into account and reflected in determining the consideration to be given by each party under this Engagement Letter and in the decision by each party to enter into this Engagement Letter.

The terms of this section shall apply regardless of the nature of any claim asserted (including, but not limited to, contract, tort or any form of negligence, whether of you, Baker Tilly or others), but these terms shall not apply to the extent finally determined to be contrary to the applicable law or regulation. These terms shall also continue to apply after any termination of this Engagement Letter.

You accept and acknowledge that any legal proceedings arising from or in conjunction with the services provided under this Engagement Letter must be commenced within twelve (12) months after the performance of the services for which the action is brought, without consideration as to the time of discovery of any claim.

Other Matters

Neither this Engagement Letter, any claim, nor any rights or licenses granted hereunder may be assigned, delegated or subcontracted by either party without the written consent of the other party. Either party may assign and transfer this Engagement Letter to any successor that acquires all or substantially all of the business or assets of such party by way of merger, consolidation, other business reorganization or the sale of interest or assets, provided that the party notifies the other party in writing of such assignment and the successor agrees in writing to be bound by the terms and conditions of this Engagement Letter.

Baker Tilly Virchow Krause, LLP is an independent member of Baker Tilly International. Baker Tilly International Limited is an English company. Baker Tilly International provides no professional services to clients. Each member firm is a separate and independent legal entity and each describes itself as such. Baker Tilly Virchow Krause, LLP is not Baker Tilly International's agent and does not have the authority to bind Baker Tilly International or act on Baker Tilly International's behalf. None of Baker Tilly International, Baker Tilly Virchow Krause, LLP, nor any of the other member firms of Baker Tilly International has any liability for each other's acts or omissions. The name Baker Tilly and its associated logo is used under license from Baker Tilly International Limited.

This Engagement Letter constitutes the entire agreement between the Company and Baker Tilly regarding the services described in this Engagement Letter and supersedes and incorporates all prior or contemporaneous representations, understandings or agreements, and may not be modified or amended except by an agreement in writing signed between the parties hereto.

Board of Directors
Buck Hill Falls Company

April 10, 2018
Page 8

The provisions of this Engagement Letter, which expressly or by implication are intended to survive its termination or expiration, will survive and continue to bind both parties. If any provision of this Engagement Letter is declared or found to be illegal, unenforceable or void, then both parties shall be relieved of all obligations arising under such provision, but if the remainder of this Engagement Letter shall not be affected by such declaration or finding and is capable of substantial performance, then each provision not so affected shall be enforced to the extent permitted by law or applicable professional standards.

If because of a change in the Company's status or due to any other reason, any provision in this Engagement Letter would be prohibited by, or would impair our independence under laws, regulations or published interpretations by governmental bodies, commissions or other regulatory agencies, such provision shall, to that extent, be of no further force and effect and this agreement shall consist of the remaining portions.

This agreement shall be governed by and construed in accordance with the laws of the state of Illinois, without giving effect to the provisions relating to conflict of laws.

We appreciate the opportunity to be of service to you.


If there are any questions regarding the Engagement Letter, please call Bill McGowan at 570 820 0199.

Sincerely,

BAKER TILLY VIRCHOW KRAUSE, LLP

Baker Tilly Virchow Krause, LLP

The services and terms set forth in the engagement letter are agreed to by:



Anthony Bowe, Chairman of the Board of Directors
4/20/2018

Date

Michael Linko, CPA, Controller

Date



BAKER TILLY

Baker Tilly Virchow Krause, LLP
46 Public Sq, Ste 400
Wilkes-Barre, PA 18701-2609
tel 570 820 0100
tel 800 267 9405
fax 888 264 9617
bakertilly.com

April 10, 2018

Michael Linko, Controller
Buck Hill Falls Company
PO Box 426
Buck Hill Falls, PA 18323

Dear Mike:

Thank you for allowing Baker Tilly Virchow Krause, LLP to serve as your tax accountants and advisors.

This engagement letter and the enclosed *Engagement Terms – Tax Services* set forth the understanding of the nature and scope of the services to be performed and the fees we will charge for these services. In addition, this letter delineates the responsibilities of Baker Tilly Virchow Krause, LLP and Buck Hill Falls Company and Subsidiaries (the "Company") in connection with the services to be provided under this engagement.

Summary of Services

We will prepare and sign as preparer the federal and Pennsylvania income tax returns for the tax year April 1, 2017 through March 31, 2018 as listed in the enclosed *Listing of Returns to be Prepared* and as requested by the Company.

If your business activities have changed or are being conducted in states in addition to those where you conducted business last year, it is your responsibility to inform us. This engagement does not include a determination of filing requirements in any additional states. If a determination or nexus study of additional state filing requirements is necessary, we will discuss that issue with you and determine whether a separate engagement letter is required.

Unless otherwise agreed to in writing, you will be responsible for preparing and filing all other tax or information returns required to be filed with the applicable authorities including, for example, city and county income or gross receipts filings, payroll tax filings, sales and use tax filings, information reporting filings, etc.

Additional Services

From time to time, you may request that we provide services outside the scope of this engagement, hereinafter referred to as "Additional Services". Where the fee associated with the requested project or service is expected to be less than \$10,000, and except as provided below, we will provide such Additional Services subject to this letter and the attached Engagement Terms - Tax Services. Tax consulting services related to the following require a separate engagement letter, regardless of the anticipated fee: research tax credit consulting and/or computations, mergers and acquisitions, due diligence, state nexus, federal or state tax controversy assistance, international tax, or organizational tax issues. Any professional services outside the scope of this engagement letter as defined above must be mutually agreed to in writing.

Tax Return Preparer Standards and Related Matters

Revised Internal Revenue Code section 6694 and the related Treasury Regulations provide that a tax return preparer may sign a tax return only if there is substantial authority for all tax positions reflected in the return or there is disclosure of any position that has a reasonable basis, but does not have substantial authority. This

Michael Linko, Controller
Buck Hill Falls Company

April 10, 2018
Page 2

revised standard corresponds with the taxpayer standard relating to avoiding a penalty for a substantial understatement of tax. Positions that lack a reasonable basis claimed on a tax return could subject taxpayers to a substantial understatement of tax penalty, even if such positions are disclosed on their returns. Professionals cannot sign such returns. The higher more-likely-than-not standard for tax shelters remains. Regardless of disclosure, any position or transaction deemed to be a tax shelter must meet the more-likely-than-not confidence level or it cannot be claimed on a tax return.

