Focused Management and Operations Audit of THE YORK WATER COMPANY

Prepared By The
Pennsylvania Public Utility Commission
Bureau of Audits
Issued March 2015

Docket No. D-2014-2409384

PENNSYLVANIA PUC
PUBLIC UTILITY COMMISSION

THE YORK WATER COMPANY
FOCUSED MANAGEMENT AND OPERATIONS AUDIT

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FOCUSED MANAGEMENT AND OPERATIONS AUDIT

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I. INTRODUCTION

In accordance with the Pennsylvania Public Utility Commission's (PUC or Commission) program to identify improvements in the management and operations of fixed utilities under its jurisdiction, it was determined that a focused management and operations audit should be conducted of The York Water Company (YWC, York Water or Company). Management and operational reviews, which are required of certain utility companies pursuant to 66 Pa.C.S. §516(a), come under the Commission's general administrative power and authority to supervise and regulate all public utilities in the Commonwealth, under 66 Pa.C.S. §501(b). More specifically, the Commission can investigate and examine the condition and management of any public utility, under 66 Pa.C.S. §331(a).

This report represents the written product of the focused management and operations audit and contains the resultant findings and recommendations for improvement in the management and operations of YWC. The findings presented in the report identify areas and aspects where weaknesses or deficiencies exist. In all cases, recommendations have been offered to improve, correct, or eliminate these conditions. The final and most important step in the management audit process is to initiate actions toward implementation of the recommendations.

A. Objectives and Scope

The objectives of this focused management and operations audit were threefold:

- To provide the Commission, YWC, and the public with an assessment of the efficiency and effectiveness of the Company's operations, management methods, organization, practices, and procedures.

- To identify opportunities for improvement and develop recommendations to address those opportunities.

- To provide an information base for future regulatory and other inquiries into the management and operations of YWC.

The scope of this audit was limited to certain areas of the Company as explained in Section B, Audit Approach.

B. Audit Approach

This focused management and operations audit was performed by the Management Audit Staff of the PUC's Bureau of Audits (Audit Staff). The audit process began with a pre-field work analysis as outlined below:

- A five-year internal trend and ratio analysis (see Appendices I, II, III, and IV) was completed using financial and operational data obtained from the Company, Commission, and other available sources. This analysis, which focused on the period 2009-2013, was supplemented by comparisons to a panel of water utilities for the period 2009-2013 (see Appendices V, VI, and VII).

- Input was solicited from Commission Bureaus and Offices, certain external parties, and the Company regarding any concerns or issues they would like to have addressed during the course of our review.

- Prior management and operations audits, follow-up management efficiency investigations, implementation plans, implementation plan progress reports, other Commission-conducted audits, annual diversity reports, and other available documents were reviewed.

Information from the above steps was used to initially focus the Audit Staff's work efforts in the field. Specifically, the following areas or functions were selected for an in-depth analysis and are included in this report:

- Executive Management and Organizational Structure
- Corporate Governance
- Financial Management
- Water Operations
- Emergency Preparedness
- Purchasing and Materials Management
- Customer Services
- Fleet Management
- Human Resources and Diversity

The pre-field work analysis should not be construed as a comprehensive evaluation of the management or operations in the functional areas not selected for in-depth examination. Had we conducted a thorough review of those areas, weaknesses or deficiencies may have come to our attention that were not identified in the limited pre-field work review.

The actual fieldwork began on April 15, 2014 and continued intermittently through July 7, 2014. The principal components of the fact gathering process included:

- Interviews with Company personnel and other Commission Bureaus.

- Analysis of records, documents, and reports of a financial and operational nature. This analysis focused primarily on the period 2009-2013, as well as 2014 as available.

- Visits to the main office building, water production and storage facilities, inventory warehouses, and observation of selected work practices, etc.

C. Functional Area Ratings

For the functions or areas of the Company that were selected for in-depth examination, the Audit Staff rated the actual operating or performance level relative to the expected performance level at the time of the audit. This expected performance level is the state at which each area or function should be operating given the Company's resources and general operating environment. Expected performance is not a "cutting edge" operating condition; rather, it is management of an area or function such that it produces reasonably expected operating results.

Presented below are the evaluative categories utilized to rate each function or area's actual operating or performance level relative to its expected performance level:

- Meets Expected Performance Level
- Minor Improvement Necessary
- Moderate Improvement Necessary
- Significant Improvement Necessary
- Major Improvement Necessary

Our ratings for each function or area reviewed in-depth can be found in Exhibit I-1.

Exhibit I-1
The York Water Company
Focused Management and Operations Audit
Functional Rating Summary

Functional Area	Meets Expected Performance Level	Minor Improvement Necessary	Moderate Improvement Necessary	Significant Improvement Necessary	Major Improvement Necessary
Executive Management and Organizational Structure	X				
Corporate Governance	X				
Financial Management		X			
Water Operations			X		
Emergency Preparedness	X				
Purchasing/Materials Management			X		
Customer Service			X		
Fleet Management		X			
Human Resources and Diversity			X		

D. Benefits

Where possible, the Audit Staff attempts to quantify the potential savings that would be expected from effectively implementing the recommendations made in this report. However, for the majority of recommendations, it is not possible or practical to estimate quantitative benefits as their benefits are of a qualitative nature or there was insufficient data available to quantify the impact. For example, it is difficult to estimate the actual benefit where new management practices or procedures are recommended where such did not previously exist or was not fully functional. Similarly, changes in work flow processes or to implement good business practices will result in improved effectiveness and efficiency of a specific function but cannot be easily quantified.

The Company will have varying ways to implement the recommendations and as a result the Audit Staff has not estimated the cost of implementation for recommendations where no savings were quantified. However, it should be noted by the reader that the cost of implementing certain recommendations could be significant.

E. Recommendation Summary

Chapters III through XI provide findings, conclusions, and recommendations for each function or area reviewed in-depth during this focused audit. Exhibit I-3 summarizes the recommendations with the following priority assessments for implementation:

- INITIATION TIME FRAME – Estimated time frame on how quickly the Company should be able to initiate its implementation efforts given the Company's resources and general operating environment. The time necessary to complete implementation is expected to vary depending on the nature of the recommendation and the scope of the efforts necessary and resources available to effectively implement the recommendation.

- BENEFITS – Net quantifiable benefits have been provided where they could be estimated as discussed in Section D - Benefits. Our estimated overall level of benefits rankings are not solely based on quantifiable dollars but rather the Audit Staff's assessment of the potential overall impact of the recommendation on the efficiency and/or effectiveness of the Company and/or the services it provides.

    - HIGH BENEFITS – Implementation of the recommendation would result in major service improvements, substantial improvements in management practices and performance, and/or significant cost savings.

    - MEDIUM BENEFITS – Implementation of the recommendation would result in important service improvements, meaningful improvements in management practices and performance, and/or meaningful cost savings.

- LOW BENEFITS – Implementation of the recommendation is likely to result in service improvements, management practices and performances, and/or enhance cost controls.

Exhibit I-2
The York Water Company
Focused Management and Operations Audit
Summary of Recommendations

Rec. No.	Recommendation	Page No.	Initiation Time Frame	Benefits (including $ estimates)
Chapter III – Executive Management and Organizational Structure				
	None.			
Chapter IV – Corporate Governance				
	None.			
Chapter V – Financial Management				
V-1	Implement cross-subsidization safeguards between the Water Service Line Protection Program (WSLPP) and regulated utility service by maintaining separate accounts, allocating all expenses, and including additional language in WSLPP's disclaimer.	24	0-6 Months	Low
Chapter VI – Water Operations				
VI-1	Update the Drought Contingency Plan.	38	0-12 Months	Low
VI-2	Develop a distribution valve inspection manual and/or policy.	38	0-6 Months	Medium
VI-3	Update the cross connection control program manual and incorporate administrative controls to ensure testing for commercial and industrial customer backflow devices is completed.	38	0-12 Months	Medium
VI-4	Develop an electronic meter record database and a meter testing policy and/or procedure.	38	0-12 Months	Medium
VI-5	Develop a comprehensive damage prevention program manual.	38	0-12 Months	Medium
Chapter VII – Emergency Preparedness				
	None.			
Chapter VIII – Purchasing/Materials Management				
VIII-1	Establish inventory reorder points and formalize the use of minimum/maximum levels in the Inventory Management System.	47	0-12 Months	Medium
VIII-2	Classify designated emergency stock in the Inventory Management System.	47	0-6 Months	High
VIII-3	Implement a cycle counting procedure and reduce inventory count variances.	47	0-12 Months	Medium

Chapter IX – Customer Service				
IX-1	Perform periodic customer satisfaction surveys.	53	0-12 Months	Low
IX-2	Investigate and evaluate the feasibility of an Interactive Voice Response system and implement call reporting software.	53	12+Months	Medium
IX-3	Reduce billing lag to more reasonable levels.	53	0-12 Months	Medium
Chapter X – Fleet Management				
X-1	Document authorized users/passengers within the vehicle use policy.	57	12+Months	Low
Chapter XI – Human Resources and Diversity				
XI-1	Strive to achieve industry average or better Occupation Safety and Health Administration incidence rates by monitoring and continually modifying safety programs to address the most current safety issues.	64	0-6 Months	High
XI-2	Develop and update Human Resources policies and procedures.	64	0-12 Months	Medium
XI-3	Reduce manual operating aspects of the Human Resource function by fully utilizing the capabilities of the Human Resource Information System.	64	0-12 Months	Medium

II. BACKGROUND

The York Water Company (York Water or Company) is the oldest investor-owned water utility in the United States of America and is primarily in the business of impounding, purifying and distributing water to customers in 39 municipalities in York County and eight municipalities in Adams County, Pennsylvania. As of the end of 2013, York Water served 63,889 water customers with an average daily availability of 35.0 million gallons and an average daily consumption of approximately 19.1 million gallons. Exhibit II-1 shows the number of customers and the sales by customer class for 2013.

Exhibit II-1
The York Water Company
Water Sales by Customer Class
For Calendar Year 2013

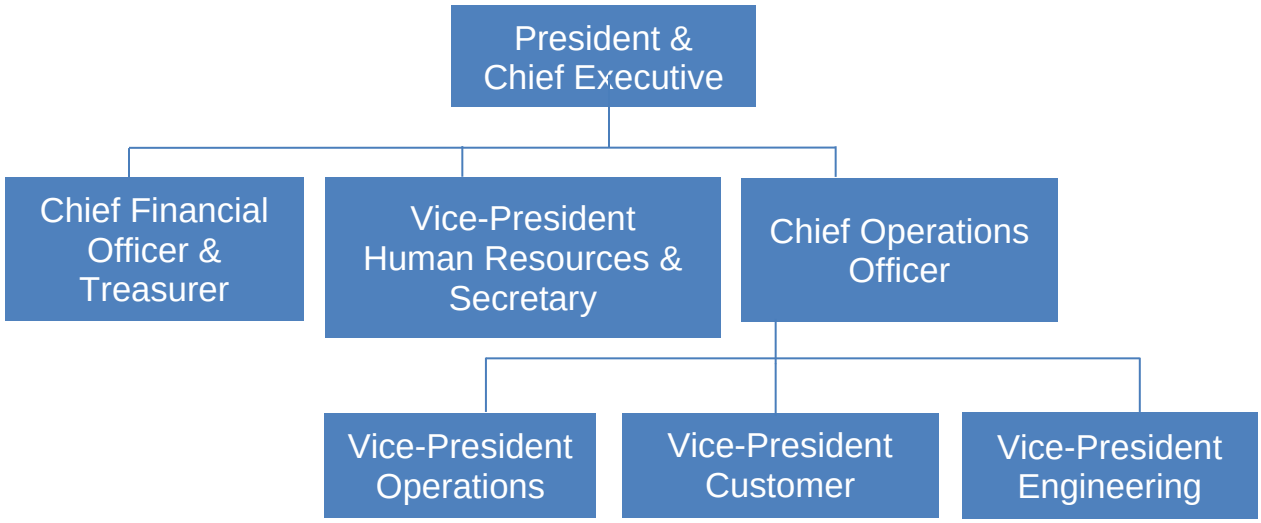
Customer Class	Number of Customers	Sales (000)	Gallons Sold (000)
Residential	57,917	$26,686	2,868,110
Commercial	4,227	$7,191	1,573,173
Industrial	298	$3,375	930,852
Other*	1,447	$3,316	388,025
Totals	63,889	$40,568	5,760,160

* Other includes public and fire protection customers.
Source: PUC Annual Report and Data Request WO-8

The Company obtains its water supply primarily from the South and East Branches of the Codorus Creek, which together have an average daily flow of 73.0 million gallons. Raw water is pumped approximately two miles to the Company's water filtration plant just south of the City of York. The water filtration plant has a capacity of 31.0 million gallons per day with a maximum supply of 42.0 million gallons per day for short periods, if necessary. Additionally, the Company owns two impounding dams, Lake Redman and Lake Williams located in York and Springfield Townships, which hold up to approximately 2.2 billion gallons of water. Lake Redman covers approximately 290 acres containing about 1.3 billion gallons of water whereas Lake Williams covers approximately 165 acres containing approximately 870 million gallons of water. The Company also has a 15-mile pipeline from the Susquehanna River to Lake Redman which has the capacity to provide 12.0 million gallons of untreated water per day. York Water also owns two wells which are used to supply water to its customers in Carroll Valley, Adams County. The wells are capable of providing a safe yield of approximately 100,000 gallons per day with an average daily consumption of 12,000 gallons per day during 2013.

As of March 31, 2014, York Water had 106 full time employees. York Water's current executive level organizational chart is shown in Exhibit II-2.

Exhibit II-2
The York Water Company
Executive Level Organizational Structure
As of April 15, 2014



Source: Data Request GD-1

In addition to smaller water systems, York Water acquired two wastewater collection and treatment systems between January 2012 and March 31, 2014. The wastewater treatment plants have a combined average daily flow capacity of 167,000 gallons with a projected daily demand of 77,000 gallons. The two wastewater collection systems have approximately 38,270 feet of 6 inch and 8 inch gravity collections mains and 4,800 feet of 6 inch pressure force main along with three sewage pumping stations each rated at 80 gallons per minute. The growth through wastewater acquisitions has been approximately 0.85% annually. In 2013, the Company signed agreements to purchase two water systems which would add approximately 270 new water customers and one wastewater system which would add about 30 commercial and industrial wastewater customers. These three acquisitions are expected to occur in the second quarter of 2014 contingent upon approval from all required regulatory authorities. The Company believes that other water expansion opportunities are still present but that with the passing of Act 11 in 2012 allowing wastewater utilities to allocate a portion of their revenue requirement to the combined wastewater and water customer base, it has an excellent opportunity to pursue, develop, and acquire wastewater systems at a greater rate than water systems. Exhibit II-3 summarizes the Company's water and wastewater acquisitions from January 1, 2012 to June 30, 2014.

Exhibit II-3
The York Water Company
Water and Wastewater Acquisitions
January 1, 2012 through June 30, 2014

	2012		2013		Jan. – June 2014	
	Number	Customers	Number	Customers	Number	Customers
Water	2	340	1	135	1	75
Wastewater	1	250	0	0	1	400

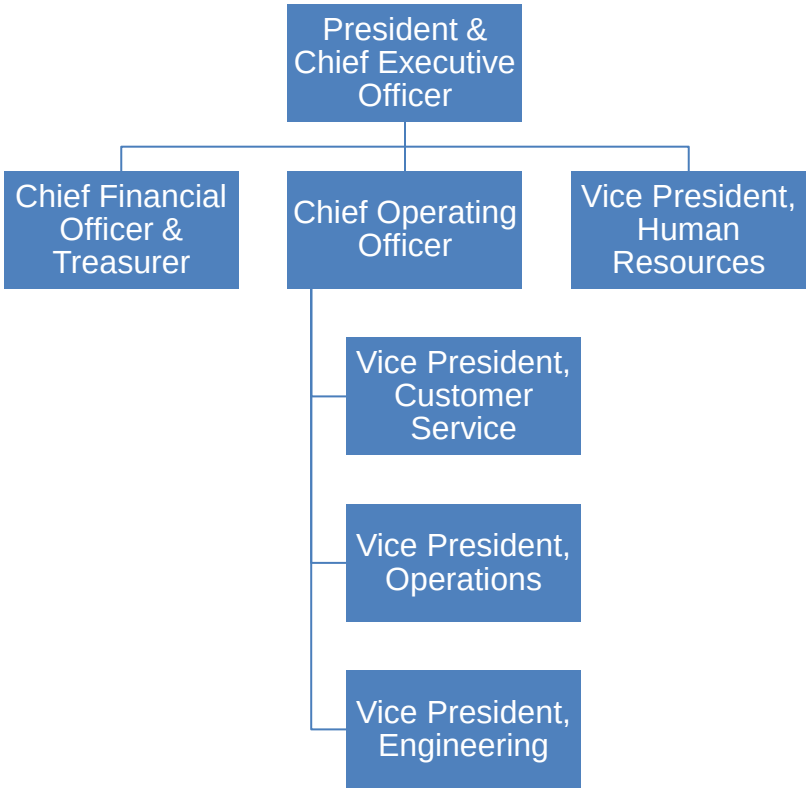
Source: Data Request EM-3

III. EXECUTIVE MANAGEMENT AND ORGANIZATIONAL STRUCTURE

Background

The York Water Company's (York Water or Company) executive management organizational structure is shown in Exhibit III-1. The York Water President/Chief Executive Officer (CEO) has three direct reports: Chief Financial Officer/Treasurer, Chief Operating Officer, and Vice President of Human Resources. In addition to the Company's executive management, York Water is overseen by its Board of Directors (Board), which is discussed in greater detail in Chapter IV – Corporate Governance.

Exhibit III-1
The York Water Company
Executive Management Organizational Structure
As of April 15, 2014



Source: Data Request GD-1

The Audit Staff evaluated York Water's staffing levels for the period 2009 through March 31, 2014. Exhibit III-2 summarizes overall staffing level trends for York Water during this period. As indicated, the number of employees decreased from 111 in 2009 to 106 in 2014, a decrease of 4.5%. Due to the Company's small size there are several departments with a single employee performing a specialized function (i.e., payroll,

purchasing, accounts payable, etc.). York Water continues to cross-train employees in order to be able to perform these functions when the employee responsible for the function takes leave.

Exhibit III-2
The York Water Company
Staffing Levels
For the Years 2009 through March 31, 2014

Year	2009	2010	2011	2012	2013	YTD 2014	Percent Change
Total Employees	111	110	106	103	104	106	- 4.5%

Note: 2009 through 2013 are as of December 31st while 2014 data is as of March 31st.
Source: Data Request EM-1 and Auditor Analysis

York Water has a management succession planning process in place to ensure the continuity of management. Annually, the President/CEO, with input from executive management, submits a confidential memorandum to the Nomination & Corporate Governance Committee of the Board. The memorandum articulates the Company's ability to continue operations with an unexpected loss or a planned retirement of an executive management employee by identifying potential candidates that could succeed each of the seven employees identified in Exhibit III-1. In addition, the Company monitors its aging workforce in order to identify departments facing loss of experienced personnel in order to take the appropriate steps to address pending retirements. As of December 31, 2013, 40% of York Water's staff was 50 years of age or older.

As part of its annual strategic planning process, the President/CEO surveys all management level employees during June to solicit opinions on the probability and potential impact of various enterprise risk factors. During a subsequent management meeting led by the President/CEO the results of the survey are discussed in-depth to determine the areas of highest concern and mitigation steps that the Company can take. The President/CEO leads a discussion regarding the Company's enterprise risk management and strategy with the Board during its September meeting.

During the second half of the year the President/CEO collaborates with all management employees to establish short term performance objectives for the following year. In January, the performance objectives are submitted and reviewed by the Board's Compensation Committee. The Board, based upon recommendations from the Compensation Committee approves the objectives for the Company. These objectives are tied to the annual cash incentive plan[1] that is offered to the management

[1] Each of the objectives within the annual cash incentive plan is worth five points and the number of objectives in any particular year may vary. If the Company achieves at least 75% of the possible points, which are determined by taking five points multiplied by the number objectives that year, and meets its earnings per share business criteria then all eligible employees are awarded 5% of their base salary. No payout is awarded if the Company does not meet 75% of the performance objectives.

employees. During quarterly meetings, management employees discuss the Company's progress in meeting the performance objectives. In January of the following year, the Compensation Committee determines whether the performance objectives and the earnings per share business criteria have been met and finalizes the incentive plan payout.

In addition to their oversight of the annual cash incentive plan, the Compensation Committee oversees executive compensation. To assist the Compensation Committee in establishing base salary for York Water's executive management personnel in 2013, the Company participated in a survey conducted by a consulting firm, which compared York Water with seven similar-sized water utilities. This analysis indicated that the average base salary of the President/CEO and other executives was below the 25th percentile. Furthermore, although total compensation for Company executives was not specifically analyzed by the consulting firm, based on the information available to the Audit Staff it appears that the levels are reasonable. All York Water employees, including executives, have the opportunity to participate in an Employee Stock Purchase Plan, which offers Company stock at a 5% discount to market. In addition to participating in the cash incentive plan and Employee Stock Purchase Plan, executives at York Water are eligible to receive a traditional defined benefit pension plan[2], a deferred compensation program, and a 401(k) savings plan.

Findings and Conclusions

Our examination of the Company's executive management and organizational structure included a review of the overall objectives of the Company and the effectiveness of its present organizational structure to support these objectives, the Company's ongoing strategic and operational planning process, the Company's succession planning process, and the Company's use of an incentive compensation plan. Based on our review, it appears that proper controls are in place and that the Executive Management and Organizational Structure function is being performed in a satisfactory manner.

Recommendations

None.

[2] Only for employees hired before May 1, 2010.

IV. CORPORATE GOVERNANCE

Background

As discussed in Chapter II – Background, The York Water Company (York Water or Company) is publicly traded on The NASDAQ Stock Market (NASDAQ) exchange under the symbol "YORW". Therefore, the Company is subject to the corporate governance requirements contained in the Sarbanes-Oxley Act of 2002 (SOX) and the corporate governance rules of the NASDAQ.

