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EXHIBIT U

TESTIMONY OF WILLIAM C. PACKER

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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**AQUA PENNSYLVANIA WASTEWATER, INC.**

**DOCKET NO. A-2021-3026132**

**AQUA STATEMENT NO. 1**

**DIRECT TESTIMONY OF  
WILLIAM C. PACKER**

**With Regard To  
A General Overview of the Transaction  
Financial and Legal Fitness of Aqua  
APA Rate Provisions  
Public Benefits of the Transaction  
Section 1329  
Section 2102**

**July 2021**

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1   **I.    INTRODUCTION**

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

3   A.    My name is William C. Packer. My business address is 762 West Lancaster Avenue,  
4        Bryn Mawr, Pennsylvania 19010.

5  
6   **Q.    By whom are you employed and in what capacity?**

7   A.    I am employed by Essential Utilities, Inc. (“Essential”), as Vice President, Regulatory  
8        Accounting and Regional Controller. In this position, I am the Regional Controller of  
9        Aqua Pennsylvania, Inc. (“Aqua PA”) and Aqua New Jersey, Inc. (“Aqua NJ”).  
10       Additionally, I oversee rate issues for all subsidiaries of Essential. Aqua PA is the parent  
11       company to Aqua Pennsylvania Wastewater, Inc. (“Aqua” or the “Company”).

12  
13   **Q.    Please provide a brief description of your education and work experience.**

14   A.    I graduated from Richard Stockton College of New Jersey in 1998 with a Bachelor of  
15        Science degree in Business Studies with a concentration in Accounting. In 1998, I joined  
16        GE Capital Mortgage Services Inc. as a Staff Accountant. In September 1999, I joined  
17        New Jersey American Water Company (“American”) as a General Staff Accountant  
18        responsible for financial statement preparation, account reconciliation, financial support  
19        for rate cases, and account analysis. In September 2001, I was transferred to American’s  
20        Service Company, in its Shared Services operation located in Mt. Laurel, New Jersey. I  
21        was employed there for four years in several roles, including Senior Fixed Assets/Job  
22        Cost Accountant, Financial Support Analyst, and Accounting Supervisor Fixed Assets.  
23        At American, I had the opportunity to support the rate-making process by working

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1 closely with operating subsidiaries in 23 states, preparing schedules and answering  
2 interrogatories.

3 In March 2005, I joined Aqua New Jersey, Inc., where I served as Assistant  
4 Controller until December 2006, when I transferred to Aqua America, Inc. In July 2008,  
5 I was promoted to the position of Mid-Atlantic Manager of Rates. In April 2011, I  
6 became the Manager of Rates and Planning – Northeast Divisions. I was promoted to  
7 Regional Controller for Aqua PA and Aqua NJ subsidiaries in October 2012. In April  
8 2017, I was promoted to Vice President – Controller of Aqua PA. In 2020, I was  
9 promoted to my current position of Vice President, Regulatory Accounting and Regional  
10 Controller where I have additional responsibilities to oversee rates and regulatory  
11 accounting matters of Essential.

12 In addition to my corporate experience, I served three terms as a Councilman in  
13 the Borough of Woodbury Heights, New Jersey. In that role, I served as the Chairman of  
14 the Finance, Administration, and Personnel committee; in addition, I served as a member  
15 of the Public Safety and Streets/Roads committees.

16 I was elected as Mayor of the Borough of Woodbury Heights in November of  
17 2018 and was sworn in on January 5, 2019. The Borough of Woodbury Heights is one of  
18 565 municipalities in New Jersey and has a population of approximately 3,000 residents.

19  
20 **Q. Have you testified before this Commission before?**

21 A. Yes, I have testified in several proceedings before the Pennsylvania Public Utility  
22 Commission (“PUC” or the “Commission”), including Aqua PA’s petition to charge a  
23 7.5% Distribution System Improvement Charge (“DSIC”) at Docket R-2008-2079310,

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1 Aqua PA’s last three rate cases at Docket Nos. R-2009-2132019, R-2011-2267958, R-  
2 2018-3003558, and Aqua’s seven previous Section 1329 proceedings in Docket Nos. A-  
3 2016-2580061, A-2017-2605434, A-2018-3001582, A-2019-3008491, A-2019-3009052,  
4 A-2019-3015173 and A-2021-3024267. I have also testified in various other proceedings  
5 before the Commission.

6

7 **Q. What is the purpose of your testimony?**

8 A. The purpose of my testimony is as follows: (1) to provide a general overview of Aqua;  
9 (2) to provide a general overview of the proposed transaction (“Proposed Transaction”)  
10 between Aqua and East Whiteland Township (“EWT” or the “Township”); (3) to  
11 describe Aqua’s technical, legal, and financial fitness to own and operate the system; and  
12 (4) to explain the benefits of the proposed transaction.

13

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

15 A. Yes. Attached to my testimony as Appendix A is a schedule showing the revenue  
16 deficiency and overall impact on customers.

17

18 **Q. Are there any other witnesses submitting testimony with this application?**

19 A. Yes. In addition to my testimony, Aqua is submitting the following statements in support  
20 of the Application:

- 21 • Aqua Statement No. 2 – Direct Testimony of Mark J. Bubel, Sr. Mr. Bubel will  
22 provide testimony regarding the specifics of the system being acquired from an  
23 operations/engineering perspective.

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- 1           • Aqua Statement No. 3 – Direct Testimony of John Nagel. Mr. Nagel will provide  
2           testimony regarding the background of the Proposed Transaction from EWT’s  
3           perspective and benefits of the Proposed Transaction.
- 4           • Aqua Statement No. 4 – Direct Testimony of Harold Walker III. Mr. Walker will  
5           provide testimony regarding the appraisal conducted on behalf of the Company.
- 6           • Aqua Statement No. 5 – Direct Testimony of Jerome C. Weinert. Mr. Weinert  
7           will provide testimony regarding the appraisal conducted on behalf of EWT.

8

9   **Q.    Has the Company filed an application with the Commission for regulatory approval**  
10   **to acquire the wastewater system assets of the EWT Sanitary Wastewater Collection**  
11   **System (the “System”)?**

12   A.    Yes. Aqua filed its Application on July 23, 2021.

13

14   **Q.    What is Aqua seeking in its application?**

15   A.    There are four requests. First, Aqua is requesting approval of the acquisition under  
16   Section 1102, 66 Pa. C.S. § 1102, similar to many requests that come before the  
17   Commission. Second, pursuant to Act 12 of 2016 (“Act 12” or the “Act”), 66 Pa. C.S. §  
18   1329, Aqua is seeking to utilize fair market value for the determination of the ratemaking  
19   rate base of the EWT System. Third, Aqua is requesting that the Commission approve, if  
20   necessary, its acquisition agreement with EWT and the assignment of twenty-two  
21   contracts with municipalities under Section 507, 66 Pa. C.S. § 507. Fourth, Aqua is  
22   seeking approval under Section 2102, 66 Pa. C.S. § 2102, to the extent necessary, of the

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1 assignment of a contract to which Aqua Resources, Inc. (“Aqua Resources”), an affiliate  
2 of Aqua, is a party.

3

4 **Q. What does Section 1329 require to be included in the application?**

5 A. Section 1329 requires that the application include (1) copies of the two appraisals, (2) the  
6 purchase price, (3) ratemaking rate base, (4) transaction and closing costs, and (5) the  
7 proposed tariff. A rate stabilization plan could also be required if it is applicable to the  
8 transaction.