As a result, we will be required to evaluate all positions to be reflected on your federal tax returns to determine if such positions meet the substantial authority standard discussed above. Certain positions may be required to be disclosed to the federal, and in some cases, the state tax authorities.

It is not possible for us to know, in advance, the positions to be reflected on your return that may require additional analysis. Therefore, we cannot estimate the additional amount of fees that may be associated with this effort. We will, however, advise you of any positions that require further analysis and discuss the associated fees with you prior to undertaking the additional effort necessary to reach a conclusion in compliance with the standards.

The Internal Revenue Service ("IRS") requires taxpayers to file Form 5471 to report ownership in certain foreign entities. A separate Form 5471 is required to be filed for each foreign entity. Failure to file the form could subject the taxpayer to a penalty of \$10,000 per year for each form that is not filed. Effective January 1, 2009, the penalty for noncompliance is automatic. Please let us know if you have any ownership interest in any foreign entities.

The federal government requires U.S. persons which have any interest in, or signature authority over, a foreign bank, securities, or other financial account to report such interest on Form 114, Report of Foreign Bank and Financial Accounts (formerly Form TD F 90-22.1), if the aggregate value of such accounts exceeds \$10,000 at any time during the year. U.S. persons include U.S. citizens, U.S. residents, and entities including, but not limited to corporations, partnerships, or limited liability companies created or organized in the U.S. or under the laws of the U.S., and trusts and estates formed under the laws of the U.S. Please inform us if you have any foreign bank accounts, activities or investments, so that we can discuss how we can help you comply with the law.

Revised Internal Revenue Code section 7216 and the related Treasury Regulations prescribe a penalty for any tax return preparer that uses or discloses tax return information without securing the consent of the taxpayer prior to any such use or disclosure. Should you request that any tax information be provided to a third party, we can provide the information directly to you and you can provide the information to the third party, or we can provide the information directly to the third party. If you request that we provide the information directly to a third party, a specific and detailed written consent with your signature will be required to be furnished to us prior to the release of any tax return information. We will bill you for the time necessary to draft the consent, obtain your signature, and satisfy your request to provide tax information directly to a third party.

Timing

We will complete the preparation of the tax returns so they can be timely filed by July 15, 2018. In order to meet the deadline, you are required to provide us with needed information or assistance within a specified period of time. Failure to provide this assistance in a timely manner may require adjustment to our completion date. In addition, in the event unforeseen circumstances occur that impact our ability to meet the final completion date, we will contact you to discuss an acceptable revised completion date.

Michael Linko, Controller
Buck Hill Falls Company

April 10, 2018
Page 3

Fees

Our fee for this engagement will be \$3,550 plus out-of-pocket and administrative expenses. Our invoices are due and payable upon receipt.

For any Additional Services covered by this engagement letter, you will pay Baker Tilly Virchow Krause, LLP a fee based on our standard hourly rates for the level of staff performing the services.

The amount of our fee for services is based on the assumption that we will receive the information and assistance as detailed in this engagement letter on a timely basis. In the event we believe an additional fee is required as the result of an unforeseen difficulty in completing the assignment, a change in the underlying facts or law, or your failure to provide information and assistance on a timely basis, we will inform you promptly and agree on a revised fee with you at that time.

If this engagement letter correctly describes the engagement, please sign one copy and return it to us, along with a copy of the attached Engagement Terms – Tax Services. Please retain a copy for your files. If you have any questions or comments regarding the terms of this engagement letter, please call Bill McGowan at 570.820.0199.

Sincerely,

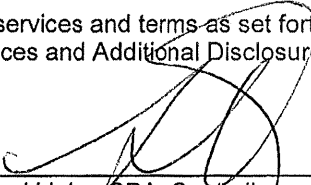
BAKER TILLY VIRCHOW KRAUSE, LLP

Baker Tilly Virchow Krause, LLP

Enclosures:

Listing of Returns to be Prepared
Engagement Terms - Tax Services

The services and terms as set forth in this engagement letter and the enclosed Engagement Terms – Tax Services and Additional Disclosures are agreed to by:



Michael Linko, CPA, Controller

4/30/18

Date

Please ensure that you return ALL pages of the engagement letter and the attached Engagement Terms – Tax Services.

Listing of Returns to be Prepared

Baker Tilly Virchow Krause, LLP only takes responsibility for the preparation of the following federal and state tax returns, schedules and other information for the Company's fiscal 2018 tax year:

- > Preparation of Form 1120 consolidated federal income tax return for Buck Hill Falls Company and Subsidiaries
- > Preparation of Pennsylvania RCT-101 corporate tax return for Buck Hill Falls Company,
- > Preparation of Pennsylvania RCT-101 corporate tax return for The Buck Hill Water Company
- > Preparation of Pennsylvania RCT-101 corporate tax return for BH Realty, Inc.

Baker Tilly Virchow Krause, LLP Engagement Terms - Tax Services

These Engagement Terms - Tax Services ("Terms") and the engagement letter to which they are attached (collectively, the "Agreement") constitute the entire agreement between the client to whom such engagement letter is addressed (the "Client") and any other legal entities referred to therein and Baker Tilly Virchow Krause, LLP ("we", "us", "our"), regarding the services described in the engagement letter and supersede and incorporate all prior or contemporaneous representations, understandings or agreements, and may not be modified or amended except by an agreement in writing signed between the parties hereto. If there is a conflict between these Terms and the Terms of any Engagement Letter, these Terms shall govern.