York Water has a nine-member Board of Directors (Board) comprised of the Company's President and Chief Executive Officer (CEO) and eight independent Board members. The average tenure of the Directors, as of July 2014, was 11 years. In its Proxy Statement released to shareholders, March 24, 2014, the Board determined, based on NASDAQ corporate governance standards, that eight of the nine Board members are independent. The full Board met eight times during 2013 and conducted its business using the following committees:

- Audit Committee – monitors the audit functions of the independent public accountants and reviews the Company's financial reporting process and internal controls. The Audit Committee is comprised of three independent Board members that are all considered "audit committee financial experts" within the meaning of applicable Security Exchange Commission (SEC) rules. The Audit Committee met four times during 2013.
- Compensation Committee – makes recommendations for compensation of directors, committee members and corporate officers (including incentives). The Compensation Committee met twice during 2013 and is comprised of three independent members.
- Nomination and Corporate Governance Committee – reviews succession planning, oversees the Board's annual evaluation of performance, and recommends Director nominees for the Board. The Nomination and Corporate Governance Committee is comprised of three independent members and met four times during 2013.
- Executive Committee – reviews and makes recommendations to the Board of Directors related to budgeting, ratemaking, and debt and equity financing. The Executive Committee is composed of three independent Board members and the President/CEO. The Executive Committee met twice during 2013.

The Audit, Compensation, and Nomination and Corporate Governance Committees operate pursuant to written charters consistent with the applicable standards of the NASDAQ and the SEC. The respective charters are reviewed annually and updated as necessary. The duties and responsibilities of the Executive Committee are detailed in the Board's Standing Resolutions. The Committees undergo an annual performance evaluation that is overseen by the Nomination and Corporate Governance Committee and presented to the Board. The evaluation compares the performance of the Committee with the requirements of its respective written charter.

The Company's Code of Conduct and related documents are available for review by the shareholders and public at large by visiting www.yorkwater.com. Documents available on the website include:

- Charters for the Audit, Compensation, and Nomination and Corporate Governance Committees;
- Code of Conduct; and
- Whistleblower policy.

As stated above, one of the responsibilities of the Audit Committee is oversight of the external audit firm, which reports directly to the Audit Committee. ParenteBeard, LLC has been York Water's external audit firm since 2003. The Audit Committee ensures that the firm's engagement partner is rotated at least every five years in accordance with SEC guidelines. In general, the Company does not solicit bids for external audit services but rather periodically assesses the reasonableness of the fees incurred by conducting informal surveys of other external audit firms through other companies' SEC filings.

While York Water does not have an internal audit function, the Accounting Department is tasked with ensuring that the Company has strong internal controls that are consistently being followed. The Company's Chief Financial Officer (CFO) regularly attends Audit Committee meetings and meets one-on-one with the Chairman of the Audit Committee. Annually, during one of these meetings the results of the Company's internal control review are discussed.

Among the requirements of SOX is for the Audit Committee to establish procedures for:

- The receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters; and
- The confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

York Water's Whistleblower policy describes how and where employees may report illegal or unethical behavior or violations of its Code of Conduct policy. The Whistleblower policy states that violations may be reported directly to either the Vice President of Human Resources, who serves as the Corporate Compliance Officer, or the Audit Committee Chairman. Issues may also be reported through the Company's website.

Findings and Conclusions

Our examination of the Corporate Governance function included a review of York Water's Board of Directors' organization including committee structure and charters; Board fee structure; Director independence; documents related to principles of corporate governance; policies, practices, and procedures related to internal management controls; relationships with the independent auditor, performance of non-

audit services by the independent auditor and policies related to rotation of audit firms; code of conduct and whistleblower policies; annual reports to shareholders; etc. Based on our review, it appears that proper controls are in place and that the Corporate Governance function is being performed in a satisfactory manner.

Recommendations

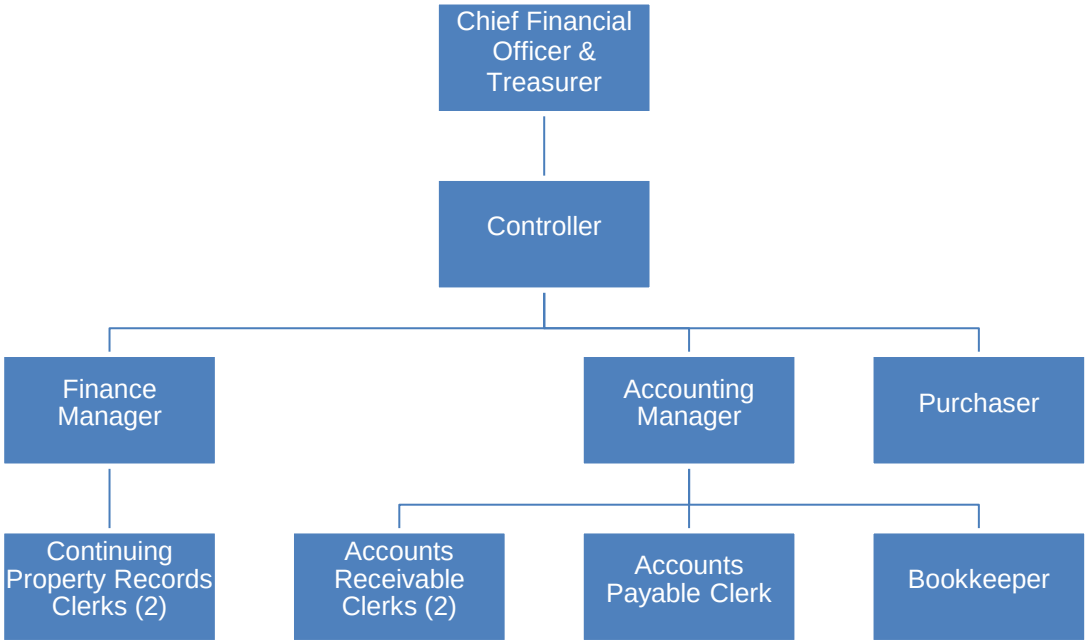
None.

V. FINANCIAL MANAGEMENT

Background

The York Water Company (York Water or Company) performs its Financial Management function through its Accounting Department that is led by the Chief Financial Officer and Treasurer (CFO). The Finance and Accounting Department's organizational structure is depicted in Exhibit V-1, noting that the CFO reports directly to the York Water President/Chief Executive Officer (CEO). The CFO has responsibility for financial management and strategy including cash and debt management, financial and regulatory reporting, internal controls, and capital and operational budgeting. Furthermore, the CFO also participates in succession planning (see also Chapter III - Executive Management and Organizational Structure), strategizing for growth, and managing third party revenues (i.e., tank attachments, wastewater billing for municipalities, etc.). When the Company's operational and financial conditions warrant an increase in rates, York Water files a rate case with the Pennsylvania Public Utility Commission (PUC or Commission). Support for York Water's rate cases are provided through the Finance and Accounting Department. During rate cases, York Water prepares all compulsory internal schedules and manages the more specialized requirements (i.e., depreciation, rate of return, etc.) through consultant contract(s).

Exhibit V-1
The York Water Company
Finance and Accounting Department Organization Chart
As of April 15, 2014



Source: Data Request GD-1

As depicted in Exhibit V-1, the Finance and Accounting Department includes two Divisions: "Finance" and "Accounting," as well as the Company's Purchaser, all of which report to the Controller. The Purchaser's job duties are discussed in more detail in Chapter VIII – Purchasing and Materials Management. The Controller is responsible for financial reporting and external auditor oversight. As previously discussed in Chapter II – Background, York Water is a publically traded company. As such, the Company submits annual audited financial filings (i.e., Annual Report to Shareholders and Form 10K) and quarterly unaudited filings (Form 10Q) per United States Security and Exchange Commission (SEC) requirements and Federal law. The Controller also oversees the concurrent external audit of the Company's assessment and testing of its internal controls, as mandated by Section 404 of the Sarbanes-Oxley Act (SOX). Additionally, the Controller provides or receives coverage from the CFO in cases of extended absence for either employee in order to ensure business continuity.

The Controller is also responsible for oversight of the implementation of internal control changes governed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO is a private sector initiative, jointly sponsored and funded by the American Accounting Association (AAA), American Institute of Certified Public Accountants (AICPA), Financial Executives International (FEI). Institute of Management Accountants (IMA), and the Institute of Internal Auditors (IIA). COSO originally released an Internal Control – Integrated Framework (Framework) in 1992 to enable organizations to develop systems of internal controls that adapt to changing business and operating environments, mitigate risks to acceptable levels, and support sound decision making and governance of the organization. It is recognized as a leading framework for designing, implementing, and conducting internal control and assessing the effectiveness of internal control. In 2013, COSO updated its Framework to enhance certain aspects of the original framework. Consequently, York Water's Controller is responsible for implementation of the transition to the COSO 2013 framework for its internal controls oversight and testing.

The Controller also oversees the external audit of the Company's General and Administrative (G&A) pension plan[3]. Per U.S. Department of Labor's Employee Retirement Income Security Act (ERISA) requirements, York Water's G&A pension plan is audited annually. The Company maintains two separate defined benefit pension plans: the G&A pension plan applies exclusively to nonunion employees while the Company offers a separate pension plan for its Union employees. York Water's employees (both G&A and Union) hired prior to May 1, 2010 are covered by York Water's defined benefit pension plans. In order to mitigate risk due to the uncertainty with obligation funding needs and potential liabilities, York Water has migrated to a defined contribution plan (i.e., 401K) for all employees hired after May 1, 2010 by implementing an enhanced 401K (see also Chapter XI – Human Resources and Diversity for additional information on York Water's retirement benefits for all employees). The Company's combined pension plans' assets are presented in Exhibit V-2. ERISA's minimum funding standards require comparison to actuarially

[3] ERISA does not require an annual audit of York Water's Union pension plan due to the limited number of participants.

determined[4] projected benefit obligations. In 2014, York Water's actuarially determined funding percentages were calculated at 94.78% for the G&A pension plan and at 98.29% for the Union pension plan. Therefore, both pension plans offered by York Water exceed the 80% minimum funding standards set by ERISA.

Exhibit V-2
The York Water Company
Funding Status of Defined Benefit Pension Plans (in Thousands)
As of December 31, 2013

Accumulated Benefit Obligation	$	29,279
Projected Benefit Obligation	$	32,054
Fair Value of Assets	$	27,102

Source: The York Water Company's 2013 Form 10K and Auditor Analysis

The Finance Manager has responsibility for the Continuing Property Record (CPR) function, including oversight of two CPR Clerks. The CPR function performs the tracking and maintenance of capital improvement projects and assets comprising York Water's infrastructure system. In 2007, the Company streamlined and automated the CPR function. As a result, York Water was able to increase productivity achieving an approximate 50% reduction in its CPR backlog. The Finance Manager is also responsible for assisting the Controller with internal control testing, filings for property and utility taxes, regulatory reporting to the PUC (i.e., PUC Annual Reports, etc.), inventory reporting (see Chapter VIII – Purchasing and Materials Management), and the preparation and compilation of the Company's annual Operating Budgets.

York Water's annual budgeting process begins at the end of August. A memorandum is disseminated from the CFO to all Company supervisors, including a request to identify capital and operating budget items and a budget timeline. The annual budget preparation includes a review of the current year's operating expenses by account excluding abnormal and one-time expenditures. All operational related budgets are subsequently reviewed by the Chief Operating Officer (COO). Meanwhile, all finance, human resources and miscellaneous budget items are reviewed by the CFO. Generally, by the third week of September, the CFO forwards all approved operating budget items to the Finance Manager for inclusion within the projected operating budget. The Finance Manager also obtains and loads projected salary increases, health insurance contributions, etc. into the projected operating budget. While the Finance Manager develops the operating budget, the CFO compiles the capital budget with input provided from Operating Department management personnel. A subsequent meeting is held between the CFO and COO to determine the overall budget projects and associated costs before budget discussions are held with the CEO.

The budget is coupled with summary schedules (i.e., income statement, cash flow, etc.) for the overall budget plan during October and receives a final review by the

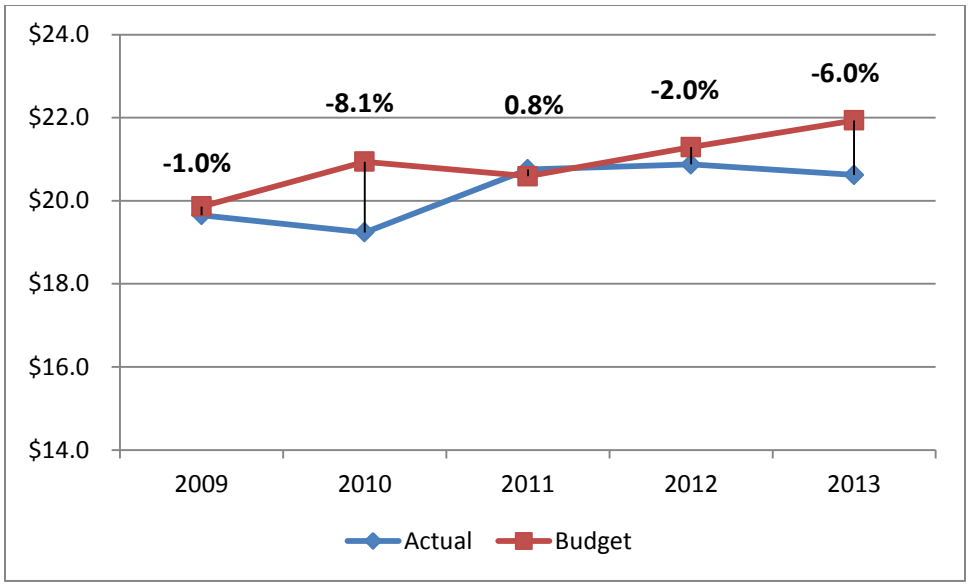
[4] Actuarial valuation is based on actuarial calculations valuing pension assets, funding balances, funding target, etc. As a result, the actual pension plan values presented in Exhibit V-2 do not reflect a funding level commensurate with those determined through actuarial valuation.

CEO, CFO and COO. The budget is presented to the Executive Committee[5] in the beginning of November. The Executive Committee may recommend changes to the budget and/or presentation of summary schedules before it is presented to the Board of Directors for review and approval in late November.

The Accounting Manager has responsibility for the accounts receivable (AR), accounts payable (AP) and bookkeeping functions, including the direct oversight of two AR Clerks, an AP Clerk and a Bookkeeper. The Bookkeeper is responsible for the payroll function, which is discussed in greater detail in the Findings and Conclusions section of Chapter XI – Human Resources and Diversity. The AP Clerk and Bookkeeper rotate duties one day every month in order to stay apprised of changes and demands with the respective positions. The Accounting Manager is also responsible for York Water's financial, SEC, and budget variance reporting. The operating budget variances are compiled on a monthly basis and capital budget variances are compiled quarterly. Performance is also compared to historical performance through evaluation of the current month to the prior month, current year to date (YTD) to prior YTD balances, and on a rolling 12 month basis. Although there is no set dollar or percentage threshold for variance reporting, York Water includes all large discrepancies in its variance report explanations. Generally, most York Water account balances are consistent; therefore, any outliers (overages or shortfalls) alert the Accounting Manager that investigation is needed. The Accounting Manager contacts each respective department in order to assess causal factors for the budget variance and, subsequently, assembles the budget variance report package for presentation to the Board of Directors. The Company's actual versus budget operating expenses and capital expenses for 2009 through 2013 are shown in Exhibits V-3 and V-4, respectively.

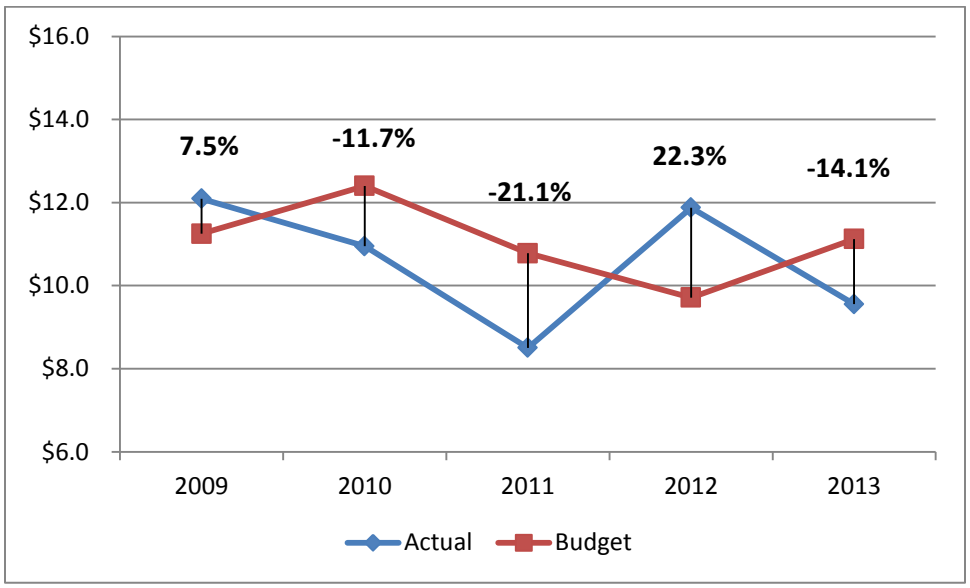
[5] Three members of the Board of Directors are appointed by the York Water Board of Directors to serve as the independent members of the Executive Committee. The fourth member of the Executive Committee is York Water's President and Chief Executive Officer (see Chapter IV – Corporate Governance).

Exhibit V-3
The York Water Company
Actual versus Budgeted Operating Expenditures (in Millions)
For the Years 2009 through 2013



Note: Excludes new business
Source: Data Request FM-3

Exhibit V-4
The York Water Company
Actual versus Budgeted Capital Expenditures (in Millions)[6]
For the Years 2009 through 2013



Source: Data Request FM-3 and Auditor Analysis

[6]Numbers omit actual and budgeted expenditures on new business due to the volatility of acquisitions.

As depicted in Exhibit V-3, the Company's actual versus budgeted operating expenditures reflect only slight variances from 2009 through 2013. York Water's overall operating expenditures have increased 4.9% during the period. The upturn is attributed to increased fuel, utility, and restoration costs. York Water's capital budget includes planned acquisitions. Due to the changing nature of these ventures, the Audit Staff omitted the actual and budgeted amounts associated with the Company's new business endeavors. York Water does not re-budget during the year; instead, the Company relies upon its variance reporting process to keep apprised of shifts in expenditures. Exhibit V-4 reflects York Water's actual versus budgeted capital expenditures which experienced more pronounced variances. For example, the 21.1% shortfall in 2011 is largely attributed to the delay of an upgrade to the Company's Oracle software and the 22.3% overage in 2012 is in large part due to increased service work, an expanded scope in tank painting and additional Oracle software licensing.

York Water's capital structure is illustrated in Exhibit V-5 for the years 2009 through 2013. The Company maintains a Standard and Poor's A- Stable corporate credit rating. As of December 31, 2013, the Company had no outstanding short term borrowings under its lines of credit. York Water maintains open lines of credit for liquidity which provides the Company the flexibility to obtain funds immediately at pre-negotiated and favorable terms. York Water's long term debt consists of unsecured and secured borrowing instruments, including bonds (52.6% of total long term debt), notes (47.1% of total long term debt), and a Pennvest loan (0.3% of total long term debt).

Exhibit V-5
The York Water Company
Summary of Capital Structure
For the Years 2009 through 2013

	2009	2010	2011	2012	2013
Debt	47%	48%	47%	46%	45%
Equity	53%	52%	53%	54%	55%

Source: Data Request FM-5

As a publically traded company on The NASDAQ Stock Market (NASDAQ), York Water is subject to SOX audits of its internal controls and testing procedures. Unlike the New York Stock Exchange, the NASDAQ does not require its trading companies to employ the use of an internal audit function. While York Water's SOX compliance provides a reasonable degree of certainty that its financial operations are free from abuse and fraud, the Company does not staff an internal audit function. As a small company, an internal audit function is unlikely to require full time evaluation; moreover there are reporting and interaction concerns due to the size of the company. Nonetheless, York Water reviews the matter annually, as NASDAQ requirements and the Company's business needs may change in the future and the Company does perform reviews, similar to an internal audit, on a case by case basis when conditions warrant. Should York Water determine that an internal audit function is warranted, the Company would likely opt to initially engage an outside audit firm to meet its needs.

Findings and Conclusions

Our examination of the Financial Management function included a review of cash and debt management, the capital and operating budget process, budget variance tracking and reporting, accounting policies and procedures, and staffing and managerial controls. Based on our review, the Company should initiate or devote additional efforts to improve the efficiency and/or effectiveness of its financial management function by addressing the following:

1. York Water has begun to offer a competitive service, its Water Service Line Protection Program, but has limited safeguards in place.

In response to customer requests, York Water began a pilot program offering a Water Service Line Protection Program (WSLPP) to its customers in December 2012. York Water's WSLPP is an agreement which provides repair of the customer's water service line (not to exceed $3,000 per year) in exchange for an annual fee. As of 2014, the WSLPP is still in pilot phase and is only offered to customers via the Company's website. The WSLPP's Terms and Conditions are included on the Company website and detail the rights and responsibilities of both York Water and the customer. Since similar services are competitively offered by other entities, York Water's WSLPP is considered a private agreement between the customer and York Water. Furthermore, as noted in *Felix v. Pennsylvania Public Utility Commission*, private services that merely supplement the public services provided by a utility do not fall within the Commission's jurisdiction. 146 A.2d 347 (Pa. Super. 1958). The WSLPP is a non-regulated service, offered by a regulated entity. As such, the Audit Staff, after consultation from the Law Bureau, recommends that certain measures be implemented by York Water to ensure that the Company's regulated and unregulated services remain separate. These measures include enhancements to the Company's accounting for the WSLPP, as well as the need for a disclaimer stating that the WSLPP is not a regulated service.

York Water instituted separate accounts when it launched the WSLPP for booking revenues and direct expenses related to the program. However, expenses related to shared services between the regulated and unregulated (i.e., customer service, accounting, management, etc.) are not currently allocated or charged to the WSLPP. Due to the limited size of the pilot program, the WSLPP has had little financial impact to the Company in 2012 and 2013. However, as the WSLPP increases its customer base, a material impact to ratepayers through cross-subsidization will occur if additional safeguards are not put in place. Therefore, York Water should continue to operate separate accounting for its regulated and unregulated business services, where the Company should allocate, either directly or indirectly, for all expenses/revenues generated by the WSLPP.

As mentioned previously, York Water advertises the WSLPP on its website. York Water's WSLPP is described as an optional program on both the Company's website and within the WSLPP's Terms and Conditions. However, the Audit Bureau, in consultation with the Law Bureau, recommends that York Water's WSLPP include a disclaimer on any WSLPP correspondence. The disclaimer should, at a minimum,

expressly state that nonpayment of (or failure to renew) the WSLPP will not result in termination of the customer's water and/or wastewater service with York Water. In addition, the disclaimer should also convey that the WSLPP is not regulated by the Commission.

Recommendations

1. Implement cross-subsidization safeguards between the Water Service Line Protection Program (WSLPP) and regulated utility service by maintaining separate accounts, allocating all expenses, and including additional language in WSLPP's disclaimer.