9

10 **Q. Can you generally opine on the purpose of Section 1329 and the Commission’s**  
11 **view?**

12 A. Yes, as stated by the Commission, “Section 1329 works to: (1) provide certainty as to the  
13 value of acquired utility property; (2) remove regulatory barriers to the prudent sale of  
14 public water and wastewater assets; (3) protect a Seller from having to offer public assets  
15 for sale at below-market rates; and (4) allow a Buyer to recover market-based investment  
16 in those public assets through regulated rates.”<sup>1</sup> I also agree with the Commission that  
17 Section 1329 “encourages a realistic approach to the sale of public assets based upon the  
18 fair market value of those assets.”<sup>2</sup> Moreover, as further explained by the Commission:

19 Section 1329 recognizes that no reasoned argument would propose that  
20 these public assets are of marginal value simply because the book value and  
21 the Commission’s traditional rate setting methodology dictate as much.  
22 Rather, the valuation methods of Section 1329 provide municipalities and  
23 authorities with a wholistic recognition of the fair market value of the public  
24 assets they seek to sell based on a balancing of accepted business valuation  
25 principles, specifically, the cost, market, and income approaches. 66 Pa.

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<sup>1</sup> *Implementation of Section 1329 of the Public Utility Code*, Docket No. M-2016-2543193 Tentative Supplemental Implementation Order at 4 (Sep. 20, 2018) (hereinafter “TSIO”).

<sup>2</sup> TSIO at 7.

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1 C.S. § 1329(a). Thus, for sale purposes, Section 1329 works to value the  
2 public assets as the businesses they are as opposed to what their value might  
3 be under regulatory accounting for depreciated utility assets.<sup>3</sup>  
4

5 ...  
6

7 Section 1329 enables a Seller to price its public assets at a market value  
8 based on reasonable business valuation principles and enables a Buyer to  
9 recover its investment in those public assets at that market-based value.<sup>4</sup>  
10

11 **Q. What does the Commission require for the approval of the certificate that utilizes**  
12 **Section 1329?**

13 A. In its Final Implementation Order entered October 27, 2016, in Docket No. M-2016-  
14 2543193 (“Final Implementation Order”), the Commission referenced the checklist in the  
15 Tentative Implementation Order for items to include with the application for it to be  
16 processed in a six-month time frame. This checklist was subsequently updated in March  
17 2017. The Commission released its Final Supplemental Implementation Order on  
18 February 28, 2019 in Docket No. M-2016-2543193, which included an updated checklist,  
19 standard data requests (“SDR”), jurisdictional exceptions, and form testimony for Utility  
20 Valuation Experts (“UVE”). Aqua has included references with the Checklist indicating  
21 where in the Application the relevant information is located.  
22

23 **II. OVERVIEW OF AQUA PA AND AQUA**

24 **Q. Please provide a general overview of Aqua PA and Aqua.**

25 A. Aqua PA is the second largest investor owned regulated water/wastewater utility  
26 operating in the Commonwealth of Pennsylvania. Aqua PA provides water and

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<sup>3</sup> TSIO at 6.

<sup>4</sup> TSIO at 7.

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1 wastewater utility service to approximately 488,000 customers, consisting of 443,000  
2 water customers and 45,000 wastewater customers. Aqua PA employs approximately  
3 600 highly trained utility professionals to achieve its mission to provide safe, adequate,  
4 and reliable utility service at reasonable rates. In addition, Aqua PA is one of eight  
5 regulated subsidiaries of water and wastewater subsidiaries of Essential, which brings to  
6 bear its own financial, technical, and managerial resources to assist in our mission.

7 Aqua is a subsidiary of Aqua PA and is engaged in the business of collecting,  
8 treating, transporting, and disposing of wastewater for the public. Aqua provides  
9 wastewater service to approximately 45,000 customers in Adams, Bucks, Carbon,  
10 Chester, Clarion, Clearfield, Delaware, Lackawanna, Luzerne, Monroe, Montgomery,  
11 Pike, Schuylkill, Venango, and Wyoming Counties. Aqua brings extensive expertise in  
12 providing wastewater service to citizens of Pennsylvania, and currently operates 39  
13 wastewater treatment plants.

14  
15 **Q. Please provide a description of the EWT.**

16 A. EWT owns the sewer system and provides wastewater service in East Whiteland  
17 Township. EWT is a Pennsylvania second-class township. Wastewater utility service is  
18 provided to approximately 3,895 customers. The utility infrastructure being acquired  
19 includes, but is not limited to, collection and conveyance assets, pumping stations,  
20 manholes, and land and land rights. Please see Aqua Statement No. 3, Direct Testimony  
21 of Mr. Nagel, for a further description of the Township.

22  
23 **Q. Please provide an overview of the proposed Transaction.**

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1 A. Aqua responded to a request for bids by the Township and was ultimately chosen as the  
2 successful bidder. After arms-length negotiations between Aqua and the Township, the  
3 Asset Purchase Agreement (“APA”) was signed and executed on January 8, 2021,  
4 providing for the sale of the assets, properties and rights of the wastewater system. The  
5 purchase price totaled \$54,930,000. According to the APA, the acquired customers will  
6 be charged the existing rates of the seller upon closing. Aqua’s tariff rules and  
7 regulations will apply following closing.

8

9 **III. FITNESS**

10 **Q. Please describe how the Company is legally fit to own and operate the system.**

11 A. Aqua is a public utility operating under Commission granted certificates of public  
12 convenience. There are no pending legal proceedings challenging Aqua’s ability to  
13 provide safe and adequate service to customers.

14

15 **Q. Please describe how the Company is financially fit to own and operate the system.**

16 A. As I mentioned in my overview, Aqua PA, as parent company to Aqua, is a Class A  
17 water utility in the Commonwealth and the largest water/wastewater subsidiary of  
18 Essential, with total net utility plant assets of \$4.3 billion and annual revenues of \$509  
19 million in 2020. Aqua PA had operating income of approximately \$261 million and net  
20 income of \$187 million. Aqua PA’s cash flows from operations equaled approximately  
21 \$231 million. Aqua is a Class A wastewater utility in the Commonwealth, with total net  
22 utility plant assets of \$350 million and annual revenues of \$32 million. Aqua PA has an  
23 A rating from Standard and Poor’s Rating Service and has approximately \$1.825 billion

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1 in outstanding long-term debt at a weighted average interest rate of approximately 4.03%.  
2 Aqua PA also utilizes low-cost long-term debt financing instruments through the  
3 Pennsylvania Infrastructure Investment Authority (“PENNVEST”), representing about  
4 2% of Aqua PA’s total debt portfolio. In addition to Aqua PA’s access to long-term debt,  
5 Aqua PA has its short-term credit facility of \$100 million and has access to equity capital  
6 as a subsidiary of Essential. Aqua, as a subsidiary of Aqua PA, has access to all of Aqua  
7 PA’s financing capabilities.  
8

9 **IV. FUNDING**

10 **Q. Please explain how Aqua plans to fund the Proposed Transaction.**

11 A. The Proposed Transaction will be funded using existing short-term credit lines. The  
12 short-term credit funding will be converted to a mix of long-term debt and equity capital  
13 shortly after closing.  
14

15 **Q. Do you anticipate the Proposed Transaction will affect Aqua PA’s corporate credit  
16 rating?**

17 A. No. The Company does not anticipate that the Proposed Transaction will affect Aqua  
18 PA’s corporate credit rating.  
19

20 **V. APA RATE PROVISIONS AND RATE STABILIZATION PLAN**

21 **Q. Please explain the rate provisions in paragraph 7.03 of the APA.**

22 A. Under the provisions of Paragraph 7.03 of the APA, as of the day of closing, the  
23 Company will charge the same base rates as those previously charged by the Township,

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1 and the Company shall apply its then-existing miscellaneous fees and charges in the  
2 Company's Tariff. The base rates shall not be increased until after the third anniversary  
3 of the Closing Date.