1. Responsibilities of Client

- a. To ensure an effective and efficient engagement, Client agrees to provide Baker Tilly Virchow Krause, LLP with all information requested, in a timely manner, and to provide any reasonable assistance as may be required to properly perform the engagement. In performing services under this Agreement, Baker Tilly Virchow Krause, LLP will rely upon Client personnel for the accuracy and completeness of its records and all other information supplied to us, without independent investigation or verification. Inaccuracy, incompleteness or tardiness in the delivery of information to Baker Tilly Virchow Krause, LLP could have a material effect on tax returns, our conclusions and the fee for services.
- b. US Treasury Regulations require taxpayers to disclose any tax strategy or transaction that the IRS identifies as: 1) a Listed Transaction; 2) substantially similar to a Listed Transaction; or 3) any other Reportable Transaction. In addition, certain states have similar disclosure requirements. Noncompliance with these rules may result in significant penalties. Client agrees to inform Baker Tilly Virchow Krause, LLP of participation in any such transactions.
- c. Client agrees to file, unaltered and with appropriate disclosure, the tax returns as prepared by Baker Tilly Virchow Krause, LLP. Client agrees that Baker Tilly Virchow Krause, LLP assumes no responsibility and has no liability for any returns altered by Client prior to filing with the taxing jurisdiction. Client is responsible for the timely filing of the returns Baker Tilly Virchow Krause, LLP prepares and agrees to inform us in writing of any failure to timely file the tax returns.
- d. Most tax returns require signatures, under penalty of perjury, by the taxpayer or an officer of the taxpayer affirming that the tax returns and the accompanying schedules and statements are true, correct, and complete to the best of his or her knowledge. Client is responsible for understanding and agreeing with the various amounts, computations, and statements made in the tax returns and accepts responsibility for the results of the tax services rendered. Baker Tilly Virchow Krause, LLP's services may include advice and recommendations, but all decisions in connection with the implementation of such advice and recommendations shall be the responsibility of, and made by, Client. Baker Tilly Virchow Krause, LLP will not perform any management functions or make management decisions for Client in connection with this engagement.
- e. Client is required to maintain and retain adequate documentation to support the tax returns as filed as penalties can be imposed by taxing authorities for the failure to produce adequate documentation supporting the items included in a tax return. Baker Tilly Virchow Krause, LLP has no responsibility or liability for Client's failure to maintain adequate documentation.

2. Responsibilities of Baker Tilly Virchow Krause, LLP

- a. Baker Tilly Virchow Krause, LLP's services under this Agreement are subject to and will be performed in accordance with Treasury Department Circular 230, the American Institute of Certified Public Accountants (AICPA) and other professional standards applicable to tax services. We disclaim all other warranties, either express or implied.
- b. Baker Tilly Virchow Krause, LLP will perform these services on the basis of the information you have provided and in consideration of the applicable tax laws, regulations and associated interpretations as of the date the services are provided. Tax laws and regulations and/or their interpretation are subject to change at any time, and such changes may be retroactive in effect and may be applicable to advice given or other services rendered before their effective dates. Baker Tilly Virchow Krause, LLP has no responsibility or liability for such changes occurring after the completion date of this engagement.
- c. Client acknowledges and agrees that any advice, recommendations, information or work product provided to Client by Baker Tilly Virchow Krause, LLP in connection with this

engagement is for the sole use of Client and may not be relied upon by any third party. Baker Tilly Virchow Krause, LLP has no liability or responsibility to any third parties as a result of this engagement and Client agrees to indemnify Baker Tilly Virchow Krause, LLP accordingly (see Paragraph 3(b)).

- d. Tax returns and other filings are subject to examination by taxing authorities. Baker Tilly Virchow Krause, LLP will be available to assist Client in the event of an audit of any issue for which Baker Tilly Virchow Krause, LLP has provided services under this Agreement. Fees for these additional services will be communicated in a separate engagement letter.
- e. The services performed under this Agreement do not include the provision of legal advice and we make no representations regarding questions of legal interpretation. Client should consult with its attorneys with respect to any legal matters or items that require legal interpretation, under federal, state or other type of law or regulation.
- f. Baker Tilly Virchow Krause, LLP may utilize the services of independent contractors in providing services to Client. All such third parties are bound by the same confidentiality requirements as Baker Tilly Virchow Krause, LLP and its employees. Client hereby consents to disclosure of confidential information necessary to the provision of the related services.
- g. Nothing in this Agreement prevents Baker Tilly Virchow Krause, LLP from providing services to other clients.

3. Limitation on Damages and Indemnification

- a. The liability (including attorney's fees and ALL other costs) of Baker Tilly Virchow Krause, LLP and its current or former partners, principals, agents or employees related to any claim for damages relating to the services performed under this Agreement shall not exceed the fees paid to Baker Tilly Virchow Krause, LLP for the portion of the work to which the claim relates, except to the extent finally determined to have resulted from the willful misconduct or fraudulent behavior of Baker Tilly Virchow Krause, LLP relating to such services. This limitation of liability is intended to apply to the full extent allowed by law, regardless of the grounds or nature of any claim asserted, including the negligence of either party. Additionally, in no event shall either party be liable for consequential, special, indirect, incidental, punitive or exemplary damages, costs, expenses or losses (including, without limitation, lost profits and opportunity costs) arising out of or related to this Agreement even if a party has been advised of the possibility of such damages.
- b. Except to the extent finally determined to have resulted from the willful misconduct or fraudulent behavior of Baker Tilly Virchow Krause, LLP relating to such services, Client agrees to indemnify, defend and hold harmless Baker Tilly Virchow Krause, LLP from and against any and all liabilities incurred or suffered by or asserted against Baker Tilly Virchow Krause, LLP in connection with a third party claim to the extent resulting from such party's use or possession of or reliance upon Baker Tilly Virchow Krause, LLP's advice, recommendations, information or work product.
- c. The terms of this Section 3 shall apply regardless of the nature of any claim asserted (including, but not limited to, contract, tort, or any form of negligence, whether of Client, Baker Tilly Virchow Krause, LLP or others), but these terms shall not apply to the extent finally determined to be contrary to applicable law or regulation. These terms shall also continue to apply after any termination of this Agreement.
- d. Client accepts and acknowledges that any legal proceedings arising from or in connection with the services provided under this Agreement must be commenced within one year from the date the services were provided, without consideration as to the time of discovery of any claim.