VI. WATER OPERATIONS

Background

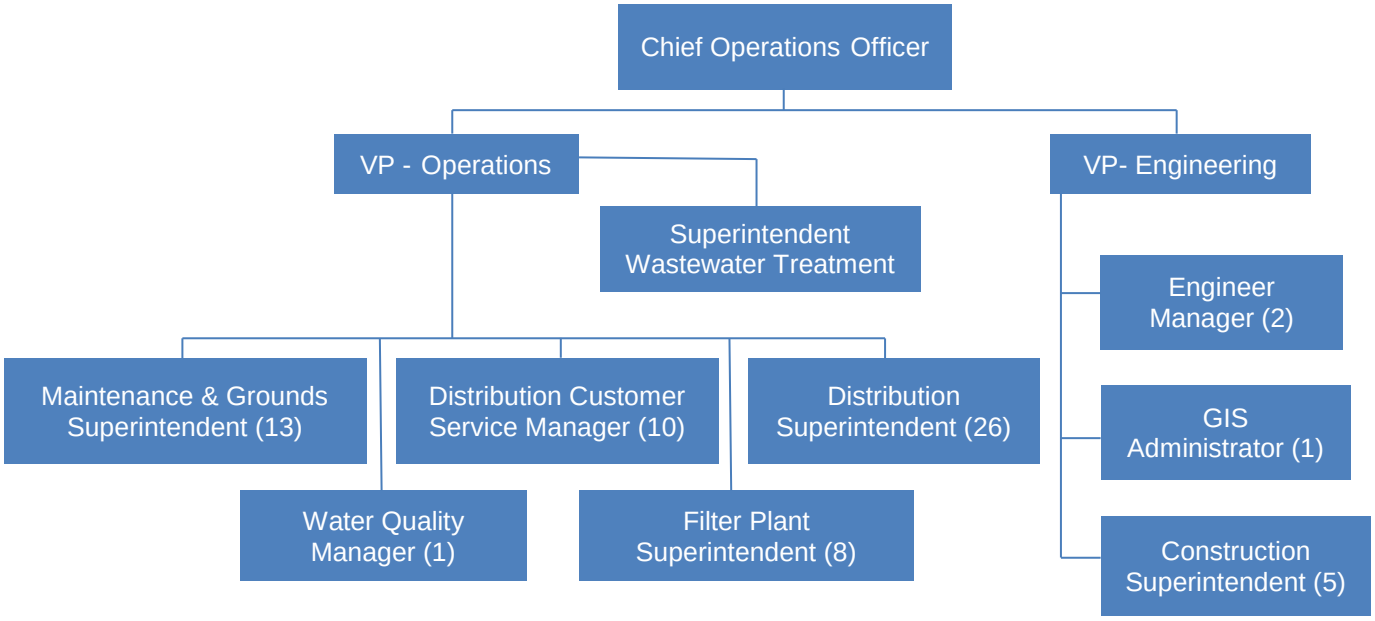
The York Water Company (York Water or Company) supplies an approximately 19 million gallons per day (MGD) of potable water to an estimated population of 190,000 in York and Adam counties, which translates to a daily per capita[7] water usage of 100 gallons. As of December 31, 2013, the Company served 63,889 customers across 39 municipalities (i.e., townships, boroughs, etc.) within York County and eight municipalities within Adams County. The Company owns, operates, and maintains a distribution system of approximately 960 miles of water main which range in diameter from 2 inches to 36 inches. The distribution system includes 29 booster stations and 31 finished water reservoirs and standpipes capable of storing approximately 58 million gallons of potable water. York Water's service territory is divided into two major systems which consist of a gravity fed system and a repumped system. The gravity fed system serves the city of York and several adjacent municipalities. The repumped system in which water has to be pumped from low lying areas to elevated locations using a pumping station has eight repump zones and generally covers territory located outside the city of York. As of December 31, 2013, the Company served approximately 23,000 customers in the gravity system and 41,000 customers in the repumped system.

As shown in Exhibit VI-1, the Chief Operations Officer (COO) oversees the Operations and Engineering Departments. The Operations Department led by the Vice President (VP) of Operations consists of 60 employees while the Engineering Department led by the VP of Engineering consists of nine employees.

The VP of Operations who reports directly to the COO is responsible for six operational functions: Maintenance and Grounds (M&G), Distribution Customer Service (DCS), Distribution, Water Quality, Filter Plant and Wastewater Treatment. In addition to other personnel, the M&G Department has seven field employees that primarily work on maintaining infrastructure specific to items such as pump stations, storage tanks, remote chemical feed stations, etc. Moreover, the Electrical Technicians in the M&G Department perform all electrical work at the Company's facilities. The DCS Department is primarily responsible for shipping/receiving material inventory (further discussed in Chapter VIII – Purchasing/Materials Management) and dispatching crews. The DCS Department, in addition to other employees, has four employees that perform meter repairs and meter exchanges. The Distribution Department is managed by the Distribution Superintendent which is responsible for any maintenance performed in the streets including leak detection, hydrant inspections/flushing, valve inspections, etc. but does not include main rehabilitation activities. Typically, main rehabilitation and main extension projects are contracted to third-parties; however, the Distribution Department performs service work, tie-ins, etc. In addition to a Leak Detection Specialist, the Distribution Department has 22 Distribution Line crew that perform preventative maintenance and distribution activities to include valve exercising, hydrant flushing, etc.

[7] Daily per capita is the average amount of water used by the population served by York Water on a daily basis.

Exhibit VI-1
The York Water Company
Operations and Engineering Departments Organization Chart
As of March 31, 2014



Source: Data Request GD-1

The Filter Plant Department is responsible for the entire water treatment process ranging from water filtration plant inflows to filtration to sedimentation to chemical feeds. In addition to a Superintendent and an Assistant Superintendent, the Filter Plant Department has six certified Plant Operators. The Water Quality Manager has expertise in well and remote chemical feed systems. In addition, the Water Quality Manager provides back-up support for the Filter Plant Superintendent. In February 2014, York Water hired the Superintendent of Wastewater Treatment to manage the wastewater facilities that were recently acquired by the Company in East Prospect Borough.

The VP of Engineering provides oversight to eight employees with three direct reports who include the Engineer Manager, Geographic Information System (GIS) Administrator, and the Construction Superintendent. The Engineer Manager is primarily responsible for the main cleaning/relining program, project management and design of new projects, permitting, annual reporting and submitting water allocation reports to the various regulatory agencies. The Construction Superintendent is responsible for overseeing outsourced projects and ensuring contractors are performing work in accordance with Company specifications. This group is also responsible for designing replacement projects and selecting materials to be used on the jobs. The GIS Administrator is responsible for updating and making any changes to the GIS maps.

In late 2006 through early 2007, the Company began migrating from paper maps to an electronic mapping system, AutoCAD. With the advent of newer technology, the

maps in AutoCAD were uploaded into the electronic mapping database and display tool (ArcGIS) using conversion software. Since all mapping updates must be entered into ArcGIS, the Company expanded its interface to enable field personnel to access the maps and make minor changes from the field thereby improving efficiency. York Water also recently acquired a Geospatial Positioning System (GPS) unit in order to obtain accurate locations of infrastructure assets such as valves and is currently in the process of obtaining GPS coordinates for its valves. Moreover, starting in 2013 the Company requires contractors to provide the Company with GPS coordinates of any installed assets, which are then uploaded to York Water's mapping system by the GIS Administrator.

York Water's profile of its main infrastructure delineated by miles, age of installation by decade, and material type are shown in Exhibits VI-2 and VI-3 respectively. As of December 31, 2013, approximately 92% of the Company's main is less than 100 years old and over 60% is less than 50 years old. Moreover, approximately 97% of the Company's mains are comprised of either cast or ductile iron with less than 2% of the pipe consisting of transite, concrete or galvanized material which the Company is aggressively striving to replace.

Exhibit VI-2
The York Water Company
Miles of Main by Decade of Installation
For the years 2010 through 2013

Decade of Installation	2010	2011	2012	2013	Percent Change
Older than 1900	30.4	29.0	27.9	27.5	-9.5%
1900 – 1910	36.7	36.2	34.2	34.1	-7.1%
1911 – 1920	10.6	10.7	10.6	10.6	0.0%
1921 – 1930	33.3	33.3	33.1	33.1	-0.6%
1931 – 1940	26.4	24.3	24.2	24.2	-8.3%
1941 – 1950	39.9	39.9	39.8	39.8	-0.3%
1951 – 1960	100.3	100.4	100.3	100.3	0.0%
1961 – 1970	89.8	89.9	92.7*	92.2	2.7%
1971 – 1980	85.1	84.9	89.2*	89.2	4.8%
1981 – 1990	123.0	122.6	123.1	122.9	-0.1%
1991 – 2000	157.4	157.4	157.5	156.6	-0.5%
2001 – 2014	208.8	213.0	221.2*	227.6*	9.0%
Totals	941.7	941.6	953.8	958.1	1.7%

* Increase in mains during these periods was primarily due to acquisitions.
Source: Data Request WO-25

Exhibit VI-3
The York Water Company
Miles of Main by Material
As of December 31, 2013

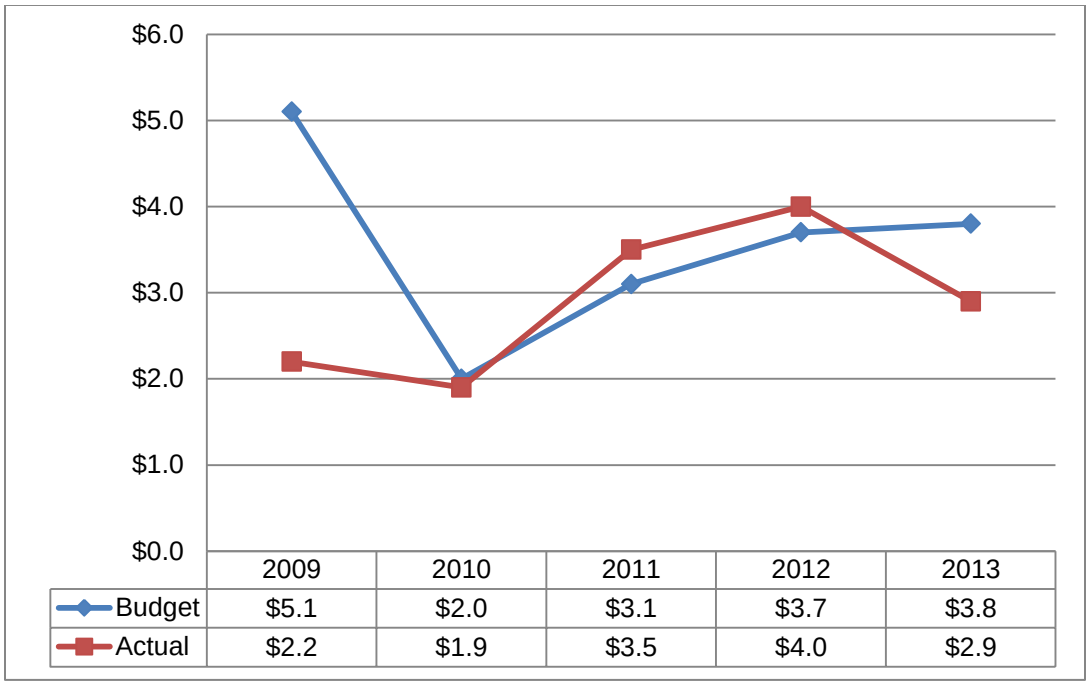
Material	Miles
Ductile Iron	550.1
Cast Iron	377.2
Transite	17.1
Plastic	11.7
Copper	1.1
Concrete	0.5
Galvanized	0.4
Total	958.1

Source: Data Request WO-25

York Water performs three primary types of main rehabilitation: main replacement, main reinforcement (i.e., abandonment/tie-in), and main cleaning and relining (C&R). Main replacement occurs when a section of old, antiquated pipe is removed from service and replaced with a new section of pipe. Main reinforcement occurs when a segment of pipe is replaced because it either no longer adequately addresses volume and/or pressure constraints or the Company no longer uses that size of pipe. Main C&R is performed on cast iron pipe that is structurally sound and at least six inches in diameter. Although main C&R only extends the useful life of the pipe by 50 years, it is both economically and operationally advantageous in that it costs approximately 60% less than main replacement while offering minimally invasive installation.

Water main rehabilitation projects are identified and ranked based on several criteria such as age, pipe diameter, break history, material type, planned paving projects, etc. Mains greater than or close to the average age of 120 years are given highest priority for replacement or abandonment. Also, mains less than six inches in diameter and with more than one break per block in the past decade are given increased priority for replacement. Exhibit VI-4 presents the main rehabilitation actual versus budgeted expenditures for the years 2009 through 2013 and Exhibit VI-5 shows the actual miles rehabilitated versus the goals set for the years 2009 through 2013.

Exhibit VI-4
The York Water Company
Actual Versus Budget Main Rehabilitation Dollars (Millions)
For the years 2009 through 2013



	2009	2010	2011	2012	2013
Budget	$5.1	$2.0	$3.1	$3.7	$3.8
Actual	$2.2	$1.9	$3.5	$4.0	$2.9

Source: Data Request WO-10

Exhibit VI-5
The York Water Company
Main Rehabilitation Miles (Actual Versus Goals)
For the years 2009 through 2013

	2009	2010	2011	2012	2013	Five-year Average
Main Replacement	2.5	2.7	2.6	3.1	3.0	2.8
Main Reinforcement	0.5	1.0	0.7	0.9	1.6	0.9
Main Cleaning and Relining	3.3	3.4	4.5	3.6	3.2	3.6
Totals (Actual)	6.3	7.1	7.8	7.6	7.8	7.3
Totals (Goal)	6.2	5.5	7.4	7.6	8.0	6.9

Source: Data Request WO-10

The Company has replaced/relined, on average, approximately 40,000 feet or 7.5 miles of main every year. As of December 31, 2013, the Company had 958 miles of water main in its service territory which translates to a 131-year main replacement rate based on the Company's five-year average replace/relining of 7.3 miles. It should be noted that the Audit Staff has found that York Water has substantially increased its main

replacement efforts from 2007 to 2013. In fact, York Water has almost doubled its replacement efforts from a 232 year schedule in 2007 to a 131 year schedule in 2013.

The York Water Company's filter plant has undergone numerous upgrades in the past decade. In 2013, the Company undertook a three-year project to upgrade all 12 filters at the filter plant based on a recommendation made by the Department of Environmental Protection (DEP). The recommendation was made based on the age of the filter media and the underdrains and surface wash systems. As of 2014, York Water's filter media is approaching 40 years and is showing signs of age and mineral buildup. Additionally, the underdrains and surface wash systems are showing signs of deterioration. The Company replaced one filter and underdrain in 2013 and planned to replace three more during 2014. By performing these required upgrades, York Water plans to increase filtering capacity, decrease annual operating and maintenance costs and improve water quality. Increasing the filtering capacity from the current 3.0 gallons per minute (gpm) per square foot to 4.0 gpm per square foot would increase the maximum capacity of the filter plant from 30 MGD to 40 MGD.

Since 2009, the York Water Company participated with the Commission as a member of the Technical Support Group, established at Docket No. M-2008-2062697, in a pilot project exploring the implementation of the Non-Revenue Water (NRW) audit methodology. At the conclusion of the pilot, the Commission issued a Tentative Opinion and Order on October 14, 2011, directing the Commission's Law Bureau to prepare proposed regulations implementing the audit methodology as a best management practice in water loss control in Pennsylvania. Most recently, the Commission issued an Advance Notice of Proposed Rulemaking Order that solicited comments on the NRW methodology at its Public Meeting on January 24, 2013, at Docket No. L-2012-2319361. Beginning in 2012, York Water started using American Water Works Association's (AWWA) NRW audit methodology, which states that all volumes of water supplied to distribution go to either beneficial or wasteful losses. NRW is the sum of unbilled authorized consumption (i.e., water for fire-fighting, flushing, etc.) plus apparent losses (i.e., customer meter inaccuracies, unauthorized consumption and billing inaccuracies) plus real losses (i.e., system leakage and storage tank overflows). Prior to using the AWWA method in 2012, York Water reported its water losses utilizing the unaccounted-for water (UFW) methodology[8] which allowed for exclusions such as Company use (i.e., main flushing, blow-off use, etc.), firefighting, located/repaired breaks in mains and services, unavoidable losses, etc. Exhibit VI-6 shows the Company's NRW data for the years 2009 through 2013. For comparison purposes, York Water's UFW equivalent in 2013 was at 15.9%.

[8] UFW is the volume of water supplied minus the volume of customer billed water minus any authorized metered/unmetered usage divided by the volume of water supplied.

Exhibit VI-6
The York Water Company
Unaccounted-for Water and Non-Revenue Water Percentages
For the years 2009 through 2013

	2009	2010	2011	2012	2013
UFW	11.5%	12.2%	11.4%	13.2%	15.9%
NRW	n/a	n/a	n/a	15.2%	18.0%

Source: Data Request WO-8 and WO-9

As shown in Exhibit VI-6, the Company's UFW/NRW trend, although under the UFW 20% Commission threshold, has been increasing. York Water has initiated several steps to address this increasing trend and believes that these measures will help the Company reduce its UFW/NRW levels. Some of these steps include replacing the 12 filter plant meters over the next three years and developing a monthly repump non-revenue water analysis which would allow the Company to compare customer consumption in each of the repumped zones with the amount of water passing through the pump stations. This will allow for more timely review of non-revenue water trends so that corrective actions can be taken.

Furthermore, the Company has an active leak detection program, which includes a leak detection incentive plan that rewards the Leak Detection Specialist for finding leaks in the Company's service territory. The leaks are then fixed by the Distribution Department. Exhibit VI-7 illustrates the number of leaks that were found by the Leak Detection Specialist from July 1, 2008 through June 30, 2013. The accumulation of these efforts should help the Company identify and correct conditions causing elevated UFW/NRW levels.

Exhibit VI-7
The York Water Company
Number of Leaks Found
July 1, 2008 through June 30, 2013

	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Number of Leaks Found	245	284	234	315	299

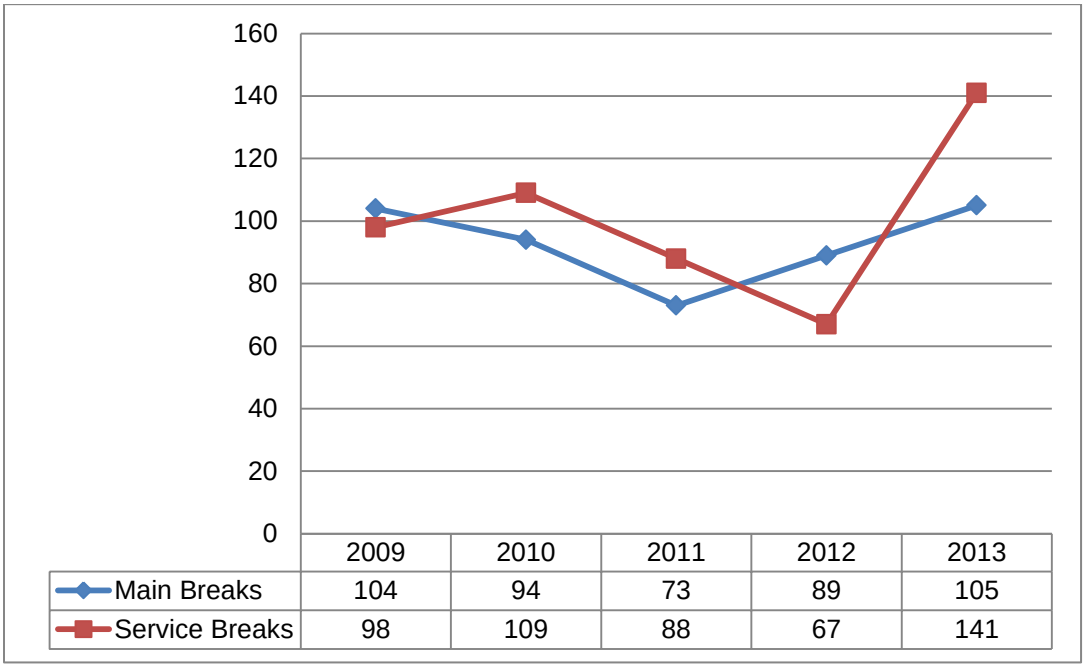
Source: Data Request WO-6

Exhibit VI-8 illustrates the number of water main and service breaks in York Water's service territory for the years 2009 through 2013. The Company tracks main breaks by cause of failure (i.e., lead joint, contractor hit, and unknown[9]), nature of break (i.e., circumferential, longitudinal, etc.), size, type and age of main. The Company collects similar information for service breaks and has found that a majority of the

[9] Tracking a main break as "unknown" has provided a more consistent analysis of main breaks especially when the Company is not certain of the cause of the break.

service breaks were caused by broken curb stop valves. The large increase in service breaks from 2012 to 2013 was mainly due to broken or non-operable curb stops.

Exhibit VI-8
The York Water Company
Number of Main and Service Breaks
For the Years 2009 through 2013



	2009	2010	2011	2012	2013
Main Breaks	104	94	73	89	105
Service Breaks	98	109	88	67	141

Source: Data Request WO-12 and WO-13

Findings and Conclusions

Our examination of the Water Operations function included a review of policies and procedures, capacity planning, drought contingency planning, engineering and construction, maintenance, production, main replacement, non-revenue water, damage prevention, the cross-connection program, workforce management, safety, etc. Based on our review, York Water should devote additional efforts to improve the effectiveness of its water production, transmission and distribution operations by addressing the following:

1. The Company has not updated its Drought Contingency Plan (DCP) in over ten years.

The provisions of Chapter 118 issued under the Emergency Management Services Code, 35 Pa. C.S. §§ 7101-7707 requires each public water supplier in an emergency area to develop a DCP or update an existing one and submit it to the Commonwealth Drought Coordinator for review and approval. A Drought Contingency

Plan is intended to establish measures for essential conservation of water resources, and to provide for equitable distribution of limited water supplies. Water resources during drought conditions must balance demand and limited supplies to ensure that sufficient water is available to preserve public health and safety.

York Water developed its DCP in August 2002 in response to the DEP Water Allocation Permit WA 67-62C, which authorized the Company to withdraw a maximum of 12.0 MGD from the Susquehanna River and up to a maximum of 42.0 MGD from the South Branch of the Codorus Creek. One of the conditions in the permit was that within one year of the date of the permit, the Company should develop a DCP outlining the measures that would be taken to conserve the available supply and reduce water use during a drought emergency. Moreover, in accordance with the DEP Water Allocation Permit, the DCP should be updated and submitted to the DEP every three years thereafter. The DCP should include staged voluntary and mandatory water use restrictions and a description of parameters to trigger these actions at various stages, and the identification of available emergency sources or interconnections and when these sources would be utilized.

