

**I&E Statement No. 5-R  
Witness: Joseph Kubas**

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**v.**

**AQUA PENNSYLVANIA, INC**

**Docket No. R-2021-3027385 (Water)**

**Docket No. R -2021-3027386 (Wastewater)**

**Rebuttal Testimony**

**of**

**Joseph Kubas**

**Bureau of Investigation and Enforcement**

**Concerning:  
Wastewater Proposed Rate  
Rate Structure, Revenue Shortfall  
Scaleback of Rates**

## TABLE OF CONTENTS

<b>INTRODUCTION.....</b>	<b>1</b>
<b>ZONES 1 – 6 .....</b>	<b>3</b>
<b>ZONE 7 – LIMERICK .....</b>	<b>6</b>
<b>ZONE 8 – EAST BRADFORD.....</b>	<b>9</b>
<b>ZONE 9 – CHELTENHAM.....</b>	<b>13</b>
<b>ZONE 10 – EAST NORRITON AND WHITPAIN .....</b>	<b>16</b>
<b>ZONE 11 – NEW GARDEN .....</b>	<b>19</b>
<b>SCALE BACK OF RATES.....</b>	<b>24</b>

1 **Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?**

2 A. My name is Joseph Kubas My business address is 400 North Street, Harrisburg, PA  
3 17120.

4

5 **Q. ARE YOU THE SAME JOSEPH KUBAS THAT SUBMITTED DIRECT**  
6 **TESTIMONY ON NOVEMBER 10, 2021?**

7 A. Yes.

8

9 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

10 A. The purpose of my rebuttal testimony is to address the direct testimony submitted on  
11 behalf of the Office of Small Business Advocate (OSBA) by Brian Kalcic (OSBA  
12 St. 1) and the direct testimony submitted on behalf of the Office of Consumer  
13 Advocate (OCA) by Glenn A. Watkins (OCA St. 4).

14

15 **Q. DOES YOUR TESTIMONY INCLUDE AN EXHIBIT?**

16 A. Yes. I&E Exhibit No. 5-R contains schedules relating to my rebuttal testimony.

17

18 **INTRODUCTION**

19 **Q. PLEASE DESCRIBE THE FILING.**

20 A. On August 20, 2021, Aqua filed a combined water and wastewater base rate case.

21 The total increase of approximately \$97,685,000 is comprised of an increase in water

1 revenue of approximately \$86,100,000, and an increase in wastewater revenue of  
2 approximately \$11,585,000 (Aqua Volume 1, Sch. Act 11).

3  
4 **Q. HOW MANY DIFFERENT WASTEWATER ZONES DOES AQUA HAVE**  
5 **AND DO THE RATES VARY BY ZONE?**

6 A. Aqua has 11 different wastewater rate zones, with different subsystems and 8  
7 different third-party customers (Aqua Volume 5, Ex. 5-B, Part II, Sch. WW-2, Sch.  
8 LMK, Sch. EB, Sch. CH, Sch. EN, and Sch. NG).

9  
10 **Q. DID YOU GENERALLY AGREE WITH THE CONTINUATION OF**  
11 **RATE ZONES?**

12 A. Yes, given the wide variety of present wastewater rates, Aqua's proposal to continue  
13 the various rate zones is reasonable. However, I believe some changes should be  
14 made to the proposed rates as described below.

15  
16 **Q. PLEASE SUMMARIZE YOUR DIRECT TESTIMONY?**

17 A. I generally recommended higher rates for wastewater customers than those proposed  
18 by the Company. The higher rates produce a larger increase for each division. The  
19 \$6,049,406 increase that I recommended for Zones 1-6 is summarized on I&E Ex.  
20 No. 5-R, Sch. 1, line 1, column D. The \$10,589,683 increase that I recommended for  
21 Zones 7-11 is summarized on I&E Ex. No. 5-R, Sch. 1, line 8, column D. The total

1 wastewater increase of \$16,639,089 that I recommend is shown on I&E Ex. No. 5-R,  
2 Sch. 1, line 9, column D.

