



The York Water Company

November 25, 2020

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

Re: The York Water Company's Acquisition of the Letterkenny Township Municipal
Authority Wastewater System
Docket No. A-2020-3019424

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 Letterkenny Township Municipal 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 August 27, 2020 at Docket No. A-2020-319424. On September 14, 2020, the transfer by sale of the Authority's wastewater assets and rights to York Water was consummated. A tariff was filed effective September 16, 2020 incorporating the former Authority's customers.

The cost of the system facilities was determined from the Authority's records 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 determined that it was in the best interest of its current customers to sell its wastewater 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. The Authority concluded that its investment in maintaining the wastewater system in future years will be insufficient to provide reliable wastewater collection and treatment services. The Pennsylvania Department of Environmental Protection (“DEP”) entered into a Consent Order and Agreement with the Authority for discharges that were contrary to the terms and conditions set forth in its NPDES Permit. DEP conducted an inspection of the wastewater treatment plant and identified accumulated sewage solids at the outfall resulting in a subsequent Notice of Violation. These issues are indicative of the Authority’s difficulties with operating its wastewater system.

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
LETTERKENNY TOWNSHIP MUNICIPAL AUTHORITY
WASTEWATER SYSTEM
AS OF AUGUST 31, 2020

Prepared by:



*Excellence Delivered **As Promised***

THE YORK WATER COMPANY
YORK, PENNSYLVANIA

ORIGINAL COST AND
RELATED ACCRUED DEPRECIATION OF
LETTERKENNY TOWNSHIP MUNICIPAL AUTHORITY
WASTEWATER SYSTEM
AS OF AUGUST 31, 2020

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

Camp Hill, Pennsylvania



*Excellence Delivered **As Promised***

November 17, 2020

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, 2020 for the wastewater assets of the Letterkenny Township Municipal Authority Wastewater System.

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 black ink that reads "John J. Spanos".

JOHN J. SPANOS
President

JJS/mle

067842.000

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
LETTERKENNY TOWNSHIP MUNICIPAL AUTHORITY WASTEWATER SYSTEM
AS OF AUGUST 31, 2020

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, 2020, of the wastewater assets of the Letterkenny Township Municipal Authority Wastewater System.

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 Letterkenny Township Municipal Authority Wastewater System by account and vintage year. Part III, Calculation of Accrued Depreciation, develops the accrued depreciation related to the original cost as of August 31, 2020.

DESCRIPTION OF SYSTEM

The Letterkenny Township Municipal Authority Wastewater System provides service to approximately 171 residential wastewater customers in Letterkenny Township. The wastewater system assets include land and land rights, 1 treatment plant, PVC mains of varying sizes, services, manholes, pumping equipment and treatment and disposal equipment. The system originally began to provide service in 1982. The system was constructed in several phases with the most recent phase going into service in 2017. The treatment plant was originally constructed as a 17,000 Gallon Per Day (GPD)

extended aeration package plant and was expanded to 42,000 GPD with the addition of a second treatment train in 1996.

DETERMINATION OF ORIGINAL COST

The cost of system facilities was determined from the Letterkenny Township Municipal Authority Wastewater System records 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 table on page II-2 summarizes the original cost and related accrued depreciation by account for the Letterkenny Township Municipal Authority Wastewater

System as of August 31, 2020. 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
LETTERKENNY TOWNSHIP MUNICIPAL AUTHORITY WASTEWATER SYSTEM**

**TABLE 1. SUMMARY OF ORIGINAL COST AND ACCRUED DEPRECIATION
OF WASTEWATER SYSTEM AS OF AUGUST 31, 2020**

<u>ACCOUNT</u> (1)	<u>DESCRIPTION</u> (2)	<u>ORIGINAL COST</u> (3)	<u>ACCRUED DEPRECIATION</u> (4)
353.30	LAND AND LAND RIGHTS	23,000.00	-
354.40	STRUCTURES AND IMPROVEMENTS - TREATMENT	188,118.75	72,875
361.20	COLLECTION SEWERS - GRAVITY	999,278.78	255,595
361.21	COLLECTION SEWERS - MANHOLES	27,872.19	12,985
363.00	CUSTOMER SERVICE LINES	82,270.54	23,583
371.00	PUMPING EQUIPMENT	31,656.81	22,832
380.40	TREATMENT AND DISPOSAL EQUIPMENT	<u>65,731.89</u>	<u>17,113</u>
TOTAL WASTEWATER PLANT		<u>1,417,928.96</u>	<u>404,983</u>

