

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Administrative Law Judges
Darlene D. Heep and Christopher P. Pell**

PENNSYLVANIA PUBLIC UTILITY COMMISSION :	Docket No. R-2014-2420204
OFFICE OF CONSUMER ADVOCATE :	Docket No. C-2014-2431197
MR. AND MRS. ATTILIO GIANNOTTI :	Docket No. C-2014-2434257
	:
v.	:
	:
POCONO WATERWORKS COMPANY, INC. :	
WATER DIVISION :	

**EXHIBIT NO. 1W TO
DIRECT TESTIMONY
OF DENNIS M. KALBARCZYK**

DATE SERVED: August 25, 2014
DATE ADMITTED: October ____, 2014

Pocono Waterworks Company, Inc.
Water Division

**Before the
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**POCONO WATERWORKS COMPANY, INC.
WATER DIVISION
WASTEWATER DIVISION**

**SUPPLEMENT NO. 1 to TARIFF WATER - PA P.U.C. NO. 2
SUPPLEMENT NO. 1 to TARIFF SEWER- PA P.U.C. NO. 1**

**ISSUED: May 30, 2014
EFFECTIVE: August 4, 2014**

with

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

**By
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**UTILITY RATE RESOURCES
910 PIKETOWN ROAD
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**CROSS REFERENCE TO INFORMATION SUBMITTED
PURSUANT TO PA PUBLIC UTILITY CODE REGULATIONS**

52 Pa. Code Section 53.52(a) effecting changes in terms and conditions of service:

(1) THE SPECIFIC REASONS FOR EACH CHANGE.

The proposed tariff change makes changes to the tariff rates for monthly service, which will increase the cost for service to all water and wastewater customers. Quarterly rates with minimum allowances are being eliminated, and will be incorporated into the monthly service rate charges. See Section A of the filing for more detailed reasons.

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

Refer to Section G, Schedule G-2.

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

Refer to Section G, Schedule G-1, and Section K, Schedule K-1.

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

Refer to Section G, Schedules G-1 and G-3, and Section K, Schedule K-1.

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

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

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

None.

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

Not applicable; the Company incorporates by reference its rate study submitted with filing.

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

Not applicable; the Company incorporates by reference its rate study submitted with filing.

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

None.

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

None.

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

None.

52 Pa. Code Section 53.52(b)

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

The proposed tariff change makes changes to the tariff rates, which will increase the cost for service to all customers. See also Section A of the filing for more detailed reasons.

(2) THE OPERATING INCOME STATEMENT OF THE UTILITY FOR A 12-MONTH PERIOD, THE END OF WHICH MAY NOT BE MORE THAN 120 DAYS PRIOR TO THE FILING WITH ANNUAL REVENUES IN EXCESS OF \$100,000 AND 180 DAYS WITH ANNUAL REVENUES UNDER \$100,000.

Refer to Section H, Schedules H-1. Pocono Waterworks Company, Inc., filed for a waiver of the 120 day rule for its Water Division and falls within the 180 rule for its Wastewater Division.

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

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

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

Refer to Section G, Schedule G-1, and Section K, Schedule K-1.

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

No PUC regulated customer tariff rates will decrease, as illustrated in Schedule G-1.

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

No PUC regulated customer tariff rates will decrease, as illustrated in Schedule G-3.

52 Pa. Code Section 53.52(c)

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

Refer to Section F, Schedule F-1.

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

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

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

Refer to Section J.

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

Refer to Section J.

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

Refer to Section H, Schedule H-1.

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

None.

POCONO WATERWORKS COMPANY, INC.
WATER DIVISION
WASTEWATER DIVISION

Supporting Data Required by
The Pennsylvania Public Utility Commission

<u>Line</u>	<u>Description</u>	<u>Section</u>
1.	General Information	A
2.	Notice of Proposed Rate Changes	B
3.	Press Release	C
4.	Supplement No. 1 to Tariff Water - PA P.U.C. No. 2	D
	Supplement No. 1 to Tariff Sewer – PA P.U.C. No. 1	
5.	Balance Sheet	E
6.	Pro Forma Rate Base & Rate of Return	F
7.	Statement of Revenue & Tariff Increase	G
8.	Operating Statement & Adjustments	H
9.	Supporting Adjustment Schedules	I
10.	Depreciation Report	J
11.	Rate Design and Proof of Revenue	K

POCONO WATERWORKS COMPANY, INC.

SECTION A

GENERAL INFORMATION

I. RATE STUDY

In response to Pocono Waterworks Company, Inc.'s ("Company") request, we have prepared the following water and wastewater rate study in support of rates to be charged to customers within its Water and Wastewater Divisions. As the Public Utility Commission ("PaPUC" or "Commission") is aware, Title 52 of the Pennsylvania Code requires the Commission to regulate service provided by the Company.

A. Introduction

A rate study includes a revenue requirement study to determine the total pro forma level of revenue requirement in accordance with generally accepted ratemaking policy and procedures needed to cover the Company's cost of providing service. Further, the rate study includes a cost of service allocation study, which allocates the total cost of service, or revenue requirement, among the classes of customers in accordance with generally accepted procedures to determine the relative cost responsibilities of each class of customer. The cost of service study also provides support for an appropriate rate design to provide for the recovery of the total revenue requirement based upon some reasonable relationship to the relative cost of service for each customer class.

B. Background on Revenue Requirement Study

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

1. "Cash-Needs" Approach

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

Rev. Req. = O&M + Non-Debt Capital Projects + (Debt Service x 1.25 coverage ratio)

2. “Utility” Approach

The utility approach is mandated for investor-owned utilities regulated by state agencies. Generally, the revenue requirement includes operating & maintenance expenses the same as under the cash-needs approach. Where the utility approach differs is in how capital expenditures and debt service plus coverage ratio are provided for. Briefly, there are two components, depreciation expense and a return on rate base identified as net operating income or profit, which provide for capital expenditures, and debt service and coverage requirements.

Depreciation expense is the annual loss in value of a utility plant facility over its economic useful life. The return on rate base or profit can be somewhat complicated. In general, the amount of return is determined by multiplying the overall rate of return component, usually expressed as a percentage, times a utility’s net rate base value.

The overall rate of return component consists of a return for the weighted cost of debt and equity capital used to finance physical facilities to provide utility service. For example, a utility with 55% debt to total capital with a 4% weighted cost of debt would produce a weighted average cost of debt of 2.2% (55% x 4%). Further, assume the remaining 45% equity to total capital would have a market value return of 10% similar to other utilities; the weighted average return on equity would be 4.5% (45% x 10%). Thus, the overall rate of return component would be 6.7% (2.2% Debt + 4.5% Equity) to be multiplied times the net rate base value to determine the return or profit.

Rate base consists of the net book value of the facilities used to provide service (book cost less accumulated depreciation) plus materials and supplies inventory, along with an allowance for cash working capital (“CWC”). For small water and sewer companies and municipalities, the PaPUC has accepted what is referred to as the 45 day rule for determining a CWC allowance. This methodology simply recognizes 1/8th (45 days / 360 days) of the total operating & maintenance expenses as the CWC allowance.

The total revenue requirement under the utility approach could be expressed as the following formula:

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

C. Results of Water/Wastewater Rate Study

In the instant rate study, we utilized the “utility” approach for the development of the Company’s revenue requirement. Included in the development of the revenue requirement was a review of the books and operations of the Company for the 12 months ended December 31, 2013, of which pro forma adjustments were made to reflect operations for a pro forma future test year for the 12 months ended December 31, 2014. The study included a review of current and pro forma utility plant assets, financing arrangements, customer levels, operating revenues, operation & maintenance expenses, depreciation expense, and levels of net operating income.

The following table, which summarizes the results of the pro forma revenue requirement study for the Company’s Water and Wastewater Divisions, supports proposed increases over pro forma current operating revenues under existing rates of 52% and 49%, respectively. (See Schedule H-1). The study shows that on a pro forma basis under current rates there will be net operating losses for both the Water and Wastewater Divisions that, when divided by the respective pro forma rate base values, will produce negative rates of return of 17.86% and 21.79%, respectively. (See Schedule F-1). Finally, if the respective revenue increases of \$60,456 and \$14,466 for the Water and Wastewater Divisions are approved as proposed, net income will increase accordingly; thus, producing a positive overall rate of return of 8.92% (adjusted net income divided by the pro forma rate base values for each Division). (See Schedule F-5).

Pocono Waterworks Company, Inc.				
Summary Revenue Requirement Study Results				
	Water Division		Wastewater Division	
	<u>\$/Amount</u>	<u>% Increase</u>	<u>\$/Amount</u>	<u>% Increase</u>
Current Revenues	\$117,162		\$29,629	
Revenue Increase	60,456	52%	14,466	49%
Proposed Revenues	\$177,618		\$44,095	
		RofR*		RofR*
Current Net Income/(Loss)	(\$40,316)	-17.86%	(\$10,264)	-21.79%
Proposed Increase	60,456		14,466	
Proposed Net Income	\$20,140	8.92%	\$ 4,202	8.92%
Rate Base Values	\$225,788		\$47,109	
* RofR = Net Income / Rate Base				

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

1. Section A, I contains a brief description of the rate study; Section A, II contains a statement of the reasons for the rate increase; and, Section A, III contains background and system operating information on the Company.
2. Notice of Proposed Rate Changes in Section B of the rate study contains a copy of the PaPUC mandated notice sent to customers served by the Company. This notice explains the total amount of the respective Water and Wastewater Division's \$60,456 (or 52%) and \$14,446 (or 49%) increases over existing rates to customers. Additionally, the notice provides a brief overview of the impact of the proposed rates

on the typical (average) customer, by customer class.¹ Finally, the notice explains the rights of the customer as it relates to the instant rate case filing before the PaPUC.

3. The Press Release in Section C of the rate study is an actual copy sent to local media organizations briefly explaining the Company's request to increase rates as filed with the PaPUC. The requirement to notify the media regarding rate increases is required under PaPUC regulations. The Press Release also explains the major reason for the Company's requested increase, which is due to increased costs over time and the fact that the Company's Water and Wastewater Divisions have not changed rates since February 1, 2008 and August 27, 2006, respectively. Simply put, the increase is necessary to offset operating losses so as to bring its overall rate of return within a range that will improve the financial viability of the Company.
4. Section D contains the PaPUC proposed Water and Wastewater Division tariffed rates that need to be implemented to produce the revenue levels and increases explained in Section B.
5. The Balance Sheet contained in Section E of the rate study is part of the revenue requirement study. This Section sets forth the current and pro forma assets, liabilities, and equity in the Company. The associated plant-in-service values net of accumulated depreciation are factors in the development of the net rate base values and overall rate of return more fully detailed in Section F, Rate of Return, Pro Forma Plant Values.
6. Section F, Pro Forma Rate Base and Rate of Return, as explained earlier, is a major component in the revenue requirement study. Briefly, Section F, Schedule F-1, as summarized in the table above, shows the corresponding net losses on a pro forma basis under current rates that, when divided by pro forma rate base values, will produce negative rates of return. Under the proposed rate increases, the Company would experience a resultant positive net income that, when divided by the same pro forma rate base values, will produce an overall rate of return of 8.92% for each Division. Schedule F-2 provides the calculation for Inventory and Cash Working Capital Claims, while Schedules F-3 and F-4 provide the supporting calculation for

¹ The Wastewater Division provides service only to residential customers.

the rate of return claim.