4

5 **Q. What is a rate stabilization plan?**

6 A. A rate stabilization plan is defined in Section 1329(g), 66 Pa. C.S. § 1329(g), as a plan  
7 that will hold rates constant or phase rates in over a period of time after the next base rate  
8 case.

9

10 **Q. Does the Application include a rate stabilization plan?**

11 A. No.

12

13 **Q. Does the Application include a proposed tariff that includes language that would  
14 constitute a rate stabilization plan?**

15 A. No. The Company is proposing to implement the Township's current rates. There is no  
16 language in Aqua's proposed tariff requesting that rates be held constant or phased in  
17 over a period of time after the next rate case. Section 7.03 of the APA, accordingly, does  
18 not constitute a rate stabilization plan.

19

20 **Q. Are you requesting the implementation of a DSIC for Township customers at this  
21 time?**

22 A. No. Following closing, Aqua intends to amend its Long-Term Infrastructure  
23 Improvement Plan ("LTIIP") to include EWT in the LTIIP and file the amended LTIIP

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1 with the PUC. The Company will include a request in that filing to initiate the DSIC to  
2 EWT customers as permitted by Section 1329.

3  
4 **Q. Please explain how the Company will bill the Township’s customers after closing.**

5 A. Currently, the Township bills their customers on an annual or quarterly basis. The  
6 Company will convert customers to monthly billing.

7  
8 **VI. PUBLIC INTEREST**

9 **Q. Please explain why the proposed transaction is in the public interest.**

10 A. The PUC has a long-standing record of support for consolidation/regionalization of  
11 water/wastewater systems. The PUC understands that in doing so, the utility industry  
12 will have a better chance to realize the benefits of better management practices,  
13 economies of scale, and the resulting greater customer/environmental/economic benefits.  
14 The Commission has previously stated that “acquisitions of smaller systems by larger  
15 more viable systems will likely improve the overall long-term viability of the water and  
16 wastewater industry. Additionally, these types of acquisitions will also enhance the  
17 quality of ratepayers’ daily lives, promote community economic development, and  
18 provide environmental enhancements.”<sup>5</sup> Ultimately, these benefits inure to customers  
19 both existing and acquired. The Proposed Transaction with EWT is no exception to the  
20 principles noted in the aforementioned policy statement, and Aqua PA has successfully

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<sup>5</sup> Pennsylvania Public Utility Commission, Final Policy Statement on Acquisitions of Water and Wastewater Systems, Docket No. M-00051926, Final Order at 18 (Aug. 17, 2006).

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1           acquired numerous water/wastewater utilities in its over approximately 135 years of  
2           operation.

3

4   **Q.     Please discuss the Company’s track record of acquiring and improving wastewater**  
5           **systems in the Commonwealth.**

6   A.     Aqua currently provides utility service to approximately 45,000 wastewater customers in  
7           the Commonwealth and has years of experience operating wastewater treatment and  
8           collection systems in a safe, reliable and efficient manner. Moreover, Aqua has the  
9           managerial, technical, and financial resources to continue to operate, maintain and  
10          improve the EWT System.

11                 Aqua has acquired 16 wastewater systems over the past 10 years.<sup>6</sup> Many of these  
12                 systems required significant investment to correct service and environmental issues.  
13                 Other systems did not need substantial capital investment. Aqua and Aqua PA are  
14                 essentially the compilation of smaller systems that have been acquired over the last 135  
15                 years and make both utilities what they are today. The inherent diversification of systems  
16                 and customers provides a foundation of stability in the day to day, month to month, and  
17                 year to year operations of the utility, in that, they are all not requiring major capital  
18                 investments at the same time. Thus, spreading the financial impacts over the long-term  
19                 operations of the utility. I would submit that if Aqua were permitted to acquire only non-  
20                 viable systems, rather than a mix of viable and non-viable, this would have a significant  
21                 impact on its existing customers’ rates and service. Both types of systems, viable and

---

<sup>6</sup> New Garden, East Norriton (2020); Cheltenham (2019); East Bradford, Limerick (2018); Tobyhanna, Avon Grove (2017); Emlenton, Honeycroft (2016); Bunker Hill (2015); Penn Township (2014); Treasure Lake (2013); and Sage Hill, Kidder Township, Beech Mountain, Village at Valley Forge (2012).

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1 non-viable, are consistent with the Commission's policy statements regarding  
2 acquisitions. The acquisition of the EWT System will continue to address the  
3 Commission's supported policy of consolidation and regionalization.  
4

5 **Q. Did the Commonwealth Court refer to the Commission's policy of**  
6 **consolidation/regionalization and Aqua's expertise in system operations and ability**  
7 **to raise capital in its opinion in *McCloskey v. Pa. P.U.C.* addressing Aqua's**  
8 **transaction with New Garden Township?**

9 A. Yes. Although I am not an attorney, I have read the Court's Opinion in the McCloskey  
10 case. At the end of Section A of the Opinion, the Court refers to Commission findings  
11 that Aqua, as owner of numerous water and wastewater systems in Southeastern  
12 Pennsylvania, has sufficient expertise to operate a system and ability to raise capital to  
13 support a system and that the Commission has a policy of consolidation and  
14 regionalization that allows for increased maintenance, upgrade and expansion of public  
15 facilities. The Court concludes that the foregoing are reasons of the type that the  
16 Supreme Court in its *Verizon* decision held were sufficient to meet the public benefit  
17 standard and substantial evidence to support the notion that there is a public benefit for  
18 the transaction. This same analysis is sufficient to support the public benefit and  
19 substantial evidence of public benefit in this proceeding.  
20

21 **Q. Will the Township's customers benefit from the transaction?**

22 A. Yes. The Township's customers will become part of a larger scale, efficiently operated,  
23 wastewater utility. The Company is already the owner and operator of the EWT water

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1 system. As such, we have key operations in nearby service areas and will be able to  
2 assume the operations of the EWT System, fold them into a larger scale, efficiently  
3 operated wastewater utility that over time will likely yield further operating efficiencies  
4 and improve long term viability as envisioned in the PUC policy statement. The  
5 operational overlap between water and wastewater utility operations will provide the  
6 opportunity for better coordination of capital activities throughout the EWT service area.  
7 Utility activities that involve road openings and restoration can be better aligned to result  
8 in less disturbance to EWT as we execute our capital improvement plan.

9 Additionally, the acquisition will not have any immediate impact on the rates of  
10 either the Township's customers or the existing customers of Aqua. The Company is  
11 projecting less operating and maintenance costs under the Company's ownership that will  
12 likely be realized through reductions in costs for wastewater maintenance, as well as  
13 efficiencies in administrative and general costs, such as insurance, auditing and legal,  
14 among others. Specifically, referencing EWT 2020 Financial statements, Sewer Fund  
15 Operating Expenses were approximately \$2.8M, whereas, the Company is projecting  
16 annual expenses of approximately \$2.0M.

17 Lastly, given the fact that there are meaningful investments needed in this system,  
18 as noted in the testimony of Mark J. Bubel, Sr., Aqua Statement No. 2, the customers of  
19 the EWT System will benefit greatly from the Company's technical experience and  
20 fitness in deploying resources towards capital improvements.