4. Communications and Confidentiality

- a. Communications between Baker Tilly Virchow Krause, LLP and Client may be privileged and protected from disclosure to the

Engagement Terms - Tax Services (Page 2)

IRS or other governmental authorities in certain circumstances. Baker Tilly Virchow Krause, LLP will not assert on Client's behalf any claim of privilege unless Client specifically instructs Baker Tilly Virchow Krause, LLP in writing to do so after discussing the specific request and the grounds on which such privilege claim would be made. Notwithstanding the foregoing, Client acknowledges that in no event will Baker Tilly Virchow Krause, LLP assert any claim of privilege that Baker Tilly Virchow Krause, LLP concludes is not valid. Baker Tilly Virchow Krause, LLP agrees to cooperate with Client in any effort to assert any privilege with respect to such information, provided Client agrees to hold Baker Tilly Virchow Krause, LLP harmless from and be responsible for any costs and expenses resulting from such assertion.

- b. Baker Tilly Virchow Krause, LLP may be required to disclose confidential information to federal, state and international regulatory bodies or a court in criminal or other civil litigation. In the event that we receive a request from a third party (including a subpoena, summons or discovery demand in litigation) calling for the production of information, Baker Tilly Virchow Krause, LLP will promptly notify Client, unless otherwise prohibited. In the event Baker Tilly Virchow Krause, LLP is requested by the Client or required by government regulation, subpoena or other legal process to produce our engagement working papers or its personnel as witnesses with respect to services rendered to Client, so long as Baker Tilly Virchow Krause, LLP is not a party to the proceeding in which the information is sought, Client will reimburse Baker Tilly Virchow Krause, LLP for its professional time and expenses, as well as the fees and legal expenses, incurred in responding to such a request.
- c. Baker Tilly Virchow Krause, LLP may be required to disclose confidential information with respect to complying with certain professional obligations, such as peer review programs. All participants in such peer review programs are bound by the same confidentiality requirements as Baker Tilly Virchow Krause, LLP and its employees. Baker Tilly Virchow Krause, LLP will not be required to notify Client if disclosure of confidential information is necessary for peer review purposes.
- d. Baker Tilly Virchow Krause, LLP may communicate electronically with Client or otherwise transmit documents in electronic form during the course of this engagement. Client accepts the inherent risks of electronic forms of communication and agrees that it may rely only upon a final hard copy version of a document or other communication that Baker Tilly Virchow Krause, LLP transmits to Client unless no such hard copy is transmitted by Baker Tilly Virchow Krause, LLP to Client.

5. Alternative Dispute Resolution

- a. In the unlikely event that differences concerning services or fees should arise that are not resolved by mutual agreement, both parties agree to attempt in good faith to settle the dispute by mediation administered by the American Arbitration Association under its mediation rules for professional accounting and related services disputes before resorting to litigation or any other dispute-resolution procedure. Each party shall bear their own expenses from mediation.
- b. If mediation does not settle the dispute or claim, then the parties agree that the dispute or claim shall be settled by binding arbitration. The arbitration proceeding shall take place in the city in which the Baker Tilly Virchow Krause, LLP office providing the relevant services is located, unless the parties mutually agree to a different location. The proceeding shall be governed by the provisions of the Federal Arbitration Act ("FAA") and will proceed in accordance with the then current Arbitration Rules for Professional Accounting and Related Disputes of the AAA, except that no pre-hearing discovery shall be permitted unless specifically authorized by the arbitrator. The arbitrator will be selected from AAA, JAMS, the Center for Public Resources, or any other internationally or nationally-recognized organization mutually agreed upon by the parties. Potential arbitrator names will be exchanged within 15 days of the parties' agreement to settle the dispute or claim by binding arbitration, and arbitration will thereafter proceed expeditiously. The arbitration will be conducted before a single arbitrator, experienced in tax matters. The arbitrator shall have no authority to award non-monetary or equitable relief and will not have the right to award punitive damages. The award of the arbitration shall be in writing and shall be accompanied by a well reasoned opinion. The award

issued by the arbitrator may be confirmed in a judgment by any federal or state court of competent jurisdiction. Each party shall be responsible for their own costs associated with the arbitration, except that the costs of the arbitrator shall be equally divided by the parties. The arbitration proceeding and all information disclosed during the arbitration shall be maintained as confidential, except as may be required for disclosure to professional or regulatory bodies or in a related confidential arbitration. In no event shall a demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim would be barred under the applicable statute of limitations.

6. Termination

Either party may terminate this Agreement at any time upon written notice to the other party. In the event of termination, Client will be responsible for fees earned and expenses incurred through the date termination notice is received.

7. Personnel

During the term of this Agreement, and for a period of twelve (12) months following the expiration or termination thereof, neither party will actively solicit the employment of the personnel of the other party involved directly with providing services hereunder. Both parties acknowledge that the fee for hiring personnel from the other party, during this period will be a fee equal to the hired person's annual salary at the time of the violation so as to reimburse the party for the costs of hiring and training a replacement.

8. Other Matters

- a. Neither party shall be liable to the other for any delay or failure to perform any of the services or obligations set forth in this Agreement due to causes beyond its reasonable control. The provisions of this Agreement, which expressly or by implication are intended to survive its termination or expiration, will survive and continue to bind both parties. If any provision of this Agreement is declared or found to be illegal, unenforceable or void, then both parties shall be relieved of all obligations arising under such provision, but if the remainder of this Agreement shall not be affected by such declaration or finding and is capable of substantial performance, then each provision not so affected shall be enforced to the extent permitted by law.
- b. Neither this Agreement, any Engagement Letter, any claim, nor any rights or licenses granted hereunder may be assigned, delegated or subcontracted by either party without the written consent of the other party. Either party may assign and transfer this Agreement and any Engagement Letter to any successor that acquires all or substantially all of the business or assets of such party by way of merger, consolidation, other business reorganization, or the sale of interest or assets, provided that the party notifies the other party in writing of such assignment and the successor agrees in writing to be bound by the terms and conditions of this Agreement.
- c. Baker Tilly Virchow Krause, LLP is a member of Baker Tilly International Limited. Each member firm of Baker Tilly International Limited is a separate and independent legal entity. Baker Tilly International Limited and its other members are not responsible or liable for any acts or omissions of Baker Tilly Virchow Krause, LLP. Baker Tilly Virchow Krause, LLP and its subsidiaries are not responsible or liable for any acts or omissions of any other member of Baker Tilly International Limited. Baker Tilly International Limited does not render any professional services and does not have an ownership or partnership interest in Baker Tilly Virchow Krause, LLP.
- d. Baker Tilly International Limited is an English Company. Neither Baker Tilly International Limited nor any other member firm has a right to exercise management control over any other member firm. Baker Tilly Virchow Krause, LLP is not Baker Tilly International Limited's agent and does not have authority to bind Baker Tilly International Limited or act on Baker Tilly International Limited's behalf.