7. Section G, Statement of Revenues & Tariff Increases, sets forth the current and pro forma number of customers and revenues under existing and proposed rates, as well as the proposed increase by customer class. This Section incorporates the Company's proposal to increase rates and supports the total proposed revenues as summarized in the table above.

By way of background, current water rates within the Section A and B Pine Grove Estates service areas,² differ considerably from that of other Water Division customers; they are billed on a quarterly basis, and the customer charge provides for a 14,000 gallon quarterly minimum allowance, with a very low usage rate for volumes in excess of the minimum allowance. Other Water Division customers are billed monthly with no minimum allowance and all usage is billed accordingly at approved usage rates. Further, water usage rates vary considerably among the customer classes.

Service provided by the Company's Wastewater Division is limited to customers in Section B of the Pine Grove Estates service area; they are billed quarterly a customer charge with a 14,000 gallon quarterly minimum allowance and a low usage rate for volumes in excess of the minimum.

In an effort to be more compliant with general Commission rate setting policies, the Company proposes to eliminate the quarterly minimum allowance within the Pine Grove Estates service area and to bill these customers on a monthly basis similar to other Company customers. Further, the Company's rate design also attempts to gradually move its customers to the Commission's well accepted uniform Single Tariff Pricing ("STP") approach. As noted earlier, the Pine Grove Estates service area water rates are considerably lower than that of the Company's other customers. Under the proposed rate design, overall rates will increase for these residential customers by more than 80%, while remaining residential customer rates will only increase by 38%; on a combined basis pro forma proposed residential revenues will

² A description of the Pine Grove Estates service area is set forth in Section III (Background Information) of this rate filing.

increase by 52%, the same amount as the overall Water Division increase.

Continuing, the proposed monthly customer charge billed to the non Pine Grove Estates service area customers for the smaller meter sizes will increase slightly, while larger meter size rates will remain unchanged. The usage rate will be the same for both residential and commercial customers. Commercial customer revenues will also increase by 52%, the same amount as the overall Water Division requested increase.

Finally, wastewater rates for the Pine Grove Estates service area have also been adjusted to switch from quarterly to monthly billings and to eliminate the quarterly minimum allowance provision; thus, rates provide for a monthly customer charge with no allowance and all usage will be billed at the proposed usage rates. The overall increase in revenues requested by the Wastewater Division is 49% over current rates. See Schedules G-1, G-3, and Schedule K-1.

Schedule G-2 provides the historical number of customer gains/(losses) for the calendar years ended December 31, 2012 and 2013. The Company shows some losses in customers within the referenced periods but has projected some minimal gains of five (5) customers within the December 31, 2014 test period; however, the customer totals still remain slightly below that of 2012.

Schedule G-3 provides a summary of the current and proposed rates, which reflects the results of the proposed rate design described above and demonstrates that the Water and Wastewater Divisions proposed increase is consistent with that supported by the revenue requirement study in Section H. Finally, Schedule G-3 provides a typical bill analysis under current and proposed rates.

8. Section H, Schedule H-1, reflects the current pro forma revenues less operating expenses and depreciation expenses, which will produce a pro forma net loss under current rates as summarized on the table above. Schedule H-1 also shows that the proposed increases in revenues will produce an overall operating revenue sufficient to cover pro forma adjusted operating expenses, depreciation, and income taxes as well as positive net income levels for each Division that, when divided by the pro forma rate base values, produces an overall rate of return of 8.92%, as supported by Schedule F-1.

More specifically, Schedule H-1, of the revenue requirement study sets forth the Water and Wastewater Divisions' income statement on a per books basis, *i.e.*, the revenues, operating deductions, depreciation expense, and net income for the calendar years December 31, 2012 and 2013. Schedule H-1 also provides a summary of the pro forma adjustments to the December 31, 2013 per book elements so as to reflect pro forma adjusted values under existing and proposed rates for the pro forma December 31, 2014 period. All pro forma adjustments are fully detailed and set forth in Section I, Schedules I-1 through I-6. See footnote on Schedule H-1, noting Referenced # pro forma adjustment which can be traced to the corresponding supporting Schedule I.

9. Section I provides the supporting information related to the pro forma adjustments reflected on Schedule H-1. The pro forma adjustments on Schedules I-1 through I-6 are listed as Referenced numbered items and the corresponding items are carried forward to Schedule H-1 with the respective line item that is to be adjusted. In brief, Schedule I-1 relates to current tariffed rate operating revenues and develops the pro forma annualized revenues as of December 31, 2013, which is compared to that of per book revenues. Schedule I-2 builds on those values to also reflect consideration of customer gains or losses up through December 31, 2014; and, the corresponding adjustments "Ref. 1 and 2" are so reflected on Schedule H-1.

Schedule I-3 provides analysis and support for adjustments pertaining to: wages and benefits; outside services for routine weekly bookkeeper/billing services; accounting services; non-rate case general regulatory requirements; office rent; education and training; and, a normalized rate case expense claim for the instant filing. The rate case expense claim reflects the cost for preparing the as filed rate study, cost associated with PaPUC review period, and necessary services through the litigation period, *i.e.*, prepared testimony, hearings, legal briefs, review of ALJ recommended decision, filing of exceptions, review of Commission final order, and preparation of compliance filing. The estimated costs provide for the service of a rate consultant, regulatory legal counsel, and miscellaneous expenses. The Company reserves the right to amend its rate case claim, as necessary, based upon the level of services required to support its filing throughout the regulatory rate increase process. Since

these costs are general in nature to both the Water and Wastewater Divisions, the costs have been allocated to each Division based upon the ratio of the number of customers within the respective Division to the total number of customers.

Schedule I-4 develops a normalized claim for various expense items for each respective Division based upon a two year average of their corresponding December 31, 2012 and 2013 actual costs. The calculated value is the pro forma claim and, when compared to the December 31, 2013 per book value, the resultant difference is the corresponding pro forma adjustment to which the associated Referenced item number is carried forward to Schedule H-1. Due to the Company's small size, costs may vary from year to year and a two year average approach provides a more reasonable method of developing a normalized claim for the purposes of determining a going forward claim. The costs included within this Schedule cover such items as: purchased power, sludge removal, etc.

Schedule I-5, similarly, uses a two year average approach; however, the costs within this area of review may be more closely related to a total Company experience. Thus, the two year actual costs for each Division was used to develop an average value for the respective cost items; and, that amount was then allocated to each Division based upon the ratio of the number of customers within the respective Division to the total number of customers to determine the pro forma claim. Those pro forma claim values were then compared to the actual book values with the difference being the pro forma adjustments carried forward to Schedule H-1. These types of expenses relate to insurance and office expenses, as well as travel expenses.

Schedule I-6 covers specific identifiable expenses for each Division. This would include specific depreciation expenses based upon study results developed in Section J for each Division. Also, other taxes, such as PURTA taxes pertaining only to the Water Division and real estate taxes for the Wastewater Division, would be reflected on this Schedule. The results of going forward values to that reflected on the books as of December 31, 2013 would be adjusted accordingly and so reflected as a pro forma adjustment on Schedule H-1.

10. Section J of the rate study contains the Company's depreciation study. The study includes an analysis of the plant assets as of December 31, 2013 and pro forma December 31, 2014. By way of background, all of the facilities listed in the Company's prior rate case filing or application that are still in-service, are valued at the same original cost and depreciation lives as reflected in the prior proceedings. Finally, the study includes all pro forma additions, retirements, and net rate base values, if any, based upon a pro forma future test year ended December 31, 2014.

11. Section K, Schedule K-1, of the filing contains the Company's rate design under proposed rates, and provides a detailed proof of revenue schedule under proposed rates. See discussion related to Section G, above, which describes in detail the assumptions used to develop the proposed Water and Wastewater Division rates. The proposed rates were then applied to the same pro forma number of customers and volumes that were developed on Schedule I-2. By way of explanation, the proposed rate design has been rounded up or down for simplicity purposes and will produce the increased revenues as compared to that supported by the rate study.

II. STATEMENT OF REASONS FOR INCREASE

The reasons for the general rate increase proposed by Pocono Waterworks Company, Inc.'s Water and Wastewater Divisions are as follows:

To restore the Company's rate of return and net operating income to a more reasonable level to recover a return on and a return of the Company's increased costs of operating since its prior rates went into effect. The Company's water and wastewater rates have not changed since February 1, 2008 and August 27, 2006, respectively. Additionally, the Company's Water and Wastewater Divisions have incurred and/or will realize increased operating expenses due to increased water and wastewater regulations as well as other increased operating costs that have increased over time due to normal operating conditions and/or other regulatory demands to meet customer service requirements.

Simply put, the increase is necessary to offset operating losses so as to bring its overall rate of return within a range that will improve the financial viability of Company. Under pro forma adjusted existing rates, the Company would realize net operating losses of \$40,316 and \$10,264, respectively, for its Water and Wastewater Divisions; when divided by the respective pro forma rate base values these losses will produce **negative** rates of return of 17.86% and 21.79%, respectively. Finally, if the respective revenue increases of \$60,456 and \$14,466 for the Water and Wastewater Divisions are approved as proposed, net income will increase accordingly and produce a **positive** overall rate of return for each Division.

III. BACKGROUND INFORMATION

A. Corporate History

Pocono Waterworks Company, Inc. is a Pennsylvania corporation, incorporated in the year 2000. The Company has received certificates of public convenience from the PaPUC to furnish water services to the public in portions of Jefferson Township, Lackawanna County and in Lake Damascus and Salem Townships, Wayne County, referred to collectively as the “Water Division.”

The Company also received a certificate of public convenience from the PaPUC to furnish wastewater services to the public in portions of Lake Damascus Township, Wayne County, referred to as the “Wastewater Division.”

B. Water Division Current Operations

1. Background

The Water Division consists of a number of small satellite systems, which are described as follows:

Hamlin:	Well # 1 - 6” casing drilled to a depth of 125 feet. Well # 2 - 6” casing drilled to a depth of 315 feet. Two (2) 5 Hp Booster Pumps; 35,000 gallon storage tank with two (2) 20 Hp high velocity pumps. The system is chlorinated.
Log Road:	Well # 1 - 6” casing and drilled to a depth of 185 feet. 400 gallons of storage and water is chlorinated. This facility is supplied with a backup generator.
Mountain Crest:	Well# 1 - 6” casing drilled to a depth of 363 feet. 1,000 gallon storage tank and water is chlorinated.
Ryan Hill:	Well # 1 - 6” casing drilled to a depth of 330 feet. 470 gallon storage tank and water is chlorinated. This facility is supplied with a backup generator.
Island Acres:	Well # 1 - 6” casing drilled to a depth of 465 feet. 150 gallon storage tank.

Cathy Valley: Well # 1 - 6” casing drilled to a depth of 230 feet.
One (1) hydropneumatic storage tank.

Pine Grove Estates: Well #1 - 132 feet deep, 5,000 gallon storage tank and water is chlorinated.
Well #2 - 280 feet deep, 2,000 gallon storage tank and water is chlorinated.
Well #4 - 180 feet deep, 2,000 gallon storage tank and water is chlorinated.
Well #5 (250 feet deep) and Well #6 (185 feet deep) alternate, water is chlorinated and there is a 2,000 gallons storage tank.