In York Water's DCP, trigger points are based on the amount of rainfall and lake levels. The DCP includes water withdrawal plans for Lake Redman and Lake Williams and actions to be taken based on various lake levels. However, York Water's DCP does not outline all of its sources of water and does not identify the various drought stages and corresponding responses (i.e., drought watch, drought warning and drought emergency) within the Company's water supply system based on the water levels for each source. For instance, in August 2004, the Company constructed a pumping station along the Susquehanna River to provide in part additional drought contingency options. Therefore, the Audit Staff believes that the DCP should be updated to include withdrawal plans from the Susquehanna River.

Company management acknowledged that the DCP should be updated with more current source, trigger information, etc. Updating and submitting the DCP to the DEP every three years would not only ensure that the Company is in compliance with the Water Allocation Permit issued by the DEP but it would also assist in identifying all available emergency sources of water or interconnections within the Company's service territory as well as the sources to be utilized based on the pre-identified trigger points. Without an updated DCP that includes more current source information, the Company may be forced to implement response measures that are not pre-planned potentially causing the Company to overlook some sources or make errors in evaluating withdrawal volumes. The adoption and regular update of a DCP prior to a drought event could diminish the need for emergency meetings, and significantly reduce the amount of misunderstanding and indecisiveness that often come with last minute planning efforts.

2. The Company does not have a distribution valve inspection manual and/or policy.

York Water has a comprehensive distribution valve operation and inspection program. Distribution valves are categorized into three groups: valves that are eight inches or smaller, valves that are ten inches or larger and hydrant valves. As of December 31, 2013, the Company had 7,982 valves that were eight inches or smaller, 3,375 valves that were ten inches or larger and 3,765 hydrant valves.

Prior to 2011, York Water's practice was to prioritize inspection of critical valves (i.e., valves equal to or greater than 10") over its remaining distribution valves. Consequently, critical valves were inspected on a more frequent basis (i.e., once every two years) but due to resource constraints other valves such as hydrant valves, etc. had gone uninspected for several years. Hence, in 2011, the Company implemented a new practice to exercise and inspect all of its distribution valves on a four year cycle. Subsequently, York Water has essentially achieved a three year inspection cycle for all but its hydrant valves. Moreover, in 2011, the Company purchased additional valve exercising equipment and dedicated additional personnel to improve its valve operation and inspection program. York Water currently has two truck mounted valve exercising machines and one trailer for valve inspections, which helps with cleaning debris from valve boxes during inspections. The Company also utilizes a valve inspection database that tracks valve inspection activities. The database includes parameters such as valve location, valve ID, model, number of turns, date exercised, etc. York Water is also exploring to acquire automated valve inspection software platforms that integrate with the GIS system such that when the valve is inspected and/or exercised, the valve data in the GIS system is automatically updated.

However during the course of fieldwork, the Company was unable to provide a documented valve inspection policy or procedure to the Audit Staff but acknowledged a policy should be developed. A properly documented policy/procedure manual is crucial to help standardize operations and should document the various activities of the inspection program, such as the number and types of valves, exercise schedule by type of valve, exercising equipment used, list of critical valves, integration capabilities with GPS/GIS, etc. Moreover, a policy/procedure manual should outline annual inspection goals and document the maintenance and storage of valve cards, as applicable. The policies and/or procedures could also include a brief description and/or methodology for identifying critical valves.

AWWA recommends that water utilities initiate and maintain a documented valve exercise program to ensure the proper operation and maintenance of its valves. Sometimes, even when a company has a well-established program, the documentation aspect of the program is overlooked. The Audit Staff believes that the Company operates a comprehensive valve inspection and maintenance program in practice but lacks a fully documented valve inspection/operation procedure. By documenting its operating practices, the Company would ensure proper controls have been established to enable employees to perform work consistently and in accordance with prescribed procedures while also serving as a training tool for new employees and a mechanism to retain the knowledge of experienced employees.

3. The Company's cross-connection control manual is outdated.

York Water's cross-connection control manual lists the policies and procedures related to backflow prevention and more specifically address the intent and purpose, responsibilities, implementation and enforcement and inspection of facilities as it relates to the program. The cross-connection control manual was not dated, but Company Management indicated that it was developed sometime in the 1970's. Moreover, management indicated that the cross-connection control manual has never been updated and includes terms and devices that are obsolete. In addition, the manual does not include an updated certified tester list, as the original list was from the 1970's, or a list ranking commercial/industrial customers based on priority (i.e., hazardous facilities, aesthetically objectionable facilities and non-hazardous facilities).

Commercial and industrial customers are required as part of the cross-connection control program to annually test installed backflow devices[10] such as double check valve assemblies (DCVA) or reduced pressure zone devices (RPZD) and provide the test results to the Company. The Company maintains a backflow device test list for all commercial/industrial customers that tracks type of device installed, model, serial number, test date, etc. and is also used to alert commercial/industrial customers that they need to annually test their backflow devices.

However in response to the Audit Staff's request, the Company could only provide commercial and industrial customer test data for 2013 which reflected a backflow device test rate of approximately 75%. Backflow device test data prior to 2013 was not available reportedly because either the test data was not collected or was not properly tracked. Moreover, in 2013, the cross-connection control program was re-assigned to the Distribution Customer Service Manager (DCS Manager) who indicated that the 75% test rate in 2013 was calculated solely from customers that returned a completed test form. Consequently, there could be a number of customers that tested their devices but did not return the form to York Water. The Audit Staff believes that this is an administrative issue and should be addressed in the Company's cross-connection control manual such that appropriate controls are implemented to ensure that these test forms are returned to the Company and recorded in the system. By updating its cross connection control manual, York Water would ensure that proper procedures, controls, and customer information is available and current in order to effectively administer and operate its cross-connection control program.

4. The Company does not have an electronic meter record database or a meter testing policy and/or procedure.

As part of its distribution meter records, York Water maintains test records for all meters that are taken out of service and replaced with new meters. The meter records include size, make, serial number, meter reading, and the test record for the meter being replaced (i.e., the date the test was performed, initial of the tester and the three

[10] Residential customers are not required to have testable backflow devices. Instead, residential customers have dual check valves in line with the meter which the Company inspects/repairs during routine meter exchanges.

flow rates with the corresponding volumes). All of this information is maintained manually on meter cards (i.e., index cards) and stored categorically by month and year of test. Moreover, meter test records for new meter shipments are manually maintained on paper in the meter test shop. The Audit Staff believes that the Company should strive to implement a meter record database to electronically maintain all meter information including test records, whether new or replaced. An electronic database would effectively archive and maintain data that is easily accessible and could be utilized for further analysis, as needed.

Also, the Company does not have documented policies or procedures to reflect its actual meter testing practices. Meter testing policies and/or procedures should be up to date and inclusive of several aspects of meter testing such as test frequency, test procedure, test record maintenance, allowable test errors, etc. More specifically, according to 52 Pa. Code § 65.8(c),

> …whenever a water meter is tested, the original test record should be kept indicating the information necessary for identifying the meter, the reason for making the test, the reading of the meter before being disturbed, and the accuracy of the meter together with data taken at the time of the test. A record shall also be kept, preferably numerically arranged, indicating the date of meter purchase, name of manufacturer, its size, its identification, its various places of installation with dates of installation and removal, and the dates and general results of all tests.

Management contended that it does have a meter testing policy but could not provide it upon request by the Audit Staff. A meter testing policy and/or procedure should include meter testing procedures, meter installation practices, meter test schedules, meter testing equipment calibration records, customer meter test request information and a schedule of fees for testing meters. Moreover, the meter testing policy should include the various flow rates that the meters are tested at and the total volume (i.e., gallons) needed based on meter size.

5. The Company does not have a damage prevention program manual.

The York Water Company is a member of the PA One Call (One-Call) system and complies with Pennsylvania's Underground Utility Line Law, Act 287 of 1974 as amended by Act 199 of 2004. In addition, York Water is a member of the City of York Utility Council and meets quarterly with City of York officials and representatives from all underground utilities serving the City of York. The Utility Council is responsible for coordinating road paving and underground work within the City of York. Therefore, York Water uses the Utility Council to help schedule its main rehabilitation activities, minimize damage to underground facilities, and reduce its restoration costs. Moreover, the Company participates in preconstruction meetings with contractors and/or excavators before any major main rehabilitation project. Exhibit VI-9 shows the actual number of locates marked and the number of third party line hits on mains and services. York Water has successfully collected over 90% of billed damage costs when its facilities were hit by third parties.

Exhibit VI-9
The York Water Company
Locates Marked and Number of Third Party Line Hits
For the Years 2009 through 2013

	2009	2010	2011	2012	2013
Locates Marked	6,408	6,214	6,017	6,272	6,701
Third Part Line Hits					
Mains	3	6	1	1	5
Services	13	5	9	8	10

Source: Data Request WO-15

Encouraging safe-digging and pipeline security practices and ensuring high quality pipeline monitoring and maintenance is an essential part of any underground utilities' damage prevention program. Every year, there are thousands of dig-in damages in Pennsylvania and although striking underground water pipelines may not pose the same risks as striking other underground facilities (i.e., gas pipe or electric lines); a water line hit could result in expensive repair costs, lost revenue, sink holes, injuries and/or other safety related issues. The damage prevention laws for water distribution companies are not as stringent as natural gas distribution companies (NGDC) primarily due to the nature of the product that flows through the pipes. However, a damage prevention manual should be comprehensive and encompass various aspects of the damage prevention program regardless of utility type. In accordance with 49 CFR §192.614, NGDCs are required to develop and maintain a damage prevention manual which should include, at a minimum:

- Identity, on a current basis, of persons who normally engage in excavation activities in the area in which the pipeline is located,
- Notification of the public in the vicinity of the pipeline and the actual notification of contractors,
- Means of receiving and recording notification of planned excavation activities,
- Provide for temporary marking of buried pipelines in the area of excavation activity, and
- Inspect pipeline that an operator has a reason to believe could be damaged by excavation activities.

While York Water is not a NGDC and is not required to comply with the requirements highlighted in 49 CFR §192.614, the Audit Staff believes that the Company would greatly benefit from documenting a comprehensive damage prevention manual. A damage prevention manual should consist of relevant damage prevention items such as One-Call information, list of utilities in its service territory, contact information for each utility, emergency contact information, excavation procedures, etc. The damage prevention manual could also include a section on locate reports that the Distribution Department tracks, outlining locates screened and resultant savings. Ultimately, York Water performs various best industry practices in regards to damage

prevention (i.e., involvement with City of York's Utility Council, recovery of third-party damages, etc.). However, the Company should document its program.

Recommendations

1. **Update the Drought Contingency Plan.**

2. **Develop a distribution valve inspection manual and/or policy.**

3. **Update the cross connection control program manual and incorporate administrative controls to ensure testing for commercial and industrial customer backflow devices is completed.**

4. **Develop an electronic meter record database and a meter testing policy and/or procedure.**

5. **Develop a comprehensive damage prevention program manual.**

VII. EMERGENCY PREPAREDNESS

Background – Effective June 11, 2005, Public Utility Commission (PUC or Commission) regulations at 52 Pa. Code § 101.1 – 101.7 (Chapter 101) require jurisdictional utilities to develop and maintain appropriate written physical security, cybersecurity, emergency response and business continuity plans to protect the infrastructure within the Commonwealth and ensure safe, continuous and reliable utility service. Along with the requirement to establish these "emergency preparedness" plans, a utility is also required to annually file a Self-Certification Form with the Commission. This form is comprised of 13 questions as shown in Exhibit VII-1 below.

Exhibit VII-1
Pennsylvania Public Utility Commission
Public Utility Security Planning and Readiness Self Certification Form

Item No.	Classification	Response (Yes – No – N/A*)
1	Does your company have a physical security plan?	1.
2	Has your physical security plan been reviewed in the last year and updated as needed?	2.
3	Is your physical security plan tested annually?	3.
4	Does your company have a cybersecurity plan?	4.
5	Has your cybersecurity plan been reviewed in the last year and updated as needed?	5.
6	Is your cybersecurity plan tested annually?	6.
7	Does your company have an emergency response plan?	7.
8	Has your emergency response plan been reviewed in the last year and updated as needed?	8.
9	Is your emergency response plan tested annually?	9.
10	Does your company have a business continuity plan?	10.
11	Does your business continuity plan have a section or annex addressing pandemics?	11.
12	Has your business continuity plan been reviewed in the last year and updated as needed?	12.
13	Is your business continuity plan tested annually?	13.

* Attach a sheet with a brief explanation if N/A is supplied as a response to a question.
Source: Public Utility Security Planning and Readiness Self-Certification Form, as available on the PUC website at http://www.puc.state.pa.us/general/onlineforms/pdf/Physical_Cyber_Security_Form.pdf.

During the course of fieldwork, the Audit Staff reviewed the most recent Self Certification form submitted by The York Water Company (York Water or Company) to determine the status of it responses. Our examination of the Company's emergency preparedness included a review of the physical security plan, cyber security plan, emergency response plan, business continuity plan, and associated security measures. In addition, the Audit Staff performed inspections at a sample of the Company's facilities. Due to the sensitive nature of the information reviewed, specific information, findings, and recommendations are not revealed.

The York Water Company has a comprehensive Emergency Response Plan (ERP) that includes many aspects of its other emergency plans including the Physical

Security Plan (PSP) and Business Continuity Plan (BCP). The ERP was developed in September 2003 and was last revised in April 2014. The Company categorizes its emergencies into five levels with level one being a minor incident and a level five incident being a major threat to the Company and/or public.

The Company hired a consultant to conduct a comprehensive Vulnerability Assessment (VA) in 2003. The VA was revisited in 2011 by an in-house team led by the Chief Operating Officer in order to assess the implementation status of the recommendations and review applicability for recent acquisitions and service territory expansions at the Company. As of May 2014, the Company had completed a majority of the planned physical security upgrades. Overall, the Company has deployed a layered physical security methodology that is documented within the PSP.

The Company's Cyber Security Plan (CSP) was documented and included disaster recovery procedures such as means to deal with a loss of the Information Technology (IT) room, obtaining replacement components, location of back-up information, etc. In addition, emergency contact information for the CSP is located within the ERP. Furthermore, based on software provided by the Department of Homeland Security, the Company performed a cyber risk assessment in July 2013 and plans to address its known risks through network configuration and redundancy upgrades and updating cyber security policies and procedures based on these network upgrades.

York Water's BCP is also included in its ERP. The BCP includes a list of the different types of incidents and anticipated emergencies as well as the associated impacts and the Company's responsive measures to deal with each incident. The BCP also includes processes for business interruptions and contingency planning during these critical situations.

Findings and Conclusion

Our examination of the Company's Emergency Preparedness included a review of the physical security plan, cyber security plan, emergency response plan, business continuity plan, vulnerability assessment and all associated security measures. Based on the review of the Chapter 101 plans, no specific evidence came to our attention that would lead the Audit Staff to conclude that the areas and plans reviewed were not being addressed adequately.

Recommendations

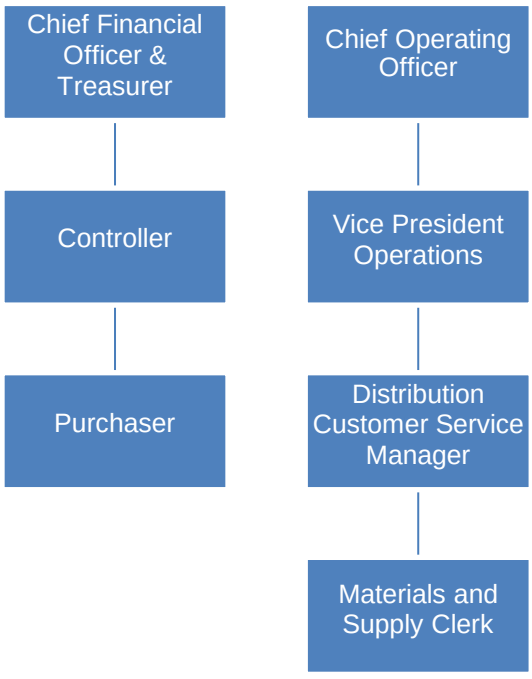
None.

VIII. PURCHASING AND MATERIALS MANAGEMENT

Background

The York Water Company (York Water or Company) manages and operates its materials management function through two groups: Finance and Accounting, and Water Operations. The Finance and Accounting Department is responsible for purchasing activities, while shipping and receiving of materials is managed within the Company's Water Operations Department. The reporting relationship for the Purchaser in the Finance and Accounting Group and the Materials and Supply (M&S) Clerk in Water Operations is presented in Exhibit VII-1.

Exhibit VIII-1
The York Water Company
Purchasing and Materials Management Functional Structure
As of April 15, 2014



Source: Data Request GD-1

Generally, all Company purchases follow York Water's requisition process. Designated employees with access to Oracle's Purchasing Requestor module may requisition an item. Items requisitioned through Oracle are categorized as an expense item or capital item. Generally, expense items are individual items valued less than $2,000; whereas, capital items are individually valued in excess of $2,000 and/or have a useful life greater than one year, extends the life of plant or equipment, etc. Subsequent approval of a requisition order (RO) is based upon the employee's status

(i.e., exempt or nonexempt)[11] and the total amount of the order. Nonexempt employees must have ROs of any amount approved by their immediate supervisor and may require subsequent approvals depending upon the amount whereas exempt employees may requisition expense items up to $2,500. The Distribution Customer Service (DCS) Manager may authorize items up to $2,500 and the VP Operations is required to approve all inventory orders greater than $2,500. In addition, the President and Chief Executive Officer (CEO) must approve all capital items, expense items over $2,500 and routine expense purchases (i.e., health insurance, legal fees, etc.). Furthermore, York Water's Board of Directors must approve the requisition of all non-routine items over $25,000 (excluding main extensions).

Once the RO is approved by appropriate management personnel, the Purchaser is responsible for creating a purchase order (PO) through Oracle and performing pricing research. In order to achieve the most favorable pricing, the Purchaser may combine orders to achieve a volume discount. In addition, there are circumstances which require substitution of the original items requested, such as discontinued materials, out of stock, etc. Should the substitution item(s) have a material impact on the order; the Purchaser will first contact the requisitioner for their consent, prior to making the purchase. Actual purchases are made online or by telephone and are billed to York Water's account with the supplier. In cases where the Company does not have an established account with the supplier, the Purchaser will use a corporate credit card to complete the transaction. Highly specific and/or technical purchases, which require a large investment, are handled directly by the COO and do not follow the normal requisition process. [12] In addition, travel expenses are also an exception and are handled by the respective Departments and Accounts Payable.

All material deliveries are either received at York Water's Distribution Center or delivered directly to the work site. Deliveries to the Distribution Center are received by the M&S Clerk who reconciles delivered items with the supplier's packing slip. Packing slips are cross checked with the purchase orders to ensure accuracy. Items are sorted by usage and placed in different areas depending upon the need. Materials for projects are placed on skids and labeled by project identification number; limited supplies are kept in the stockroom, while the majority of inventoried items are stored in the warehouse. York Water utilizes an inventory management system module (IMS), which is fully integrated within Oracle, to track inventoried items from the creation of the PO through receipt of materials to issuance of inventory for specific projects.

During regular business operations, York Water's distribution field personnel complete issue slips for inventory items related to repairs, maintenance, etc. as needed. In the event of an emergency during weekends, evenings or holidays, authorized supervisors have access to inventory and will issue items to appropriate personnel. The M&S Clerk closes out IMS inventory balances on a monthly basis and verifies that the Accounts Payable and Purchasing accounts are closed by communicating with the Accounts Payable Clerk and Purchaser. Once verified, the M&S Clerk balances the

[11] Exempt employees are salaried, whereas, nonexempt employees are compensated on an hourly basis.
[12] Large investments are capital items and/or projects which have been approved and planned through York Water's annual budgeting process; see Chapter VI – Financial Management for additional information related to York Water's annual budget.

inventory account and closes the accounting period. Monthly reports are generated through the IMS by the M&S Clerk and forwarded to the Finance and Accounting Group. Monthly reports include an all inventory values report, the transaction register, and the material account distribution summary. Oracle generated reporting is discussed in greater detail in Findings and Conclusions No. 1.

Inventory turnover defined as the ratio of net annual issues to average inventory balances, less emergency stock indicates the number of times the inventory is "turning over" or being replenished during the year. York Water's calculation of inventory turnover is further addressed in Findings and Conclusions No. 2. As shown in Exhibit VIII-2, York Water's inventory turnover is within the water utility industry benchmark range of 2.0 to 4.0 turns per year. York Water, in recent years, has maintained an aggressive pipeline rehabilitation program; see also Chapter VI – Water Operations for additional information. Since materials for projects are included in net annual issues, the Company's proactive main rehabilitation program also attributes to healthy inventory turnover ratios. The Company's pipeline replacement rate remained relatively steady during the 2009 through 2013 time period.

Exhibit VIII-2
The York Water Company
Inventory Turnover and Months of Supply on Hand
For the years 2009 through 2013

Category	2009	2010	2011	2012	2013
Net Annual Issues ($)	2,411,325	1,270,427	1,306,237	1,720,565	1,572,773
Average Monthly Balance ($)	633,239	554,349	547,330	597,381	669,143
Inventory Turnover	3.8	2.3	2.4	2.9	2.4
Months of Supply on Hand	3.2	5.2	5.0	4.2	5.1

Source: Data Request MM-2

York Water addresses obsolete and emergency inventory on an as needed basis. In the first quarter of 2014, York Water reviewed all inventory to ensure compliance with a recent amendment to the Federal Safe Drinking Water Act[13] requiring all pipe, pipe fittings, etc. to be lead free. During the evaluation for lead based items, York Water reviewed its inventory for obsolete items as well and removed any obsolete inventory. In addition, emergency inventory, or emergency stock, is defined as inventory critical to York Water's distribution system. For example, York Water's distribution system contains various larger diameter mains (supplemented by several smaller sized mains), therefore the Company stores emergency stock specific to these larger diameter mains. While the Company safeguards its customers through the use of supplementary mains, loss of these larger diameter mains could introduce stress to the remaining system over a lengthy timeframe. Therefore, the Company maintains these

[13] On January 4, 2011, the United States Congress enacted the "Reduction of Lead in Drinking Water Act" into Federal law, which required all pipes, meters, pumps, valves, fittings or fixtures which come into contact with potable water to be lead free.

key components in order to ensure that these items are readily available. Emergency stock items are determined by the DCS Manager and are discussed in further detail in Findings and Conclusions No. 2.