PART II. ORIGINAL COST

**THE YORK WATER COMPANY
LETTERKENNY TOWNSHIP MUNICIPAL AUTHORITY WASTEWATER SYSTEM**

**TABLE 2. SUMMARY OF ANALYSIS OF ORIGINAL COST OF
WASTEWATER SYSTEM AS OF AUGUST 31, 2020**

<u>ACCOUNT</u> (1)	<u>DESCRIPTION</u> (2)	<u>ORIGINAL COST</u> (3)
353.30	LAND AND LAND RIGHTS	23,000.00
354.40	STRUCTURES AND IMPROVEMENTS - TREATMENT	188,118.75
361.20	COLLECTION SEWERS - GRAVITY	999,278.78
361.21	COLLECTION SEWERS - MANHOLES	27,872.19
363.00	CUSTOMER SERVICE LINES	82,270.54
371.00	PUMPING EQUIPMENT	31,656.81
380.40	TREATMENT AND DISPOSAL EQUIPMENT	65,731.89
TOTAL WASTEWATER PLANT		<u><u>1,417,928.96</u></u>

DETAILED ORIGINAL COST AS OF AUGUST 31, 2020

THE YORK WATER COMPANY
LETTERKENNY TOWNSHIP MUNICIPAL AUTHORITY WASTEWATER SYSTEM
DETAILED ORIGINAL COST AS OF AUGUST 31, 2020

ACCOUNT (1)	DESCRIPTION (2)	SIZE (3)	QUANTITY (4)	YEAR (5)	UNIT COST (6)	TOTAL COST (7)=(6)x(4)
353.30	LAND AND LAND RIGHTS					
	WASTEWATER TREATMENT PLANT		1	1982	-	23,000.00
	TOTAL LAND AND LAND RIGHTS		1		-	23,000.00
354.40	STRUCTURES AND IMPROVEMENTS - TREATMENT					
	EXTENDED AERATION PACKAGE PLANT		17,000 GPD			
	CONTROL/BLOWER BUILDING		1	1982	3,762.47	3,762.47
	FLOW EQUALIZATION TANK		1	1982	14,109.26	14,109.26
	FLOW CONTROL BOX		1	1982	3,527.32	3,527.32
	AERATION TANKS		2	1982	18,812.35	37,624.70
	POST AERATION TANK / CHLORINE CONTACT TANK		1	1982	8,465.56	8,465.56
	CLARIFIERS		1	1982	18,812.35	18,812.35
	ALUM TANK		1	1982	1,175.77	1,175.77
	OFFICE		1	1982	1,646.08	1,646.08
	UTILITY SHED		1	1982	1,646.08	1,646.08
	WASTEWATER TREATMENT EXTENSION		25,000 GPD			
	AERATION TANKS		2	1996	30,498.81	60,997.62
	CLARIFIERS		1	1996	30,498.81	30,498.81
	UV BUILDING		1	2018	5,852.73	5,852.73
	TOTAL STRUCTURES AND IMPROVEMENTS - TREATMENT		14		138,807.59	188,118.75
361.20	COLLECTION SEWERS - GRAVITY					
	HILLVIEW ORIGINAL					
	COLLECTION MAIN	6"	7,298 ft	1982	26.88	196,170.24
	HILLVIEW PHASE 3					
	COLLECTION MAIN	8"	1,568 ft	1992	38.80	60,838.40
	CARDINAL DRIVE					
	COLLECTION MAIN	6"	982 ft	1986	29.43	28,900.26
	COLLECTION MAIN	8"	3,535 ft	1986	31.80	112,413.00
	MOUNTAIN ROAD					
	COLLECTION MAIN	2"	585 ft	1995	31.59	18,480.15
	COLLECTION MAIN	2.5"	679 ft	1995	32.17	21,843.43
	COLLECTION MAIN	3"	116 ft	1995	33.04	3,832.64
	COLLECTION MAIN	4"	1,732 ft	1995	35.28	61,104.96
	SKYLINE DRIVE EXTENSION					
	COLLECTION MAIN	8"	5,654 ft	2017	82.69	467,529.26
	TOTAL COLLECTION MAIN		22,149 ft		341.68	971,112.34

THE YORK WATER COMPANY
LETTERKENNY TOWNSHIP MUNICIPAL AUTHORITY WASTEWATER SYSTEM
DETAILED ORIGINAL COST AS OF AUGUST 31, 2020