Pine Grove Estates has two Sections: Section A of the service area receives only water service, while Section B receives both water and wastewater service.

2. Distribution System

The following table provides a summary of the Water Division’s Distribution System water mains by size and linear feet within the respective satellite systems. The distribution system is hydraulically pressurized with no storage facility for fire protection purposes.

Pocono Water Division: LF of Main by Size and Satellite System						
	8”	6	3”	2”	1 ½”	Total
Hamlin	6,100	3,200		500		9,800
Log Road				1,650		1,650
Mountain Crest				900		900
Ryan Hill				2,600	1,350	3,950
Island Acres					480	480
Cathy Valley					560	560
Pine Grove, Sec A			6,800			6,800
Pine Grove, Sec B			9,400			9,400
Totals	6,100	3,200	16,200	5,650	2,390	33,540

C. Wastewater Division Current Operations

1. Background

As noted above, the Pine Grove Estates service area has two Sections, Section A, receives only water service while Section B receives both water and wastewater service. The following describes wastewater service provided to Pine Grove Section B.

The Pine Grove sewage treatment plant (“STP”) is activated sludge conventional treatment allocated at 0.050 MG per day but rated at <0.020 MGD. The wastewater treatment plant is a single train, metal in-ground system. The wastewater treatment plant utilizes the extended aeration process for treatment of sewage. All treatment process tanks are integral to the single metal treatment plant unit. The integral ratings of the various parts of the STP are as follows:

1. Bypass bar screen	0.05 MGD
2. Aeration Tank	0.05 MGD
3. Clarifier	0.05 MGD
4. Chlorine contact tank	0.05 MGD
5. Sludge holding tank	4,000 gallons
6. Dechlorination tank	0.05 MGD

Effluent quality has been generally within Pa Department of Environmental Protection (“DEP”) discharge requirements as set forth in the Company’s NPDES permit, except that, on occasion, the daily flows exceed the limits during periods of heavy rain and the resulting infiltration. The plant has seen some modest upgrades and improvements over the years but now may need to be increased in size and capacity to meet DEP future requirements.

2. Collection System

The wastewater collection system is entirely gravity fed, is constructed of PVC pipe throughout, and serves the service territory in Damascus Township, Wayne County. The current collection and conveyance system has slightly over 10,200 linear feet of 8” main and 37 manholes.

POCONO WATERWORKS COMPANY, INC.

SECTION B

NOTICE OF PROPOSED RATE CHANGES

NOTICE OF PROPOSED RATE CHANGES

To Our Customers:

Pocono Waterworks Company, Inc. (Water Division) (Company) is filing a request with the Pennsylvania Public Utility Commission (PUC) to increase your water service rates as of August 4, 2014. This notice describes the Company's rate request, the PUC's role, and what actions you can take.

The Company has requested an overall rate increase of \$60,456 per year. If the Company's entire request is approved, the total bill for a residential customer not living in Pine Grove Estates and using 3,639 gallons of water in a month would increase from \$35.39 per month to \$48.87 per month, or by 38%. Billing for residential customers living in Pine Grove Estates will change from quarterly to monthly; the total bill for a customer using 8,125 gallons of water in a quarter would increase from \$35.50 to \$67.34 per quarter (for comparative purposes the sum of three monthly bills), or by 90%.

The total bill for a commercial customer with a 1/2" or 3/4" meter using 3,453 gallons of water in a month would increase from \$54.46 per month to \$80.50 per month, or by 48%. The total bill for a commercial customer with a 1" meter using 24,708 gallons of water in a month would increase from \$142.03 per month to \$242.44 per month, or by 71%.

To find out your customer class or how the requested increase may affect your water service bill, contact the Company at 570-689-4017.

The rates requested by the Company may be found in Tariff Water - PA P.U.C. No. 2. You may examine the material filed with the PUC, which explains the requested increase and the reasons for it. A copy of this material is kept at the Company's office.

The state agency that approves rates for public utilities is the PUC. The PUC will examine the requested rate increase and can prevent existing rates from changing until it investigates and/or holds hearings on the request. The Company must prove that the requested rates are reasonable. After examining the evidence, the PUC may grant all, some, or none of the request or may reduce existing rates. The PUC may change the amount of the rate increase or decrease the amount requested by the Company for each customer class. As a result, the rate charged to you may be different than the rate requested by the Company and shown above.

There are three ways to challenge a utility's request to change its rates:

1. You can file a formal complaint. If you want a hearing before a PUC judge, you must file a formal complaint. By filing a formal complaint, you assure yourself the opportunity to take part in hearings about the rate increase request. All complaints should be filed with the PUC before August 4, 2014. If no formal complaints are filed, the PUC may grant all, some or none of the request without holding a hearing before a judge.
2. You can send the PUC a letter telling why you object to the requested rate increase. Sometimes there is information in these letters that makes the PUC aware of problems with the utility's service or management. This information can be helpful when the PUC investigates the rate request.

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

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

POCONO WATERWORKS COMPANY, INC. (WATER DIVISION)

NOTICE OF PROPOSED RATE CHANGES

To Our Customers:

Pocono Waterworks Company, Inc. (Wastewater Division) (Company) is filing a request with the Pennsylvania Public Utility Commission (PUC) to increase your wastewater service rates as of August 4, 2014. This notice describes the Company's rate request, the PUC's role, and what actions you can take.

The Company has requested an overall rate increase of \$14,466 per year. If the Company's entire request is approved, billing will change from quarterly to monthly; the total bill for a residential wastewater customer with 9,189 gallons of metered water usage in a quarter would increase from \$78.00 to \$119.82 (for comparative purposes the sum of three monthly bills), or by 54%. To find out how the requested increase may affect your service bill, contact the Company at 570-689-4017.

The rates requested by the Company may be found in Tariff Sewer - PA P.U.C. No. 1. You may examine the material filed with the PUC, which explains the requested increase and the reasons for it. A copy of this material is kept at the Company's office.

The state agency that approves rates for public utilities is the PUC. The PUC will examine the requested rate increase and can prevent existing rates from changing until it investigates and/or holds hearings on the request. The Company must prove that the requested rates are reasonable. After examining the evidence, the PUC may grant all, some, or none of the request or may reduce existing rates. The PUC may change the amount of the rate increase or decrease the amount requested by the Company for each customer class. As a result, the rate charged to you may be different than the rate requested by the Company and shown above.

There are three ways to challenge a utility's request to change its rates:

1. You can file a formal complaint. If you want a hearing before a PUC judge, you must file a formal complaint. By filing a formal complaint, you assure yourself the opportunity to take part in hearings about the rate increase request. All complaints should be filed with the PUC before August 4, 2014. If no formal complaints are filed, the PUC may grant all, some or none of the request without holding a hearing before a judge.
2. You can send the PUC a letter telling why you object to the requested rate increase. Sometimes there is information in these letters that makes the PUC aware of problems with the utility's service or management. This information can be helpful when the PUC investigates the rate request.

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

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

POCONO WATERWORKS COMPANY, INC. (WASTEWATER DIVISION)

POCONO WATERWORKS COMPANY, INC.

SECTION C

PRESS RELEASE

PRESS RELEASE

Pocono Waterworks Company, Inc. (Company) filed a request on May 30, 2014 with the Pennsylvania Public Utility Commission (PUC) to increase rates for all customers served by its Water and Wastewater Divisions, effective August 4, 2014. The PUC will be investigating the rate filing and the proposed rates prior to the effective date. The rates charged by the Company's Water Division were last increased on February 1, 2008. Rates for the Wastewater Division were last increased on August 27, 2006.

The Company has requested an overall increase of \$60,456 in annual water rates, or 52% over existing rates. If the Company's entire request is approved, the total bill for a residential customer not living in the Company's Pine Grove Estates service area and using 3,639 gallons of water in a month would increase from \$35.39 per month to \$48.87 per month, or by 38%. The total bill for a residential customer living in the Pine Grove Estates service area and using 8,125 gallons of water in a quarter would increase from \$35.50 to \$67.34 per quarter, or by 90%. The total bill for a commercial customer with a ½" or ¾" meter and using 3,453 gallons of water in a month would increase from \$54.46 per month to \$80.50 per month, or by 48%. The total bill for a commercial customer with a 1" meter and using 24,708 gallons of water in a month would increase from \$142.03 per month to \$242.44 per month, or by 71%.

The Company has requested an overall increase of \$14,466 in annual wastewater rates, or 49% over existing rates. If the Company's entire request is approved, the total bill for a residential wastewater customer with 9,189 gallons of metered water usage in a quarter would increase from \$78.00 to \$119.82.

The Company's request for increase water and wastewater rates is necessary in order to cover increases in the costs of operating the water and wastewater facilities and to allow the Company to maintain and improve service reliability. The increase also will allow the Company to more efficiently comply with new and more stringent state and federal environmental requirements.

Customers can contact the Company at 570-689-4017 to get further information on the proposed increase request or to find out what actions they may take.

POCONO WATERWORKS COMPANY, INC.

SECTION D

SUPPLEMENT NO. 1 TARIFF WATER - PA P.U.C. NO. 2

SUPPLEMENT NO. 1 TARIFF SEWER - PA P.U.C. NO. 1

POCONO WATERWORKS COMPANY, INC.
HAMLIN AND PINE GROVE ESTATES WATER DIVISIONS

**Rates, Rules and Regulations
Governing the Distribution of Water in**

**Town of Hamlin, Salem Township, Wayne County
Other Portions of Salem Township, Wayne County
Portions of Lake Township, Wayne County
Portions of Jefferson Township, Lackawanna County
Town of Beach Lake, Damascus Township, Wayne County
Pennsylvania**

By: Joseph Bonamico, President
P.O. Box 189
Hamlin, PA 18427-0189

Phone: (570) 689-4017
Fax: (570) 689-4700

**THIS TARIFF SUPPLEMENT PROPOSES INCREASES IN ALL
CUSTOMER RATES**

Pocono Waterworks Company, Inc.

List of Additions and Changes made by this Tariff Supplement

1. Increases the Company's overall annual revenues by \$60,456, or by 52%.
2. For residential customers not living in the Company's Pine Grove Estates service area, increases metered rates by 38%.
3. Increases metered rates for non-residential customers by 52%.
4. Eliminates a separate rate class for public use customers.
5. Increases unmetered service rates for residential customers from \$19.00 to \$35.00 per month
6. Eliminates a separate rate class for unmetered commercial customers.
7. For residential customers living in the Company's Pine Grove Estates service area:
(a) changes billing from quarterly to monthly to coincide with other customer billings;
(b) eliminates the quarterly 14,000 gallon minimum water allowance; and (c) increases metered rates by 90%.
8. Increases the reconnection fee from \$10.00 to \$50.00.

Pocono Waterworks Company, Inc.

