



# The York Water Company

November 27, 2019

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor North  
P.O. Box 3265  
Harrisburg, PA 17105-3265

Re: The York Water Company's Acquisition of the Jacobus Borough Sewer Authority  
Wastewater System  
Docket No. A-2019-3007355

Dear Secretary Chiavetta:

Enclosed on behalf of The York Water Company ("York Water" or the "Company") please find the original cost plant-in-service valuation of the former wastewater system of the Jacobus Borough Sewer Authority (the "Authority"). York Water is filing this original cost valuation pursuant to the Pennsylvania Public Utility Commission's ("Commission") Policy Statement at 52 Pa. Code § 69.711.

The Commission approved York Water's acquisition of the Authority's wastewater assets by Order entered July 11, 2019 at Docket No. A-2019-3007355. On August 29, 2019, the transfer by sale of the Authority's wastewater assets and rights to York Water was consummated. A tariff was filed effective August 30, 2019 incorporating the former Authority's customers.

The cost of the system facilities was determined from the Authority's records, project contracts and unit costs typical of other wastewater utilities in the region. The asset inventory was priced using unit costs for each vintage year. The unit costs were developed from typical unit costs experienced by other wastewater companies within the same region, published unit costs or experienced costs trended to the year of installation. The accrued depreciation was based on recognized methods using estimated survivor characteristics and the straight-line depreciation method. The estimated survivor curves are similar to those used by other Pennsylvania wastewater companies. The average service life procedure was used to apply the methods of depreciation to group properties for which a survivor curve was used to recognize the existence of life dispersion. It is York Water's understanding that the Authority used no customer funds to build the facilities.

York Water paid less than the depreciated original cost of the acquired system and will record and include in rate base the depreciated original cost of the acquired system. No amortization or pass through of the difference between the acquisition cost and depreciated original cost is appropriate because this acquisition involved a matter of substantial interest. Specifically, the Authority concluded that its investment in maintaining the collection system in future years would be insufficient to provide reliable wastewater collection and transportation services. Further, the contractor responsible for maintaining the Authority's sanitary lift stations was retiring, and the Authority did not want to continue incurring fees related to inspections of the sanitary lift stations nor the time and expense to advertise, interview and select a successor. Moreover, the Authority concluded that its volunteer, part-time board had insufficient experience to continue meeting the regulatory requirements associated with its wastewater obligations. The Authority determined that it was in the best interest of its current customers to sell its wastewater collection system to a company that has sufficient wastewater operations and maintenance experience to meet the wastewater demands of the public and has more experience in dealing with utility service and the regulatory requirements associated with providing such service.

York Water intends to include the depreciated original cost of the wastewater assets of the Authority in its rate base claim in its next rate case. At that time, York Water will present its proposal that the acquisition adjustment should not be passed through in rates.

Sincerely,



Matthew E. Poff  
CFO and Treasurer

Enclosure

cc: Bureau of Investigation and Enforcement  
Office of Consumer Advocate  
Office of Small Business Advocate  
Michael Hassell, Post & Schell

THE YORK WATER COMPANY  
YORK, PENNSYLVANIA

ORIGINAL COST AND  
RELATED ACCRUED DEPRECIATION OF  
THE JACOBUS BOROUGH  
SEWER AUTHORITY  
AS OF AUGUST 31, 2019

*Prepared by:*



***Gannett Fleming***

*Excellence Delivered **As Promised***

THE YORK WATER COMPANY  
YORK, PENNSYLVANIA

ORIGINAL COST AND  
RELATED ACCRUED DEPRECIATION OF  
THE JACOBUS BOROUGH  
SEWER AUTHORITY  
AS OF AUGUST 31, 2019

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC  
Camp Hill, Pennsylvania



*Excellence Delivered* **As Promised**

November 21, 2019

The York Water Company  
130 East Market Street  
York, PA 17401-1219

Attention Matthew E. Poff, CPA  
Chief Financial Officer

Gentlemen:

Pursuant to your request, we have determined the original cost and related accrued depreciation as of August 31, 2019, of the wastewater assets of the Jacobus Borough Sewer Authority.

The attached report includes a brief description of the system, a description of the methods used in the determination of original cost and accrued depreciation, the itemized original cost of wastewater system facilities by account and installation year, and the detailed calculations of accrued depreciation.