21  
22 **Q. Will Aqua's existing customers benefit from the acquisition?**

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1 A. Yes. The acquisition of the EWT System will be an approximate 9% increase in Aqua's  
2 customer base. By virtue of the Company's larger customer base, future infrastructure  
3 investments across the state will be shared at a lower incremental cost per customer for  
4 all of Aqua's customers.

5 The EWT System renders the majority of their sewer rents on a per EDU basis  
6 and their system is comprised of single-family homes, but also multi-unit structures. As  
7 such, the EDU's per the Township's records are approximately 7,658, which equates to  
8 approximately \$7,200 purchase price per EDU and is almost equal to the Company's  
9 existing rate base per EDU, projected at approximately \$7,000. Given the similarities  
10 in purchase price to rate base per EDU, combined with the meaningfully lower operating  
11 cost I mentioned previously, the EWT system characteristics demonstrate that there are  
12 economies of scale that can be achieved as a result of this acquisition.

13 I note again that both Aqua and Aqua PA have developed into the utility they are  
14 today by acquiring and operating smaller and mid-sized systems. This progression has  
15 successfully happened over the last several decades and taken the form of both viable and  
16 non-viable systems. Over the long term, this process has benefitted both current  
17 customers, future customers that were acquired, and the Commonwealth.

18

19 **Q. Will acquired customers benefit from Aqua's customer service?**

20 A. Yes. Aqua and Aqua PA provide customer service through a toll-free number that  
21 customers can call from 8:00AM-5:00PM EST for regular business. The same customer  
22 service number houses the Company's 24/7/365 emergency response line. EWT  
23 customers will benefit from expanded bill payment options including online payment and

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1 payment by text message. EWT customers can go to the Aqua Companies' website and  
2 establish an account. EWT customers can also sign up for notifications and alerts to be  
3 sent to their email address or phone concerning their service. This service allows  
4 customers to stay informed of events impacting their service. EWT customers will also  
5 have access to Aqua's customer assistance programs.

6  
7 **Q. Will the acquired customers benefit from customer billing and payment**  
8 **protections?**

9 A. Yes. Aqua has procedures in place under Chapter 14, 66 Pa. C.S. 1401, *et seq.*, that  
10 provide for billing, payment, collection, termination and reconnection of service,  
11 payment arrangements, medical certifications, and formal and informal complaint  
12 procedures. Aqua Services employs customer care teams to help resolve service and  
13 billing issues, and has an established process and procedure for addressing formal and  
14 informal complaints.

15  
16 **Q. In *McCloskey*, the Commonwealth Court concluded that the Commission must**  
17 **address rate impact "in a general fashion" when deciding whether there is**  
18 **substantial public benefit. Please address the rate impact of the Proposed**  
19 **Transaction.**

20 A. The current average monthly bill of a residential customer in EWT, is approximately  
21 \$33.33 per month at one EDU. As my calculations in Appendix A demonstrate, applying  
22 100% of the revenue deficiency to the existing rates, the average bill would increase to  
23 approximately \$77.64 per month or a 132.93% increase. Again, this system has

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1 characteristics that demonstrate that economies of scale can be achieved as a result of this  
2 acquisition. Given this fact and the fact that there are again meaningful future  
3 investments needed to address deficiencies in the system, those future rate impacts could  
4 be spread across a broader customer base thus moderating those future rate increases over  
5 time. Yet, while the rates of the EWT System are reasonably expected to increase, either  
6 on their own, or whether acquired by the Company, the fact is that there is more  
7 flexibility and opportunity to deal with those impacts over a much larger customer base.  
8 This benefits both existing and acquired customers alike.

9  
10 **Q. Is the impact on rates outweighed by other positive factors from the Proposed**  
11 **Transaction?**

12 A. Yes. While there is an expectation of increased rates as a result of the transaction, this is  
13 not unexpected. The possibility of increased rates is noted by the Commonwealth Court  
14 in *McCloskey*. The positive factors from the transaction outweigh the possibility of  
15 increased rates. These types of transactions further a recognized legislative objective and  
16 are consistent with the Commission's consolidation/regionalization policy. The  
17 Company's application demonstrates that there will be both tangible and intangible  
18 positive factors that are likely realized as a result of the Proposed Transaction, including  
19 capital improvements, expense efficiencies, and economies of scale.

20  
21 **VII. SECTION 1329 FAIR MARKET VALUE CONSIDERATIONS**

22 **Q. Is Aqua proposing that its application be evaluated utilizing the Fair Market Value**  
23 **provisions of Section 1329 of the Public Utility Code?**

AQUA PENNSYLVANIA WASTEWATER, INC.  
DIRECT TESTIMONY OF WILLIAM C. PACKER

1 A. Yes. The Company’s Application has been prepared with this in mind. Specifically, the  
2 Company is requesting that the ratemaking rate base of the EWT System be based on the  
3 lesser of the average of the Fair Market Value Appraisals included in the Application or  
4 the purchase price pursuant to Section 1329 of the Public Utility Code.

5

6 **Q. Has Aqua prepared its application in compliance with the Commission’s Final**  
7 **Implementation Order and Final Supplemental Implementation Order?**

8 A. Yes. Aqua has complied with all required documentation according to the PUC’s  
9 application checklist including, but not limited to, the Engineering Assessment of Assets,  
10 responses to SDRs, testimony supporting the Application, and two independent Fair  
11 Market Value appraisals.

12

13 **Q. Please provide an overview of the valuation process.**

14 A. Following the execution of the APA, the Company and the Township agreed to engage  
15 Pennoni Associates, Inc. to complete the Engineer’s Assessment (Exhibit D). Both  
16 parties engaged their respective UVEs to perform a Fair Market Value analysis of the  
17 system in accordance with the Uniform Standards of Professional Appraisal Practice  
18 (“USPAP”), utilizing the cost, market, and income approaches. Aqua engaged the  
19 services of Gannett Fleming Valuation and Rate Consultants, LLC (“Gannett”) and has  
20 attached to its Application their Fair Market Value Appraisal as Exhibit Q. The  
21 Township engaged the services of AUS Consultants, Inc. (“AUS”) and their Fair Market  
22 Value Appraisal is attached to the Application as Exhibit R. Both firms have been pre-

AQUA PENNSYLVANIA WASTEWATER, INC.  
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1 certified as authorized UVEs by the PUC and are on the list of qualified appraisers  
2 maintained by the PUC.

3

4 **Q. Please describe the conclusions of the two appraisals used to determine the fair**  
5 **market value of the Township's assets.**

6 A. The two appraisals used the USPAP employing the cost, market, and income approaches  
7 to arrive at the fair market value of the system. The Township sponsored appraisal  
8 performed by AUS arrived at a system value of \$57,781,548. The Company sponsored  
9 appraisal performed by Gannett arrived at a system value of \$55,668,000. Therefore, the  
10 fair market value as defined in Act 12 is the average of these two appraisals which is  
11 \$56,724,729.

12

13 **Q. Pursuant to Section 1329 of the Public Utility Code, what is the resulting rate base**  
14 **determination for the EWT System?**

15 A. According to Section 1329, the ratemaking rate base is the lesser of either the purchase  
16 price in the APA, which is \$54,930,000, or the fair market value which is \$56,724,729.  
17 In this instance, since the purchase price is lower than the fair market value, the  
18 ratemaking rate base for the EWT System is \$54,930,000.