York Water conducts an annual physical inventory count at year end in which every inventoried item is counted twice. Where discrepancies are noted, the items are recounted a third time to ensure accuracy. Generally, the physical count is executed over a three week period and includes all inventoried items in York Water's Distribution Center, three satellite storage locations and six work trucks. The resultant inventory adjustment is evaluated and approved by the Finance and Accounting Department. Once approved, the M&S Clerk enters the net adjustment into the IMS. Physical inventory counts and inventory accuracy is addressed further in Findings and Conclusions No. 3.

Findings and Conclusions

Our examination of the Purchasing and Materials Management functions included a review of the Company's purchasing policies and procedures, reporting, inventory control and oversight, storage facilities and inventory turnover. Based upon our review, the Company should initiate or devote additional efforts to improve the effectiveness of its purchasing and materials management functions by addressing the following:

1. The York Water Company is not using the Inventory Management System to its fullest potential.

Effective materials management includes the appropriate reordering of inventory items. Determination of inventory item needs varies greatly and is impacted by multiple factors, including the material composition, the general availability in the marketplace, lead time required for orders, etc. Therefore, predetermined reorder points for inventory items should be evaluated and assessed regularly.

York Water's reorder process for its inventory is determined manually. Generally, the Company carries inventory items at the predetermined minimum balance in an effort to maintain low carrying costs. York Water's M&S Clerk is responsible for reordering all materials, including inventory items. The M&S Clerk assesses inventory item needs through direct observation of the physical inventory when the item is selected from the warehouse for issue and/or a low inventory balance is noted by the M&S Clerk upon issuance within the IMS. Therefore, the M&S Clerk is responsible for deciding when to reorder materials regardless of purchase requirements such as lead time or availability. However, the M&S Clerk will attempt to take historical requirements into consideration such as stocking up on clamps during the winter freeze/thaw cycle.

On a monthly basis, the Transaction Register, All Inventory Values Report and a Material Account Distribution Summary are printed and distributed to the Finance and Accounting Group. In addition, a Pending Transaction, Project Inventory Account Audit

and a Zero Balance Inventory Report is produced and reviewed by the M&S Clerk in order to identify open transactions, confirm materials properly assigned to each project, and out of stock items. However, the Zero Balance Inventory Report provides the alert after inventory has already been exhausted.

Additionally, the IMS also allows the Company to determine minimum (min) and maximum (max) for each inventory item. The settings for min/max are utilized as guidelines for inventory thresholds; however, the inventory min/max levels are not included within regularly run reports. The Audit Staff believes that York Water should reevaluate the limited use of its min/max settings as general guidelines and consider implementing a reorder point in the IMS for inventory items. In many cases, setting a reorder point above the Company's minimum would enable the requisition, purchase and receipt of inventory to occur prior to either reaching a critically low balance and avoiding stock-outs thereby potentially impacting restoration efforts in the event of a main break repair. Further, the predetermined reorder points enable the Company to be proactive in the assessment of inventory item level needs, accounting for lead time, etc.

Further reporting on min/max and reorder points would provide supplemental support and offer the M&S Clerk more timely information. More specifically, creating reorder points would enable York Water to actively monitor when materials need to be ordered through a min/max and reorder report generated by the IMS. The reorder report would provide another resource to the M&S Clerk for the evaluation of inventory needs prior to submitting a RO for reorders and would not rely on physical verification of inventory levels. Instead, pre-established reorder points, minimum, and maximum could take into consideration historical performance but also vendor requirements such as shipping delays, longer lead times, etc.) By expanding the use of its IMS, York Water would increase the effectiveness of its materials management function by helping to improve its inventory reorder process.

2. Emergency stock is not identified in the Inventory Management System nor distinguished from regular inventory within its warehouse.

As discussed in the Background section of this chapter, York Water maintains emergency stock items as part of its physical inventory. However, emergency stock is not identified within the Company's IMS. Furthermore, emergency stock is not uniformly marked for clear determination from regular inventory in the warehouse. As such, emergency stock is not readily discernable for York Water personnel. At the request of the Audit Staff, the DCS Manager provided the 2013 list of items established as emergency stock. Prior to the establishment of the 2013 emergency stock list, York Water informally maintained its emergency stock within its regular inventory, replacing items as they were used. In 2013, York Water's emergency stock levels accounted for approximately 11% of its average monthly inventory balances. Commonly, emergency stock levels range between 10% and 20% of total inventory balances.

Emergency stock is defined as items critical to the Company's infrastructure and should be identified within the IMS. Reportedly, the IMS does not currently have the capability to specifically distinguish emergency stock from regular inventory. However,

the Audit Staff believes that alternatives should be explored within the IMS to identify emergency stock. Due to the critical nature of emergency stock, evaluation of these stock levels should be performed regularly in order to ensure availability and replenish in a timely manner when needed.

The identification of emergency stock within the IMS would also enable personnel to separate emergency stock from general inventory for the purpose of calculating more relevant inventory turnover, maintaining appropriate inventory levels, generating reorder points, etc. By properly identifying and distinguishing emergency stock from regular inventory, York Water would also improve its inventory turnover rates by excluding emergency stock from this calculation.

3. The York Water Company's physical inventory counts reflect a significant number of inaccuracies in its Inventory Management System inventory data.

York Water conducts a full physical inventory count annually. Differences between the IMS inventory account balance and the physical count balance result in an inventory account adjustment, which is considered a net variance. A gross variance is the cumulative line-by-line absolute difference in value of each inventory item between the IMS balance and the physical count. As illustrated in Exhibit VIII-3, York Water's physical inventory counts reflected significant gross variances. Inaccuracy rates were determined by calculating the total number of inventory items requiring adjustments to the overall number of inventory items.

Exhibit VIII-3
The York Water Company
Physical Inventory Adjustments
For the Years 2011, 2012 and 2013

Year	Net Variance	Gross Variance	Inaccuracy Rate*
2011	$536	$36,688	29%
2012	($7,802)	$53,548	34%
2013	($40,150)	$147,416	52%

* Percentage of inventory items that had an inaccuracy (positive or negative).
Sources: Data Requests MM-7, MM-10 and Auditor Analysis

The Company provided copies of the physical count files to Audit Staff, however, the electronic spreadsheets utilized for the physical counts in 2011 and 2012 were not retained. Moreover, the Physical Inventory Count Report for 2012 was incomplete; therefore, the 2012 inaccuracy rate as presented in Exhibit VIII-4 is understated. Regardless of the missing data, York Water's inventory net variances are relatively low in comparison with the Company's gross variances. Large gross variances coupled with small net variances are often an indication of items being substituted for the requested item but this change is not captured within the IMS. Substitutions cause

inaccuracies in both the requested and substituted levels, doubling the gross variance while having little to no effect on the total net variance, depending on the price difference of the two items.

In 2013, the Finance and Accounting Group conducted a mid-year count of high value inventory items. York Water implemented this procedure in an effort to provide additional oversight to the materials management function due to the hire of a new M&S Clerk. The results from the mid-year count enabled the Finance and Accounting Group to adjust the reserve account for the year-end net inventory adjustment. York Water plans to continue the mid-year count of high value inventory items which is performed by staff from within its Finance and Accounting Group. The Audit Staff acknowledges that the Company's mid-year count provides an additional layer of oversight; however, York Water could incorporate different techniques to help improve inventory accuracy.

Annual physical counts have provided the Company with a method to correct variations within its IMS; however, physical counts are extremely rigid and time consuming. Instead, the Audit Staff contends a cycle counting methodology enables a utility to continuously monitor and adjust for inventory inaccuracies. Typically in cycle counting, inventory items assigned to Category A are high volume, high cost items and are counted on a monthly or quarterly basis. Inventory designated as Category B are issued occasionally with a moderate cost and would be counted less frequently than Category A items, typically on a semi-annual basis. Whereas, Category C material would include items rarely used or have a lower cost and would be counted on an annual basis. ABC cycle counting would reduce the total material counted at any one time, while enabling the Company to focus on fast moving, high cost, and problematic inventory. A progression from annual physical counts to ABC cycle counting[14] would provide York Water with greater oversight of high volume and high cost material.

Recommendations

1. Establish inventory reorder points and formalize the use of min/max levels in the Inventory Management System.

2. Classify designated emergency stock in the Inventory Management System.

3. Implement a cycle counting procedure and reduce inventory count variances.

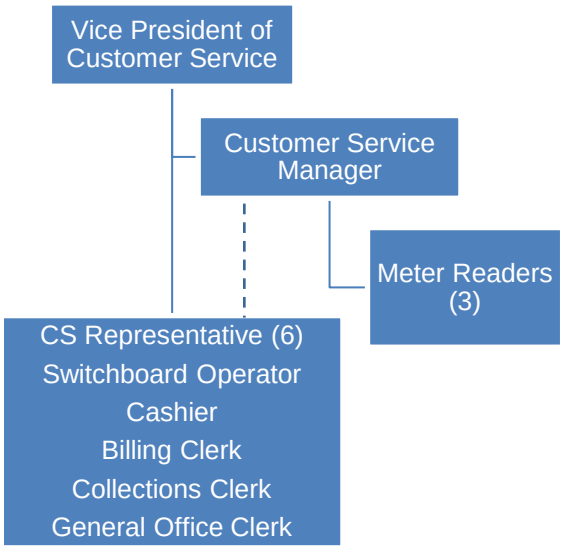
[14] In ABC cycle counting, material is assigned to an A, B or C category depending upon its frequency of use and its unit cost.

IX. CUSTOMER SERVICE

Background

The York Water Company's (York Water or Company) Customer Service (CS) Department is responsible for billing and mailing customer invoices, payment processing, meter reading, collections, and handling all customer inquiries and complaints for both its water and wastewater customers. As illustrated in Exhibit IX-1, the CS Department is overseen by the Vice President (VP) of Customer Service whose direct reports include the Customer Service Manager, six Customer Service Representatives (CSRs), Switchboard Operator, Cashier and Billing Clerk. The Customer Service Manager's major responsibilities include oversight of the Meter Department within Customer Service, training new CSRs, and tracking customer call data. CSRs handle most customer inquiries including applications, complaints, and payments. The Switchboard Operator transfers incoming calls; the Cashier processes all cash payment transaction; and the Billing Clerk generates and mail bills. The CSRs, Switchboard Operator, Cashier, Collections Clerk, General Office Clerk, and Billing Clerk report indirectly to the Customer Service Manager. Directly reporting to the Customer Service Manager are three Meter Readers. Meter Readers gather meter readings, perform terminations procedures, and attempt to collect on past due accounts. The Collection Clerk contacts overdue accounts and the General Office Clerk is trained in the switchboard, billing, and cashier functions. The VP of Customer Service reports to the York Water's Chief Operating Officer.

Exhibit IX-1
The York Water Company
Customer Service Department Organization Chart
As of March 31, 2014



Source: Data Request GD-1

The customer call center is located in the lobby of the Company's headquarters with normal business hours from 8:30 a.m. to 5:00 p.m. Monday through Friday, except holidays. The customer service side of the Company's headquarters is open to the public, allowing customers to make payments and inquiries in person. Furthermore, the Company is staffed 24 hours a day, seven days a week to respond to customer outages, with all calls during non-business hours being routed to the water filtration plant. The customer service function is supported by Oracle Software, which provides customer account management, customer billing, and field service order creation.

York Water has deployed Radio Frequency Automated Meter Reading (AMR) devices throughout its service territory covering approximately 96% of its customer base. This technology enables meter readers, equipped with a laptop, to drive in proximity to customer meters to acquire usage data. Moreover, in July 2012 the Company started to implement a fixed collection network to acquire meter readings in remote geographical locations. The Company as of October 2014 has three locations equipped with this technology to serve its remaining customer base or approximately 2,250 customers not equipped with AMR technology.

Customers can remit payments by mail, automatic payment from their bank account, over the phone, or via the Company's website. Customers can also pay bills at the Company's headquarters or a local bank. Convenience fees are not charged for payments made via checking, savings accounts, or credit cards. In 2011, the Company implemented paperless billing, offering customers a convenient and environmentally friendly option for receiving bills; while annually saving the Company approximately $9 per customer or $39,200 in 2013 alone.

Customer bills are due within 20 days from the mailing date. The Company initiates termination procedures after two months of non-payment combined with arrearages greater than $25. The Accounting Department generates a 10-day shut-off notice to be sent with the next billing invoice. After 10 days the Collections Department creates a termination service order issuing a 3-day shut-off notice posted at the customer's door followed by a 48-hour shut-off notice if the customer still hasn't paid. If all attempts are unsuccessful, service is terminated. Meter Readers are responsible for posting notices and attempts to collect payment at the customer's residence.

Customers can contact Customer Service at any point during the termination process in order to pay their bill in full, make a commitment to pay by a specific date, or if eligible, enter into the a payment agreement or the Company's Customer Assistance Program (CAP). Payment agreements are offered to customers who are unable to pay their bill and are in arrears greater than $150, with the eventual goal of eliminating the debt and removing customers from the program. Meanwhile, the CAP targets low income customers and includes a water reduction component, an arrearage forgiveness component, and a Pennsylvania Public Utility Commission (PUC or Commission) authorized program to provide plumbing repairs that reduces water consumption.

Between 2009 and 2012, the Company modified the terms of its payment agreement program in an effort to receive more timely payments from customers, resolve issues more quickly, reduce financial risk and efficiently track customers in the

program. Customer information is used to maintain contact with customers and provide timely reminders when payment is due. The Collections Clerk manages the program and is also tasked with contacting customers that miss a scheduled payment.

Complaints submitted via telephone or the customer service portal on the Company's website is initially handled by CSRs. Complaints are elevated to a supervisor when the assigned CSR is unable to reach a resolution with the customer. Supervisors are required to respond to elevated complaints within 24 hours. Complaints involving water quality, no water, leaks, and pressure problems are routed to the appropriate department for investigation, and an employee is dispatched to the location if the problem cannot be resolved over the phone. Complaints filed with the Commission are handled by the Customer Service Manager. The Customer Service Manager responds within 48 hours and follows up with the Commission's Complaint Investigator when the complaint remains open to determine if additional information is required. Exhibit IX-2 summarizes York Water informal complaints filed with the Commission from 2009 through March 2014.

Exhibit IX-2
The York Water Company
Informal Complaint Summary
For the Years 2009 through 2013 and January through March 2014

Year	Payment/Billing Issue	Other*	Total Complaints
2009	61	1	62
2010	65	4	69
2011	109	1	110
2012	112	8	120
2013	115	3	118
2014 YTD**	27	0	27

* water quality, property damage, pressure, phone access
** Data for 2014 is January through March 2014
Source: Data Request CS-14

The Company is aware that the complaint trend has increased substantially since 2009 and attributes the increase to stricter termination procedures for non-payment and being less likely to extend non-paying customers. In fact, the increase in complaints occurred when the Company began its initiative to increase contact with customers in payment agreements and terminate customers for non-payment. Furthermore, the Company's service related complaints have remained relatively stable indicating that the increase in complaints is purely financially driven.

Findings and Conclusions

Our examination of the Customer Service function included a review of the Company's policies and procedures, staffing levels, management and reporting levels, performance levels, customer outreach programs, call center statistics, etc. Based on our review, York Water should devote additional efforts to improve the efficiency and/or effectiveness of its customer service operations by addressing the following:

1. The Company has not performed any customer satisfaction surveys since 2009.

Customer satisfaction surveys are an opportunity for a company to engage customers in a neutral setting, lacking the pretext of a rate increase or complaint. York Water's previous surveys provided insight into customer perceptions of new services being considered and provided feedback on issues that required communication between the Company and customer. For example, the decision to implement and promote online bill pay was influenced by the results from past surveys. Company Management indicated that it intends to conduct another survey in 2014 or 2015 in anticipation of the Company's 200th anniversary. However, no customer satisfaction survey was documented within the 2014 performance objectives.

The last customer satisfaction survey conducted by the Company was in 2009 in which the sample size was 300 customers. The sample was stratified to include 25 customers acquired through new acquisitions with the remaining 275 customers participating from its existing service territory. A stratified sample is useful when trying to obtain a more representative sample and/or facilitate subgroup analysis.

Since the 2009 customer satisfaction survey, the Company has experienced swings in the economy, customer growth, and technological developments potentially impacting customer perceptions and needs. However, York Water has not conducted any type of customer satisfaction survey in the last five years.

Ultimately, customer satisfaction surveys should be offered periodically and routinely in order to keep abreast of changing market dynamics. Often times, surveys based upon sampling are conducted more frequently, every year or two, while surveys offered to the entire customer base are performed less often, usually every four to five years. Either approach can yield beneficial results such as assessing customer perception, communication problems or preferences, outreach opportunities, potential new services desired by the customer, etc.

2. York Water does not have an automated customer call answering system and limited call reporting capabilities.

Acquiring detailed and accurate records of all incoming calls is essential for evaluating quality of service measurements. The Company's current call reporting software produces a log sheet containing the following data:

- Time of call
- Call type
- Number of transfers
- Caller number
- Location name
- Ring time
- Hold time
- Talk time
- Duration

The software is not capable of tracking abandoned or busy-out calls, nor is it able to convert acquired data into useful metrics. In addition, the software does not distinguish between calls from third party municipal customers and York Water customers.

York Water employs a switchboard operator to manage all incoming calls. Management believes a switchboard operator provides a superior and more engaging customer experience. This practice is consistent with York Water's philosophical approach to customer interactions; however, the current combination of switchboard operator and reporting software also inhibits the Company's ability to track certain data. Moreover, the switchboard operator is essentially performing a function that an Interactive Voice Reporting (IVR) system traditional provides (i.e., call routing). In addition, many utilities utilize an IVR for self-serve customers and data tracking that York Water currently does not have the ability to provide.

The Company's approach to customer inquiries should not preclude or invalidate the need for accurate and precise call tracking. Quality of service measurements are marginalized when a company is unable to gather all inbound calls. By not having adequate software, the Company loses the ability to track key customer service statistics such as dropped or abandoned calls, calls having long busy-outs, etc. York Water should investigate if an IVR system is feasible and beneficial for customers.

3. The Company's billing lag is excessive.

York Water currently uses four billing cycles, divided into north, south, east, and west quadrants within the service territory. Meter readings and subsequent rereads and validations are collected over four consecutive business days at the beginning of each cycle. Bills are generated one to two business days following all readings, rereads, and validations, meaning that all bills are held until the entire billing cycle is validated, even if only a few bills need to be verified. Bills are then mailed one to two business days after being generated. The resulting billing lag ranged from 5.6 days to 9.5 days in 2014 with an average lag of 7.4 days.

Sound business practice dictates the Company should mail bills to customers as soon as possible after a meter reading is taken. Water utilities of a similar size,

particularly those with full AMR implementation are able to send billing statements to consumers within 2 to 5 days of the meter reading. Interest rates in the current economy have decreased the financial incentive to reduce billing lag (i.e., the time value of money). However, the Company would still benefit through improved cash flow by attaining access to funds in a more timely manner by reducing its average billing lag by at least three days

Recommendations

1. Perform periodic customer satisfaction surveys.

2. Implement call reporting software and evaluate the feasibility of acquiring an IVR system.

3. Reduce billing lag to more reasonable levels.

X. FLEET MANAGEMENT

Background

The York Water Company's (York Water or Company) Operations Department is responsible for management of the fleet function. Three employees within the Operations Department perform certain fleet functions as part of their duties. The Vice President of Operations is responsible for oversight of vehicle budgeting, vehicle procurement and disposal, vehicle assignment, and fleet maintenance protocol. The Distribution Superintendent is responsible for vehicles assigned to the Distribution Department. Meanwhile, vehicles assigned to the Main Office, Maintenance and Grounds, Executive Staff, and Filter Plant are the responsibility of the Maintenance and Grounds Superintendent. The Superintendents' daily duties include scheduling routine maintenance, approving non-routine maintenance, tracking mileage, maintaining vehicle repair records, and tracking fuel costs. Both Superintendents report to the Vice President of Operations, who in turn reports to the Chief Operating Officer.

York Water primarily purchases its vehicles due to the aftermarket modifications required for many of its vehicles. As of July 2014, only a single vehicle within the Company's fleet was leased. In 2010, York Water implemented a new vehicle replacement policy in which newly acquired vehicles are placed into service for a period of seven years or 100,000 miles, whichever occurs first, with the exception of dump trucks. Due to increased costs, dump trucks are kept in service for up to ten years. Adjustments to vehicle replacement projections are made annually based on individual vehicle usage. This policy enables York Water to determine the capital budget allocated to its fleet based upon projected replacements.

York Water's acquisition process commences with the Vice President of Operations developing vehicle specifications and criteria for any pending purchases or leases. Due to the limited number of annual vehicle acquisitions, the Chief Financial Officer (CFO) uses web-based software to individually perform a lease versus buy analysis on each vehicle. Subsequent to this analysis, the Vice President of Operations issues a Request for Proposal (RFP) to solicit prospective vendors for vehicle bids. As part of the vehicle acquisition and replacement process, the Company uses the trade-in value of its vehicles to offset the costs of new purchases. York Water has found that leveraging old vehicles toward replacements to be very advantageous, since trade values vary significantly between vendors and are often the deciding factor on the lowest net cost option. To simplify the acquisition process, the Company does request price quotes from vendors that include trade-in values.

As of March 2014, York Water had 56 vehicles in its fleet, including four electric hybrid vehicles. Certain management and supervisory personnel are on-call in the event of an emergency and are allowed to use vehicles for their daily work commute. All other vehicles are kept on Company grounds overnight. The Company does not operate any vehicles requiring a commercial driver's license (CDL), though the dump trucks do weigh over 17,000 pounds. Exceeding this weight threshold requires the Company to comply with Title 67 Chapter 231 of the Pennsylvania Code relating to

intrastate motor carrier safety requirements. The remaining vehicles include passenger cars, sport utility vehicles, vans, light and medium duty pickup trucks. A profile of the Company's fleet composition during the years 2009 through 2013 is shown in Exhibit XIII-1.

Exhibit X-1
The York Water Company
Number of Vehicles by Equipment Class
For the Years 2009 through 2013

EQUIPMENT CLASS	2009	2010	2011	2012	2013
Passenger Car & SUV	17	19	18	15	15
Van, Light & Medium Sized Pickup	33	30	28	31	32
Dump Truck	9	9	9	9	9
Totals	59	58	55	55	56

Source: Data Request FT-2

York Water maintains the fleet data using a spreadsheet containing each vehicle's current mileage, inspection/registration due dates, oil filter types and approximate mileage for next filter change, complete maintenance history, and mileage schedules for routine maintenance. Exhibit XIII-2 shows the routine maintenance tracked by the Company.