Respectfully submitted,

GANNETT FLEMING VALUATION  
AND RATE CONSULTANTS, LLC

A handwritten signature in blue ink that reads "John J. Spanos".

JOHN J. SPANOS  
President

JJS/mle

066336.000

**Gannett Fleming Valuation and Rate Consultants, LLC**

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PART I. INTRODUCTION

THE YORK WATER COMPANY  
ORIGINAL COST AND RELATED ACCRUED DEPRECIATION OF  
THE JACOBUS BOROUGH SEWER AUTHORITY  
AS OF AUGUST 31, 2019

PART I. INTRODUCTION

PLAN OF REPORT

The purpose of the study was to determine the original cost and related accrued depreciation as of August 31, 2019, of the wastewater assets of the Jacobus Borough Sewer Authority.

The study is presented in three parts. Part I, Introduction, contains statements with respect to the plan of the report, the system facilities, the procedures employed, and a summary of the results of the study. Part II, Original Cost, presents the detailed analysis of the original cost of the Jacobus Borough Sewer Authority by account and vintage year. Part III, Calculation of Accrued Depreciation, develops the accrued depreciation related to the original cost as of August 31, 2019.

DESCRIPTION OF SYSTEM

The Jacobus Borough Sewer Authority provides service to approximately 686 residential and commercial wastewater customers in the Jacobus Borough. The wastewater system assets include 5 pumping stations, mains of varying sizes and material, services, manholes, land and pumping equipment. The system originally began to provide service in 1998. In 2004, numerous capacity and system upgrades were made to the system.

## DETERMINATION OF ORIGINAL COST

The cost of system facilities was determined from the Jacobus Borough records, project contracts and unit costs typical of other wastewater utilities in the region. The asset inventory was priced using unit costs for each vintage year. The unit costs were developed from typical unit costs experienced by other wastewater companies within the same region, published unit costs or experienced costs trended to the year of installation using Handy-Whitman indexes.

## CALCULATION OF ACCRUED DEPRECIATION

The accrued depreciation calculation in Part III of the report was based on recognized methods using estimated survivor characteristics and the straight line depreciation method. The estimated survivor curves are similar to those used by other Pennsylvania wastewater companies. The average service life procedure was used to apply the methods of depreciation to group properties for which a survivor curve was used to recognize the existence of life dispersion.

A summary table of accrued depreciation applicable to original cost is set forth in Part III of the report. The detailed calculations by account and vintage follow the summary table.

## RESULTS OF STUDY

The tables on pages II-4 and II-5 summarize the original cost and related accrued depreciation by account for the Jacobus Borough Sewer Authority as of August 31, 2019. The original cost was brought forward from Part II of the report and the accrued depreciation from Part III of the report.

**THE YORK WATER COMPANY  
JACOBUS BOROUGH SEWER AUTHORITY**

**TABLE 1. SUMMARY OF ORIGINAL COST AND ACCRUED DEPRECIATION  
OF WASTEWATER SYSTEM AS OF AUGUST 31, 2019**

<u>ACCOUNT</u> (1)	<u>DESCRIPTION</u> (2)	<u>ORIGINAL COST</u> (3)	<u>ACCRUED DEPRECIATION</u> (4)
353.30	LAND AND LAND RIGHTS	231,220.00	-
354.30	STRUCTURES AND IMPROVEMENTS - PUMPING	31,514.73	10,828
360.20	FORCE MAINS	305,954.59	95,424
361.20	COLLECTION MAINS - GRAVITY	2,147,269.64	674,090
361.21	MANHOLES	154,631.84	46,618
363.00	SERVICE LATERALS	478,707.63	149,991
371.00	PUMPING EQUIPMENT	<u>20,719.93</u>	<u>10,700</u>
<b>TOTAL WASTEWATER PLANT</b>		<b><u><u>3,370,018.36</u></u></b>	<b><u><u>987,651</u></u></b>