19

20 **Q. Please state the total of the UVE fees incurred by the Company.**

21 A. The UVE fees for the Company's appraisal received as of the date of the Application  
22 totaled \$33,420. The Company's UVE fees will be included in the transaction and  
23 closing costs of this Proposed Transaction as stated below.

AQUA PENNSYLVANIA WASTEWATER, INC.  
DIRECT TESTIMONY OF WILLIAM C. PACKER

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**Q. Please explain whether you believe the UVEs’ fees are reasonable?**

A. Based on the scope of work, the methods used as accepted industry practice, and that the UVEs’ fees were less than 5% of the fair market value benchmark noted in the Final Implementation Order and Final Supplemental Implementation Order, I believe the fees are reasonable. Per the Final Implementation Order, Final Supplemental Implementation Order and Checklist, the contract engaging the Company’s UVE, Gannett, along with Gannett’s invoices are included as Exhibit S1. The contract engaging the Township’s UVE, AUS, along with AUS’s invoices are included as Exhibit S2.

**Q. Please comment on the transaction and closing costs?**

A. The Company anticipates that the transaction and closing costs will be approximately \$308,300 including the Company’s UVE fees. The exact closing costs will be determined at closing.

**VIII. SECTION 2102 APPROVAL**

**Q. Is Aqua requesting approval of an agreement between affiliates?**

A. Yes. Aqua is requesting approval to assign certain municipal contracts to Aqua. As part of that request, Aqua will be taking assignment of EWT’s rights and responsibilities under an agreement between Aqua Resources, an affiliate of Aqua, and various municipalities for transportation of wastewater, dated November 20, 2018, included in the Application as Exhibit F17 (“November 2018 Agreement”). The November 2018 Agreement is for conveyance of wastewater from six contributing municipalities through

AQUA PENNSYLVANIA WASTEWATER, INC.  
DIRECT TESTIMONY OF WILLIAM C. PACKER

1 the Valley Creek Trunk Line (“VCTS”), located in Tredyffrin Township, owned by Aqua  
2 Resources. One of the contributing municipalities is EWT. Upon assignment of Exhibit  
3 F17, the November 2018 Agreement will become an agreement between a public utility,  
4 Aqua, and an affiliate, Aqua Resources, which requires Commission approval.

5  
6 **Q. Does the November 2018 Agreement set forth how each party will be charged for**  
7 **wastewater transportation?**

8 A. Yes. Section 9 of the November 2018 Agreement describes that each entity will be  
9 charged the amounts set forth in Schedule 9.1 of the November 2018 Agreement, and that  
10 after the first three years of the November 2018 Agreement, billings will be based on  
11 meter flows at each connection point. No changes in the charges under Section 9 and  
12 Schedule 9.1 will occur as a result of the assignment.

13  
14 **Q. Are the charges reasonable?**

15 A. Yes. I believe the charges are reasonable. The charges and the November 2018  
16 Agreement being assigned were negotiated by Aqua Resources and non-affiliates of  
17 Aqua and, thus, are reflective of a negotiated, market rate for the conveyance of  
18 wastewater service.

19  
20 **IX. CONCLUSION**

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

22 Yes it does, however I reserve the right to supplement my testimony as additional issues  
23 and facts arise during the course of this proceeding.

Aqua Pennsylvania Wastewater, Inc.  
EAST WHITELAND sanitary sewer system

1.) EAST WHITELAND sanitary sewer system

	<u>Year 1</u>	<u>Notes</u>
Revenue	\$ 3,769,536	
O&M	1,965,601	
Depreciation	1,505,867	***2.72% Composite Depreciation Rate
Taxes Other	90,539	
Income Taxes	\$ (265,129)	*****21% Federal & 9.99% State
<b>Operating Income</b>	<b>\$ 472,658</b>	
Rate Base at Fair Market Value	\$ 54,930,000	
Capital Investments (Year 1)	\$ 432,764	
Rate Base (Including Capital Investments less depreciation year 1)	\$ 53,856,897	
Interest Expense ^	1,124,933	
^ Includes Interest Expense synchronized with rate base		
<b>Required Operating Income (Rate Base x Rate of Return)</b>	<b>\$ 3,971,270</b>	
<b>Operating Income Deficiency</b>	<b>\$ 3,498,613</b>	
Gross Revenue Conversion Factor	1.432171	
<b>Revenue Deficiency (Excess) \$</b>	<b>\$ 5,011,000</b>	
<b>Revenue Deficiency (Excess) %</b>	<b>132.93%</b>	
<b>Increase applied to Acquired (Authority) customers 100%</b>	<b>\$ 5,011,000</b>	
<b>Increase %</b>	<b>132.93%</b>	
<b>Increase applied to Acquired (Authority) customers 50%</b>	<b>\$ 2,505,500</b>	
<b>Increase %</b>	<b>66.47%</b>	
<b>Increase applied to Existing (Company Wastewater) customers 50%</b>	<b>\$ 2,505,500</b>	
<b>Increase %</b>	<b>4.67%</b>	
<b>Increase applied to Existing (Company Water) customers (Act 11)</b>	<b>\$ 2,195,134</b>	
<b>Increase %</b>	<b>0.41%</b>	

	Avg. Usage/Kgal	Estimated Monthly Increase	Estimated Percentage Increase
Sewer District A & B - Residential & Commercial 100%	Fixed	\$ 44.31	132.93%
Sewer District C - Residential 100%	Fixed	\$ 60.04	132.93%
Sewer District D - Residential 100%	Fixed	\$ 66.47	132.93%
Sewer District E - Residential & Commercial 100%	Fixed	\$ 53.17	132.93%
High Volume Users 100%	372.21	\$ 3,067.71	132.93%
Sewer District A & B - Residential & Commercial 100%	Fixed	\$ 22.16	66.47%
Sewer District C - Residential 100%	Fixed	\$ 30.02	66.47%
Sewer District D - Residential 100%	Fixed	\$ 33.23	66.47%
Sewer District E - Residential & Commercial 100%	Fixed	\$ 26.59	66.47%
High Volume Users 100%	372.21	\$ 1,533.86	66.47%
Impact Existing Customers (Company Wastewater) - Residential - 50%	3.02	\$ 4.62	4.67%
Impact Existing Customers (Company Wastewater) - Commercial - 50%	21.94	\$ 14.53	4.67%
Impact Existing Customers (Company Wastewater) - Industrial - 50%	3.20	\$ 3.74	4.67%
Impact Existing Customers (Company Water) - Residential	4.08	\$ 0.33	0.41%
Impact Existing Customers (Company Water) - Commercial	37.05	\$ 2.06	0.41%
Impact Existing Customers (Company Water) - Industrial	211.51	\$ 9.72	0.41%

2.) Rate of Return

	<u>Ratio</u>	<u>Cost Rate</u>	<u>WACC</u>
Debt	47.15%	4.43%	2.09%
Equity	52.85%	10.00%	5.29%
	100.00%		7.37%

3.) Gross Revenue Conversion Factor

Dollar of Revenue	1.0000
Less: Gross Receipts (Revenue) Tax	0.0000
Less: Reg Assessments	0.0062
Less: Bad Debts	1.17%
State Taxable Income	0.982053
State Income Tax	9.99999%
Federal Taxable Income	0.883848772
Federal Tax Rate	21.00%
Federal Income Tax	0.185608
Net Revenue Dollar	0.69624052992
Gross Revenue Conversion Factor	1.43217123
EFT	28.89999%