Exhibit X-2
The York Water Company
Routine Maintenance Schedules
As of March 2014

Maintenance Task	Frequency
Oil Change	3,000 Miles
Air Filter Change	10,000 Miles
Tune-Up	50,000 Miles
Transmission Fluid	30,000 Miles
Tire Rotation	9,000 Miles
Anti-Freeze Change	50,000 Miles

Source: Data Request FT-5

York Water has outsourced all of its fleet maintenance requirements since 2011. The contract to outsource its fleet maintenance is renewed annually and negotiated on an at-will basis in which the Company can terminate the contract at its own discretion. As part of the vendor contract provisions, vehicles are transported by the vendor offsite to the vendor repair facilities and returned to York Water facilities after repair work is completed. Approval is required for all non-routine maintenance. Repairs less than

$2,500 require a Superintendent's authorization. Any repairs over $2,500 require the authorization of the Vice President of Operations.

Vehicles are refueled at either of its fueling stations located at its Distribution Center and Pumping Station. The Company tracks and reconciles fuel usage. Each vehicle is issued an electronic key fob (fuel key). Fueling a vehicle requires a fuel key, employee ID, PIN, and vehicle mileage. Additional safeguards include data analysis (i.e., mile-per-gallon by vehicle) and security cameras. Bulk fuel purchases are handled by the Purchaser (see Chapter VIII – Purchasing/Materials Management).

Findings and Conclusions

Our examination of the Fleet Management function included a review of operating and safety policies and procedures, staffing, acquisition and disposal practices, and vehicle maintenance. Based on our review, the Company should devote additional efforts to improving the efficiency and/or effectiveness of its fleet management practices by addressing the following:

1. York Water's vehicle use policy does not address authorized users/passengers.

The Company's vehicle use policy covers a variety of topics including: PA licensing requirements, physical & mental impairment, use of personal vehicle, and accident theft & damage reporting. However, York Water's policy does not cover or clarify passenger authorization in commercial motor vehicles.

York Water operates nine dump trucks that weigh over 17,000 pounds. Therefore, under Title 49 CFR §392, York Water is subject to commercial motor vehicle regulations for these nine dump trucks. More specifically, Title 49 CFR §392.60 states that unauthorized passengers are not to be transported. This section further states, "Unless specifically authorized to do so by the motor carrier under whose authority the commercial motor vehicle is being operated, no driver shall transport any person or permit any person to be transported on any commercial motor vehicle other than a bus." Essentially, a passenger is considered unauthorized in the absence of prior written authorization from the company. Written authorization would be required for employees not regularly assigned to a commercial motor vehicle, friends and family, and any other individual not identified as exempt from the regulation.

Vehicles are essential assets for functionality and operations of utilities; however, vehicle use is also accompanied by additional regulation. York Water is scrutinized equal to that of a transportation company, despite the secondary nature of vehicles to the Company's core business. While Title 49 would only apply to a subset of the Company's vehicles (i.e., nine dump trucks), it would be a best practice for York Water to extend a policy on authorized users for its entire fleet. An incomplete policy on transporting passengers leaves the Company and employees exposed to unnecessary liabilities and risks. Passengers, authorized or unauthorized, are ultimately transported

at the discretion of the driver but the Company is ultimately responsible for educating drivers and avoiding unnecessary risks. Therefore, the Company should develop a policy for transporting passengers in its vehicles and include it in its vehicle use policy.

Recommendations

1. Document authorized users/passengers within the vehicle use policy.

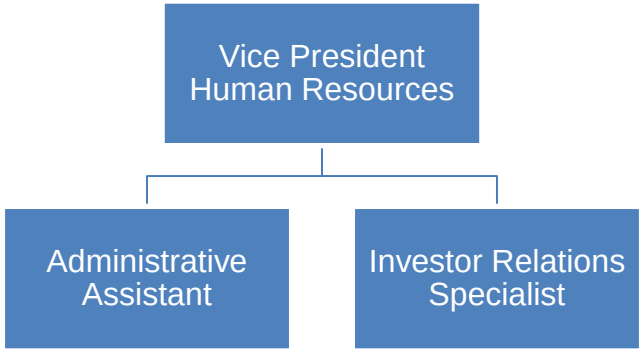
XI. HUMAN RESOURCES AND DIVERSITY

Background

Human Resources

The York Water Company's (York Water or Company) Human Resources (HR) Department provides recruitment and hiring, employee benefits, compensation, affirmative action, labor relations, and training services for the Company. As presented in Exhibit XI-1, the HR Department is comprised of three full-time employees including the Vice President (VP) of Human Resources. The VP of Human Resources oversees the Department and reports to York Water's Chief Executive Officer (CEO). Reporting to the Vice President of Human Resources are the Administrative Assistant and Investor Relations Specialist. The Administrative Assistant is responsible for data entry, generating reports, filing Personnel Action Forms (PAF), and coordinating Union meetings. The Investor Relations Specialist's primary duty is acting as a liaison between York Water and outside organizations, groups, and individuals in addition to performing administrative duties such as Securities and Exchange Commission (SEC) reporting, Public Utility Commission (PUC) filings, data compilation for SEC defined insider trading, preparing written responses to new and potential stockholders inquiries as well as inquiries from current stockholders, beneficiaries, and estates. In addition, the Investor Relations Specialist also assists the Administrative Assistant in administrative and clerical duties.

Exhibit XI-1
The York Water Company
Human Resources Department Organization Chart
As of August 31, 2013



Source: Data Request GD-1

York Water utilizes Oracle Corporation's Human Resources software platform for its human resources information system (HRIS). Primary use of the HRIS is limited to tracking personal data (i.e., employee name, address, phone number, etc.), employment data (i.e., date of hire, classification, compensation, etc.), and

compensation data (i.e., benefit enrollment, payroll information, mandatory and voluntary deductions, leave accrual rates, etc.). The HRIS can generate standard reports (i.e., health insurance enrollment, employee stock purchase plan, 401K plan, payroll/wage reports for workers' compensation tracking, etc.) and has the capability to create ad hoc reports from any employee data point. The three employees in Human Resources are the only employees allowed to make changes to information within the HRIS.

The Administrative Assistant enters all new-hire personal information into the HRIS, with the exception of payroll information. Subsequent to establishing the employee in the HRIS, the Administrative Assistant creates a PAF and folder to be sent to the Bookkeeper in the Accounting Department. The folder includes information such as the Federal Form W-4 and other tax related documentation necessary for payroll. Payroll data entry and maintenance are the Bookkeeper's responsibility as a separation of duties control check. All employees are paid on a weekly basis and the payroll process is the responsibility of the Bookkeeper, who reports to the Accounting Manager. The Bookkeeper uses the Company's business software suite with assistance from Excel spreadsheets to perform payroll duties. No change to employee data is made by the payroll process or by the Accounting Department in general. All modifications to the employee record are first approved by the Vice President of Human Resources and then entered into the HRIS by the Administrative Assistant.

In, 2012, the Company updated and modernized safety training in response to rising Occupational Safety and Health Administration (OSHA) incidents and safety metrics. OSHA incidents and metrics may include recordable incidents, days away from work (lost time) incidents, and DART (days away, restricted or transfer) incidents. OSHA recordable incidents are cases of illness or injury which require medical treatment beyond first aid, and may result in death, loss of consciousness, days away from work, work restriction, or transfer to another job. The Company completed the safety training update in 2013. The update provides a digital library with training videos, internal network access to training videos, and online access to (SDSs) Safety Data Sheets of potential hazards related to materials.

York Water bases its general compensation guidelines to match market rates for comparable positions. York Water utilizes compensation data from outside firms annually to assist in determining market rates and therefore employee compensation, with the final decision of compensation level made by the Chief Executive Officer (CEO).The Company offers a competitive benefits package with medical, dental, and vision insurance, education reimbursement, and an employee stock purchase plan. A 401K replaced the defined pension retirement plan for employees hired after July 2010.

Diversity

The Pennsylvania Public Utility Commission (PUC or Commission) has encouraged utilities to proactively improve diversity in their workforce and purchasing efforts for more than two decades. In March of 1992, the Commission issued a Secretarial letter directing all jurisdictional utilities affected by Section 516 of the Public

Utility Code (i.e., utilities whose plant-in-service exceeds $10 million) to file quarterly diversity status reports with the Commission. In May of 1994, the Commission issued an Order directing Section 516 utilities to file diversity status reports semi-annually rather than quarterly, to submit EEO plans annually, and to file certain diversity procurement data. In February 1995, the Commission adopted Chapter 69 regulations which encouraged utilities to include diversity efforts as a component of their business strategy. Later, in March of 1997, the Commission's diversity filing requirements changed from semi-annual to annual. York Water routinely complies with 52 Pa. Code §69.809 by filing annual reports on diversity with the PUC.

Findings and Conclusions

Our examination of the Human Resources, Safety and Diversity functions included a review of the Company's policies and procedures, compensation and benefits, employee training, safety programs, PUC diversity filings, communication methods, management philosophy, and accountability. Based on our review, York Water should initiate or devote additional efforts to improving the effectiveness of its human resources function by addressing the following:

1. York Water's Occupational Safety and Health Administration recordable incidence rate and Days Away, Restrictions and Transfers rate have exceeded the industry average in three of the last four reported years.

Annual Occupational Safety and Health Administration (OSHA) incidence rates show the relative level of injuries and illnesses among different industries, firms, or operations. The incidence rate is calculated by taking the number of applicable incidents divided by the total number of hours worked by all employees, and then multiplying by the base number of hours worked for 100 full-time equivalent employees. This formula represents the average number of incidents occurring per 100 full-time employees. Similarly, changing the base number of hours worked to 1,000 or 10,000 will provide incidents at a per 1,000 or 10,000 full-time employee incidence rate. Total recordable, lost time, and DART incidence rates are the three most commonly calculated metrics for analyzing and assessing safety risks, concerns, and trends. As shown in Exhibit XI-2, the Company's recordable and DART incidents rates were above the industry average in 2010, 2011, and 2012.

Exhibit XI-2
The York Water Company
Annual Safety Rates
For the Years 2009 through 2013

Recordable Incidence Rate	2009	2010	2011	2012	2013
York Water - Actual	6.06	8.97	6.19	14.68	8.09
OSHA - Average	6.60	5.30	6.10	6.00	2.90
Lost Time Incidence Rate	**2009**	**2010**	**2011**	**2012**	**2013**
York Water - Actual	1.73	0.00	2.65	4.89	0.90
OSHA - Average	2.50	1.70	1.80	1.30	1.00
DART Rate	**2009**	**2010**	**2011**	**2012**	**2013**
York Water - Actual	1.73	4.98	4.42	10.76	7.19
OSHA - Average	3.60	3.20	4.10	3.90	1.60

Note: 2012 was an atypical year for York Water with a single event pushing York's OSHA statistics significantly higher than average.
Source: Data Request HR-13 and U.S. Bureau of Labor Statistics NAICS Code 22131

Overall, strain/sprain injuries accounted for the majority of incidents at York Water; in total these injuries comprised approximately 52% of recordable incidents and 74% of DART incidents between 2009 and 2013. Primarily, most of the injuries were incurred by employees within the Operations Department or by Meter Readers. The Company does address preventing back injuries in its safety manual, and its 2014 annual OSHA refresher course included back/lifting safety. However, York Water's incidence rates highlighted in Exhibit XI-2 have remained elevated, which raises into question the effectiveness of safety manual only efforts. For instance, Audit Staff's analysis of the incidents has revealed that injuries from turning valves at hydrants and curb stops occur at a greater frequency than injuries from improper lifting.

The Company believes all levels of the organization must work together towards identifying, evaluating and eliminating hazards in the workplace. In fact, York Water's goal is to have zero injuries, lost days, and recordable events. However, York Water's incidence rates have remained elevated and further emphasis is needed to improve safety. While a majority of the incidences like sprains/strains are minor in nature, they are also preventable. Therefore, York Water should expand its safety manual and refresher training to target sprain/strain injuries. In addition, other water utilities have instituted stretching programs at the beginning of the work day to try to reduce muscle related injuries which may be prudent for York Water to incorporate into its safety program.

2. Human Resources policies and procedures are not documented or are out of date.

Policies and procedures promote efficient operation, modern processes, and accurate documentation. York Water's Human Resources Department was unable to produce policies and procedures related to management of the Human Resources functional area. More specifically, documentation of HR Department duties is limited to checklists containing items necessary for performing certain actions (i.e., new hire, change of address, deceased retiree, etc.) While these checklists provide a list of steps needed for performing critical functions of the HR Department, they do not provide enough detail to indicate how an employee would complete these steps. In addition, the Company does not have overarching documents explaining the critical functions of the HR Department, when they should be performed, how they are completed, etc.

The HR Department provides several documents to new hires, including employee handbooks and a field operations safety manual. However, no mechanisms exist for periodically auditing and/or revising employee and safety manuals. The Union Employee Handbook and General and Administrative (G&A) Employee Handbook were last updated in March of 2005 and contain multiple errors including:

- CEO letter welcoming new employees to the Company is written and signed by former CEO, who departed in March of 2008.
- Board of Directors and Supervisory & Administrative staff listings are not current.
- Inaccurate reporting structure in the Organization Chart.
- Water Processing Flow Chart does not include the river pumping station and waste removal process.
- Employee Handbook indicates that smoking is permitted in the main office rest rooms and throughout most of the Company operational buildings; however, smoking is no longer allowed in York Water buildings.

Management agreed that the employee handbook includes outdated information but contend most of the critical information is accurate or could be obtained on the Company's intranet; however, hard copies of the employee handbook are still disseminated to new hires. Consequently, two sets of partially conflicting information presents the possibility for confusion and inefficiency.

While York Water's Human Resources employees have firm knowledge of practices and procedures of the their duties and the department appears to be adequately performing its core functions, the lack of documented policies and procedures creates the potential for runaway operating practices, information loss, etc. More specifically, critical procedures or knowledge could be lost if informational knowledge is not transferred to future employees. Additionally, no policies or procedures are in place for periodic reviews of documents for outdated information. York Water should fully document the HR Department's policies and procedures and strive to routinely update HR documents as appropriate.

3. The Company does not fully utilize its HRIS and relies on manual methods to perform certain functions.

The York Water Company utilizes an internal payroll and timesheet reporting function through its Oracle e-Business Suite (Oracle). The Human Resources Department is responsible for making changes to an employee's record (i.e., change of address, adjustment to exemption allowances, etc.). Oracle is available to the majority of York Water's employees; however as a precaution, the Company restricts each employee's privileges to the functions necessary to perform their duty or duties.

These restrictions also prevent employees from viewing their personal data or benefits, updating personal information, or tracking accrued leave in Oracle. All requests to update information in Oracle are made to the Human Resources Department. Entering work hours into Oracle is similarly restricted, as the Bookkeeper is the only employee with access to the timesheet entry function.

Spreadsheets detailing time reporting are prepared daily for each employee by their respective supervisor or manager and include any work hour adjustments. Such adjustments may include overtime, absence, or usage of leave. Supervisors receive a completed paper form by all York Water employees for overtime worked and/or usage of leave. In effect, a total of ten different spreadsheets are sent via e-mail as attachments to the Bookkeeper on a daily basis. Upon receipt, the Bookkeeper reviews the spreadsheets for any discrepancies between hours worked and the completed overtime/vacation forms. When there is a discrepancy, the Bookkeeper follows-up with the respective employee's supervisor in order to resolve the reporting difference. The Bookkeeper then transfers the information from the spreadsheets into the Oracle system, ensuring that the appropriate pay type and hours are recorded. Upon completion, the spreadsheets are reconciled with Oracle.

While the Company's payroll process does provide adequate oversight and accountability, the current procedure requires duplicative data entry. As of March 31, 2014, York Water had a total of 106 employees. Although the limited size of the Company allows for timely completion of the timesheet reporting process, future growth may present challenges when a single bookkeeper must manually input time for all employees. Furthermore, overly manual and duplicative processes are inefficient and time consuming. York Water could gain efficiencies through the elimination of the redundant data entry process.

Although the Company has considered possible improvements to its timesheet reporting process, York Water has not yet resolved the issue. As stated previously, Oracle is limited to employees for directly performed functions. However, some York Water employee functions do not employ use of Oracle, and as a result these employees may be unfamiliar with such technology. Moreover, the implementation of any changes to Oracle privileges would require involvement of York Water's Information Technology Department (IT) that would have to prioritize expanding the functionality of Oracle with several other high priority projects. While a long term solution may have challenges including the education of employees, implementation of changes, etc.; York

Water should explore the implementation of additional privileges to employees, supervisors and/or managers to improve the efficiency of timesheet reporting.

Recommendations

1. Strive to achieve industry average or better Occupation Safety and Health Administration incidence rates by monitoring and continually modifying safety programs to timely address the most current safety issues.

2. Develop and periodically update HR policies and procedures.

3. Reduce manual operating aspects of the Human Resource function by more fully utilizing the capabilities of the Human Resource Information System.

XII. ACKNOWLEDGEMENTS

We wish to express our appreciation for the cooperation and assistance given to us during the course of this Focused Management and Operations Audit by the officers and staff of The York Water Company.

This audit was conducted by Krystle Daugherty, Porus Irani, Deron Henry, Jennie Banzhof, and Barry Keener of the Management Audit Staff of the Bureau of Audits.

XIII. APPENDICES

Appendix I	The York Water Company (York Water) Income Statement
Appendix II	York Water Balance Sheet
Appendix III	York Water Utility Plant Data
Appendix IV	York Water Customer Related Data by Classification
Appendix V	Comparison Panel Income Statement
Appendix VI	Comparison Panel Balance Sheet
Appendix VII	Comparative Operating Data and Ratios

YORK WATER COMPANY
INCOME STATEMENT DATA
FOR THE YEARS ENDED DECEMBER 31, 2009-2013

Category	2009	2010	2011	2012	2013	Compound Growth
WATER REVENUES						
Residential	$ 23,299,150	$ 24,478,313	$ 25,692,713	$ 26,067,322	$ 26,686,161	3.5%
Commercial	6,219,015	6,544,254	6,764,553	7,043,027	7,191,482	3.7%
Industrial	2,874,444	3,172,343	3,294,424	3,330,816	3,374,753	4.1%
Public	561,919	598,922	613,252	643,194	623,423	2.6%
Fire Protection (Public/Private)	2,615,835	2,598,374	2,619,273	2,661,872	2,692,851	0.7%
Sales for Resale	1,078,368	1,124,005	1,148,211	1,096,668	1,109,525	0.7%
Other	393,695	488,370	497,051	557,097	595,348	10.9%
Total Water Revenues	37,042,426	39,004,581	40,629,477	41,399,996	42,273,543	3.4%
WATER OPERATING EXPENSES						
Salaries and Wages	5,751,652	5,574,174	5,700,987	5,862,430	5,839,006	0.4%
Pension & Benefits	1,170,269	1,203,973	1,325,951	1,316,875	1,346,087	3.6%
Purchased Water	0	0	0	0	0	0.0%
Purchased Power	1,149,253	1,243,672	1,142,688	887,746	1,031,130	-2.7%
Fuel For Power Production	16,837	36,252	62,622	58,729	34,236	19.4%
Chemicals	486,461	426,521	444,459	505,758	475,251	-0.6%
Materials and Supplies	656,083	561,630	725,189	696,515	692,400	1.4%
Contractual Services	1,282,361	1,120,282	1,370,743	1,326,835	1,400,672	2.2%
Rental of Building/Real Property	0	0	0	0	0	0.0%
Rental Equipment	78	61	0	696	7,021	NM
Transportation	509,489	508,033	529,315	457,805	472,231	-1.9%
Insurance	512,877	505,440	482,577	519,707	554,654	2.0%
Advertising	0	0	0	0	0	0.0%
Regulatory	186,693	113,932	123,513	82,342	0	NM
Water Resource Regulatory Expense	1,000	1,000	1,000	1,000	1,000	0.0%
Bad Debt	231,974	223,185	480,807	302,032	290,885	5.8%
Miscellaneous	2,212,464	1,966,471	2,252,753	2,463,651	2,512,993	3.2%
Total Water Operating Expenses	14,167,491	13,484,626	14,642,604	14,482,121	14,657,566	0.9%
OPERATING INCOME	$ 22,874,935	$ 25,519,955	$ 25,986,873	$ 26,917,875	$ 27,615,977	4.8%