9. Governing Law

This agreement shall be governed by and construed in accordance with the laws of the state of Illinois, without giving effect to the provisions relating to conflict of laws.

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 2
Docket No. R-2019-3007103

A-34. Regarding the filing's Schedule H-1, Please provide supporting documentation to justify *pro forma* operating expense adjustments, such as a notice from BHWC's affiliate that the affiliate's cost for certain expenses (i.e., salaries, office rent, etc.) will be increasing by the stated amount on a specified date.

Response:

The Company's filing reflected only minor going forward increases in its historical cost. Simply put, the 3% salary increase in the *pro forma* future test period merely reflects the same 3% salary increase that the Buck Hill Falls employees will be receiving in April 2019. Thus, the Company's claim merely reflects the impact of this change over the historic test year to that of the *pro forma* future test period for the listed employee position providing necessary services.

With regard to office rent as explained on Schedule H-2, page 2, adjustment number 2 the \$9,372 current annual charge is the same amount reflected in the 2004 rate case filing, which has remained unchanged since 2000. The new rate will become effective April 2019 and represents only a 6.7% increase over a rate which has remained the same for almost 19 years. The Company submits that its request is reasonable. See also response to A-35.

A copy of the notice of the above referenced changes are included with this response as Attachment TUS A-34.

Prepared by: Dennis M. Kalbarczyk, Consultant



January 31, 2019.

Michael R O'Shea President
Buck Hill Water Company

Dear Mr. O'Shea:

Please be advised that effective April 1, 2019, there will be a general pay increase of 3% to all employees of Buck Hill Water Company. In addition, effective April 1, 2019 the 500 square feet of office space that the Buck Hill Water Company rents from the Buck Hill Falls Company will increase from \$18.75 per square foot to \$20 per square foot, or an annual charge of \$10,000 per year.

Sincerely

A handwritten signature in black ink, appearing to read 'ML', is written over the word 'Sincerely'.

Michael Linko
Controller
Buck Hill Falls Company

BUCK HILL WATER COMPANY
 Response to Bureau of Technical Utility Services
 Water/Wastewater Division
 Data Request Set 2
 Docket No. R-2019-3007103

A-35. Regarding the filing's Schedule H-1, please explain how Office Rent is determined and provide a calculation of BHWC's cost per square foot of rented space.

Response:

The Company provides the following analysis as it relates to the allocated square foot office space usage. The Company's utilization of office was assumed to be approximately 500 square feet; thus, a fee of \$20.00 per square foot based upon the \$10,000.00 April 2019 rate.

As illustrated in this response the actual utilization of office on behalf of the employees is an amount greater than that. The General Office Area totaling 1,600 square feet is shared by 6 employees and the Operational Staff Area totals 800 square feet shared by 2 operational staff employees. In sum, a total square footage of 2,400 of which the Water Company utilizes 608 square feet or approximately 25% of the office space.

<u>Admin. Staff:</u>	<u>WC</u>	<u>Other</u>	<u>Total</u>
Pres.	.10	.90	1
Sec/Tres.-Controller	.20	.80	1
Office Admin/Bookkeeper/ Billing Clerk	.20	.80	1
Receptionist		1.00	1
Public Relations		1.00	1
Administrative Assistant		<u>1.00</u>	<u>1</u>
Totals	.50	5.50	6
Ratio %	8%	92%	100%
Allocated Sq. Ft.	128	1,472	1,600
<u>Operational Staff:</u>			
Maint. Supervisor	.20	.80	1
Licensed WTP Operator	<u>1.00</u>	<u> </u>	<u>1</u>
Totals	1.20	.80	2
Ratio %	60%	40%	100%
Allocated Sq. Ft.	480	320	800
Total Allocated Sq. Ft.	608	1,792	2,400
% Alloc.	25%	75%	100%

Prepared by: Dennis M. Kalbarczyk, Consultant.

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 2
Docket No. R-2019-3007103

- A-36. Please explain how the salary allocation factors shown in the filing's Schedule I-3 were determined and provide supporting evidence justifying the following increased percentages compared with BHWC's last rate filing at Docket No. R-00049493:
- i. Sec./Tres. – Controller salary allocation increased from 3% to 20%; and
 - ii. Maintenance Supervisor salary allocation increased from 5% to 20%.

Response:

The Company respectively submits that given the passage of time it is unable to do such an analysis to determine the reason for the change in allocation factors utilized in the 2004 rate case filing to that of the instant rate filing. In brief, the current allocation factors utilized by the Company are based upon a very conservative approach to minimize controversy which have been consistently applied for at least the last four years and are based upon the typical level of commitment required to complete the necessary task associated with services required.

For example, as noted in response to A-35 the administrative office has a receptionist and administrative assistant who on occasion do provide support and services to the Company, however no time and expense is billed to the Company. The Company submits that its allocation factors for other allocated staff is also reasonable. For example, there is a total of 2,080 annual hours for a full time employee (40 hrs x 52 wks). Thus, the President's 10% allocation factor represents a total allocated charge of 4 hours per week, 17 hours per month, or a total 208 hours annually. His direct oversight of the 5 administrative staff in his office who provide a .40 equivalent employee staff for the water company accounts for 8% or 166 hours of his services, leaving 42 hours annually or 3.5 hours per month to review necessary financial statements, tax returns, water company planning and meetings with outside professionals, and its Board of Directors.