**Aqua Pennsylvania Wastewater, Inc.**  
**Calculation of EAST WHITELAND sanitary sewer system - Present Revenues**

	<i>Current Rates</i>	<i>Customers 2020</i>	<i>Method</i>	<i>Gallons 2020</i>	<i>EDU's 2020</i>	<i>Revenue 2020</i>
<b>Service Charges:</b>						
SEWER DISTRICT A & B	\$400.00	3,053	per EDU annually		6,566	\$2,626,400
SEWER DISTRICT C	\$542.00	28	per EDU annually		28	\$15,176
SEWER DISTRICT D	\$600.00	279	per EDU annually		279	\$167,400
SEWER DISTRICT E	\$480.00	522	per EDU annually		772	\$370,560
HIGH VOLUME CUSTOMERS	\$6.20 per 1,000 gallons	13	per 1,000 Gallons	58,064,516	13	\$360,000
<b>Other Charges:</b>						\$230,000
<b>Total Revenue at Present Rates</b>		<b>3,895</b>		<b>58,064,516</b>	<b>7,658</b>	<b>\$3,769,536</b>

**Aqua Pennsylvania Wastewater, Inc.****Calculation of EAST WHITELAND sanitary sewer system - Operating and Maintenance Expenses**OPERATING AND MAINTENANCE EXPENSES:

	<u>Year 1</u>
O&M Labor Exp Reg	\$ 161,782
O&M Labor Exp OT	16,178
O&M Employee Benefits	97,069
O&M Purchased WW Treatment	1,313,690
O&M Purchased Power	84,000
O&M Chemicals	1,000
O&M Mgmt Fees	195,381
O&M OS Engineering	6,000
O&M OS Operations	10,000
O&M OS Maintenance	16,000
O&M Transportation	36,000
O&M Supplies	8,500
O&M Other	20,000
Total O&M Expenses =>	<u><u>\$ 1,965,601</u></u>

**Aqua Pennsylvania Wastewater, Inc.**

**Calculation of EAST WHITELAND sanitary sewer system - Taxes Other Than Income**

<u>TAXES OTHER THAN INCOME (PRE-RATE CASE)</u>	<u>Rate</u>	<u>Year 1</u>
Payroll Taxes (FICA, FUTA, SUTA)	8.000%	\$ 14,237
Property Taxes / (Purta)	1.400%	\$ 52,774
Regulatory Assessments	0.624%	\$ 23,529
Total		<u>\$ 90,539</u>

Docket No. R-2018-3003558

Schedule A-2  
Witness: William C. Packer

**AQUA PENNSYLVANIA, INC.**  
NUMBER OF CUSTOMERS SERVED  
AND WHOSE BILLS WILL BE CHANGED

LINE NO.	CUSTOMER CLASS (1)	SERVED AT 3/31/2017 (2)	SERVED AT 3/31/2018 (3)	TO BE SERVED AT 3/31/2019 (4)	TO BE SERVED AT 3/31/2020 (5)	INCREASED BILLS (6)	DECREASED BILLS (7)	UNCHANGED BILLS (8)
1	Metered:							
2	Residential	391,514	394,192	395,423	396,654	396,654	-	-
3	Commercial	22,364	22,460	22,598	22,737	22,733	4	-
4	Industrial	781	779	776	773	773	-	-
5	Public	1,254	1,256	1,256	1,256	1,256	-	-
6	Bulk Water	-	-	-	-	-	-	-
7	Private Fire Protection	5,197	5,301	5,403	5,504	5,504	-	-
8	Sales to Water Utilities	17	16	16	16	16	-	-
9	Total Metered Customers	421,027	424,004	425,472	426,940	426,936	4	-
10	Other:							
11	Unmetered	903	943	943	943	943	-	-
12	Availability Charge	2,801	2,769	-	-	-	2,769	-
13	Public Fire Protection	263	263	263	263	263	-	-
14	Private Fire Protection	766	779	779	779	779	-	-
15	Total Customers	425,760	428,758	427,457	428,925	428,921	2,773	-

Docket No. R-2018-3003561

Schedule A-2  
Witness: William C. Packer

**AQUA PENNSYLVANIA WASTEWATER, INC.**  
NUMBER OF CUSTOMERS SERVED  
AND WHOSE BILLS WILL BE CHANGED

LINE NO.	CUSTOMER CLASS (1)	SERVED AT 3/31/2017 (2)	SERVED AT 3/31/2018 (3)	TO BE SERVED AT 3/31/2019 (4)	TO BE SERVED AT 3/31/2020 (5)	INCREASED BILLS (6)	DECREASED BILLS (7)	UNCHANGED BILLS (8)
1	Residential	16,062	17,051	17,051	17,051	16,981	-	70
2	Commercial	1,324	1,469	1,469	1,469	1,427	42	-
3	Industrial	1	1	1	1	1	-	-
4	Public	38	40	40	40	40	-	-
5	Miscellaneous	-	-	-	-	-	-	-
6	Availability Charge	469	446	-	-	-	446	-
7	Total Customers	17,894	19,007	18,561	18,561	18,449	488	70
ADD	Limerick Res/Com				4,852			
	Ind				315			
ADD	East Bradford Res/Com				1,213			
	Ind				33			
ADD	Cheltenham Res/Com				9648			
	Ind				534			
	Pub				14			
					23			
ADD	New Garden Res/Com				1916			
	Com				190			
ADD	East Norriton Res/Com				4966			
	<b>Total Existing WW Customers</b>				<b>42,297</b>			

Wastewater Settlement Revenues => Exhibit 1(b) from 2018/2019 APWW Rate Case =>

	\$ 17,820,976
Add East Bradford WW	\$ 1,082,402
Add Limerick WW	\$ 4,771,000
Add Cheltenham WW	\$ 7,521,878
Add New Garden	\$ 2,620,039
Add East Norriton	\$ 3,315,000
<b>Total Existing WW Revenues</b>	<b>\$ 30,131,295</b>

Docket No. R-2018-3003558

Water Settlement Revenues => Exhibit 1(b) from 2018/2019 APWW Rate Case =>

	\$ 473,763,919
Residential	\$ 307,623,471
Commercial	\$ 111,880,600
Industrial Revenues	\$ 16,460,317
<b>Total Existing Water Revenues (res, com, &amp; ind classes)</b>	<b>\$ 435,964,388</b>

**AQUA PENNSYLVANIA, INC.**  
1-A(a) WATER AND 1-B(a) WASTEWATER REVENUE REQUIREMENT - SUMMARY

	Total Company	Water Operations	Wastewater Operations
Present Rate Revenue	\$ 444,858,981	\$ 431,415,676	\$ 13,443,305
Additional Revenue Requirement	47,002,319	35,263,332	11,738,987
Act 11 Allocation (1)	-	7,261,316	(7,261,316)
Proposed Revenues	<b>\$ 491,861,300</b>	<b>\$ 473,940,324</b>	<b>\$ 17,920,976</b>
Rate Increase/(Decrease) - \$	\$ 47,002,319	\$ 42,524,648	\$ 4,477,671
Rate Increase/(Decrease) - %	10.57%	9.86%	33.31%

Notes:  
(1) The allocation between wastewater operations and water operations is achieved by the proposed consolidation of water and wastewater revenue requirements to derive the water and wastewater rates proposed by the Company in this case.

