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EXHIBIT W2

TESTIMONY OF JOHN PILEGGI

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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**AQUA PENNSYLVANIA WASTEWATER, INC.**

**DOCKET NO. A-2019-3015173**

**AQUA STATEMENT NO. 6**

**DIRECT TESTIMONY OF  
JOHN PILEGGI  
CHIEF FINANCIAL OFFICER  
DELCORA**

**With Regard To  
DELCORA's Rates**

**March 3, 2020**

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1    **I.    INTRODUCTION**

2    **Q.    Please state your name and business address.**

3    A.    My name is John Pileggi. My business address is 100 East Fifth Street, Chester, PA  
4           19013.

5

6    **Q.    In what capacity are you affiliated with the Delaware County Regional Water  
7           Quality Control Authority (“DELCORA”)?**

8    A.    I serve as Chief Financial Officer for DELCORA.

9

10   **Q.    Please provide a brief description of your education and work experience.**

11   A.    I graduated from Saint Joseph’s University with a Bachelor of Science degree, from  
12           Loyola College with a Master of Science, and from Drexel University with a Master of  
13           Business Administration. I have worked at DELCORA since 2000 in the Accounting  
14           Department serving as its Controller since January 2001, and most recently as Chief  
15           Financial Officer. Prior to coming to DELCORA, I served as Direct Services Manager  
16           for the Community Action Agency of Delaware County, Inc. I have also worked at  
17           Better Housing for Chester and Arthur Andersen and Company.

18

19   **Q.    Have you testified before the Pennsylvania Public Utility Commission (“PUC” or  
20           the “Commission”) before?**

21   A.    No.

22

23   **Q.    On whose behalf are you testifying in this proceeding?**

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1 A. My testimony is on behalf of DELCORA and in support of Aqua Pennsylvania  
2 Wastewater, Inc. (“Aqua”) in this proceeding.

3  
4 **Q. What is the purposes of your direct testimony?**

5 A. The purpose of my testimony is as follows: (1) to discuss how DELCORA establishes its  
6 annual rates, and (2) to support Witness Packer’s Direct Testimony Appendix A and  
7 Aqua’s proposed tariff which proposes to implement the existing 2020 DELCORA rates.

8  
9 **Q. Are you sponsoring any Exhibits with your testimony?**

10 A. No.

11  
12 **II. DELCORA’S RATE SETTING PROCESS**

13 **Q. How does DELCORA establish its annual rates?**

14 A. Pursuant to the Municipal Authorities Act, 53 Pa.C.S. § 5607(d)(9), DELCORA sets its  
15 rates each year based on two main factors – wastewater flow and costs. DELCORA’s  
16 annual budget is completed before December 1 of each year. Consequently, every  
17 August, DELCORA engages in an information-gathering process with both its internal  
18 operations team and its customers in an effort to project what water flow will be for the  
19 upcoming calendar year. In addition, DELCORA obtains expense information in order to  
20 project costs for the upcoming year. Once this information is compiled, rates are set that  
21 take into account that (a) the rates charged will cover operating expenses and (b) the rates  
22 are apportioned fairly in accordance with projected usage. Rates are only set for a

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1 particular class of customer based on the assets of DELCORA's System that the class of  
2 customer actually uses.

3 At the end of the year, DELCORA compares actual costs to budgeted costs, along  
4 with actual flow compared to budgeted flow, in order to determine if its budget is in line  
5 with actual usage and costs. Once this determination is made, DELCORA will either  
6 charge more to certain ratepayers if actual costs are exceeding budgeted costs or issue  
7 credits to certain ratepayers if budgeted costs are exceeding actual costs.  
8

9 **Q. Does DELCORA have different classes of rates?**

10 A. Yes. Each class of ratepayer is charged a rate based on the actual services and System  
11 assets utilized. In total, DELCORA has eleven different rate classes: Western Retail  
12 (Residential, Commercial, Marcus Hook, and Minimum Accounts), Western Retail  
13 Industrial, Western Wholesale, Western Wholesale Industrial, Chester Ridley Creek,  
14 Eastern Authority, Rose Valley, Pocopson Preserve, Pocopson Riverside, Edgmont, and  
15 Springhill Farms<sup>1</sup>.  
16

17 **Q. How many customers does DELCORA serve?**

18 A. DELCORA serves approximately 16,000 customers. However, this number is not  
19 necessarily representative of the full extent of DELCORA's service to customers. That is  
20 more accurately reflected by the number of Equivalent Dwelling Units ("EDUs")  
21 DELCORA serves annually.