ACCOUNT (1)	DESCRIPTION (2)	SIZE (3)	QUANTITY (4)	YEAR (5)	UNIT COST (6)	TOTAL COST (7)=(6)x(4)
	SEPTIC TANK EFFLUENT GRAVITY (STEG) COMPONENT					
	SEPTIC TANK	500 gallon	22	1995	1,008.37	22,184.14
	SEPTIC TANK	1,000 gallon	1	1995	1,396.20	1,396.20
	SEPTIC TANK	1,500 gallon	1	1995	1,706.46	1,706.46
	TOTAL SEPTIC TANKS		24		4,111.03	25,286.80
	CLEAN-OUTS		9	1995	319.96	2,879.64
	TOTAL COLLECTION SEWERS - GRAVITY				4,772.67	999,278.78
361.21	COLLECTION SEWERS - MANHOLES					
	SANITARY MANHOLE		50	1982	374.31	18,715.50
	SANITARY MANHOLE		10	1995	537.96	5,379.60
	SANITARY MANHOLE		3	2017	1,259.03	3,777.09
	TOTAL COLLECTION SEWERS - MANHOLES		63		2,171.30	27,872.19
363.00	CUSTOMER SERVICE LINES					
	LATERAL	4"	56	1982	279.11	15,630.16
	LATERAL	4"	12	1992	398.94	4,787.28
	LATERAL	4"	35	1986	318.58	11,150.30
	LATERAL	4"	24	1995	432.77	10,386.48
	LATERAL	4"	44	2017	916.28	40,316.32
	TOTAL CUSTOMER SERVICE LINES		171		2,345.68	82,270.54
371.00	PUMPING EQUIPMENT					
	SUMP CROCK/PUMP		1	1982	9,185.57	9,185.57
	AERATION BLOWER		3	1982	5,235.77	15,707.31
	AERATION BLOWER		1	1996	4,467.53	4,467.53
	ALUM PUMP		2	1982	1,148.20	2,296.40
	TOTAL PUMPING EQUIPMENT		7		20,037.07	31,656.81
380.40	TREATMENT AND DISPOSAL EQUIPMENT					
	AERATION SLUDGE HOLDING TANK		1	1996	31,502.15	31,502.15
	UV DISINFECTION SYSTEM (WITHIN BUILDING)		1	2018	34,229.74	34,229.74
	TOTAL TREATMENT AND DISPOSAL EQUIPMENT		2		65,731.89	65,731.89
	TOTAL WASTEWATER PLANT					1,417,928.96

PART III. CALCULATION OF ACCRUED DEPRECIATION

**THE YORK WATER COMPANY
LETTERKENNY TOWNSHIP MUNICIPAL AUTHORITY WASTEWATER SYSTEM**

**TABLE 3. SUMMARY OF SURVIVOR CURVES, ORIGINAL COST AND CALCULATED
ACCRUED DEPRECIATION OF WASTEWATER SYSTEM AS OF AUGUST 31, 2020**

<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	23,000.00	-
354.40	STRUCTURES AND IMPROVEMENTS - TREATMENT	70-S1.5	188,118.75	72,875
361.20	COLLECTION SEWERS - GRAVITY	65-R2.5	999,278.78	255,595
361.21	COLLECTION SEWERS - MANHOLES	60-R3	27,872.19	12,985
363.00	CUSTOMER SERVICE LINES	55-R2.5	82,270.54	23,583
371.00	PUMPING EQUIPMENT	35-S1.5	31,656.81	22,832
380.40	TREATMENT AND DISPOSAL EQUIPMENT	40-R2	<u>65,731.89</u>	<u>17,113</u>
TOTAL WASTEWATER PLANT			<u>1,417,928.96</u>	<u>404,983</u>

DETAILED DEPRECIATION CALCULATIONS

THE YORK WATER COMPANY
LETTERKENNY TOWNSHIP MUNICIPAL AUTHORITY WASTEWATER SYSTEM

ACCOUNT 354.40 STRUCTURES AND IMPROVEMENTS - TREATMENT

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AS OF AUGUST 31, 2020

YEAR (1)	ORIGINAL COST (2)	AVG. LIFE (3)	--ANNUAL ACCRUAL-- RATE (4)	EXP. AMOUNT (5)	EXP. (6)	--ACCRUED DEPREC.-- FACTOR (7)	AMOUNT (8)
SURVIVOR CURVE.. IOWA 70-S1.5							
NET SALVAGE PERCENT.. 0							
1982	90,769.59	70.00	1.43	1,298.01	36.77	0.4747	43,089
1996	91,496.43	70.00	1.43	1,308.40	47.35	0.3236	29,605
2018	5,852.73	70.00	1.43	83.69	67.84	0.0309	181
	188,118.75			2,690.10			72,875
COMPOSITE ANNUAL ACCRUAL RATE, PERCENT .. 1.43							