Aqua Pennsylvania, Inc  
Residential Average Monthly Bill Comparison - Wastewater  
Docket Nos. A-2018-3004108, A-2018-3004109, R-2018-3003558 and R-2018-3003561

	<u>Current Division</u>	<u>New Rate Zone</u>	<u>Avg Consumption</u>	<u>Present Rates</u>	<u>Settlement Rates</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Metered Number of Bills</u>	<u>Metered &amp; Unmetered Number of Bills</u>
1	Bridlewood Division	1	4,100	43.04	67.48	24.44	56.79%	3,908	3,908
2	CS Sewer Division (Masthope)	6	1,300	28.99	40.94	11.95	41.22%	15,517	15,578
3	Deerfield Knoll Division	3	3,000	57.87	71.50	13.63	23.55%	1,426	1,426
4	Eagle Rock Division	1	1,900	39.67	45.44	5.77	14.54%	11,704	11,716
5	East Bradford Division	5	5,400	106.43	125.84	19.41	18.24%	972	972
6	Laurel Lakes Division	3	4,200	51.49	81.70	30.21	58.67%	2,348	2,372
7	Links at Gettysburg Division	3	2,700	63.58	68.95	5.37	8.45%	2,046	2,046
8	Little Washington Division	5	3,400	98.05	106.64	8.59	8.76%	4,152	4,164
9	Media Division	1	4,200	42.19	62.92	20.73	49.13%	20,733	20,773
10	Newlin Green Division	5*	6,500	158.75	158.75	0.00	0.00%	588	588
11	Peddlers View Division	4	4,100	78.44	100.95	22.51	28.70%	2,564	2,564
12	Penn Township Division	1B	3,400	40.70	55.00	14.30	35.14%	3,148	3,148
13	Plumsock Division	5	5,300	107.12	124.88	17.76	16.58%	456	456
14	Rivercrest Division	2	3,200	45.22	61.92	16.70	36.93%	5,785	5,869
15	Stony Creek Division	3	2,500	54.86	67.25	12.39	22.58%	2,558	2,558
16	The Greens at Penn Oaks Division	5	3,500	106.38	107.60	1.22	1.15%	838	850
17	Thornhurst Division	3	2,600	52.36	68.10	15.74	30.06%	3,538	3,538
18	Treasure Lake Division	1A	3,000	40.52	49.90	9.38	23.15%	25,259	25,590
19	Twin Hills Division	4	4,200	70.15	101.90	31.75	45.26%	3,947	3,947
20	White Haven Division	2	2,900	47.07	59.49	12.42	26.39%	5,568	5,736
21	Willistown Woods Division	3	3,100	54.92	72.35	17.43	31.74%	8,888	8,888
22	Woodloch Springs Division	3	2,000	51.87	63.00	11.13	21.46%	4,907	4,987
23	Beech Mountain Lakes Division	3	Unmetered	56.04	80.00	23.96	42.76%		11,234
24	Bunker Hill Subdivision	1A	Unmetered	31.92	56.20	24.28	76.07%		790
25	Emlenton Borough Division	2	Unmetered	45.00	68.40	23.40	52.00%		4,416
26	Honeycroft Village Division	4	Unmetered	66.67	100.00	33.33	49.99%		1,250
27	Lake Harmony Division	4	Unmetered	65.63	100.00	34.37	52.37%		12,033
28	New Daleville Division	4	Unmetered	74.17	100.00	25.83	34.83%		1,272
29	Pinecrest Division	2	Unmetered	\$44.28	\$68.40	\$24.12	54.48%		4,002
30	Tobyhanna Township Division	4	Unmetered	66.67	100.00	33.33	49.99%		6,453
31	Sage Hill	5*	Unmetered	180.00	180.00	0.00	0.00%		251
<b>WEIGHTED AVERAGE Metered</b>			<b>3,018</b>		<b>62.09</b>				
<b>WEIGHTED AVERAGE ALL</b>					<b>68.27</b>				

5\* - Special Charges have been assigned to these divisions within Rate Zone 5.  
All Residential Customers are charged a customer charge on an EDU basis with the exception of the Media and Treasure Lake Divisions, which are charged a customer charge based on the appropriate meter size of the applicable Rate Zone. Media and Treasure Lake rates above represent a 5/8" meter.

Pinecrest Division's Present Rate is based on the weighted average of the present rates of all customers both inside Pinecrest and outside Pinecrest.

Bridlewood Division's Average Consumption and Present Rate are based on the weighted average of both townhome and single family home customers.

As per the Asset Purchase Agreement, the Tobyhanna Division rate increase will not become effective until January 1, 2020.

**Aqua Pennsylvania, Inc**  
**Commercial Average Monthly Bill Comparison - Wastewater**  
**Docket Nos. A-2018-3004108, A-2018-3004109, R-2018-3003558 and R-2018-3003561**

	<u>Current Division</u>	<u>New Rate Zone</u>	<u>Avg Consumption</u>	<u>Present Rates</u>	<u>Settlement Rates</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Number of Bills</u>
1	CS Sewer Division (Masthope)	6	24,800	41.33	64.44	23.11	56%	96
2	Eagle Rock Division	1	11,700	52.02	124.92	72.90	140%	323
3	Links at Gettysburg Division	3	20,000	216.93	216.00	-0.93	0%	24
4	Media Division	1	15,700	111.87	150.32	38.45	34%	3,388
5	Penn Township Division	1B	88,800	873.10	955.50	82.40	9%	507
6	Rivercrest Division	2	12,200	92.66	134.82	42.16	45%	108
7	The Greens at Penn Oaks Division	5	78,400	798.26	1,122.64	324.38	41%	12
8	Tobyhanna Township Division	4	9,600	86.00	153.20	67.20	78%	1,449
9	Treasure Lake Division	1A	31,700	153.53	230.71	77.18	50%	382
10	Village at Valley Forge Division	1A	144,500	1,054.42	1,220.35	165.93	16%	243
11	White Haven Division	2	5,700	50.60	82.17	31.57	62%	463
12	Willistown Woods Division	3	3,200	55.23	73.20	17.97	33%	1,428
13	Woodloch Springs Division	3	117,000	62.62	71.50	8.88	14%	98
14	Avon Grove School District	5*	Unmetered	6,625.00	8,281.25	1656.25	25%	
15	Beech Mountain Lakes Division	3	Unmetered	69.74	80.00	10.26	15%	
16	Bridlewood Division	1	Unmetered	38.42	61.40	22.98	60%	
17	Emlenton Borough Division	2	Unmetered	45.00	68.40	23.40	52%	
18	Honeycroft Rillage Division	4	Unmetered	466.69	700.00	233.31	50%	
19	Lake Harmony Division	4	Unmetered	65.63	100.00	34.37	52%	
20	Pinecrest Division	2	Unmetered	\$52.32	\$68.40	16.08	31%	
<b>WEIGHTED AVERAGE - METERED ONLY</b>			<b>21,936</b>		<b>214.73</b>			

5\* - Special Charges have been assigned to these Divisions within Rate Zone 5.

All Residential Customers are charged a customer charge on an EDU basis with the exception of the Media and Treasure Lake Divisions, which are charged a customer charge based on the appropriate meter size of the applicable Rate Zone. Media and Treasure Lake rates above represent a 5/8" meter.

Bridlewood Division's Present Rate and Settlement Rate are based on the weighted average of the EDU rate charged to the 2 commercial customers.

Woodloch Springs Division's Present Rate and Settlement Rate are based on the customer charge per EDU.

As per the Asset Purchase Agreement, the Tobyhanna Division rate increase will not become effective until January 1, 2020.