The Controller's allocated charge of 8 hours per week, 35 hours per month, or a total of 416 hours annually is also reasonable given the necessary duties related to the Water Company. Typical routine monthly duties are estimated at 24 hours or 288 hours annually to review and prepare financial statements, analyze customer accounts receivables and vendor accounts payable and disbursements, i.e., approval and classification of services and invoices, disbursements, and monthly bank reconciliation task. Direct oversight of the office administrator/bookkeeper/billing clerk is estimated at 4 hours per month or 48 hours annually. The combined total for these services account

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 2
Docket No. R-2019-3007103

for 336 hours; the time to prepare the Company's draft and final PaPUC annual report is estimated at 50 hours, with the remaining 30 hours account for support services to the outside accountants to complete their task along with required meeting with the President and Board to review financial statements and ongoing water company operating and capital project planning requirements.

The Office Administrator/Bookkeeper/Billing Clerk's allocated charge of 8 hours per week, 35 hours per month, or a total of 416 hours annually is also reasonable given the necessary duties related to the Water Company. Typical routine monthly duties are estimated at 24 hours or 288 hours annually to perform routine bookkeeping services, i.e., review invoices and record same in books of account. Office administrative services are estimated at 4 hours per month or 48 hours annually to account for administrative meetings with the Controller and President and other company representatives. The combined total for these services account for 336 hours with the remaining 80 hours associated with the necessary time to prepare the Company's water bills and record payment receipts, i.e., 20 hours per quarter or 80 hours annually.

The Company submits that the Maintenance Supervisor's allocated charge of 8 hours per week, 35 hours per month, or a total of 416 hours annually is reasonable given the necessary duties related to the Water Company. Typical routine monthly duties account for 24 hours or 288 hours annually to perform routine services. By way of example a routine week approximates 5 ½ hours and related duties would include such task as: ordering/processing purchase orders, logging water plant and well data, locating water lines in response to PaOne Call, and overseeing maintenance and repair task. Administrative task account for 4 hours per month or 48 hours annually necessary to review and prepare reports, including review of WTP operator reports. The combined total for these services account for 336 hours. The remaining hours associated with other services include but are not limited to 15 hours for curb stop turn on/off services, 35 hours to respond to emergency water distribution system and treatment plant emergencies and 30 hours for water company planning and meetings with outside professionals, and its Board of Directors to review financial information and ongoing water company operating and capital project planning requirements.

Prepared by: Dennis M. Kalbarczyk, Consultant.

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 2
Docket No. R-2019-3007103

A-37. Please explain why the filing's Schedule J does not list assets according to the Uniform System of Accounts for Class C Water Companies prescribed by the National Association of Regulatory Utility Commissioners.

Response:

To minimize controversy, the presentation of assets as contained on Schedule J in the instant filing was provided on the same basis as that provided in the Company's prior rate case proceeding. The Company respectfully submits that Schedule J groups assets into functional groups which provide a reasonable basis for analysis as to the investment related to the various functional requirements in providing services to customers.

Prepared by: Dennis M. Kalbarczyk, Consultant.

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
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Docket No. R-2019-3007103

A-38. Regarding the filing's Schedule J, please confirm if BHWC books reflect, in whole or in part, assets that are no longer used and useful (i.e., assets retired from service). If so, please update Schedule J to remove these assets.

Response:

See response to A-26.

Prepared by: Dennis M. Kalbarczyk, Consultant.

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 2
Docket No. R-2019-3007103

A-39. Regarding the filing's Schedule J, please explain how BHWC determined service lives for assets added since BHWC's last rate filing. Also, please provide specific justifications for assets whose service lives differ from the service lives used for similar assets in previous BHWC rate filings (i.e., explain why water meters installed before 2000 use 50-year service lives whereas meters installed after 2000 use 20-year service lives, etc.).

Response:

In general, to minimize controversy many of the pre-2005 assets listed on Schedule J in the instant filing maintained the same lives as that reflected in the 2004 rate case filing. However, in some cases a small amount of pre-2005 listed assets did reflect a change in lives to more appropriately reflect the expected life of the assets. Further, most assets added post 2004 in major areas such as mains utilized somewhat similar asset lives as that provided for in the 2004 rate filing. Finally, as explained below changes were made to some existing lives based upon informed judgment, to also include changes in lives for such items as water meters.

By way of explanation, Other Power Pumping equipment reflected in the 2004 rate filing used a 50 year life for pump upgrades placed into service in 2003. Simply put, upgrades to pumping equipment are not reflective of a normal 50 year life. Rather associated upgrades have much shorter lives as additional work is required on older pumps on a more frequent basis to allow for continued use. In that regard, a major project in 2003 totaling \$16,465 resulted in a change in life to 20 years, while two minor projects totaling \$682 was changed to a 10 year life. One water main project installed in 1981 at a cost of \$111,214 was changed from a 60 year to 35 year life, reflecting a zero net book value or in other words no associated revenue requirement claim or charge to customers in the instant rate case filing. This change was made due the remaining life expectancy of the asset, as new water mains are installed to replace this asset. The Company plans to remove this listed asset on its books in the near future. All other post 2004 water main additions were assigned the same 60 year life as reflected in the 2004 rate case filing.

Lastly, beginning in 2006 all new water meters installed are assigned a 20 year life. In brief, there has been a change in the technology of water meters which use radio read system and electronics which has resulted in a lesser life than that of the old types of water meters. The Company submits that its use of a 20 year life is reasonable given that some other much larger utilities' use service lives must lower than that of 20 years, in the range of 10-15 years.

Prepared by: Dennis M. Kalbarczyk, Consultant.

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 2
Docket No. R-2019-3007103

- A-40. The filing's Schedule J identifies several fire hydrants, including several hydrants added since BHWC's last rate filing. Please explain the purpose of these hydrants and indicate whether BHWC offers fire protection service. If BHWC offers fire protection service, please specify the following:
- i. The number of BHWC public hydrants (i.e., hydrants paid for, in part or entirely, by a municipal entity);
 - ii. The number of BHWC private hydrants;
 - iii. The number of BHWC other private fire protection connections (i.e., customers with automatic fire suppression systems, etc.). Also, please specify the size of each connection where the service line connects to BHWC mains;
 - iv. Whether fire protection service is provided for all BHWC customers or only to certain BHWC customers; and
 - v. Whether any fire protection service customers receive free or discounted service.

Response:

The Company does not provide fire protection services. The purpose of the fire hydrants are for general operation and maintenance reasons to maintain water quality to include the need to flush the distribution system.