PART II. ORIGINAL COST

**THE YORK WATER COMPANY  
JACOBUS BOROUGH SEWER AUTHORITY**

**TABLE 2. SUMMARY OF ANALYSIS OF ORIGINAL COST OF  
WASTEWATER SYSTEM AS OF AUGUST 31, 2019**

<u>ACCOUNT</u> (1)	<u>DESCRIPTION</u> (2)	<u>ORIGINAL COST</u> (3)
353.30	LAND AND LAND RIGHTS	231,220.00
354.30	STRUCTURES AND IMPROVEMENTS - PUMPING	31,514.73
360.20	FORCE MAINS	305,954.59
361.20	COLLECTION MAINS - GRAVITY	2,147,269.64
361.21	MANHOLES	154,631.84
363.00	SERVICE LATERALS	478,707.63
371.00	PUMPING EQUIPMENT	<u>20,719.93</u>
<b>TOTAL WASTEWATER PLANT</b>		<b><u><u>3,370,018.36</u></u></b>

DETAILED ORIGINAL COST AS OF AUGUST 31, 2019



THE YORK WATER COMPANY  
JACOBUS BOROUGH SEWER AUTHORITY

DETAILED ORIGINAL COST AS OF AUGUST 31, 2019

ACCOUNT (1)	DESCRIPTION (2)	SIZE (3)	QUANTITY (4)	YEAR (5)	UNIT COST (6)	TOTAL COST (7)=(6)x(4)
<b>353.30</b>	<b>LAND AND LAND RIGHTS</b>					
	WATER STREET STATION		1	1998	-	72,970.00
	SOUTH MAIN STREET STATION		1	1998	-	68,300.00
	YORK ROAD STATION		1	1998	-	46,250.00
	GREENBRIAR DRIVE NORTH STATION		1	1998	-	18,600.00
	EAST BRANCH DRIVE STATION		1	2004	-	25,100.00
	<b>TOTAL LAND AND LAND RIGHTS</b>		<b>5</b>			<b>231,220.00</b>
<b>354.30</b>	<b>STRUCTURES AND IMPROVEMENTS - PUMPING</b>					
	WATER STREET STATION		1	1998	6,151.94	6,151.94
	SOUTH MAIN STREET STATION		1	1998	6,151.94	6,151.94
	YORK ROAD STATION		1	1998	6,719.81	6,719.81
	GREENBRIAR DRIVE NORTH STATION		1	1998	6,151.94	6,151.94
	EAST BRANCH DRIVE STATION		1	2004	6,339.10	6,339.10
	<b>TOTAL STRUCTURES AND IMPROVEMENTS - PUMPING</b>		<b>5</b>			<b>31,514.73</b>
<b>360.20</b>	<b>FORCE MAINS</b>					
	FORCE MAINS	1.5"	316 ft	1998	15.80	4,994.32
	FORCE MAINS	2"	916 ft	1998	19.94	18,263.53
	FORCE MAINS	4"	3,610 ft	1998	29.91	107,966.20
	FORCE MAINS	4"	909 ft	2004	36.39	33,082.62
	FORCE MAINS	8"	3,132 ft	1998	45.23	141,647.92
	<b>TOTAL FORCE MAINS</b>		<b>8,883 ft</b>			<b>305,954.59</b>
<b>361.20</b>	<b>COLLECTION MAINS - GRAVITY</b>					
	COLLECTION MAINS	8"	32,279 ft	1998	42.55	1,373,515.67
	COLLECTION MAINS	8"	7,623 ft	2004	51.78	394,725.21
	COLLECTION MAINS	10"	7,167 ft	1998	52.89	379,028.76
	<b>TOTAL COLLECTION MAINS - GRAVITY</b>		<b>47,069 ft</b>			<b>2,147,269.64</b>