THE YORK WATER COMPANY
LETTERKENNY TOWNSHIP MUNICIPAL AUTHORITY WASTEWATER SYSTEM

ACCOUNT 361.20 COLLECTION SEWERS - GRAVITY

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AS OF AUGUST 31, 2020

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 65-R2.5							
NET SALVAGE PERCENT.. 0							
1982	196,170.24	65.00	1.54	3,021.02	32.09	0.5063	99,323
1986	141,313.26	65.00	1.54	2,176.22	35.13	0.4595	64,939
1992	60,838.40	65.00	1.54	936.91	39.91	0.3860	23,484
1995	133,427.62	65.00	1.54	2,054.79	42.39	0.3479	46,413
2017	467,529.26	65.00	1.54	7,199.95	62.02	0.0459	21,436
	999,278.78			15,388.89			255,595
COMPOSITE ANNUAL ACCRUAL RATE, PERCENT .. 1.54							

THE YORK WATER COMPANY
LETTERKENNY TOWNSHIP MUNICIPAL AUTHORITY WASTEWATER SYSTEM

ACCOUNT 361.21 COLLECTION SEWERS - MANHOLES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AS OF AUGUST 31, 2020

YEAR (1)	ORIGINAL COST (2)	AVG. LIFE (3)	--ANNUAL ACCRUAL-- RATE (4)	EXP. AMOUNT (5)	EXP. (6)	--ACCRUED DEPREC.-- FACTOR (7)	AMOUNT (8)
SURVIVOR CURVE.. IOWA 60-R3							
NET SALVAGE PERCENT.. 0							
1982	18,715.50	60.00	1.67	312.55	25.79	0.5702	10,671
1995	5,379.60	60.00	1.67	89.84	36.38	0.3937	2,118
2017	3,777.09	60.00	1.67	63.08	56.89	0.0518	196
	27,872.19			465.47			12,985
COMPOSITE ANNUAL ACCRUAL RATE, PERCENT .. 1.67							

THE YORK WATER COMPANY
LETTERKENNY TOWNSHIP MUNICIPAL AUTHORITY WASTEWATER SYSTEM

ACCOUNT 363.00 CUSTOMER SERVICE LINES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AS OF AUGUST 31, 2020

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-R2.5							
NET SALVAGE PERCENT.. 0							
1982	15,630.16	55.00	1.82	284.47	22.94	0.5829	9,111
1986	11,150.30	55.00	1.82	202.94	25.77	0.5315	5,926
1992	4,787.28	55.00	1.82	87.13	30.31	0.4489	2,149
1995	10,386.48	55.00	1.82	189.03	32.69	0.4056	4,213
2017	40,316.32	55.00	1.82	733.76	52.02	0.0542	2,184
	82,270.54			1,497.33			23,583
COMPOSITE ANNUAL ACCRUAL RATE, PERCENT .. 1.82							

THE YORK WATER COMPANY
LETTERKENNY TOWNSHIP MUNICIPAL AUTHORITY WASTEWATER SYSTEM

ACCOUNT 371.00 PUMPING EQUIPMENT

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AS OF AUGUST 31, 2020

YEAR (1)	ORIGINAL COST (2)	AVG. LIFE (3)	--ANNUAL ACCRUAL-- RATE (4)	EXP. AMOUNT (5)	EXP. (6)	--ACCRUED DEPREC.-- FACTOR (7)	AMOUNT (8)
SURVIVOR CURVE.. IOWA 35-S1.5							
NET SALVAGE PERCENT.. 0							
1982	27,189.28	35.00	2.86	777.61	8.86	0.7469	20,307
1996	4,467.53	35.00	2.86	127.77	15.22	0.5651	2,525
	31,656.81			905.38			22,832
COMPOSITE ANNUAL ACCRUAL RATE, PERCENT .. 2.86							

THE YORK WATER COMPANY
LETTERKENNY TOWNSHIP MUNICIPAL AUTHORITY WASTEWATER SYSTEM

ACCOUNT 380.40 TREATMENT AND DISPOSAL EQUIPMENT

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AS OF AUGUST 31, 2020

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 40-R2							
NET SALVAGE PERCENT.. 0							
1996	31,502.15	40.00	2.50	787.55	20.39	0.4903	15,444
2018	34,229.74	40.00	2.50	855.74	38.05	0.0488	1,669
	65,731.89			1,643.29			17,113
COMPOSITE ANNUAL ACCRUAL RATE, PERCENT .. 2.50							