3  
4 **ZONES 1 – 6**

5 **Q. WHAT INCREASE IN REVENUE DID YOU RECOMMEND FOR ZONES 1**  
6 **THROUGH 6?**

7 A. I recommended a \$6,049,406 increase in revenue for Zones 1-6 including contract  
8 and late payment revenue (I&E Ex. No. 5-R, Sch. 1, line 1, column D).

9  
10 **Q. DID THE OCA ALSO RECOMMEND THAT REVENUE FROM ZONES 1**  
11 **THROUGH 6 INCREASE MORE THAN PROPOSED BY THE COMPANY?**

12 A. Yes. The OCA recommended a \$6,946,890 increase in revenue for Zones 1-6 to  
13 reduce the subsidy Zones 1-6 will receive from Aqua water customers (OCA St. No.  
14 4, pp. 9-10). The \$6,946,890 increase is also shown on I&E Ex. No. 5-R, Sch. 1, line  
15 1, column G.

16  
17 **Q. DID THE OSBA ALSO RECOMMEND THAT REVENUE FROM ZONES 1**  
18 **THROUGH 6 INCREASE MORE THAN PROPOSED BY THE COMPANY?**

19 A. Yes. The OSBA recommended a \$4,635,137 increase in revenue for Zones 1-6 to  
20 also reduce the subsidy that Zones 1-6 will receive from Aqua water customers  
21 (OSBA St. 1, pp 15-16 and BK-4-WW). The \$4,635,137 increase is also shown on  
22 I&E Ex. No. 5-R, Sch. 1, line 1, column J.

1 **Q. PLEASE ADDRESS THE OCA AND OSBA REVENUE**  
2 **RECOMMENDATIONS.**

3 A. Both OCA and OSBA proposed to increase revenue in Zones 1-6 more than the  
4 Company for the same reason that I proposed. However, the actual  
5 recommendations differ. Specifically, the OCA increase is \$897,484 (\$6,946,890 -  
6 \$6,049,406) more than I proposed (I&E Ex. No. 5-R, Sch. 1, line 1, column F).  
7 Since the OCA recommendation reduces the subsidy more than my  
8 recommendation, I do not oppose the OCA recommendation. However, the OSBA  
9 increase is \$1,395,222 (\$6,049,406 - \$4,654,184) less than I proposed (I&E Ex. No.  
10 5-R, Sch. 1, line 1, column I). Therefore, I recommend that the OSBA proposal be  
11 rejected because the OSBA proposal does not reduce the subsidy from Aqua water  
12 customers to a reasonable level.

13  
14 **Q. WHAT ZONE 1 CUSTOMER CHARGE DID YOU RECOMMEND?**

15 A. I recommended that the Zone 1 customer charge increase to \$45.50 per month with a  
16 corresponding 46.8% increase for the remaining meter sizes and usage rates (I&E  
17 Ex. No. 5, Sch. 2, p. 1). I recommended this higher customer charge to generate  
18 revenue and move the 5/8<sup>th</sup> inch monthly charge closer towards the present monthly  
19 charges of \$46.00 in Zone 3, \$62.00 in Zone 4 and \$74.00 in Zone 5 (Aqua Volume  
20 5, Part II). A higher monthly residential charge in Zone 1 limits the increase in the  
21 usage rate which results in an average residential bill increase of 38.9% (I&E Ex.  
22 No. 5, Sch. 2, p. 2, line 5).

1 **Q. DID THE OCA ALSO ADDRESS THE ZONE 1 RESIDENTIAL**  
2 **CUSTOMER CHARGE?**

3 A. Yes. The OCA recommends not increasing the present \$31.00 per month 5/8<sup>th</sup> inch  
4 Residential customer charge in Zone 1. The OCA claims there is no cost  
5 justification for increasing the present Residential customer charge (OCA St. No. 4,  
6 p. 17).

7  
8 **Q. DID THE OCA ADDRESS THE REMAINING METER SIZES, THE OTHER**  
9 **ZONE 1 CLASSES, OR THE RESIDENTIAL CUSTOMER CHARGE IN**  
10 **ZONES 2, THROUGH 6?**

11 A. No. The OCA did not address the remaining meter sizes in Zone 1, the other classes  
12 in Zone 1, or the other customer charges in Zones 2 through 6.