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Title Page	Supplement No. 1
List of Changes Made by this Tariff Supplement	1 st Revised Page 2
Index	1 st Revised Page 4
Schedule of Rates	
Metered Rate Service	1 st Revised Page 5
Unmetered Rate Service	1 st Revised Page 6
Pine Grove Estates Division	1 st Revised Page 6
I. Definitions	Original Pages 7-11
II. Application for Service	Original Page 12
III. Line Extensions	Original Pages 12-20
IV. Service Lines	Original Pages 24-26
V. Meters	Original Pages 26-28
VI. Cross Connections	Original Pages 28-29
VII. Credit and Deposits	Original Page 29
VIII. Billing and Payment	Original Pages 29-31
IX. Interruption of Service	Original Pages 31-32
X. Discontinuance of Service	Original Pages 32-33
XI. Termination of Service	Original Pages 33-38
.....	1 st Revised Page 39
XII. Private Fire Service	Original Pages 39-40
XIII. Water Conservation Contingency Plan	Original Pages 40-42
XIV. Miscellaneous	Original Pages 42-43

Pocono Waterworks Company, Inc.

Metered Service for Residential Customers

<u>Meter Size</u>	<u>Monthly Water Allowance</u>	<u>Monthly Customer Charge</u>	
All Sizes	No Water Allowance	\$22.00	(I)
<u>Consumption Charge</u>		<u>Price Per 1,000 Gallons</u>	
All Volumes		\$7.3836	(I)

Metered Service for Non-Residential Customers

<u>Meter Size</u>	<u>Monthly Water Allowance</u>	<u>Monthly Customer Charge</u>	(C)
½" and ¾"	No Water Allowance	\$55.00	(I)
1"	No Water Allowance	\$60.00	(I)
2"	No Water Allowance	\$183.50	(I)
<u>Consumption Charge</u>		<u>Price Per 1,000 Gallons</u>	
All Volumes		\$7.3836	(I)

Pocono Waterworks Company, Inc.

Unmetered Service for Residential Customers

<u>Meter Size</u>	<u>Monthly Customer Charge</u>	
All Sizes	\$35.00	(I)
		(C)

Pine Grove Estates Division

Metered Service for Residential Customers

<u>Meter Size</u>	<u>Monthly Water Allowance</u>	<u>Monthly Customer Charge</u>	(C)
All Sizes	No Water Allowance	\$15.00	(I)
<u>Consumption Charge</u>		<u>Price Per 1,000 Gallons</u>	
All Volumes		\$2.7500	(I)

Pocono Waterworks Company, Inc.

4. The Company shall not terminated or refuse to restore, service to any premises when any occupant therein is certified by a physician to be seriously ill or affected with a medical condition which will be aggravated by a cessation of service or failure to restore service. Procedures set forth in 52 Pa. Code §56.111-56.118 will be followed. Whenever service is restored or termination postponed pursuant to the medical emergency procedures, the ratepayer shall retain a duty to equitably arrange to make payment on all bills.
5. The COMPANY will comply with the provisions of 52 Pa. Code §§56.121-56.126 prior to termination of service at a residential dwelling where service is in the name of the landlord.
6. When service to a dwelling has been terminated, the COMPANY shall reconnect service by the end of the first full working day after receiving:
 - a. Full payment of any outstanding charges plus a reasonable reconnection fee of \$50.00 or that which may be subject to an amortization agreement; or (I)
 - b. Payment of all amounts currently due according to a settlement or amortization agreement, plus a reasonable reconnection fee which may be a part of the settlement or amortization agreement; or
 - c. Adequate assurances that any unauthorized use or practice will cease, plus full payment of the COMPANY'S reasonable reconnection fee which may be subject to an amortization agreement, and
 - d. Compliance or adequate assurance of compliance with any applicable provision for the establishment of credit, posting of deposits
 - e. In cases where it becomes necessary to remove and reinstall a meter, the charge will be \$25.00.

XIII. PRIVATE FIRE SERVICE

- A. For automatic sprinklers, other automatic fire service devices, or fire hydrants, a service line will be required, to be used exclusively for fire service.

POCONO WATERWORKS COMPANY, INC.

Wastewater Division

**Rates, Rules and Regulations Governing
The Furnishing of Wastewater Collection and Disposal
Service to Pine Grove Estates Development
Located In
Damascus Township, Wayne County, Pennsylvania**

By: Joseph Bonamico, President
P.O. Box 189
Hamlin, PA 18427-0189

Phone: (570) 689-4017
Fax: (570) 689-4700

**THIS TARIFF SUPPLEMENT PROPOSES INCREASES IN ALL
CUSTOMER RATES**

Pocono Waterworks Company, Inc.

List of Additions and Changes made by this Tariff Supplement

1. Increases the Company's overall annual revenues by \$14,446, or by 49%.
2. Changes billing from quarterly to monthly to coincide with other customer billings.
3. Eliminates the quarterly 14,000 gallon minimum water allowance.
4. Increases the Reconnection Fee from \$30.00 to \$50.00.

Pocono Waterworks Company, Inc.

INDEX

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Index 1st Revised Page Number 3

Schedule of Rates..... 1st Revised Page Number 4

Section 1 - Rules and RegulationsOriginal Page Numbers 5 – 8

Section 2 - Line Extensions Original Page Numbers 9 - 11

Pocono Waterworks Company, Inc.

Schedule of Rates

Wastewater Rates (Metered Service)

Per Month – No Water Allowance	\$20.00	(C) (I)
Output Charges		
Per Month - Per 1,000 Gallons of Water Used	\$6.5102	(I)
Reconnection Fee	\$50.00	(I)

POCONO WATERWORKS COMPANY, INC.

SECTION E

BALANCE SHEET

POCONO WATERWORKS COMPANY, INC.
 Balance Sheet
As of December 31, 2013

ASSETS

Utility-Plant-In-Service

Water Division

Utility Plant at Original Cost	\$ 757,023.25
Less Accumulated Depreciation Expense	333,695.26
Net Water Division Utility Plant	<u>\$ 423,327.99</u>

Wastewater Division

Utility Plant at Original Cost	\$ 201,183.00
Less Accumulated Depreciation Expense	158,911.61
Net Water Division Utility Plant	<u>\$ 42,271.39</u>

Water Property Held for Future Use	<u>\$ 627.13</u>
------------------------------------	------------------

Total Net Plant Assets	\$ 466,226.51
------------------------	---------------

Current Assets

Cash	\$ (1,218.47)
Accounts Receivable	2,268.50
Misc. Accrued Assets	<u>3,000.00</u>
	\$ 4,050.03

Total Assets	<u><u>\$ 470,276.54</u></u>
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LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable	\$ 4,611.78
Notes Payable to Stockholder	17,348.94
Total Current Liabilities	<u>\$ 21,960.72</u>

<u>Long Term Debt</u>	\$ 13,138.15
-----------------------	--------------

Contributions In Aid Of Construction

Contributed Water Facilities	\$ 255,141.00
Less Accumulated Depreciation Expense	48,632.77
Total Net CIAC Water Facilities	<u>\$ 206,508.23</u>

EQUITY

Common Stock	\$ 30,000.00
Paid-In-Capital - Water	201,063.57
Retained Earnings - Water	(73,177.22)
Paid-In-Capital - Sewer	3,929.52
Retained Earnings - Sewer	66,853.57
Total Equity	<u>\$ 228,669.44</u>

Total Liabilities and Equity	<u><u>\$ 470,276.54</u></u>
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POCONO WATERWORKS COMPANY, INC.
 Balance Sheet
As of Pro Forma December 31, 2014

ASSETS

Utility-Plant-In-Service

Water Division

Utility Plant at Original Cost	\$ 757,023.25
Less Accumulated Depreciation Expense	350,636.79
Net Water Division Utility Plant	<u>\$ 406,386.46</u>

Wastewater Division

Utility Plant at Original Cost	\$ 201,183.00
Less Accumulated Depreciation Expense	158,911.61
Net Water Division Utility Plant	<u>\$ 42,271.39</u>

Water Property Held for Future Use	<u>\$ 627.13</u>
------------------------------------	------------------

Total Net Plant Assets	\$ 449,284.98
------------------------	---------------

Current Assets

Cash	\$ 16,226.03
Accounts Receivable	2,268.50
Misc. Accrued Assets	<u>25,500.00</u>
	\$ 43,994.53

Total Assets	<u><u>\$ 493,279.51</u></u>
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LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable	\$ 4,611.78
Notes Payable to Stockholder	17,348.94
Total Current Liabilities	<u>\$ 21,960.72</u>

<u>Long Term Debt</u>	\$ 15,585.82
-----------------------	--------------

Contributions In Aid Of Construction

Contributed Water Facilities	\$ 255,141.00
Less Accumulated Depreciation Expense	52,419.47
Total Net CIAC Water Facilities	<u>\$ 202,721.53</u>

EQUITY

Common Stock	\$ 30,000.00
Paid-In-Capital - Water	201,063.57
Retained Earnings - Water	(53,037.22)
Paid-In-Capital - Sewer	3,929.52
Retained Earnings - Sewer	71,055.57
Total Equity	<u>\$ 253,011.44</u>

Total Liabilities and Equity	<u><u>\$ 493,279.51</u></u>
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POCONO WATERWORKS COMPANY, INC.

SECTION F

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

POCONO WATERWORKS COMPANY, INC.

Rate Base At Original Cost / Overall Rate of Return

Per Books December 31, 2033 and Pro Forma December 31, 2014

Line	Description	Water Division			Wastewater Division		
		Pro Forma Rates		Per Books 12/31/2013	Pro Forma Rates		Per Books 12/31/2013
		Current 12/31/2014	Proposed 12/31/2014		Current 12/31/2014	Proposed 12/31/2014	
1	Plant-In-Service (See Schedules E-1 and E-2 and J-1 and J-2)	\$757,023	\$757,023	\$201,183	\$201,183	\$201,183	\$201,183
2	Less: Accumulated Provisions For Depreciation (See Schedules E-1 and E-2 and J-1 and J-2)	333,695	350,637	158,912	158,912	158,912	158,912
3	Net Plant-In-Service (See Schedules E-1 and E-2 and J-1 and J-2)	\$423,328	\$406,386	\$42,271	\$42,271	\$42,271	\$42,271
Additions:							
4	Inventory at 1% of Net Plant-In-Service	\$4,233	\$4,064	\$423	\$423	\$423	\$423
5	Cash Working Capital (See Schedule F-2)	13,685	18,059	3,285	4,415	4,415	4,415
Deductions:							
6	Contributions In Aid Of Const. Net of Accumulated Depreciation (See Schedule E-1 and E-2)	206,508	202,722	0	0	0	0
7	Total Rate Base	<u>\$234,738</u>	<u>\$225,788</u>	<u>\$45,979</u>	<u>\$47,109</u>	<u>\$47,109</u>	<u>\$47,109</u>
Rate of Return per books 12/31/13							
8	Income per Books Available for Return	\$ (15,195)		\$ (1,478)			
9	Overall Rate of Return (L9 / L8)	-6.47%		-3.21%			
Pro Forma Rate of Return Under Current Rates 12/31/14							
10	Pro forma Income under existing rate available for return	\$ (40,316)		\$ (10,264)			
11	Overall Rate of Return (L11 / L8)	-17.86%		-21.79%			
Pro Forma Rate of Return Under Proposed Rates 12/31/14							
12	Pro forma Income under proposed rates available for return	\$ 20,140		\$ 4,202			
13	Overall Rate of Return (L13/L8, See also Schedule F-3)	8.92%		8.92%			

Schedule F-2

POCONO WATERWORKS COMPANY, INC.