THE YORK WATER COMPANY  
JACOBUS BOROUGH SEWER AUTHORITY

DETAILED ORIGINAL COST AS OF AUGUST 31, 2019

ACCOUNT (1)	DESCRIPTION (2)	SIZE (3)	QUANTITY (4)	YEAR (5)	UNIT COST (6)	TOTAL COST (7)=(6)x(4)
361.21	<b>MANHOLES</b>					
	AIR RELIEF VALVE MANHOLE		1	1998	911.82	911.82
	SANITARY MANHOLES		198	1998	620.03	122,766.78
	SANITARY MANHOLES		41	2004	754.96	30,953.24
	<b>TOTAL MANHOLES</b>		<b>240</b>			<b>154,631.84</b>
363.00	<b>SERVICE LATERALS</b>					
	LATERALS		534	1998	685.76	366,193.76
	LATERALS		144	2004	781.35	112,513.87
	<b>TOTAL SERVICE LATERALS</b>		<b>678</b>			<b>478,707.63</b>
371.00	<b>PUMPING EQUIPMENT</b>					
	WATER STREET STATION		1	1998	4,484.49	4,484.49
	SOUTH MAIN STREET STATION		1	1998	2,918.90	2,918.90
	YORK ROAD STATION		1	1998	4,962.13	4,962.13
	GREENBRIAR DRIVE NORTH STATION		1	1998	4,059.92	4,059.92
	EAST BRANCH DRIVE STATION		1	2004	4,294.49	4,294.49
	<b>TOTAL PUMPING EQUIPMENT</b>		<b>5</b>			<b>20,719.93</b>
	<b>TOTAL WASTEWATER PLANT</b>					<b>3,370,018.36</b>

PART III. CALCULATION OF ACCRUED DEPRECIATION

THE YORK WATER COMPANY  
JACOBUS BOROUGH SEWER AUTHORITY

TABLE 3. SUMMARY OF SURVIVOR CURVES, ORIGINAL COST AND CALCULATED  
ACCRUED DEPRECIATION OF WASTEWATER SYSTEM AS OF AUGUST 31, 2019

<u>ACCOUNT</u> (1)	<u>DESCRIPTION</u> (2)	<u>SURVIVOR CURVE</u> (3)	<u>ORIGINAL COST</u> (4)	<u>ACCRUED DEPRECIATION</u> (5)
353.30	LAND AND LAND RIGHTS	NONDEPRECIABLE	231,220.00	-
354.30	STRUCTURES AND IMPROVEMENTS - PUMPING	55-R3	31,514.73	10,828
360.20	FORCE MAINS	65-S2.5	305,954.59	95,424
361.20	COLLECTION MAINS - GRAVITY	60-S1.5	2,147,269.64	674,090
361.21	MANHOLES	60-R2.5	154,631.84	46,618
363.00	SERVICE LATERALS	60-R3	478,707.63	149,991
371.00	PUMPING EQUIPMENT	30-S1	<u>20,719.93</u>	<u>10,700</u>
<b>TOTAL WASTEWATER PLANT</b>			<b><u>3,370,018.36</u></b>	<b><u>987,651</u></b>

DETAILED DEPRECIATION CALCULATIONS

THE YORK WATER COMPANY  
 JACOBUS BOROUGH SEWER AUTHORITY

ACCOUNT 354.30 STRUCTURES AND IMPROVEMENTS - PUMPING

CALCULATED ANNUAL AND ACCRUED DEPRECIATION  
 RELATED TO ORIGINAL COST AS OF AUGUST 31, 2019

YEAR (1)	ORIGINAL COST (2)	AVG. LIFE (3)	--ANNUAL ACCRUAL-- RATE (4)	AMOUNT (5)	EXP. (6)	--ACCRUED DEPREC.-- FACTOR (7)	AMOUNT (8)
SURVIVOR CURVE.. IOWA 55-R3							
NET SALVAGE PERCENT.. 0							
1998	25,175.63	55.00	1.82	458.20	35.01	0.3635	9,150
2004	6,339.10	55.00	1.82	115.37	40.44	0.2647	1,678
	31,514.73			573.57			10,828
COMPOSITE ANNUAL ACCRUAL RATE, PERCENT .. 1.82							

THE YORK WATER COMPANY  
 JACOBUS BOROUGH SEWER AUTHORITY

ACCOUNT 360.20 FORCE MAINS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION  
 RELATED TO ORIGINAL COST AS OF AUGUST 31, 2019

YEAR (1)	ORIGINAL COST (2)	AVG. LIFE (3)	--ANNUAL RATE (4)	ACCRUAL-- AMOUNT (5)	EXP. (6)	--ACCRUED FACTOR (7)	DEPREC.-- AMOUNT (8)
SURVIVOR CURVE.. IOWA 65-S2.5							
NET SALVAGE PERCENT.. 0							
1998	272,871.97	65.00	1.54	4,202.23	44.10	0.3215	87,739
2004	33,082.62	65.00	1.54	509.47	49.90	0.2323	7,685
	305,954.59			4,711.70			95,424
COMPOSITE ANNUAL ACCRUAL RATE, PERCENT .. 1.54							