Prepared by: Dennis M. Kalbarczyk, Consultant.

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 2
Docket No. R-2019-3007103

- A-41. Regarding the filing's Schedule J, please provide additional details and evidence supporting the original cost of the following assets:
- i. The 2005 and 2007 "Creek Intake Upgrades" assets;
 - ii. The 2001 and 2014 "Water Mains – Lenape" assets. Also, please specifically identify if the 2014 asset replaced any portion of the 2001 asset. If so, please quantify the original cost of the 2001 asset replaced; and
 - iii. The 1995 and 2005 "Water filtration system" assets.

Response:

- i. Information associated with the 2005 and 2007 "Creek Intake Upgrades" asset projects totaling \$50,159 is not readily available. The Company will supplement this response at a later date after researching the availability of its older filing information;
- ii. The Company respectively submits that the 2001 Lenape Lane Water Main project at a cost of \$11,275 was part of the prior rate case proceeding settlement in which the parties did not object to the listed asset values and is the same as reflected in the instant filing. See also response to i. above as it relates to availability of supporting cost information. The 2001 project is not directly related to the 2014 project. Cost information related to the 2014 Lenape Lane water main is included with this response as Attachment TUS A-41.
- iii. The Company respectively submits that the 1995 Water filtration system project totaling \$880,319 was part of the prior rate case proceeding settlement in which the parties did not object to the listed asset values and is the same as reflected in the instant filing. See also response to i. above as it relates to availability of supporting cost information for the 1995 as well as cost information related to the 2005 Water Filtration system project totaling \$2,047.

Prepared by: Dennis M. Kalbarczyk, Consultant.



Papillon & Moyer Excavating & Paving, LLC
 186 Murphy Run
 Stroudsburg, PA 18360

Phone: 570-421-5020 Fax: 570-421-4585

Invoice

Date	Invoice #
4/30/2014	14-167

Bill To
Buck Hills Falls Co. PO Box 426 Buck Hills Falls, PA 18323

Project		Terms	Due Date	
BHF; Water Line Replacement		Net 15	5/15/2014	
Date	Quantity/Hours	Description	Rate	Amount
		Work per contract - water and sewer line replacement on Lenape Lane Budget quote - proposed 500 LF at \$300.00 = \$150,000.00		
	924	LF of water and sewer installed - actual	300.00	277,200.00
		Install water and sewer laterals	12,492.00	12,492.00
	74	CY of rock removal to install new laterals	140.00	10,360.00
		Additional 120 LF of ductile iron pipe installed	6,711.60	6,711.60
		Miscellaneous materials	4,792.14	4,792.14
		Manhole	783.18	783.18
<p><i>CONTRACT ROLL-OFF REPLICATES REPAIR</i></p>				
			<i>OK SAURO</i>	
Total				\$312,338.92



Papillon & Moyer Excavating & Paving, LLC
 186 Murphy Run
 Stroudsburg, PA 18360

Phone: 570-421-5020 Fax: 570-421-4585

Invoice

Date	Invoice #
4/30/2014	14-189

Bill To
Buck Hills Falls Co. PO Box 426 Buck Hills Falls, PA 18323

Project			Terms	Due Date
BHP; Water & Sewer Line Replacement			Net 15	5/15/2014
Date	Quantity/Hours	Description	Rate	Amount
		Work per contract through 4-30-14		
		Water line installation	96,694.00	96,694.00
		Sewer line installation	113,978.00	113,978.00
		Water line laterals	3,998.00	3,998.00
		Sewer line laterals	5,496.00	5,496.00
		Rock removal for water line	3,185.00	3,185.00
		Rock removal for sewer line	4,689.00	4,689.00
		Additional ductile iron pipe for water line	5,100.82	5,100.82
		Miscellaneous materials for water line	1,588.61	1,588.61
		Miscellaneous materials for sewer line	2,053.42	2,053.42
		Manhole for sewer line	783.18	783.18
		<i>Sewer 01-1360-000</i>	<i>126,999.60</i>	
		<i>Water 02-1360-000</i>	<i>110,566.43</i>	
			<u><i>237,566.03</i></u>	
			Total	\$237,566.03



Papillon & Moyer Excavating & Paving, LLC
 186 Murphy Run
 Stroudsburg, PA 18360

Phone: 570-421-5020 Fax: 570-421-4585

Invoice

Date	Invoice #
3/31/2014	14-174

Bill To
Buck Hills Falls Co. PO Box 426 Buck Hills Falls, PA 18323

Project			Terms	Due Date
BHF; Water & Sewer Line Replacement			Net 15	4/15/2014
Date	Quantity/Hours	Description	Rate	Amount
		Work per contract through 3-31-14		
		Water line installation	30,135.00	30,135.00
		Sewer line installation	36,393.00	36,393.00
		Water line laterals	1,207.00	1,207.00
		Sewer line laterals	1,791.00	1,791.00
		Rock removal for water line	1,132.00	1,132.00
		Rock removal for sewer line	1,354.00	1,354.00
		Additional ductile iron pipe for water line	1,610.78	1,610.78
		Miscellaneous materials for water line	554.30	554.30
		Miscellaneous materials for sewer line	595.81	595.81
		<i>Sewer - 01 - 1360-00</i>	<i>40,133.81</i>	
		<i>water 02 - 1360-00</i>	<i>34,639.08</i>	
		<i>total</i>	<i>74,772.89</i>	
			Total	\$74,772.89

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 2
Docket No. R-2019-3007103

- A-42. Regarding the filing's Schedule J, please provide additional justification for the service lives assigned to the following assets and any associated service life changes from BHWC's last rate filing:
- i. The 1980 "Pump & Equipment", which changed from 50 years to 30 years;
 - ii. The 1981 "Distribution Mains", which changed from 60 years to 35 years;
 - iii. The 2003 "Pump Upgrade" assets, which changed from 50 years to 30 years. Also, please provide additional details for these assets;
 - iv. The 2000 "Mud Pump";
 - v. The 1999 "Water-Generator";
 - vi. The 2000 "Reservoir Fence";
 - vii. The 2002 "Equipment" [*sic*] assets. Also, please provide additional details for these assets;
 - viii. The 1999 and 2003 "Locator" assets. Also, please provide additional details for these assets;
 - ix. The 2003 "Plant valve";
 - x. The 2005 "Valve replacement";
 - xi. The 2006 and 2007 "Water main valve" assets;
 - xii. The 2007 and 2011 "Fire Hydrant" assets; and
 - xiii. The 2017 "Security Radio Cabinet".