Aqua Pennsylvania, Inc  
Industrial Average Monthly Bill Comparison - Wastewater  
Docket Nos. A-2018-3004108, A-2018-3004109, R-2018-3003558 and R-2018-3003561

	<u>Current Division</u>	<u>New Rate Zone</u>	<u>Meter Size</u>	<u>Avg Consumption</u>	<u>Present Rates</u>	<u>Settlement Rates</u>	<u>\$ Change</u>	<u>% Change</u>
7	Media Division [REDACTED]	1	5/8"	3,200	36.13	55.32 [REDACTED]	19.19	53%

Aqua Pennsylvania, Inc  
Residential Average Monthly Bill Comparison - Water  
Docket Nos. A-2018-3004108, A-2018-3004109, R-2018-3003558 and R-2018-3003561

	<u>Current Division</u>	<u>New Rate Zone</u>	<u>Present Rates*</u>	<u>Settlement Rates*</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Number of Bills</u>	<u>Consumption</u>	<u>Average Gallons</u>
1	Main Division Eagle Rock, Fawn Lake, I anglewood, Thornhurst, Woodledge Village, Western & Pinecrest Divisions	1	\$59.85	\$65.52	\$5.67	9.47%	4,173,338	172,154,838	4,125
2		3	59.85	65.52	5.67	9.47%	36,516	737,618	2,020
3	Bensalem Division	1	55.80	65.52	9.72	17.42%	179,147	7,534,487	4,206
4	Chalfont Division	2	47.27	65.52	18.25	38.61%	25,821	1,021,170	3,955
5	Oakland Beach/Lakeside Acres Division	3	57.04	65.52	8.48	14.87%	11,344	261,978	2,309
6	CS Water Division (Masthope)	3	49.36	65.52	16.16	32.74%	15,615	204,095	1,307
7	Country Club Gardens Division	1	40.29	52.98	12.69	31.50%	4,979	223,135	4,482
8	Clarendon Water Division	1	51.05	65.52	14.47	28.34%	3,407	109,345	3,210
9	Kratzerville Division	1	52.29	65.52	13.23	25.30%	1,727	58,671	3,398
10	Honesdale Division	1	52.20	65.52	13.32	25.52%	17,272	632,741	3,663
11	Sand Springs Division	1	40.73	52.98	12.25	30.08%	5,023	168,199	3,349
12	Mifflin Township Division	1	37.11	50.64	13.53	36.46%	5,606	176,827	3,154
13	Beech Mountain Lakes Division	1	21.45	31.73	10.28	47.93%	11,187	369,388	3,302
14	Treasure Lake Division	2	27.20	40.15	12.95	47.61%	25,311	765,777	3,026
15	Concord Park Division	2	30.88	43.91	13.03	42.20%	1,980	77,030	3,890
16	Bristol Township Water System Division	1	24.24	38.40	14.16	58.42%	5,089	226,795	4,457
17	Mt Jewett Borough Division	1	45.95	65.52	19.57	42.59%	4,832	155,007	3,208
18	Bunker Hill Subdivision	Bunker Hill	12.88	26.36	13.48	104.66%	779	31,897	4,097
19	Robin Hood Lakes Division	1	40.16	53.09	12.93	32.20%	2,397	67,756	2,826
20	East Cameron Division	1	57.02	65.52	8.50	14.91%	609	12,076	1,982
21	Sun Valley Division**	Sun Valley	15.00	19.50	4.50	30.00%			
22	Superior Water Company	2	57.02	65.52	8.50	14.91%	47,018	2,045,060	4,350
<b>WEIGHTED AVERAGE</b>				<b>65.20</b>					<b>4,080</b>

\*Residential water rates are based on 5/8" meter and an average consumption of 4,080 gallons per month for all divisions.

\*\*Sun Valley customers are flat rate, unmetered customers.

Aqua Pennsylvania, Inc  
Commercial Average Monthly Bill Comparison - Water  
Docket Nos. A-2018-3004108, A-2018-3004109, R-2018-3003558 and R-2018-3003561

	<u>Current Division</u>	<u>New Rate Zone</u>	<u>Meter Size</u>	<u>Avg Consumption</u>	<u>Present Rates</u>	<u>Settlement Rates</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Number of Bills</u>
1	Main Division Eagle Rock, Fawn Lake, I anglewood, Thornhurst, Woodledge Village, Western & Pinecrest Divisions	1	5/8"	37,800	\$380.00	\$419.63	\$39.63	10.43%	236,233
2	Bensalem Division	3	5/8"	13,800	171.34	186.73	15.39	8.98%	665
3	Chalfont Division	1	5/8"	50,700	468.54	531.51	62.97	13.44%	15,289
4	Oakland Beach/Lakeside Acres Division	2	5/8"	7,100	70.32	102.49	32.17	45.75%	1,678
5	CS Water Division (Masthope)	3	5/8"	5,500	84.39	93.45	9.06	10.74%	381
6	Country Club Gardens Division	3	5/8"	42,300	426.00	468.66	42.66	10.01%	57
7	Clarendon Water Division	1	5/8"	33,900	271.22	333.27	62.05	22.88%	11
8	Kratzerville Division	1	5/8"	9,900	93.91	135.81	41.90	44.62%	252
9	Honesdale Division	1	5/8"	7,600	82.56	108.44	25.88	31.35%	23
10	Sand Springs Division	1	5/8"	12,600	133.84	164.18	30.34	22.67%	3,789
11	Mifflin Township Division	1	2"	40,800	309.80	523.34	213.54	68.93%	12
12	Beech Mountain Lakes Division	1	5/8"	19,600	112.70	174.80	62.10	55.10%	369
13	Treasure Lake Division	1	5/8"	23,000	51.34	95.40	44.06	85.82%	60
14	Concord Park Division	2	5/8"	30,800	121.26	185.24	63.98	52.76%	393
15	Bristol Township Water System Division	2	4"	487,300	2,226.92	3,381.86	1,154.94	51.86%	12
16	Mt Jewett Borough Division	1	5/8"	14,800	116.15	146.76	30.61	26.35%	1,785
17	East Cameron Division	1	5/8"	2,200	33.07	44.18	11.11	33.60%	444
20	Superior Water Company	1	3/4"	300	50.00	34.04	(15.96)	-31.92%	28
22		2	5/8"	8,400	99.18	117.96	18.78	18.94%	1,077
	<b>WEIGHTED AVERAGE</b>			<b>37,047</b>		<b>409.72</b>			

Aqua Pennsylvania, Inc  
Industrial Average Monthly Bill Comparison - Water  
Docket Nos. A-2018-3004108, A-2018-3004109, R-2018-3003558 and R-2018-3003561

	<u>Current Division</u>	<u>New Rate Zone</u>	<u>Meter Size</u>	<u>Avg Consumption</u>	<u>Present Rates</u>	<u>Settlement Rates</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Number of Bills</u>
1	Main Division	1	5/8"	231,500	\$1,897.56	\$2,099.59	\$202.03	10.65%	8,254
3	Bensalem Division	1	1"	53,500	523.48	590.30	66.82	12.76%	853
4	Chalfont Division	2	2"	37,000	358.73	484.19	125.46	34.97%	57
5	Oakland Beach/Lakeside Acres Division	3	5/8"	76,500	691.26	765.28	74.02	10.71%	12
10	Honesdale Division	1	5/8"	23,200	222.27	275.01	52.74	23.73%	72
17	Mt Jewett Borough Division	1	1"	600	22.11	59.64	37.53	169.74%	24
<b>WEIGHTED AVERAGE</b>				<b>211,513</b>		<b>1,930</b>			