Cash Working Capital Calculations

Per Books December 31, 2013 and Pro Forma December 31, 2014

<u>Line</u>	<u>Description</u>	<u>Per-Books</u> <u>12/31/2013</u> <u>(1)</u>	<u>Pro-Forma</u> <u>12/31/2014</u> <u>(2)</u>	<u>Per-Books</u> <u>12/31/2013</u> <u>(1)</u>	<u>Pro-Forma</u> <u>12/31/2014</u> <u>(2)</u>
1	Operating Deduction (See Schedule H-1)	\$109,477	\$144,473	\$26,277	\$35,319
2	Cash Working Capital Claim (1/8 of Oper. & Maint. Exp.)	\$13,685	\$18,059	\$3,285	\$4,415

POCONO WATERWORKS COMPANY, INC.

Rate of Return

Hypothetical Capital Structure
Pro Forma Claim 12/31/14

<u>Line</u>	<u>Description</u>	<u>Ratio</u> (1)	<u>Weighted</u> <u>Cost</u> (2)	<u>Average</u> <u>Weighted</u> <u>Cost</u> (3)
1	Debt	40.00%	6.93%	2.77%
2	Equity	60.00%	10.25%	6.15%
3	Total	<u>100.00%</u>		<u>8.92%</u>

BUCK HILL WATER CO.

Rate of Return

**Capital Structure
POCONO WATERWORKS COMPANY, INC.**

Capital Structure 12/31/03

<u>Description</u>	<u>12/31/2003</u>	<u>Ratio</u>	<u>Interest Rates</u>	<u>Weighted Cost</u>
<u>Debt Ratio</u>				
Auto Loan	\$ 5,052	38.45%	7.44%	2.86%
Auto Loan	8,086	61.55%	6.64%	4.09%
		0.00%		0.00%
Total Debt	<u>\$ 13,138</u>	<u>100.00%</u>		<u>6.95%</u>

Debt/Equity Ratio

Debt	\$ 13,138	5.43%		<u>6.95%</u>
Equity	228,669	94.57%		
Total	<u>\$ 241,808</u>	<u>100.00%</u>		

Pro Forma Capital Structure 12/31/04

<u>Description</u>	<u>12/31/2004</u>	<u>Ratio</u>	<u>Interest Rates</u>	<u>Weighted Cost</u>
<u>Debt Ratio</u>				
Auto Loan	\$ 3,143	5.4168%	7.44%	0.40%
Auto Loan	54,878	94.5832%	6.64%	6.28%
		0.0000%		0.00%
Total Debt	<u>\$ 58,021</u>	<u>100.00%</u>		<u>6.68%</u>

Debt/Equity Ratio

Debt	\$ 58,021	20.24%		<u>6.68%</u>
Equity	228,669	79.76%		
Total	<u>\$ 286,690</u>	<u>100.00%</u>		

POCONO WATERWORKS COMPANY, INC.

SECTION G

STATEMENT OF REVENUES AND TARIFF INCREASE

POCONO WATERWORKS COMPANY, INC.

Water / Wastewater Division Number of Customers and Customer Gains
As of December 31, 2012 and 2013; and, Pro Forma December 31, 2014

<u>Water Division</u>	12/31/2012	12/31/2013		Pro Forma 12/31/2014	
	No. Cust.	Change	No. Cust.	Change	No. Cust.
Residential - Non Pine Grove Areas	129	(10)	119	5	124
Residential - Pine Grove Water Only	43		43	-	43
Residential - Pine Grove Water & Sewer	92		92	-	92
Commercial	52	2	54	-	54
	<u>316</u>	<u>(8)</u>	<u>308</u>	<u>5</u>	<u>313</u>
<u>Wastewater Division</u>	12/31/2012	12/31/2013		12/31/2014	
	No. Cust.	Change	No. Cust.	Change	No. Cust.
Residential - Pine Grove Water & Sewer	92	-	92	-	92
Commercial	0	-	0	-	0
	<u>92</u>	<u>-</u>	<u>92</u>	<u>-</u>	<u>92</u>

POCONO WATERWORKS COMPANY, INC.
Water / Wastewater Division Current and Proposed Rates
Typical Customer Bill Analysis

Water Division Rates, Excluding Pine Grove Division

		Current		Proposed	
		Rates	% Change	\$ Change	Rates
		Monthly		Monthly	Monthly
Residential - No Water Allowance	Meter Size 1/2" & 3/4"	\$ 20.00	10.00%	\$ 2.00	\$ 22.00
	All Volumes Per 1,000 Gal	\$ 4.2300	74.55%	\$ 3.1536	\$ 7.3836
Commercial - No Water Allowance	1/2" & 3/4"	\$ 43.00	27.91%	\$ 12.00	\$ 55.00
Commercial - No Water Allowance	1"	\$ 60.00	0.00%	\$ -	\$ 60.00
Commercial - No Water Allowance	2"	\$ 183.50	0.00%	\$ -	\$ 183.50
	All Volumes Per 1,000 Gal	\$ 3.3200	122.40%	\$ 4.0636	\$ 7.3836

Pine Grove Division

		Meter Size	Quarterly	Quarterly
Residential - Water Allowance	1/2" & 3/4"		\$ 35.50	n/a
	Volumes over 14,000 Gallons Per 1,000 Gal		\$ 1.5000	n/a
Residential - No Water Allowance	1/2" & 3/4"			Monthly \$ 15.00
	All Volumes Per 1,000 Gal			\$ 2.7500

Water Division Typical Bill Analysis - Current vs. Proposed Rates

<u>Monthly Bill Charges</u>			Current		Proposed	
			Rates	% Change	\$ Change	Rates
Residential	1/2" & 3/4"		\$ 20.00	10%	\$ 2.00	\$ 22.00
	All Volumes	3,639	15.39	75%	11.48	26.87
			<u>\$ 35.39</u>	38%	<u>\$ 13.48</u>	<u>\$ 48.87</u>
Commercial	1/2" & 3/4"		\$ 43.00	28%	\$ 12.00	\$ 55.00
	All Volumes	3,453	11.46	123%	14.04	25.50
			<u>\$ 54.46</u>	48%	<u>\$ 26.04</u>	<u>\$ 80.50</u>
Commercial	1"		\$ 60.00	0%	\$ -	\$ 60.00
	All Volumes	24,708	82.03	122%	100.41	182.44
			<u>\$ 142.03</u>	71%	<u>\$ 100.41</u>	<u>\$ 242.44</u>
Commercial	2"		\$ 183.50	0%	\$ -	\$ 183.50
	All Volumes	52,097	172.96	122%	211.70	384.66
			<u>\$ 356.46</u>	59%	<u>\$ 211.70</u>	<u>\$ 568.16</u>

Typical Qtr Bill-Pine Grove 14,000 Qtr. Min. Allow /Proposed 0 Allow-Sum 3 Mth Bills for Comparative Purposes

Residential	1/2" & 3/4"		\$ 35.50	27%	\$ 9.50	\$ 45.00
Quarterly Volumes		8,125		#DIV/0!	22.34	22.34
	Volumes over 14,000 Gallons	0	-	#DIV/0!	-	-
			<u>\$ 35.50</u>	90%	<u>\$ 31.84</u>	<u>\$ 67.34</u>

Wastewater Division Quarterly Rates - Pine Grove

		Meter Size	Quarterly	Quarterly
Residential - Water Allowance	1/2" & 3/4"		\$ 78.00	n/a
	Volumes over 14,000 Gallons Per 1,000 Gal		\$ 3.2500	n/a
Residential - No Wastewater Allowance	1/2" & 3/4"			Monthly \$ 20.00
	All Volumes Per 1,000 Gal			\$ 6.5102

Wastewater Division Typical Quarterly Bill Analysis - Current vs. Proposed Rates

<u>Typical Qtr Bill-Pine Grove 14,000 Qtr. Min. Allow /Proposed 0 Allow-Sum 3 Mth Bills for Comparative Purposes</u>						
Residential	1/2" & 3/4"		\$ 78.00	-23%	\$ (18.00)	\$ 60.00
Quarterly Volumes		9,189		#DIV/0!	59.82	59.82
	Volumes over 14,000 Gallons	0	-	#DIV/0!	-	-
			<u>\$ 78.00</u>	54%	<u>\$ 41.82</u>	<u>\$ 119.82</u>

POCONO WATERWORKS COMPANY, INC.

SECTION H

OPERATING STATEMENT AND ADJUSTMENTS

POCONO WATERWORKS COMPANY, INC.
 Water / Wastewater Division Income Statement
 Per Book 12/31/2013 and Pro Forma 12/31/2014