Response:

See response to A-39.

Prepared by: Dennis M. Kalbarczyk, Consultant.

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 2
Docket No. R-2019-3007103

A-43. Please provide a copy of the notice BHWC sent, or intends to send, to customers regarding BHWC's question and answer session, as required by BHWC's settlement at Docket No. R-00049493.

Response:

See response to A-5.

Prepared by: Dennis M. Kalbarczyk, Consultant.

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 2
Docket No. R-2019-3007103

A-44. Please either provide a copy of the affidavit confirming notice requirements have been met consistent with 52 Pa. Code § 53.45(h) or verify that this affidavit will be provided upon BHWC's completion of notice requirements.

Response:

See responses to A-4 and A-5.

Prepared by: Dennis M. Kalbarczyk, Consultant.

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 2
Docket No. R-2019-3007103

A-45. Please provide a copy of BHWC leak detection reports generated as a result of BHWC's leak detection program for the 12 months ended September 30, 2018.

Response:

As discussed in response to A-22 water leak detection is a combination of methods including acoustic and correlating noise technology, processed water production records and visual investigations. The Company does not prepare detail reports on an ongoing basis but rather performs calendar year end calculations in a manner consistent with that described in response to A-22. The Company will supplement this response at a later date with 2018 calendar year information when completed.

Prepared by: Dennis M. Kalbarczyk, Consultant.

BUCK HILL WATER COMPANY
Response to Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 2
Docket No. R-2019-3007103

A-46. Please quantify actual rate case expenses incurred as of the date of BHWC's response to the filing's Data Request Set 2.

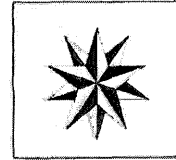
Response:

Copies of actual invoiced cost are attached to this response as Attachment A-46 Rate Case Expense.

Prepared by: Dennis M. Kalbarczyk, Consultant.

Utility Rate Resources

Utility Rate and Economic Consulting



910 Piketown Road
Harrisburg PA 17112
Phone: (717) 469-7232

INVOICE

Michael R. O'Shea, President
Buck Hill Water Company
Post Office Box 426
Buck Hill Falls PA 18323

February 12, 2019

Invoice No. 20180029

Our Reference No. 220

RE: 2019 PaPUC Rate Case Filing

TO CONSULTING SERVICES: For services provided for the months of December 2018 and January 2019 related to 2019 PaPUC General Rate Increase Filing; review of financial documents; prepare draft and final rate study to include but not limited to; three year historic calendar year (2015-2017) and twelve months ended 9/30/18 historic and 9/30/19 future test year income statement schedules; pro forma revenue and expense adjustments and supporting schedules; historic and pro forma revenue analysis; historic and future test year depreciation reports; historic and pro forma balance sheet schedules; historic and future test year rate base and rate of return schedules; proposed rate design and proof of revenue schedules; draft and final background section report; review of draft and final Customer Q&A notice to include review of PaPUC Bureau of Investigation and Enforcement and Office of Consumer Advocate comments; review of PaPUC Bureau of Technical Utility Services data request and prepare draft responses to same; and, discussions with Company officials and representatives and Counsel regarding same.

Professional Services:

	<u>Hrs/Rate</u>	<u>Amount</u>
D.M. Kalbarczyk	49.00	8,820.00
	180.00/hr	
For Professional Services Rendered	49.00	\$8,820.00
Balance Due		\$8,820.00



January 16, 2019

BUCK HILL WATER COMPANY

TO: THOMAS, NIESEN & THOMAS, LLC
212 Locust Street
Suite 302
Harrisburg, PA 17101

Invoice No. 12317

For professional services rendered to Buck Hill Water Company during December 2018 in connection with the following matter:

BHWC-0003 2019 Rate Filing

Legal advice and assistance to the Company in connection with the preparation of supporting information for a rate filing based on an historic test year ended Sept 30, 2018; correspondence and discussions with Company representatives re rate filing and preparation of supporting information (5.20 hours)

\$	1,222.00
\$	0.00
TOTAL	<u>\$ 1,222.00</u>



THOMAS, NIESEN & THOMAS, LLC

Attorneys and Counsellors at Law

February 19, 2019

BUCK HILL WATER COMPANY

TO: THOMAS, NIESEN & THOMAS, LLC
212 Locust Street
Suite 302
Harrisburg, PA 17101

Invoice No. 12353

For professional services rendered to Buck Hill Water Company during January 2019 in connection with the following matter:

BHWC-0003 2019 Rate Filing

Legal advice and assistance to the Company in connection with the preparation of Supplement No. 32 and supporting information; review of Supplement No. 32 and supporting information and filing of Supplement and supporting information with PaPUC on January 11, 2019; legal advice and assistance to the Company in connection with the submission of a Progress Report and with regard to customer notice requirements; legal advice and assistance to the Company in connection with the scheduling of a Question and Answer session with customers; T/discussions with OCA Atty Hoover and with I&E Atty Kaster; legal advice and assistance to the Company in connection with the Bureau of Technical Utility Services Set 1 Data Requests; correspondence and discussions with Company representatives (22.90 hours) \$ 5,381.50

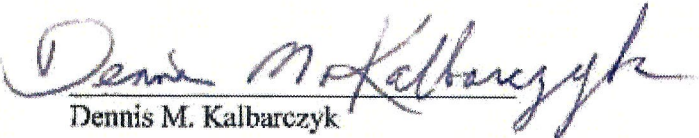
Disbursements \$ 71.22

TOTAL \$ 5,452.72

VERIFICATION

I, Dennis M. Kalbarczyk of Utility Rate Resources, Inc. hereby state, as Rate Consultant for Buck Hill Water Company, that the facts set forth in the foregoing responses to the Set 2 Data Requests of the Bureau of Technical Utility Services at PaPUC Docket No. R-2019-3007103 are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Dated: February 25, 2019


Dennis M. Kalbarczyk