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<sup>1</sup> DELCORA currently has an agreement for the purchase of Springhill Farms which will conclude in 2020.

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1           In its Western service area, DELCORA services approximately 15,000  
2           retail/residential EDUs, comprised of Chester City, Chester Township, Parkside, Upland,  
3           Trainer, Marcus Hook, Pocopson, Pocopson (Chadds Ford Preserve), Ridley Mills, and  
4           Springhill Farms. In addition, DELCORA serves approximately 33,000 wholesale EDUs  
5           in its Western service area, comprised of Brookhaven Borough, Eddystone Borough,  
6           Lower Chichester Township, Middletown Township Sewer Authority, Nether Providence  
7           Township, Rose Valley, the Southern Delaware County Authority, and the Southwest  
8           Delaware County Municipal Authority.

9           In its Eastern service area, DELCORA services approximately 119,000 EDUs,  
10          which is made up of the Central Delaware County Authority, the Muckinipates Authority,  
11          the Darby Creek Joint Authority, and the Radnor-Haverford-Marple Authority.

12          DELCORA provides collection and conveyance service to approximately 167,000  
13          residential EDUs on an annual basis. However, even this number does not present the  
14          complete picture as to DELCORA's service because it does not accurately reflect the  
15          wastewater flow of our industrial customers. While these industrial customers are each  
16          counted as one DELCORA customer, they collectively account for the equivalent of an  
17          additional 30,000 EDUs annually. As a result, the total number of EDUs served by  
18          DELCORA on an annual basis is approximately 197,000.

19  
20   **Q.    What does this equate to in terms of volume?**

21   A.    Based on the industry standard of 262.5 gallons per EDU, DELCORA sees a daily flow  
22          of approximately 52,000,000 gallons.

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1    **Q.     Can this volume be broken down by class?**

2    A.     As part of our budgeting process, we project yearly flow by class. In our 2020 budget,  
3           these approximated projections were as follows:

- 4           •   Retail: 1,157,279,000 gallons;
- 5           •   Retail Industrial: 61,813,000 gallons;
- 6           •   Wholesale: 642,702,000 gallons;
- 7           •   Western Wholesale: 1,204,150,000 gallons;
- 8           •   Wholesale Industrial: 2,881,050,000 gallons;
- 9           •   Chester Ridley Creek: 1,569,500,000 gallons;
- 10          •   Eastern Authority: 13,048,750,000 gallons;
- 11          •   Rose Valley: 36,500,000 gallons;
- 12          •   Pocopson: 21,653,625 gallons;
- 13          •   Edgmont: 45,625,000 gallons; and
- 14          •   Springhill Farms: 35,547,125 gallons.

15           In total, DELCORA's projected flow for 2020 is approximately 20,704,569,750 gallons.

16  
17   **Q.     Have you reviewed Witness Packer's Appendix A to his direct testimony?**

18   A.     Yes.

19

20   **Q.     Are the present revenues for DELCORA calculated using the existing 2020 rates**  
21           **you described earlier in your testimony?**

22   A.     Yes. Based on my review of Appendix A, the present revenues of DELCORA are  
23           calculated to be \$70,978,127 million.



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1

2   **III.   CONCLUSION**

3   **Q.    Does this conclude your testimony?**

4   A.    Yes, it does.  However, I reserve the right to file additional testimony at a later date as  
5        may be necessary or appropriate.