	Water Division				Wastewater Division			
	12/31/2012	12/31/2013	12/31/2014	Rate Study	12/31/2012	12/31/2013	12/31/2014	Rate Study
	Per Books \$ Amount	Per Books \$ Amount	Pro Forma Adjusted \$ Amount	Base Rate Increase 52%	Per Books \$ Amount	Per Books \$ Amount	Pro Forma Adjusted \$ Amount	Base Rate Increase 49%
Revenues								
Residential	\$ 651,365.53	\$ 65,258.32	\$ 72,304.97	\$ 37,378.17	\$ 27,466.61	\$ 28,459.12	\$ 29,629.02	\$ 14,466.36
Commercial	42,439.69	40,933.81	44,642.55	23,078.04	27,466.61	28,459.12	29,629.02	14,466.36
Operating Revenue From Rates	\$ 107,576.22	\$ 106,192.13	\$ 116,947.52	\$ 60,456.21	\$ 27,466.61	\$ 28,459.12	\$ 29,629.02	\$ 14,466.36
Other	-	70.00	70.00	-	-	-	-	-
Misc. Service Charges	-	-	144.00	-	-	-	-	-
Total Operating Revenues	\$ 107,576.22	\$ 106,406.13	\$ 117,161.52	\$ 60,456.21	\$ 27,466.61	\$ 28,459.12	\$ 29,629.02	\$ 14,466.36
Deductions								
Salary Officer	\$ 6,545.13	\$ 7,801.79	\$ 7,598.21	\$ 15,400.00	\$ -	\$ 2,600.60	\$ 1,999.40	\$ 4,600.00
Wages Employees	16,049.69	22,502.10	24,024.00	24,024.00	1,357.74	3,480.38	3,695.62	7,176.00
Employee Benefits	7,842.13	6,031.15	8,100.40	8,100.40	-	1,226.88	1,192.72	2,419.60
Purchased Power	13,973.56	13,605.99	13,789.78	13,789.78	3,647.72	4,056.66	(304.47)	3,852.19
Sudge Removal Expense	-	-	-	-	1,532.50	1,620.15	(43.82)	1,576.33
Fuel For Facilities	1,524.60	123.02	823.81	823.81	-	2,392.92	(1,196.46)	1,196.46
Chemicals	976.51	350.05	663.28	663.28	205.50	252.50	(23.50)	229.00
Testing & Lab Fees	8,762.46	7,223.60	7,993.03	7,993.03	-	-	-	865.88
Materials & Supplies	13,678.67	9,526.13	11,602.40	11,602.40	1,308.03	423.72	442.16	1,317.41
Maintenance & Repairs, Incl. Leaks	11,343.64	2,739.38	7,041.51	7,041.51	1,460.88	1,173.93	143.48	1,317.41
Maintenance - Misc. Tools / Incl. Grounds	657.32	150.00	403.66	403.66	1,367.75	326.02	(94.63)	231.39
Transportation Expenses	16,583.15	13,457.13	15,020.14	15,020.14	-	1,233.64	(61.82)	616.82
Eng. - Data Monitoring & Recording	5,481.00	1,687.50	3,584.25	3,584.25	-	-	-	-
Accounting - Billing	6,499.74	4,132.50	8,008.00	8,008.00	-	1,377.50	1,014.50	2,392.00
Accounting - Outside Services	237.50	472.50	924.00	924.00	-	157.50	118.50	276.00
Accounting - PaPUC Annual Rpts Gen.	2,000.00	1,250.40	2,618.00	2,618.00	-	416.80	365.20	782.00
Legal General / Permit Fees	740.00	21.00	380.50	380.50	250.00	200.00	25.00	225.00
Insurance - Vehicle	325.64	300.58	316.02	316.02	118.72	75.88	18.51	94.39
Insurance - General Liability	1,757.05	4,417.27	2,617.74	2,617.74	-	625.00	156.92	781.92
Insurance - Workers Compensation	60.00	2,877.34	1,356.22	1,356.22	-	585.32	(180.21)	405.11
Office-Rent	505.00	924.00	924.00	924.00	-	-	276.00	276.00
Office Expense - General	6,950.52	5,047.51	5,361.93	5,361.93	143.95	1,785.12	(183.50)	1,601.62
Office Expense - Postage	2,337.85	1,889.01	1,869.77	1,869.77	-	629.67	(71.17)	558.50
Office Expense - Communication Exp.	5,369.77	2,390.04	3,301.95	3,301.95	-	796.68	189.62	986.30
Education Expense	1,653.75	78.75	924.00	924.00	-	26.25	249.75	276.00
Travel Expense & Meals	1,726.81	858.46	1,105.50	1,105.50	-	286.15	44.06	330.21
Regulatory Expenses - Assessment	750.05	544.00	544.00	544.00	870.00	528.00	-	528.00
Rate Case Expense	-	-	5,775.00	5,775.00	-	-	1,725.00	1,725.00
Total Operating Expenses	\$ 134,350.94	\$ 109,477.20	\$ 144,472.89	\$ -	\$ 11,031.79	\$ 26,277.27	\$ 9,041.86	\$ -
Taxes Other	1,259.39	349.31	1,000.00	1,000.00	3,761.37	1,985.27	914.73	2,000.00
Depreciation Expenses	12,904.45	11,774.81	12,004.84	12,004.84	2,574.25	2,574.25	-	2,574.25
Total Expenses	\$ 148,514.78	\$ 121,601.32	\$ 157,477.73	\$ -	\$ 17,367.41	\$ 29,936.79	\$ 9,956.59	\$ -
Operating Income / (Loss) Before Taxes	\$ (40,938.56)	\$ (15,195.19)	\$ (40,316.21)	\$ 60,456.21	\$ 10,099.20	\$ (1,477.67)	\$ (8,786.69)	\$ (10,264.36)
State Income Taxes	-	-	-	-	-	-	-	-
Federal Income Taxes	-	-	-	-	-	-	-	-
Total Income Taxes	-	-	-	-	-	-	-	-
Net Income	\$ (40,938.56)	\$ (15,195.19)	\$ (40,316.21)	\$ 60,456.21	\$ (10,099.20)	\$ (1,477.67)	\$ (8,786.69)	\$ 4,202.00

Pro Forma Adjustments: References 1 & 2, Sch. 1-1 and 1-2; Reference 3-11, See Sch. 1-3; Reference 12 - 22 See Sch. 1-4; Reference 23 - 29, See Sch. 1-5; Reference 30 - 31, See Sch. 1-6

POCONO WATERWORKS COMPANY, INC.

SECTION I

SUPPORTING ADJUSTMENT SCHEDULES

POCONO WATERWORKS COMPANY, INC.
Water / Wastewater Divisions: Development of Pro Forma Revenues Under Current Rates vs. Per Books 12/31/13

Customers By Class	Meter Size	Total Cust. Ratio	No. Cust.	Avg Vol Per Bill	Avg Yr Usage Per Customer	Total Usage For Year	City Usage Above 14,000 Min. Allowance	Bill Freq	No. Bills	Current Rates		Pro Forma 12/31/13 Revenues			Current Rates		12/31/13 Pro Forma					
										Cust. Charge	Usage Rates Per 1,000	Cust. Charge	Usage Charge	Pro Forma Totals	Per Books	Ref.	Adjustment					
Water Sales - Residential																						
Water	1/2" & 3/4"		119	3,639	43,662.18	5,195,800	n/a	12	1428	20.00	\$	28,560.00	\$	21,978.23	\$	50,538.23						
Water	1/2" & 3/4"		43	7,062	28,246.98	1,214,620	30,900	4	172	35.50	\$	6,106.00	\$	46.35	\$	6,152.35						
Water & Sewer	1/2" & 3/4"		92	9,189	36,755.01	3,381,461	284,620	4	368	35.50	\$	13,064.00	\$	428.93	\$	13,490.93						
Total Residential Water Customers												\$	47,730.00	\$	22,451.51	\$	70,181.51	\$	65,258.32	1a	\$	4,923.19
Water Sales - Commercial																						
Water	1/2" & 3/4"		50	3,453	41,437.90	2,071,895		12	600	43.00	\$	25,800.00	\$	6,878.69	\$	32,678.69						
Water	1"		2	24,708	296,500.00	593,000		12	24	60.00	\$	1,440.00	\$	1,968.76	\$	3,408.76						
Water	2"		2	52,097	625,165.00	1,250,330		12	24	183.50	\$	4,404.00	\$	4,151.10	\$	8,555.10						
Total Commercial Customers												\$	31,644.00	\$	12,998.55	\$	44,642.55	\$	40,933.81	2a	\$	3,708.74
Total Water Sales												\$	79,374.00	\$	35,450.06	\$	114,824.06	\$	106,192.13		\$	8,631.93
Wastewater Sales - Residential																						
Water & Sewer	1/2" & 3/4"		92	9,189	36,755.01	3,381,461	284,620	4	368	78.00	\$	28,704.00	\$	925.02	\$	29,629.02	\$	28,459.12	1a	\$	1,169.90	
Total Combined Customers												100%	400		2,984							

POCONO WATERWORKS COMPANY, INC.
Water/Wastewater Divisions: Development of Pro Forma Revenues To Include Customer Growth Under Current Rates 12/31/14 vs. Pro Forma 12/31/13

Customers By Class	Meter Size	Total Pro Forma Cust. No.	Avg Vol Per Bill	Avg Yr Usage Per Customer	Total Usage For Year	Qty Usage Above 14,000 Min. Allowance	Bill Freq	No. Bills	Current Rates		Pro Forma 12/31/14 Revenues		Schedule I-1 12/31/2013 Pro Forma		
									Cust. Charge	Usage Rates Per 1,000	Cust. Charge	Usage Charge	Pro Forma Totals	12/31/14 Pro Forma Ref. Adjustment	
Water Sales - Residential															
Water NonPG	1/2" & 3/4"	124	3,639	43,662.18	5,414,111	n/a	12	1488	\$ 20.00	\$ 4,2300	\$ 28,760.00	\$ 22,901.69	\$ 52,661.69		
Water Pine Grove	1/2" & 3/4"	43	7,062	28,246.98	1,214,620	30,900	4	172	\$ 35.50	\$ 1,5000	6,106.00	46.35	6,152.35		
Water & Sewer Pine Grove	1/2" & 3/4"	92	9,189	36,755.01	3,361,461	284,620	4	368	\$ 35.50	\$ 1,5000	13,064.00	426.93	13,490.93		
		<u>259</u>			<u>10,010,192</u>		<u>2,028</u>				<u>\$ 48,930.00</u>	<u>\$ 23,374.97</u>	<u>\$ 72,304.97</u>	<u>\$ 70,181.51</u>	1b
Total Residential Water Customers															
Water Sales - Commercial															
Water NonPG	1/2" & 3/4"	50	3,453	41,437.90	2,071,895		12	600	\$ 43.00	\$ 3,3200	\$ 25,800.00	\$ 6,878.69	\$ 32,678.69		
Water NonPG	1"	2	24,708	296,500.00	593,000		12	24	\$ 60.00	\$ 3,3200	1,440.00	1,968.76	3,408.76		
Water NonPG	2"	2	52,097	625,165.00	1,250,330		12	24	\$ 183.50	\$ 3,3200	4,404.00	4,151.10	8,555.10		
		<u>54</u>			<u>3,915,225</u>		<u>648</u>				<u>\$ 31,644.00</u>	<u>\$ 12,998.55</u>	<u>\$ 44,642.55</u>	<u>\$ -</u>	2b
		<u>77%</u>			<u>13,925,417</u>		<u>2,676</u>				<u>\$ 80,574.00</u>	<u>\$ 36,373.52</u>	<u>\$ 116,947.52</u>	<u>\$ 114,824.06</u>	
Total Commercial Customers															
Wastewater Sales - Residential															
Water & Sewer Pine Grove	1/2" & 3/4"	92	9,189	36,755.01	3,361,461	284,620	4	368	\$ 78.00	\$ 3,2500	\$ 28,704.00	\$ 925.02	\$ 29,629.02	\$ -	1b
		<u>100%</u>			<u>405</u>		<u>3,044</u>								
Total Combined Customers															
											Pro Forma Adjustment Residential Water	1a + 1b	\$ 7,046.65		
											Pro Forma Adjustment Commercial Water	2a + 2b	\$ 3,708.74		
											Pro Forma Adjustment Residential & Commercial Water		\$ 10,755.39		
											Pro Forma Adjustment Residential Wastewater	1a + 1b	\$ 1,169.90		

POCONO WATERWORKS COMPANY, INC.