NM = Not Meaningful
Source: Form PUC 244, Annual Report to the PA PUC

YORK WATER COMPANY
BALANCE SHEET DATA
FOR THE YEARS ENDED DECEMBER 31, 2009-2013

Category	2009	2010	2011	2012	2013	Compound Growth
UTILITY PLANT						
Utility Plant in Service	$260,202,843	$270,478,737	$278,806,835	$289,453,554	$297,428,730	3.4%
Property Held for Future Use	$0	$0	$0	$0	$0	0.0%
Utility Plant Purchased or Sold	$0	$0	$0	$0	$0	0.0%
Construction Work in Process	$2,394,666	$2,086,036	$2,194,841	$1,991,815	$2,870,067	4.6%
Less: Accumulated Depreciation	($38,364,367)	($42,178,944)	($46,067,177)	($49,845,260)	($54,209,432)	9.0%
Plant Acquisition Adjustments	($2,758,692)	($2,708,465)	($2,658,238)	($2,537,387)	($2,532,492)	-2.1%
Net Utility Plant	$221,474,451	$227,677,364	$232,276,261	$239,062,722	$243,556,873	2.4%
INVESTMENT AND FUND ACCOUNTS						
Other Non-Utility Property	$729,448	$902,077	$905,165	$906,923	$914,342	5.8%
Accumulated Depreciation & Amortization of Non-Utility Property	($175,147)	($190,377)	($203,220)	($219,003)	($231,484)	7.2%
Investments in Affiliated Companies	$0	$0	$0	$0	$0	0.0%
Other Investments	$59,870	$59,724	$59,724	$59,724	$59,724	-0.1%
Other Special Funds	$0	$0	$0	$0	$0	0.0%
Total Investment and Fund Accounts	$614,171	$771,424	$761,669	$747,644	$742,582	4.9%
CURRENT AND ACCRUED ASSETS						
Cash	($195,869)	($470,226)	$4,005,557	$4,011,389	$7,564,387	NM
Other Special Deposits	$523,858	$27,188	$32,753	$32,334	$128,704	-29.6%
Working Funds	$600	$700	$700	$600	$600	0.0%
Temporary Cash Investments	$0	$1,796,000	$0	$0	$0	0.0%
Customer Accounts Receivable	$3,081,552	$3,927,969	$3,954,561	$3,999,710	$3,867,959	5.8%
Other Accounts Receivable	$81,749	$86,394	$84,352	$342,999	$224,108	28.7%
Accumulated Provision for Uncollectible Accounts-Credit	($225,000)	($245,000)	($333,681)	($305,000)	($320,000)	9.2%
Notes Receivable	$476,131	$407,250	$368,029	$337,511	$306,101	-10.5%
Accounts Receivable from Affiliated Company	$0	$0	$0	$540,493	$683,438	NM
Plant Materials and Supplies	$715,621	$608,291	$692,025	$728,185	$721,616	0.2%
Prepayments	$387,322	$398,430	$302,715	$336,949	$573,131	10.3%
Accrued Utility Revenues	$2,450,592	$2,502,922	$2,258,191	$2,321,477	$2,286,301	-1.7%
Total Current and Accrued Assets	$7,296,556	$9,039,918	$11,365,202	$12,346,647	$16,036,345	21.8%
DEFERRED DEBITS	$19,345,652	$22,503,738	$29,717,035	$30,413,100	$22,212,535	3.5%
Total Assets and Other Debits	$248,730,830	$259,992,444	$274,120,167	$282,570,113	$282,548,335	3.2%
EQUITY CAPITAL	$86,922,175	$91,256,710	$95,265,233	$99,818,775	$103,522,167	4.5%
LONG-TERM DEBT						
Bonds	$69,800,000	$84,800,000	$84,685,000	$84,685,000	$84,680,000	4.9%
Other Long-term Debt	$3,427,308	$331,866	$290,008	$247,729	$205,026	-50.5%
Total Long-term Debt	$73,227,308	$85,131,866	$84,975,008	$84,932,729	$84,885,026	3.8%
CURRENT AND ACCRUED LIABILITIES						
Accounts Payable	$720,504	$1,272,252	$1,143,339	$1,152,808	$1,739,082	24.6%
Notes Payable	$9,341,030	$41,442	$41,858	$42,279	$42,703	-74.0%
Accrued Taxes	$488,286	($1,820)	($186,136)	$111,190	$1,747,106	37.5%
Accrued Interest	$1,018,575	$1,068,157	$1,064,737	$1,064,924	$1,064,335	1.1%
Accrued Dividends	$1,393,132	$1,440,093	$1,481,244	$1,548,078	$1,605,653	3.6%
Miscellaneous Current and Accrued Liabilities	$1,472,228	$1,517,654	$1,573,872	$1,586,876	$1,625,299	2.5%
Total Current and Accrued Liabilities	$14,433,755	$5,337,778	$5,118,914	$5,506,155	$7,824,178	-14.2%
DEFERRED CREDITS	$27,559,030	$27,737,730	$32,760,103	$32,421,361	$22,542,568	-4.9%
OPERATING RESERVES	$0	$0	$0	$0	$0	0.0%
CONTRIBUTIONS IN AID OF CONSTRUCTION	$24,943,849	$25,926,159	$26,976,966	$28,222,732	$29,925,670	4.7%
ACCUMULATED DEFERRED INCOME TAXES	$21,644,713	$24,602,201	$29,023,943	$31,668,361	$33,848,726	11.8%
Total Liabilities and Other Credits	$248,730,830	$259,992,444	$274,120,167	$282,570,113	$282,548,335	3.2%

NM = Not Meaningful
Source: Schedule 400, Form PUC 244, Annual Report to the PA PUC

YORK WATER COMPANY
UTILITY PLANT DATA
FOR THE YEARS ENDED DECEMBER 31, 2009-2013

Category	2009	2010	2011	2012	2013	Compound Growth
INTANGIBLE PLANT						
Organization	$5,302	$5,302	$5,302	$5,302	$5,302	0.0%
Franchises and Consents	$4,918	$4,918	$4,918	$4,918	$4,918	0.0%
Miscellaneous	$0	$0	$0	$0	$0	0.0%
Total Intangible Plant	$10,220	$10,220	$10,220	$10,220	$10,220	0.0%
SOURCE OF SUPPLY & PUMPING PLANT						
Land and Land Rights	$1,995,305	$1,995,305	$1,995,305	$2,012,919	$2,015,249	0.2%
Structures and Improvements	$8,661,573	$8,679,499	$8,721,670	$8,746,581	$8,762,691	0.3%
Collection and Impounding Reservoirs	$4,132,421	$4,132,421	$4,454,595	$4,607,809	$4,618,123	2.8%
Lakes, Rivers and Other Intakes	$3,675,577	$3,678,077	$3,678,077	$3,676,760	$3,676,760	0.0%
Wells and Springs	$11,363	$11,363	$11,363	$22,502	$22,502	18.6%
Supply Mains	$177,419	$177,419	$177,419	$177,419	$177,419	0.0%
Power Generation Equipment	$450,714	$739,593	$1,079,201	$1,079,201	$1,154,389	26.5%
Pumping Equipment	$4,729,135	$5,027,702	$5,199,403	$5,458,866	$5,483,369	3.8%
Total Sources of Supply and Pumping Plant	$23,833,505	$24,441,379	$25,317,033	$25,782,057	$25,910,502	2.1%
WATER TREATMENT EQUIPMENT						
Land and Land Rights	$17,854	$17,854	$17,854	$26,734	$26,734	10.6%
Structures and Improvements	$2,025,250	$2,070,279	$2,129,485	$2,144,636	$2,203,568	2.1%
Pumping Equipment	$8,571	$14,060	$14,060	$23,959	$31,723	38.7%
Water Treatment Equipment	$10,716,412	$14,400,192	$14,830,156	$15,619,100	$15,649,163	9.9%
Other Plant & Miscellaneous Equipment	$0	$0	$0	$0	$0	0.0%
Total Structures and Improvements	$12,768,088	$16,502,385	$16,991,555	$17,814,429	$17,911,188	11.7%
TRANSMISSION AND DISTRIBUTION						
Land and Land Rights	$658,327	$670,666	$675,022	$694,489	$698,579	1.5%
Structures and Improvements	$0	$0	$0	$0	$0	0.0%
Power Generation Equipment	$0	$0	$0	$0	$0	0.0%
Pumping Equipment	$2,062	$2,062	$2,062	$2,062	$2,062	0.0%
Distribution Reservoirs and Standpipes	$17,422,005	$17,800,039	$18,353,709	$18,788,205	$18,852,383	2.0%
Transmission and Distribution Mains	$138,738,152	$142,161,582	$146,290,210	$151,773,678	$156,693,923	3.1%
Services	$31,514,225	$32,697,378	$33,976,964	$35,518,980	$36,704,612	3.9%
Meters and Meter Installations	$15,632,442	$15,929,836	$16,176,554	$16,718,724	$17,221,751	2.5%
Hydrants	$5,790,102	$6,071,824	$6,276,575	$6,504,351	$6,797,142	4.1%
Backflow Prevention Devices	$257,705	$270,957	$300,493	$312,853	$327,367	6.2%
Total Transmission and Distribution	$210,015,019	$215,604,343	$222,051,589	$230,313,342	$237,297,819	3.1%
GENERAL PLANT						
Land and Land Rights	$281,368	$278,986	$281,368	$281,368	$281,368	0.0%
Structures and Improvements	$3,822,617	$3,838,072	$3,908,898	$3,977,793	$4,286,666	2.9%
Office Furniture and Equipment	$6,341,067	$6,474,912	$6,739,299	$7,704,650	$7,934,088	5.8%
Transportation Equipment	$1,275,841	$1,303,995	$1,304,635	$1,235,287	$1,240,837	-0.7%
Stores Equipment	$97,515	$97,515	$97,515	$97,515	$97,515	0.0%
Tools, Shop and Garage Equipment	$603,696	$614,284	$650,703	$687,120	$681,332	3.1%
Laboratory Furniture and Equipment	$45,561	$53,416	$52,706	$52,706	$51,398	3.1%
Powered Operated Equipment	$112,742	$113,946	$128,403	$128,403	$128,403	3.3%
Communication Equipment	$798,831	$924,012	$1,001,191	$1,095,620	$1,316,956	13.3%
Miscellaneous Equipment	$196,773	$221,272	$271,720	$273,044	$280,438	9.3%
Other Tangible Plant	$0	$0	$0	$0	$0	0.0%
Total General Plant	$13,576,010	$13,920,410	$14,436,438	$15,533,506	$16,299,001	4.7%
Total Water Plant in Service	$260,202,843	$270,478,737	$278,806,835	$289,453,554	$297,428,730	3.4%

Source: PUC Form 244, Annual Report to the PA PUC.

YORK WATER COMPANY
CUSTOMER RELATED DATA BY CLASSIFICATION
FOR THE YEARS ENDED DECEMBER 31, 2009-2013

Classification	2009	2010	2011	2012	2013	Compound Growth
Average No. of Customers:						
Residential	56,261	56,595	56,815	57,582	57,917	0.7%
Commercial	4,241	4,219	4,206	4,234	4,227	-0.1%
Industrial	315	302	306	304	298	-1.4%
Public	250	249	246	251	245	-0.5%
Fire Protection	1,115	1,136	1,161	1,171	1,198	1.8%
Sales for Resale	4	4	4	4	4	0.0%
Total	62,186	62,505	62,738	63,546	63,889	0.7%
Gallons of Water Sold (000):						
Residential	2,963,858	2,955,355	2,922,155	2,881,498	2,868,110	-0.8%
Commercial	1,561,957	1,562,086	1,539,569	1,574,776	1,573,173	0.2%
Industrial	954,562	993,990	975,500	936,219	930,852	-0.6%
Public	153,009	155,715	153,751	160,798	147,544	-0.9%
Fire Protection (Private)	6,217	7,361	5,657	6,171	6,556	1.3%
Sales for Resale	251,652	265,087	263,734	236,388	233,925	-1.8%
Total	5,891,255	5,939,594	5,860,366	5,795,850	5,760,160	-0.6%
Operating Revenue:						
Residential	$23,299,150	$24,478,313	$25,692,713	$26,067,322	$26,686,161	3.5%
Commercial	$6,219,015	$6,544,254	$6,764,553	$7,043,027	$7,191,482	3.7%
Industrial	$2,874,444	$3,172,343	$3,294,424	$3,330,816	$3,374,753	4.1%
Public	$561,919	$598,922	$613,252	$643,194	$623,423	2.6%
Fire Protection	$2,615,835	$2,598,374	$2,619,273	$2,661,872	$2,692,851	0.7%
Sales for Resale	$1,078,368	$1,124,005	$1,148,211	$1,096,668	$1,109,525	0.7%
Other	$393,695	$488,370	$497,051	$557,097	$595,348	10.9%
Total	$37,042,426	$39,004,581	$40,629,477	$41,399,996	$42,273,543	3.4%
Revenue per Customer:						
Residential	$414	$433	$452	$453	$461	2.7%
Commercial	$1,466	$1,551	$1,608	$1,663	$1,701	3.8%
Industrial	$9,125	$10,504	$10,766	$10,957	$11,325	5.5%
Public	$2,248	$2,405	$2,493	$2,563	$2,545	3.2%
Fire Protection	$2,346	$2,287	$2,256	$2,273	$2,248	-1.1%
Sales for Resale	NM	NM	NM	NM	NM	NM
Other	NM	NM	NM	NM	NM	NM
Total	$15,599	$17,181	$17,576	$17,908	$18,279	4.0%

NM = Not Meaningful
Source: Form PUC 244, Annual Report to the PA PUC

YORK WATER COMPANY
INCOME STATEMENT COMPARATIVE PANEL DATA
FOR THE YEARS ENDED DECEMBER 31, 2009-2013

Operating Revenues

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$340,553,002	$372,496,386	$385,858,823	$407,348,539	$400,786,997	4.2%
Columbia Water	$4,502,963	$4,622,183	$4,400,319	$4,238,670	$4,218,171	-1.6%
PA American	$450,818,482	$496,384,836	$502,829,566	$542,802,603	$553,926,887	5.3%
United Water	$30,065,966	$32,361,198	$33,193,471	$34,744,539	$35,727,889	4.4%
Panel Average	$206,485,103	$226,466,151	$231,570,545	$247,283,588	$248,664,986	4.8%
York Water	$37,042,426	$39,004,581	$40,629,477	$41,399,996	$42,273,543	3.4%

Operating Revenues/Million Gallons

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$9,482	$10,033	$10,753	$11,363	$11,722	5.4%
Columbia Water	$7,751	$7,749	$7,421	$7,339	$7,201	-1.8%
PA American	$9,236	$9,910	$10,327	$11,126	$11,799	6.3%
United Water	$6,769	$7,164	$7,547	$7,841	$8,092	4.6%
Panel Average	$8,310	$8,714	$9,012	$9,417	$9,703	4.0%
York Water	$6,288	$6,567	$6,933	$7,143	$7,339	3.9%

Source of Supply Expense

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$834,013	$990,689	$1,051,127	$1,284,129	$1,200,069	9.5%
Columbia Water	$181,830	$160,304	$158,430	$168,890	$169,022	-1.8%
PA American	$1,376,493	$1,104,185	$1,361,550	$1,228,689	$1,537,171	2.8%
United Water	$670,214	$679,395	$701,652	$642,117	$601,175	-2.7%
Panel Average	$765,638	$733,643	$818,190	$830,956	$876,859	3.4%
York Water	$339,280	$334,110	$346,751	$413,515	$409,156	4.8%

Source of Supply Expense/Million Gallons

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$23	$27	$29	$36	$35	10.9%
Columbia Water	$313	$269	$267	$292	$289	-2.0%
PA American	$28	$22	$28	$25	$33	3.8%
United Water	$151	$150	$160	$145	$136	-2.5%
Panel Average	$129	$117	$121	$125	$123	-1.1%
York Water	$58	$56	$59	$71	$71	5.4%

Source: Schedule 400, Form PUC 244, Annual Report to the PA PUC

YORK WATER COMPANY
INCOME STATEMENT COMPARATIVE PANEL DATA
FOR THE YEARS ENDED DECEMBER 31, 2009-2013

Water Treatment Expense

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$10,846,977	$11,130,791	$12,198,152	$12,677,608	$12,000,216	2.6%
Columbia Water	$171,040	$166,297	$156,922	$163,286	$162,481	-1.3%
PA American	$16,515,030	$17,584,950	$18,031,874	$17,312,419	$16,671,861	0.2%
United Water	$1,066,175	$1,034,325	$1,319,701	$1,439,159	$1,410,675	7.3%
Panel Average	$7,149,806	$7,479,091	$7,926,662	$7,898,118	$7,561,308	1.4%
York Water	$1,032,430	$1,037,508	$1,124,010	$1,167,396	$1,080,641	1.1%

Water Treatment Expense/Million Gallons

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$302	$300	$340	$354	$351	3.8%
Columbia Water	$294	$279	$265	$283	$277	-1.5%
PA American	$338	$351	$370	$355	$355	1.2%
United Water	$240	$229	$300	$325	$319	7.4%
Panel Average	$294	$290	$319	$329	$326	2.6%
York Water	$175	$175	$192	$201	$188	1.7%

Transmission and Distribution Expense

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$10,290,486	$10,465,598	$10,353,333	$10,600,123	$6,093,776	-12.3%
Columbia Water	$233,876	$228,731	$236,238	$231,493	$247,170	1.4%
PA American	$25,565,836	$26,854,429	$26,343,236	$22,702,761	$20,290,734	-5.6%
United Water	$1,390,935	$1,329,242	$1,424,816	$1,442,337	$1,283,646	-2.0%
Panel Average	$9,370,283	$9,719,500	$9,589,406	$8,744,179	$6,978,832	-7.1%
York Water	$2,875,475	$2,646,318	$2,972,456	$2,992,163	$2,996,403	1.0%

Transmission and Distribution Expense/Customer

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$25	$25	$25	$25	$14	-12.8%
Columbia Water	$27	$26	$27	$26	$28	1.0%
PA American	$40	$42	$41	$35	$31	-6.1%
United Water	$25	$24	$25	$25	$22	-2.6%
Panel Average	$29	$29	$30	$28	$24	-4.8%
York Water	$46	$42	$47	$47	$47	0.4%

Source: Schedule 400, Form PUC 244, Annual Report to the PA PUC

YORK WATER COMPANY
INCOME STATEMENT COMPARATIVE PANEL DATA
FOR THE YEARS ENDED DECEMBER 31, 2009-2013

Customer Account Expense

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$9,721,391	$9,943,599	$9,865,328	$10,084,200	$9,917,482	0.5%
Columbia Water	$123,809	$134,863	$128,030	$141,288	$145,382	4.1%
PA American	$8,683,775	$9,869,751	$9,439,617	$7,454,759	$6,057,716	-8.6%
United Water	$1,671,372	$1,615,166	$1,695,164	$1,483,596	$1,423,054	-3.9%
Panel Average	$5,050,087	$5,390,845	$5,282,035	$4,790,961	$4,385,909	-3.5%
York Water	$1,062,964	$1,024,790	$970,656	$964,140	$955,432	-2.6%

Customer Account Expense/Customer

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$24	$24	$24	$24	$23	-0.1%
Columbia Water	$14	$16	$15	$16	$17	3.7%
PA American	$14	$15	$15	$12	$9	-9.1%
United Water	$30	$29	$30	$26	$25	-4.5%
Panel Average	$20	$21	$21	$19	$19	-2.3%
York Water	$17	$16	$15	$15	$15	-3.3%

Administration and General Expense

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$24,131,861	$25,168,802	$26,222,639	$28,721,942	$29,268,513	4.9%
Columbia Water	$376,001	$386,949	$418,229	$401,723	$455,898	4.9%
PA American	$52,451,559	$52,591,693	$51,643,463	$61,319,934	$64,750,115	5.4%
United Water	$3,191,479	$3,330,730	$3,551,950	$3,859,635	$4,058,185	6.2%
Panel Average	$20,037,725	$20,369,544	$20,459,070	$23,575,809	$24,633,178	5.3%
York Water	$1,806,402	$1,766,159	$1,800,894	$1,807,142	$1,915,464	1.5%

Administration and General Expense/Customer

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$58	$61	$63	$68	$69	4.3%
Columbia Water	$43	$45	$48	$46	$52	4.5%
PA American	$83	$83	$81	$96	$100	4.8%
United Water	$57	$59	$63	$68	$71	5.5%
Panel Average	$60	$62	$64	$69	$73	4.8%
York Water	$29	$28	$29	$28	$30	0.8%

Source: Schedule 400, Form PUC 244, Annual Report to the PA PUC

YORK WATER COMPANY
INCOME STATEMENT COMPARATIVE PANEL DATA
FOR THE YEARS ENDED DECEMBER 31, 2009-2013

Total Operating and Maintenance Expense

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$103,196,686	$109,434,685	$114,311,275	$115,329,000	$117,173,411	3.2%
Columbia Water	$2,146,289	$1,955,840	$2,016,303	$1,947,648	$2,113,389	-0.4%
PA American	$194,978,387	$212,167,887	$218,109,488	$206,824,585	$195,603,486	0.1%
United Water	$14,665,912	$15,186,286	$15,687,646	$16,366,168	$16,241,503	2.6%
Panel Average	$78,746,819	$84,686,175	$87,531,178	$85,116,850	$82,782,947	1.3%
York Water	$14,167,491	$13,484,626	$14,642,604	$14,482,121	$14,657,566	0.9%

Total Operating and Maintenance Expense/Customer

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$250	$263	$274	$275	$277	2.6%
Columbia Water	$248	$225	$231	$222	$241	-0.8%
PA American	$307	$333	$342	$323	$301	-0.5%
United Water	$263	$270	$277	$288	$284	1.9%
Panel Average	$267	$273	$281	$277	$276	0.8%
York Water	$228	$216	$233	$228	$229	0.2%

Depreciation and Amortization

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$55,505,560	$59,911,378	$61,911,932	$66,292,471	$70,826,197	6.3%
Columbia Water	$933,503	$915,031	$997,887	$1,030,142	$1,037,913	2.7%
PA American	$60,315,199	$61,355,291	$64,645,600	$74,539,084	$83,296,147	8.4%
United Water	$5,004,897	$4,136,911	$4,442,185	$4,979,398	$5,263,852	1.3%
Panel Average	$30,439,790	$31,579,653	$32,999,401	$36,710,274	$40,106,027	7.1%
York Water	$4,412,072	$4,591,621	$4,905,034	$5,170,277	$5,714,947	6.7%

Taxes & Other Operating Expenses

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$62,501,443	$71,197,187	$60,327,885	$49,122,801	$7,822,323	-40.5%
Columbia Water	$518,372	$678,224	$549,464	$492,325	$488,983	-1.4%
PA American	$63,226,812	$76,806,776	$71,685,142	$91,463,888	$98,163,951	11.6%
United Water	$4,133,011	$7,127,574	$5,205,650	$4,998,131	$5,486,146	7.3%
Panel Average	$32,594,910	$38,952,440	$34,442,035	$36,519,286	$27,990,351	-3.7%
York Water	$5,693,032	$6,777,921	$6,205,029	$6,821,017	$6,978,212	5.2%

Source: Schedule 400, Form PUC 244, Annual Report to the PA PUC

YORK WATER COMPANY
INCOME STATEMENT COMPARATIVE PANEL DATA
FOR THE YEARS ENDED DECEMBER 31, 2009-2013

Total Operating Expenses

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$221,075,982	$240,348,775	$236,356,618	$230,490,861	$195,568,521	-3.0%
Columbia Water	$3,578,244	$3,549,095	$3,563,654	$3,470,116	$3,640,285	0.4%
PA American	$318,286,806	$350,096,362	$354,206,638	$372,593,965	$376,829,992	4.3%
United Water	$23,770,232	$26,417,382	$25,303,492	$26,315,012	$26,962,821	3.2%
Panel Average	$141,677,816	$155,102,904	$154,857,601	$158,217,489	$150,750,405	1.6%
York Water	$24,233,856	$24,815,981	$25,713,465	$26,434,361	$27,312,084	3.0%

Total Operating Expenses/Customer

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$535	$578	$567	$549	$462	-3.6%
Columbia Water	$414	$409	$408	$395	$414	0.0%
PA American	$501	$550	$555	$581	$581	3.7%
United Water	$426	$469	$447	$462	$471	2.6%
Panel Average	$469	$501	$494	$497	$482	0.7%
York Water	$390	$397	$410	$416	$427	2.3%

Utility Operating Income

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$119,477,020	$132,147,611	$149,502,205	$176,857,677	$205,218,476	14.5%
Columbia Water	$924,719	$1,073,088	$836,665	$768,554	$577,886	-11.1%
PA American	$132,531,676	$146,288,474	$148,622,928	$170,208,638	$177,096,895	7.5%
United Water	$6,295,734	$5,943,816	$7,889,979	$8,429,527	$8,765,068	8.6%
Panel Average	$64,807,287	$71,363,247	$76,712,944	$89,066,099	$97,914,581	10.9%
York Water	$12,808,570	$14,188,600	$14,916,012	$14,965,635	$14,961,459	4.0%