THE YORK WATER COMPANY  
 JACOBUS BOROUGH SEWER AUTHORITY

ACCOUNT 361.20 COLLECTION MAINS - GRAVITY

CALCULATED ANNUAL AND ACCRUED DEPRECIATION  
 RELATED TO ORIGINAL COST AS OF AUGUST 31, 2019

YEAR (1)	ORIGINAL COST (2)	AVG. LIFE (3)	--ANNUAL RATE (4)	ACCRUAL-- AMOUNT (5)	EXP. (6)	--ACCRUED FACTOR (7)	DEPREC.-- AMOUNT (8)
SURVIVOR CURVE.. IOWA 60-S1.5							
NET SALVAGE PERCENT.. 0							
1998	1,752,544.43	60.00	1.67	29,267.49	40.21	0.3298	578,042
2004	394,725.21	60.00	1.67	6,591.91	45.40	0.2433	96,048
	2,147,269.64			35,859.40			674,090
COMPOSITE ANNUAL ACCRUAL RATE, PERCENT .. 1.67							

THE YORK WATER COMPANY  
 JACOBUS BOROUGH SEWER AUTHORITY

ACCOUNT 361.21 MANHOLES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION  
 RELATED TO ORIGINAL COST AS OF AUGUST 31, 2019

YEAR (1)	ORIGINAL COST (2)	AVG. LIFE (3)	--ANNUAL ACCRUAL-- RATE (4)	AMOUNT (5)	EXP. (6)	--ACCRUED DEPREC.-- FACTOR (7)	AMOUNT (8)
SURVIVOR CURVE.. IOWA 60-R2.5							
NET SALVAGE PERCENT.. 0							
1998	123,678.60	60.00	1.67	2,065.43	40.87	0.3188	39,432
2004	30,953.24	60.00	1.67	516.92	46.07	0.2322	7,186
	154,631.84			2,582.35			46,618
COMPOSITE ANNUAL ACCRUAL RATE, PERCENT .. 1.67							

THE YORK WATER COMPANY  
 JACOBUS BOROUGH SEWER AUTHORITY

ACCOUNT 363.00 SERVICE LATERALS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION  
 RELATED TO ORIGINAL COST AS OF AUGUST 31, 2019

YEAR (1)	ORIGINAL COST (2)	AVG. LIFE (3)	--ANNUAL ACCRUAL-- RATE (4)	AMOUNT (5)	EXP. (6)	--ACCRUED DEPREC.-- FACTOR (7)	AMOUNT (8)
SURVIVOR CURVE.. IOWA 60-R3							
NET SALVAGE PERCENT.. 0							
1998	366,193.76	60.00	1.67	6,115.44	39.91	0.3348	122,613
2004	112,513.87	60.00	1.67	1,878.98	45.40	0.2433	27,378
	478,707.63			7,994.42			149,991
COMPOSITE ANNUAL ACCRUAL RATE, PERCENT .. 1.67							

THE YORK WATER COMPANY  
 JACOBUS BOROUGH SEWER AUTHORITY

ACCOUNT 371.00 PUMPING EQUIPMENT

CALCULATED ANNUAL AND ACCRUED DEPRECIATION  
 RELATED TO ORIGINAL COST AS OF AUGUST 31, 2019

YEAR (1)	ORIGINAL COST (2)	AVG. LIFE (3)	--ANNUAL ACCRUAL-- RATE (4)	AMOUNT (5)	EXP. (6)	--ACCRUED DEPREC.-- FACTOR (7)	AMOUNT (8)
SURVIVOR CURVE.. IOWA 30-S1							
NET SALVAGE PERCENT.. 0							
1998	16,425.44	30.00	3.33	546.97	13.78	0.5407	8,881
2004	4,294.49	30.00	3.33	143.01	17.29	0.4237	1,819
	20,719.93			689.98			10,700
COMPOSITE ANNUAL ACCRUAL RATE, PERCENT .. 3.33							