Water / Wastewater Divisions: Development of Pro Forma Claims For Following Expense Items:

Purchased Power, Sludge Removal, Fuel, Chemicals, Lab Testing, M&S, Maint Sys Facilities, Maint. Gen, Transp, Engineering, & General Legal

Pro Forma Claims Based Upon 2 Year Average of Expenses Incurred by Item in each respective division

(Ref.)	Description	Water Division					Wastewater Division						
		12/31/2012		12/31/2013		2 Yr Totals Combined \$ Amount (3=1 + 2)	12/31/2012		12/31/2013		2 Yr Totals Combined \$ Amount (8=6 + 7)	Pro Forma Claim	Pro Forma Adjustment (5=4 - 2)
		Per Books \$ Amount (1)	Per Books \$ Amount (2)	Per Books \$ Amount (3)	Per Books \$ Amount (4)		Per Books \$ Amount (5)	Per Books \$ Amount (6)	Per Books \$ Amount (7)	Per Books \$ Amount (8)			
12	Purchased Power	13,973.56	13,605.99	27,579.55	13,789.78	183.79	3,647.72	4,056.66	7,704.38	3,852.19	(204.47)		
13	Sludge Removal Expense	-	-	-	-	700.79	1,532.50	1,620.15	3,152.65	1,576.33	(43.82)		
14	Fuel For Facilities	1,524.60	123.02	1,647.62	823.81	-	-	-	-	-	-		
15	Chemicals	976.51	350.05	1,326.56	663.28	313.23	-	2,392.92	2,392.92	1,196.46	(1,196.46)		
16	Testing & Lab Fees	8,762.46	7,223.60	15,986.06	7,993.03	769.43	205.50	252.50	458.00	229.00	(23.50)		
17	Materials & Supplies	13,678.67	9,526.13	23,204.80	11,602.40	2,076.27	-	-	-	-	-		
18	Maintenance & Repairs, Incl. Leaks	11,343.64	2,739.38	14,083.02	7,041.51	4,302.13	1,308.03	423.72	1,731.75	865.88	442.16		
19	Maintenance - Misc. Tools / Incl. Grounds	657.32	150.00	807.32	403.66	253.66	1,460.88	1,173.93	2,634.81	1,317.41	143.48		
20	Transportation Expenses	16,583.15	13,457.13	30,040.28	15,020.14	1,563.01	136.75	326.02	462.77	231.39	(94.63)		
21	Eng. - Data Monitoring & Recording	5,481.00	1,687.50	7,168.50	3,584.25	1,896.75	-	1,233.64	1,233.64	616.82	(616.82)		
22	Legal General / Permit Fees	740.00	21.00	761.00	380.50	359.50	250.00	200.00	450.00	225.00	25.00		
	Totals	73,720.91	48,883.80	122,604.71	61,302.36	12,418.56	8,541.38	11,679.54	20,220.92	10,110.48	(1,569.06)		

POCONO WATERWORKS COMPANY, INC.

Water / Wastewater Divisions: Development of Pro Forma Claims For Following Expense Items:

Purchased Power, Sludge Removal, Fuel, Chemicals, Lab Testing, M&S, Maint Sys Facilities, Maint. Gen, Transp, Engineering, & General Legal

Pro Forma Claims Based Upon Combined Division 2 YR AVG Expenses Incurred Then Allocated To Water / Wastewater Divisions Based Upon Respective Customer Ratio To Total Customers:

(Ref.)	Description	Water Division		Wastewater Division		2 Yr Totals		Avg. Combined Divisions (\$ Amount (6 = 1/2 of 5))	Water Division			Wastewater Division		
		12/31/2012	12/31/2013	12/31/2012	12/31/2013	Combined Divisions	Combined Divisions		Ratio	Pro Forma Claim	Pro Forma Adjustment	Ratio	Pro Forma Claim	Pro Forma Adjustment
		\$ Amount (1)	\$ Amount (2)	\$ Amount (3)	\$ Amount (4)	\$ Amount (5=1 to 4)	\$ Amount (6 = 1/2 of 5)		\$ Amount (8=6 x 7)	\$ Amount (9=8- 2)		\$ Amount (11=6 x 10)	\$ Amount (12=11-4)	
23	Insurance - Vehicle	\$ 325.64	\$ 300.58	\$ 118.72	\$ 75.88	\$ 820.82	\$ 410.41	77%	\$ 316.02	\$ 15.44	23%	\$ 94.39	\$ 18.51	
24	Insurance - General Liability	1,757.05	4,417.27	-	625.00	6,799.32	3,399.66	77%	2,617.74	(1,799.53)	23%	781.92	156.92	
25	Insurance - Workers Compensation	60.00	2,877.34	-	585.32	3,522.66	1,761.33	77%	1,356.22	(1,521.12)	23%	405.11	(180.21)	
26	Office Expense - General	6,950.52	5,047.51	143.95	1,785.12	13,927.10	6,963.55	77%	5,361.93	314.42	23%	1,601.62	(183.50)	
27	Office Expense - Postage	2,337.85	1,889.01	-	629.67	4,856.53	2,428.27	77%	1,869.77	(19.24)	23%	558.50	(71.17)	
28	Office Expense - Communication Exp.	5,389.77	2,390.04	-	796.68	8,576.49	4,288.25	77%	3,301.95	911.91	23%	986.30	189.62	
29	Travel Expense & Meals	1,726.81	858.46	-	286.15	2,871.42	1,435.71	77%	1,105.50	247.04	23%	330.21	44.06	
	Totals	\$ 18,547.64	\$ 17,780.21	\$ 262.67	\$ 4,783.82	\$ 41,374.34	\$ 20,687.18		\$ 15,929.13	\$ (1,851.08)		\$ 4,758.05	\$ (25.77)	

POCONO WATERWORKS COMPANY, INC.

Water / Wastewater Divisions: Development of Pro Forma Claims For Following Expense Items:

Depreciation Expenses, Taxes Other

Depreciation Expense Claim

		<u>Original Cost</u>	<u>Accum. Depr</u>	<u>Net Plant</u>	<u>Depr Exp.</u>
Water Division					
12/31/2013					
Schedule J-1, Line 163	Total Plant	\$ 757,023.25	\$ 333,695.26	\$ 423,327.99	\$ 15,791.53
Schedule J-1, Line 175	CIAC	255,141.00	48,632.78	206,508.22	3,786.68
Ratemaking Values		<u>\$ 501,882.25</u>	<u>\$ 285,062.48</u>	<u>\$ 216,819.77</u>	<u>\$ 12,004.84</u>

Pro Forma 12/31/14

Schedule J-1, Line 163	Total Plant	\$ 757,023.25	\$ 350,636.79	\$ 406,386.46	\$ 15,791.53
Schedule J-1, Line 175	CIAC	255,141.00	52,419.47	202,721.53	3,786.68
Ratemaking Values		<u>\$ 501,882.25</u>	<u>\$ 298,217.32</u>	<u>\$ 203,664.93</u>	<u>\$ 12,004.84</u>
Depr Expense Per Books 12/31/13					11,774.81
Pro Forma Depreciation Expense Adjustment				Ref	<u>\$ 30</u>

Wastewater Division**12/31/2013**

Sch. J-1, Lns 1, 3, and 5	Total Plant	\$ 201,183.00	\$ 158,911.61	\$ 42,271.39	\$ 2,574.25
N/A	CIAC				
Ratemaking Values		<u>\$ 201,183.00</u>	<u>\$ 158,911.61</u>	<u>\$ 42,271.39</u>	<u>\$ 2,574.25</u>

Pro Forma 12/31/14

Sch. J-2, Lns 1, 3, and 5	Total Plant	\$ 201,183.00	\$ 161,485.86	\$ 39,697.14	\$ 2,574.25
N/A	CIAC				
Ratemaking Values		<u>\$ 201,183.00</u>	<u>\$ 161,485.86</u>	<u>\$ 39,697.14</u>	<u>\$ 2,574.25</u>
Depr Expense Per Books 12/31/13					2,574.25
Pro Forma Depreciation Expense Adjustment				Ref	<u>\$ 30</u>

PURTA and Real estate Taxes Claim

2013 PURTA TAXES					\$ 1,000.00
Taxes Per Books 12/31/13					349.31
Pro Forma Adjustment				Ref	<u>\$ 650.69</u>
2013 Wastewater Real Estate Taxes					\$ 2,000.00
Taxes Per Books 12/31/13					1,085.27
Pro Forma Adjustment				Ref	<u>\$ 914.73</u>

POCONO WATERWORKS COMPANY, INC.

SECTION J

DEPRECIATION REPORT

A	B	C	D	E	F	G	BY	BZ	CA	CB	CC	CD	CE	CF	CG
Pocono Water Works Company, Inc.															
Water Division															
Year Ending 2013															
No	Year		Description	PUC Account	Original			Additions	Retireme	Salvage	Age In	Plant In	Annual Deprec-	Accrued Deprec-	
#	Installed	Div.		Numbers	Life				nts	Value	2013	Service	iation	iation	
51															
52	1989	CV	Electrical Equipment	310.20	40						24	\$75.00	\$1.88	\$45.00	
53	2001	IA	Electrical Equipment	310.20	35						12	\$650.00	\$18.57	\$241.14	
54	1989	MC	Electrical Equipment	310.20	40						24	\$225.00	\$5.63	\$135.00	
55	1989	RH	Electrical	310.20	35						24	\$375.00	\$10.71	\$257.14	
56	2	1991	HP	310.20	35						22	\$902.00	\$25.77	\$566.97	
57	2011		Generator	310.20	15			\$0			3	\$3,091.00	\$206.07	\$618.20	
58			310.20 Total					\$0.00	\$0.00	\$0.00		\$5,318.00	\$268.62	\$1,863.46	
59															
60	1976	CV	Pump Submersible	311.20	20						37	\$1,203.00	\$0.00	\$1,203.00	
61	1990	HP	Well #1 Flowmeter & Recorder	311.20	20						23	\$1,011.00	\$0.00	\$1,011.00	
62	1992	HP	Replaced 1984 Sub. Well Pump	311.20	20						21	\$2,528.00	\$0.00	\$2,528.00	
63	2001	IA	Well 1 Pumping Equipment	311.20	20						12	\$3,116.00	\$155.80	\$2,025.20	
64	2004	LR	Pumping Equipment	311.20	35						10	\$1,035.00	\$29.57	\$295.71	
65	2005	LR	Sumersible Pump	311.20	40						9	\$387.74	\$9.69	\$87.24	
66	1974	MC	Pump, Submersible	311.20	20						39	\$1,511.38	\$0.00	\$1,511.00	
67	1979	RH	Pump Submersible	311.20	20						34	\$0.00	\$0.00	\$0.00	
68	2008	RH	Pump Submersible	311.20	20						1	\$3,923.00	\$157.00	\$157.00	
69	6	1991	35 Year Assets	311.20	35						22	\$402.38	\$11.50	\$371.47	
70	2007	LR	Back-Up Generator	311.20	25			\$0.00	\$0.00		2	\$7,100.00	\$284.00	\$1,988.00	
71			311.20 Total					\$0.00	\$0.00			\$22,217.50	\$647.56	\$11,177.62	
72															
73	2004	IA	Chlorine Pump	311.30	35						10	\$0.00	\$0.00	\$0.00	
74	2004	RH	Chlorine Pump	311.30	35						10	\$0.00	\$0.00	\$0.00	
75			311.30 Total					\$0.00	\$0.00	\$0.00		\$0.00	\$0.00	\$0.00	
76															
77	1976	CV	Tank Storage	330.40	60										
78	1994	HP	New .03 MG Storage Tank	330.40	55						20	\$9,358.00	\$170.15	\$3,402.91	
79	2001	IA	Tank Storage	330.40	45						12	\$180.00	\$4.00	\$52.00	
80	1992	LR	Tank Storage	330.40	45						21	\$211.00	\$4.69	\$98.47	
81	1989	RH	Tank Storage	330.40	60						24	\$876.92	\$14.62	\$350.77	
82	2006	CV	Tank Storage	330.40	45						8	\$464.12	\$10.00	\$80.31	
83	2008	LR	Tank Storage	330.40	30					\$0	1	\$2,472.00	\$82.00	\$492.00	
84	2008	MC	Tank Storage	330.40	30					\$0	1	\$816.00	\$27.00	\$162.00	
85	2008	MC	Tank Storage	330.40	45					\$0	1	\$950.00	\$21.00	\$126.00	
86			330.40 Total					\$0.00	\$0.00	\$0.00		\$15,328.04	\$333.45	\$4,764.46	
87															
88	1976	CV	Mains and Services	331.40	75						37	\$3,446.00	\$45.95	\$1,700.03	
89	1	1929	Galv. Distributin Mains	331.40	75						84	\$1,200.00	\$0.00	\$1,200.00	
90	1967	HP	1900' Mains 3' per foot	331.40	75						46	\$4,950.00	\$6.60	\$2,930.80	
91	1990	HP	1,642' DI Dist Main-Rt590	331.40	75						23	\$30,117.00	\$401.56	\$9,235.88	
92	1991	HP	1000' Dist Main-Rt 191/590	331.40	75						22	\$5,970.00	\$79.60	\$1,751.20	
93	1	1992	350' Dist Main-Rt 191	331.40	75						21	\$5,502.00	\$73.36	\$1,540.56	