Utility Non-Operating Income

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$5,566,241	$7,578,625	$10,573,994	$7,852,438	$6,086,748	2.3%
Columbia Water	$30,043	$14,795	$15,644	$20,071	$23,366	-6.1%
PA American	$649,881	$2,689,392	$4,440,117	$1,257,107	$2,870,369	45.0%
United Water	$449,335	$927,295	$642,317	$445,486	$616,550	8.2%
Panel Average	$1,673,875	$2,802,527	$3,918,018	$2,393,776	$2,399,258	9.4%
York Water	$351,705	$249,901	$220,762	$230,922	$210,624	-12.0%

Source: Schedule 400, Form PUC 244, Annual Report to the PA PUC

YORK WATER COMPANY
INCOME STATEMENT COMPARATIVE PANEL DATA
FOR THE YEARS ENDED DECEMBER 31, 2009-2013

Source of Supply Expense/ Revenue

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	0.24%	0.27%	0.27%	0.32%	0.30%	5.2%
Columbia Water	4.04%	3.47%	3.60%	3.98%	4.01%	-0.2%
PA American	0.31%	0.22%	0.27%	0.23%	0.28%	-2.4%
United Water	2.23%	2.10%	2.11%	1.85%	1.68%	-6.8%
Panel Average	1.70%	1.51%	1.56%	1.59%	1.57%	-2.1%
York Water	0.92%	0.86%	0.85%	1.00%	0.97%	1.4%

Water Treatment Expense/Revenue

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	3.2%	3.0%	3.2%	3.1%	3.0%	-1.5%
Columbia Water	3.8%	3.6%	3.6%	3.9%	3.9%	0.4%
PA American	3.7%	3.5%	3.6%	3.2%	3.0%	-4.8%
United Water	3.5%	3.2%	4.0%	4.1%	3.9%	2.7%
Panel Average	3.5%	3.3%	3.6%	3.6%	3.5%	-0.7%
York Water	2.8%	2.7%	2.8%	2.8%	2.6%	-2.1%

Transmission & Distribution Expense/Revenue

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	3.0%	2.8%	2.7%	2.6%	1.5%	-15.8%
Columbia Water	5.2%	4.9%	5.4%	5.5%	5.9%	3.1%
PA American	5.7%	5.4%	5.2%	4.2%	3.7%	-10.4%
United Water	4.6%	4.1%	4.3%	4.2%	3.6%	-6.1%
Panel Average	4.6%	4.3%	4.4%	4.1%	3.7%	-5.7%
York Water	7.8%	6.8%	7.3%	7.2%	7.1%	-2.2%

Customer Accounts Expense/Revenue

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	2.9%	2.7%	2.6%	2.5%	2.5%	-3.5%
Columbia Water	2.7%	2.9%	2.9%	3.3%	3.4%	5.8%
PA American	1.9%	2.0%	1.9%	1.4%	1.1%	-13.2%
United Water	5.6%	5.0%	5.1%	4.3%	4.0%	-8.0%
Panel Average	3.3%	3.1%	3.1%	2.9%	2.7%	-4.3%
York Water	2.9%	2.6%	2.4%	2.3%	2.3%	-5.8%

Source: Schedule 400, Form PUC 244, Annual Report to the PA PUC

YORK WATER COMPANY
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Administration & General Expense/Revenue

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	7.1%	6.8%	6.8%	7.1%	7.3%	0.8%
Columbia Water	8.4%	8.4%	9.5%	9.5%	10.8%	6.7%
PA American	11.6%	10.6%	10.3%	11.3%	11.7%	0.1%
United Water	10.6%	10.3%	10.7%	11.1%	11.4%	1.7%
Panel Average	9.4%	9.0%	9.3%	9.7%	10.3%	2.2%
York Water	4.9%	4.5%	4.4%	4.4%	4.5%	-1.8%

Total Operating Expense/Revenue

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	64.9%	64.5%	61.3%	56.6%	48.8%	-6.9%
Columbia Water	79.5%	76.8%	81.0%	81.9%	86.3%	2.1%
PA American	70.6%	70.5%	70.4%	68.6%	68.0%	-0.9%
United Water	79.1%	81.6%	76.2%	75.7%	75.5%	-1.2%
Panel Average	73.5%	73.4%	72.2%	70.7%	69.6%	-1.3%
York Water	65.4%	63.6%	63.3%	63.9%	64.6%	-0.3%

Utility Operating Income/Revenue

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	35.1%	35.5%	38.7%	43.4%	51.2%	9.9%
Columbia Water	20.5%	23.2%	19.0%	18.1%	13.7%	-9.6%
PA American	29.4%	29.5%	29.6%	31.4%	32.0%	2.1%
United Water	20.9%	18.4%	23.8%	24.3%	24.5%	4.0%
Panel Average	26.5%	26.6%	27.8%	29.3%	30.4%	3.5%
York Water	34.6%	36.4%	36.7%	36.1%	35.4%	0.6%

Net Income/Revenue

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	23.5%	24.3%	28.0%	33.0%	40.4%	14.5%
Columbia Water	12.9%	16.0%	12.7%	11.9%	8.2%	-10.7%
PA American	16.7%	17.8%	18.5%	19.8%	20.7%	5.5%
United Water	13.0%	12.3%	16.5%	17.0%	17.3%	7.4%
Panel Average	16.5%	17.6%	18.9%	20.4%	21.6%	7.0%
York Water	20.3%	22.9%	22.4%	22.5%	22.9%	3.1%

Source: Schedule 400, Form PUC 244, Annual Report to the PA PUC

YORK WATER COMPANY
INCOME STATEMENT COMPARATIVE PANEL DATA
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Total Operating Expenses/Thousand Gallons

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$6.16	$6.47	$6.59	$6.43	$5.72	-1.8%
Columbia Water	$6.16	$5.95	$6.01	$6.01	$6.21	0.2%
PA American	$6.52	$6.99	$7.27	$7.64	$8.03	5.3%
United Water	$5.35	$5.85	$5.75	$5.94	$6.11	3.4%
Panel Average	$6.05	$6.32	$6.41	$6.50	$6.52	1.9%
York Water	$4.11	$4.18	$4.39	$4.56	$4.74	3.6%

Utility Operating Income/Thousand Gallons

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$3.33	$3.56	$4.17	$4.93	$6.00	15.9%
Columbia Water	$1.59	$1.80	$1.41	$1.33	$0.99	-11.3%
PA American	$2.72	$2.92	$3.05	$3.49	$3.77	8.6%
United Water	$1.42	$1.32	$1.79	$1.90	$1.99	8.8%
Panel Average	$2.26	$2.40	$2.61	$2.91	$3.19	8.9%
York Water	$2.17	$2.39	$2.55	$2.58	$2.60	4.5%

Net Income/Thousand Gallons

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$2.22	$2.44	$3.01	$3.75	$4.73	20.8%
Columbia Water	$1.00	$1.24	$0.94	$0.88	$0.59	-12.3%
PA American	$1.54	$1.77	$1.91	$2.20	$2.44	12.2%
United Water	$0.88	$0.88	$1.25	$1.33	$1.40	12.3%
Panel Average	$1.41	$1.58	$1.78	$2.04	$2.29	12.9%
York Water	$1.28	$1.50	$1.55	$1.60	$1.68	7.1%

Water Sold - Gallons

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	35,916,700,000	37,127,098,000	35,885,117,000	35,849,595,000	34,192,335,000	-1.2%
Columbia Water	580,915,900	596,479,200	592,927,798	577,535,500	585,779,000	0.2%
PA American	48,811,181,000	50,087,184,000	48,691,795,000	48,785,279,000	46,947,471,000	-1.0%
United Water	4,441,602,000	4,517,167,000	4,398,322,000	4,431,266,000	4,415,374,000	-0.1%
Panel Average	22,437,599,725	23,081,982,050	22,392,040,450	22,410,918,875	21,535,239,750	-1.0%
York Water	5,891,254,986	5,939,594,231	5,860,366,067	5,795,849,878	5,760,160,000	-0.6%

Source: Schedule 400, Form PUC 244, Annual Report to the PA PUC

YORK WATER COMPANY
BALANCE SHEET COMPARATIVE PANEL DATA
FOR THE YEARS ENDED DECEMBER 31, 2009-2013

Net Utility Plant

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$1,817,813,146	$1,999,973,537	$2,205,542,762	$2,421,377,842	$2,582,277,925	9.2%
Columbia Water	$25,354,954	$25,352,598	$25,917,248	$28,778,024	$36,925,353	9.9%
PA American	$2,275,442,600	$2,412,699,216	$2,663,426,513	$2,869,070,837	$3,050,126,247	7.6%
United Water	$157,888,685	$168,974,722	$177,145,360	$182,605,328	$186,993,656	4.3%
Panel Average	$1,069,124,846	$1,151,750,018	$1,268,007,971	$1,375,458,008	$1,464,080,795	8.2%
York Water	$221,474,451	$227,677,364	$232,276,261	$239,062,722	$243,556,873	2.4%

Net Utility Plant/Million Gallons

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$50,612	$53,868	$61,461	$67,543	$75,522	10.5%
Columbia Water	$43,647	$42,504	$43,711	$49,829	$63,036	9.6%
PA American	$46,617	$48,170	$54,700	$58,810	$64,969	8.7%
United Water	$35,548	$37,407	$40,276	$41,208	$42,351	4.5%
Panel Average	$44,106	$45,487	$50,037	$54,348	$61,469	8.7%
York Water	$37,594	$38,332	$39,635	$41,247	$42,283	3.0%

Investments and Other Property

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$83,381,764	$140,322,602	$95,950,255	$31,008,684	$9,647,508	-41.7%
Columbia Water	$60,189	$60,189	$60,189	$60,189	$60,189	0.0%
PA American	$38,963,432	$38,920,056	$38,942,024	$38,889,522	$38,857,609	-0.1%
United Water	$217,115	$217,115	$217,115	$217,115	$217,115	0.0%
Panel Average	$30,655,625	$44,879,991	$33,792,396	$17,543,878	$12,195,605	-20.6%
York Water	$614,171	$771,424	$761,669	$747,644	$742,582	4.9%

Current and Accrued Assets

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$68,312,351	$66,255,225	$58,873,687	$82,598,357	$109,031,312	12.4%
Columbia Water	$528,526	$516,175	$583,369	$597,851	$855,921	12.8%
PA American	$94,618,176	$92,473,016	$76,616,764	$80,324,524	$91,672,037	-0.8%
United Water	$3,180,096	$3,937,362	$4,631,287	$4,205,548	$6,193,940	18.1%
Panel Average	$41,659,787	$40,795,445	$35,176,277	$41,931,570	$51,938,303	5.7%
York Water	$7,296,556	$9,039,918	$11,365,202	$12,346,647	$16,036,345	21.8%

Source: Schedule 200, Form PUC 244, Annual Report to the PA PUC

YORK WATER COMPANY
BALANCE SHEET COMPARATIVE PANEL DATA
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Total Deferred Debits

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$126,788,438	$128,101,236	$156,423,833	$402,004,064	$569,669,908	45.6%
Columbia Water	$0	$0	$0	$0	$359,052	NM
PA American	$181,707,876	$152,437,101	$154,334,476	$155,057,400	$156,676,625	-3.6%
United Water	$11,762,259	$7,868,610	$10,033,413	$13,031,299	$8,921,484	-6.7%
Panel Average	$80,064,643	$72,101,737	$80,197,931	$142,523,191	$183,906,767	23.1%
York Water	$19,345,652	$22,503,738	$29,717,035	$30,413,100	$22,212,535	3.5%

Total Equity Capital

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$719,168,846	$822,379,954	$872,638,689	$1,028,679,501	$1,167,617,023	12.9%
Columbia Water	$7,046,245	$7,483,651	$7,739,108	$7,942,541	$8,634,476	5.2%
PA American	$957,722,387	$979,925,867	$1,046,666,601	$1,149,312,642	$1,180,641,801	5.4%
United Water	$101,011,517	$107,884,159	$111,566,079	$109,418,584	$119,051,831	4.2%
Panel Average	$446,237,249	$479,418,408	$509,652,619	$573,838,317	$618,986,283	8.5%
York Water	$86,922,175	$91,256,710	$95,265,233	$99,818,775	$103,522,167	4.5%

Total Long-Term Debt

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$846,234,781	$923,558,473	$910,218,855	$905,755,075	$948,779,771	2.9%
Columbia Water	$5,049,605	$4,564,322	$4,637,962	$6,383,997	$12,774,593	26.1%
PA American	$998,447,758	$991,259,940	$1,030,815,319	$1,086,134,390	$1,151,786,840	3.6%
United Water	$0	$0	$0	$0	$0	0.0%
Panel Average	$462,433,036	$479,845,684	$486,418,034	$499,568,366	$528,335,301	3.4%
York Water	$73,227,308	$85,131,866	$84,975,008	$84,932,729	$84,885,026	3.8%

Total Current and Accrued Liabilities

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$378,351,667	$444,903,216	$579,600,519	$634,707,937	$68,762,644	-34.7%
Columbia Water	$1,138,386	$1,020,238	$1,030,886	$2,097,023	$4,125,002	38.0%
PA American	$65,020,010	$109,853,092	$171,032,519	$147,733,617	$174,222,049	27.9%
United Water	$5,614,945	$5,694,556	$734,138	$4,633,337	$4,646,806	-4.6%
Panel Average	$112,531,252	$140,367,776	$188,099,516	$197,292,979	$62,939,125	-13.5%
York Water	$14,433,755	$5,337,778	$5,118,914	$5,506,155	$7,824,178	-14.2%

Source: Schedule 200, Form PUC 244, Annual Report to the PA PUC

YORK WATER COMPANY
BALANCE SHEET COMPARATIVE PANEL DATA
FOR THE YEARS ENDED DECEMBER 31, 2009-2013

Total Deferred Credits

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$69,094,499	$66,293,567	$75,474,509	$275,808,739	$309,708,176	45.5%
Columbia Water	$0	$0	$0	$0	$0	0.0%
PA American	$122,837,547	$116,208,968	$115,388,358	$116,841,869	$118,278,222	-0.9%
United Water	$26,331,925	$24,235,711	$25,942,092	$29,014,109	$22,250,422	-4.1%
Panel Average	$54,565,993	$51,684,562	$54,201,240	$105,416,179	$112,559,205	19.8%
York Water	$27,559,030	$27,737,730	$32,760,103	$32,421,361	$22,542,568	-4.9%

Total Operating Reserves

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$0	$0	$0	$0	$0	0.0%
Columbia Water	$0	$0	$0	$0	$0	0.0%
PA American	$8,785,608	$9,205,027	$28,402,748	$37,801,660	$28,496,679	34.2%
United Water	$9,361,488	$9,845,256	$10,491,667	$11,183,594	$8,459,707	-2.5%
Panel Average	$4,536,774	$4,762,571	$9,723,604	$12,246,314	$9,239,097	19.5%
York Water	$0	$0	$0	$0	$0	0.0%

Total Net CIAC

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$83,445,906	$77,517,390	$78,857,965	$92,037,695	$99,127,821	4.4%
Columbia Water	$8,571,657	$8,401,948	$8,218,967	$8,042,958	$7,873,845	-2.1%
PA American	$88,500,114	$93,109,322	$98,214,246	$102,939,526	$108,761,179	5.3%
United Water	$24,002,419	$27,587,149	$29,022,207	$30,514,660	$32,465,540	7.8%
Panel Average	$51,130,024	$51,653,952	$53,578,346	$58,383,710	$62,057,096	5.0%
York Water	$24,943,849	$25,926,159	$26,976,966	$28,222,732	$29,925,670	4.7%

Total Acc. Deferred Income Taxes

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$0	$0	$0	$0	$676,631,218	NM
Columbia Water	$4,137,776	$4,458,803	$4,933,884	$4,969,544	$4,792,600	3.7%
PA American	$447,211,876	$509,185,511	$553,042,477	$611,641,218	$699,187,260	11.8%
United Water	$6,725,861	$5,750,979	$14,270,992	$15,295,007	$15,451,890	23.1%
Panel Average	$114,518,878	$129,848,823	$143,061,838	$157,976,442	$349,015,742	32.1%
York Water	$21,644,713	$24,602,201	$29,023,943	$31,668,361	$33,848,726	11.8%

Source: Schedule 200, Form PUC 200, Annual Report to the PA PUC

YORK WATER COMPANY
BALANCE SHEET COMPARATIVE PANEL DATA
FOR THE YEARS ENDED DECEMBER 31, 2009-2013

Total Liabilities and Other Credits

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$2,096,295,699	$2,334,652,600	$2,516,790,537	$2,936,988,947	$3,270,626,653	11.8%
Columbia Water	$25,943,669	$25,928,962	$26,560,807	$29,436,063	$38,200,516	10.2%
PA American	$2,688,525,300	$2,808,747,727	$3,043,562,268	$3,252,404,922	$3,461,374,030	6.5%
United Water	$173,048,155	$180,997,810	$192,027,175	$200,059,291	$202,326,196	4.0%
Panel Average	$1,245,953,206	$1,337,581,775	$1,444,735,197	$1,604,722,306	$1,743,131,849	8.8%
York Water	$248,730,830	$259,992,444	$274,120,167	$282,570,113	$282,548,335	3.2%

Total Assets/Customer

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$5,073	$5,614	$6,036	$6,998	$7,727	11.1%
Columbia Water	$3,000	$2,984	$3,041	$3,354	$4,348	9.7%
PA American	$4,081	$4,234	$4,597	$4,906	$5,143	6.0%
United Water	$3,101	$3,216	$3,394	$3,515	$3,536	3.3%
Panel Average	$3,814	$4,012	$4,267	$4,693	$5,188	8.0%
York Water	$4,000	$4,160	$4,369	$4,447	$4,422	2.5%

M&S as % of Net Plant

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	0.22%	0.22%	0.30%	0.23%	0.23%	0.2%
Columbia Water	0.19%	0.20%	0.24%	0.26%	0.22%	3.7%
PA American	0.21%	0.19%	0.19%	0.21%	0.23%	3.1%
United Water	0.34%	0.22%	0.21%	0.27%	0.25%	-7.2%
Panel Average	0.24%	0.21%	0.24%	0.24%	0.23%	-0.8%
York Water	0.32%	0.27%	0.30%	0.30%	0.30%	-2.1%

Source: Schedule 200, Form PUC 244, Annual Report to the PA PUC.

YORK WATER COMPANY
COMPARATIVE OPERATING DATA AND RATIOS
FOR THE YEARS ENDED DECEMBER 31, 2009-2013

Unaccounted for Water

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	21.6%	21.7%	24.1%	22.9%	23.3%	1.9%
Columbia Water	16.3%	12.5%	13.8%	15.7%	15.4%	-1.4%
PA American	18.0%	14.9%	17.4%	14.2%	17.5%	-0.7%
United Water	21.9%	22.8%	23.8%	21.8%	21.6%	-0.3%
Panel Average	19.5%	18.0%	19.8%	18.7%	19.5%	0.0%
York Water	10.5%	12.2%	11.4%	13.2%	15.9%	10.9%

Customers/Employees

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	762	759	764	752	756	-0.2%
Columbia Water	412	414	416	418	418	0.4%
PA American	588	605	607	669	674	3.5%
United Water	620	605	615	619	622	0.1%
Panel Average	595	596	600	614	618	0.9%
York Water	560	563	592	605	592	1.4%

Net Utility Plant/Employees

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$3,353,899	$3,649,587	$4,039,456	$4,339,387	$4,611,211	8.3%
Columbia Water	$1,207,379	$1,207,267	$1,234,155	$1,370,382	$1,758,350	9.9%
PA American	$2,106,891	$2,293,440	$2,531,774	$2,994,855	$3,167,317	10.7%
United Water	$1,754,319	$1,816,932	$1,925,493	$1,984,841	$2,032,540	3.7%
Panel Average	$2,105,622	$2,241,807	$2,432,719	$2,672,366	$2,892,354	8.3%
York Water	$1,995,265	$2,051,147	$2,191,285	$2,276,788	$2,255,156	3.1%

Operating Revenues/Employees

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$628,327	$679,738	$706,701	$730,015	$715,691	3.3%
Columbia Water	$214,427	$220,104	$209,539	$201,841	$200,865	-1.6%
PA American	$417,425	$471,849	$477,975	$566,600	$575,210	8.3%
United Water	$334,066	$347,970	$360,799	$377,658	$388,347	3.8%
Panel Average	$398,561	$429,915	$438,753	$469,029	$470,028	4.2%
York Water	$333,716	$351,393	$383,297	$394,286	$391,422	4.1%

Source: Form PUC 244, Annual Report to the PA PUC

YORK WATER COMPANY
COMPARATIVE OPERATING DATA AND RATIOS
FOR THE YEARS ENDED DECEMBER 31, 2009-2013

Net Utility Plant/Customer

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$4,399	$4,809	$5,290	$5,769	$6,100	8.5%
Columbia Water	$2,932	$2,918	$2,967	$3,279	$4,203	9.4%
PA American	$3,584	$3,788	$4,174	$4,477	$4,701	7.0%
United Water	$2,830	$3,003	$3,131	$3,208	$3,268	3.7%
Panel Average	$3,436	$3,630	$3,890	$4,183	$4,568	7.4%
York Water	$3,561	$3,643	$3,702	$3,762	$3,812	1.7%

Operating Revenues/Customer

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$824	$896	$925	$971	$947	3.5%
Columbia Water	$521	$532	$504	$483	$480	-2.0%
PA American	$710	$779	$788	$847	$854	4.7%
United Water	$539	$575	$587	$610	$624	3.8%
Panel Average	$648	$696	$701	$728	$726	2.9%
York Water	$596	$624	$648	$651	$662	2.7%

O & M Expenses/Customer

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$250	$263	$274	$275	$277	2.6%
Columbia Water	$248	$225	$231	$222	$241	-0.8%
PA American	$307	$333	$342	$323	$301	-0.5%
United Water	$263	$270	$277	$288	$284	1.9%
Panel Average	$267	$273	$281	$277	$276	0.8%
York Water	$228	$216	$233	$228	$229	0.2%

Net Utility Plant/Revenues

Company	2009	2010	2011	2012	2013	Compound Growth
Aqua PA	$5.34	$5.37	$5.72	$5.94	$6.44	4.8%
Columbia Water	$5.63	$5.48	$5.89	$6.79	$8.75	11.7%
PA American	$5.05	$4.86	$5.30	$5.29	$5.51	2.2%
United Water	$5.25	$5.22	$5.34	$5.26	$5.23	-0.1%
Panel Average	$5.32	$5.23	$5.56	$5.82	$6.48	5.1%
York Water	$5.98	$5.84	$5.72	$5.77	$5.76	-0.9%

Source: Form PUC 244, Annual Report to the PA PUC

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