	A	B	C	D	E	F	G	BY	BZ	CA	CB	CC	CD	CE	CF	CG
	Pocono Water Works Company, Inc.															
	Water Division															
	No	Year		Description	PUC Account	Original				Retire	Salvage	Age In	Plant In	Annual Deprec-	Accrued Deprec-	
6	#	Installed	Div.		Numbers	Life		Additions	ments	Value	2013	Service	iation	iation		
139																
140	2	1991	HP	Computer Printer	340.50	25						22	\$201.00	\$8.04	\$176.88	
141	5	1998	HP	Office Equipment	340.50	25						16	\$500.00	\$20.00	\$320.00	
142	5	1999	HP	General Office Equipment	340.50	25						15	\$2,846.93	\$113.88	\$1,708.16	
143		2002	HP	Fax Machine	340.50	25						12	\$75.00	\$3.00	\$36.00	
144		2002	HP	Office Computer	340.50	25						8	\$1,125.00	\$45.00	\$325.00	
145		2006	HP	Computer	340.50	25						4	\$1,793.23	\$0.00	\$1,793.23	
146		2010	HP	Computer	340.50	3		\$0	\$0				\$6,541.16	\$189.92	\$4,359.27	
147				340.50 Total												
148																
149		2004	HP	1995 Dodge Truck	341.50	7						10	\$5,100.00	\$0.00	\$5,100.00	
150		2011		2012 Ford Fiesta SES	341.50	7						3	\$15,248.90	\$2,178.41	\$6,535.24	
151		2011		2011 Ford Fiesta SES	341.50	7						3	\$18,977.30	\$2,711.04	\$8,133.13	
152				341.50 Total				\$0	\$0				\$39,326.20	\$4,889.46	\$19,768.37	
153																
154		2002	HP	Chain Saw	343.50	20						12	\$95.00	\$5.00	\$59.00	
155		2003	HP	Chain Saw	343.50	20						11	\$95.00	\$5.00	\$54.00	
156				343.50 Total				\$0.00	\$0.00				\$190.00	\$10.00	\$113.00	
157																
158	2	1990	HP	Cutoff Saw	345.50	15							\$361.00	\$0.00	\$361.00	
159	2	1990	HP	Tamper	345.50	15							\$214.00	\$0.00	\$214.00	
160	4	1992	HP	1992 Case Backhoe	345.50	15						21	\$33,220.00	\$0.00	\$33,220.00	
161				345.50 Total				\$0.00	\$0.00				\$33,795.00	\$0.00	\$33,795.00	
162																
163				Totals All Divisions				\$0.00	\$0.00	\$0.00			\$757,023.25	\$15,791.53	\$333,695	
164															\$334,845	
165				CONTRIBUTIONS IN AID OF CONSTRUCTION											\$334,845	
166																
167		1992		Hamlin New Well 1992		40						22	\$9,000.00	\$225.00	\$4,950.00	
168		1993		Rt. 590 Expansion 1993		65						21	\$12,579.00	\$193.52	\$4,063.98	
169		1994		Rt. 590 Expansion 1994		65						20	\$90,986.00	\$1,399.78	\$27,995.69	
170		1994		Tank House New 1994		40						20	\$5,774.00	\$144.35	\$2,887.00	
171		2009		Rt. 590 Water Main Extension		75						5	\$108,000.00	\$1,440.00	\$7,200.00	
172		2010		Rt. 590 Water Main Extension, Last Phase		75						4	\$28,802.00	\$384.03	\$1,536.11	
173												5	\$0.00	\$0.00	\$0.00	
174																
175				Totals CIAC									\$255,141.00	\$3,786.68	\$48,632.78	
176															\$206,508.22	

A	B	C	D	E	F	G	CH	CI	CJ	CK	CL	CM	CN
1	Pocono Water Works Company, Inc.												
2	Water Division												
3	Year Ending 2014												
4													
5													
6	No	Year	Div.	Description	PUC Account	Original	Additions	Retirements	Salvage	Age In	Plant In Service	Annual	Accrued Deprec-
	#	Installed			Numbers	Life			Value	2014		Deprec-	iation
52		1989	CV	Electrical Equipment	310.20	40				25	\$75.00	\$1.88	\$46.88
53		2001	IA	Electrical Equipment	310.20	35				13	\$650.00	\$18.57	\$259.71
54		1989	MC	Electrical Equipment	310.20	40				25	\$225.00	\$5.63	\$140.63
55		1989	RH	Electrical	310.20	35				25	\$375.00	\$10.71	\$267.86
56	2	1991	HP	Electrical System	310.20	35				23	\$902.00	\$25.77	\$592.74
57		2011		Generator	310.20	15	\$0			4	\$3,091.00	\$206.07	\$624.27
58				310.20 Total			\$0.00	\$0.00	\$0.00		\$5,318.00	\$268.62	\$2,132.08
59													
60		1976	CV	Pump Submersible	311.20	20				38	\$1,203.00	\$0.00	\$1,203.00
61		1990	HP	Well #1 Flowmeter & Recorder	311.20	20				24	\$1,011.00	\$0.00	\$1,011.00
62		1992	HP	Replaced 1984 Sub. Well Pump	311.20	20				22	\$2,528.00	\$0.00	\$2,528.00
63		2001	IA	Well 1 Pumping Equipment	311.20	20				13	\$3,116.00	\$155.80	\$2,181.00
64		2004	LR	Pumping Equipment	311.20	35				11	\$1,035.00	\$29.57	\$325.29
65		2005	LR	Sumersible Pump	311.20	40				10	\$387.74	\$9.69	\$96.94
66		1974	MC	Pump. Submersible	311.20	20				40	\$1,511.38	\$0.00	\$1,511.00
67		1979	RH	Pump Submersible	311.20	20				35	\$0.00	\$0.00	\$0.00
68		2008	RH	Pump Submersible	311.20	20				1	\$3,923.00	\$157.00	\$157.00
69	6	1991	RH	35 Year Assets	311.20	35				23	\$402.38	\$11.50	\$382.97
70		2007	LR	Back-Up Generator	311.20	25				2	\$7,100.00	\$284.00	\$2,272.00
71				311.20 Total			\$0.00	\$0.00	\$0.00		\$22,217.50	\$647.56	\$11,668.19
72													
73		2004	IA	Chlorine Pump	311.30	35				11	\$0.00	\$0.00	\$0.00
74		2004	RH	Chlorine Pump	311.30	35				11	\$0.00	\$0.00	\$0.00
75				311.30 Total			\$0.00	\$0.00	\$0.00		\$0.00	\$0.00	\$0.00
76													
77		1976	CV	Tank Storage	330.40	60							
78		1994	HP	New .03 MG Storage Tank	330.40	55				21	\$9,358.00	\$170.15	\$3,573.05
79		2001	IA	Tank Storage	330.40	45				13	\$180.00	\$4.00	\$56.00
80		1992	LR	Tank Storage	330.40	45				22	\$211.00	\$4.69	\$103.16
81		1989	RH	Tank Storage	330.40	60				25	\$876.92	\$14.62	\$365.38
82		2006	CV	Tank Storage	330.40	45				9	\$464.12	\$10.00	\$90.31
83		2008	LR	Tank Storage	330.40	30			\$0	1	\$2,472.00	\$82.00	\$574.00
84		2008	MC	Tank Storage	330.40	30			\$0	1	\$816.00	\$27.00	\$189.00
85		2008	MC	Tank Storage	330.40	45			\$0	1	\$950.00	\$21.00	\$147.00
86				330.40 Total			\$0.00	\$0.00	\$0.00		\$15,328.04	\$333.45	\$5,097.91
87													
88		1976	CV	Mains and Services	331.40	75				38	\$3,446.00	\$45.95	\$1,745.97
89	1	1929	HP	Galv. Distributin Mains	331.40	75				85	\$1,200.00	\$0.00	\$1,200.00
90		1967	HP	1900' Mains 3' per foot	331.40	75				47	\$4,950.00	\$6.60	\$2,937.40
91		1990	HP	1,642' DI Dist Main-Rt590	331.40	75				24	\$30,117.00	\$401.56	\$9,637.44
92		1991	HP	1000' Dist Main-Rt 191/590	331.40	75				23	\$5,970.00	\$79.60	\$1,830.80
93	1	1992	HP	350' Dist Main-Rt 191	331.40	75				22	\$5,502.00	\$73.36	\$1,613.92
94		1993	HP	Rt 590 Pipeline Expansion	331.40	65				22	\$50,675.00	\$779.62	\$17,151.54

POCONO WATERWORKS COMPANY, INC.
 Wastewater Division - Pine Grove Wastewater Plant
 Years Ending

Ln #	<u>Yearly Depreciation Calculations</u>	<u>Beginning 1/1/2013</u>	<u>2013 Additions</u>	<u>2013 Subtractions</u>	<u>Ending 12/31/2013</u>	<u>Activity 12/31/2013</u>
1	Gross PIS Year Ending	\$ 201,183.00			\$ 201,183.00	\$ -
2	Yearly Depreciation				2,574.25	\$ 2,574.25
3	Accumulated Depreciation Year Ending	\$ 156,337.36			\$ 158,911.61	
4	Percentage of Depreciation				0.0128	
5	Net Worth	<u>\$ 44,845.64</u>			<u>\$ 42,271.39</u>	<u>\$ 2,574.25</u>

POCONO WATERWORKS COMPANY, INC.
Wastewater Division - Pine Grove Wastewater Plant
Years Ending

Schedule J-2

Ln #	<u>Yearly Depreciation Calculations</u>	Beginning 1/1/2014	2014 Additions	2014 Subtractions	Ending 12/31/2014	Activity 12/31/2014
1	Gross PIS Year Ending	\$ 201,183.00			\$ 201,183.00	\$ -
2	Yearly Depreciation				2,574.25	\$ 2,574.25
3	Accumulated Depreciation Year Ending	\$ 158,911.61			\$ 161,485.86	
4	Percentage of Depreciation				0.0128	
5	Net Worth	<u>\$ 42,271.39</u>			<u>\$ 39,697.14</u>	<u>\$ 2,574.25</u>

POCONO WATERWORKS COMPANY, INC.

SECTION K

**RATE DESIGN
&
PROOF OF REVENUE**