13  
14 **Q. DO YOU AGREE WITH THE OCA'S RECOMMENDATION TO NOT**  
15 **INCREASE THE PRESENT 5/8 TH INCH ZONE 1 RESIDENTIAL**  
16 **CUSTOMER CHARGE?**

17 A. No. While I normally would support not increasing the monthly 5/8<sup>th</sup> inch  
18 residential customer charge based upon cost, there are other factors to consider in  
19 this case. First, the present \$31.00 per month customer charge is below the monthly  
20 customer charges in Zones 3 through 5. Therefore, in order to move towards  
21 consolidation of the customer charges in these zones, the present Zone 1 customer  
22 charge of \$31.00 per month should be increased. Customer charges should be

1 consolidated in Zones 1 through 6 for fairness and simplicity. Second, the  
2 remaining revenue increase will have to come from increasing the usage charge.  
3 Therefore, given this low customer charge, I recommend that the OCA proposal be  
4 rejected.

5  
6 **Q. WHAT DO YOU RECOMMEND IF THE COMMISSION ACCEPTS THE**  
7 **OCA'S RECOMMENDATION NOT TO INCREASE THE ZONE 1 5/8 TH**  
8 **INCH RESIDENTIAL CUSTOMER CHARGE?**

9 A. I recommend that same 5/8<sup>th</sup> inch customer charge the Commission approves for the  
10 residential class also apply to other customer classes to be fair and to simplify the  
11 rate structure. This recommendation is consistent with the current rate structure in  
12 Zone 1.

13  
14 **ZONE 7 – LIMERICK**

15 **Q. WHAT INCREASE IN REVENUE DID YOU RECOMMEND FOR ZONE 7?**

16 A. I recommended a \$2,982,144 increase in revenue for Zone 7 including late payment  
17 revenue (I&E Ex. No. 5-R, Sch. 1, line 3, column D). The rationale for this increase  
18 is described on I&E St. No. 5, p 40.

19  
20 **Q. DID THE OCA ALSO PROPOSE THAT REVENUE FROM ZONE 7**  
21 **INCREASE MORE THAN PROPOSED BY THE COMPANY?**

22 A. Yes. The OCA recommended a \$5,187,343 increase in revenue for Zone 7 to reduce



1 the subsidy Zone 7 will receive from Aqua water customers (OCA St. No. 4, pp. 9-  
2 10). The \$5,187,343 increase is also shown on I&E Ex. No. 5-R, Sch. 1, line 3,  
3 column G.

4  
5 **Q. DID THE OSBA ALSO RECOMMEND THAT REVENUE FROM ZONE 7**  
6 **INCREASE MORE THAN PROPOSED BY THE COMPANY?**

7 A. No. The OSBA recommended the same \$2,968,877 increase in revenue for Zone 7  
8 that the Company proposed (OSBA St. 1, BK-4WW). The \$2,968,877 increase is  
9 also shown on I&E Ex. No. 5-R, Sch. 1, line 3, column J.

10  
11 **Q. PLEASE ADDRESS THE OCA AND OSBA REVENUE PROPOSALS FOR**  
12 **ZONE 7.**

13 A. The OCA proposed to increase revenue in Zone 7 more than the Company for the  
14 same reason that I proposed. However, the actual recommendations differ.  
15 Specifically, the OCA increase is \$2,205,199 (\$5,187,343 - \$2,982,144) more than I  
16 proposed (I&E Ex. No. 5-R, Sch. 1, line 3, column F). Since the OCA  
17 recommendation reduces the subsidy from Aqua water customers more than my  
18 recommendation, I do not oppose the OCA recommendation. However, the OSBA's  
19 increase is the same as the Company's proposed increased. Therefore, I recommend  
20 that the OSBA proposal be rejected because it does not reduce the subsidy from  
21 Aqua water customers to a reasonable level.

1 **Q. WHAT ZONE 7 RESIDENTIAL CUSTOMER CHARGE DID YOU**  
2 **RECOMMEND?**

3 A. I recommended that the Zone 7 residential customer charge increase to \$39.50 per  
4 month for all classes (I&E Ex. No. 5, Sch. 6. p. 1). I recommended this higher  
5 customer charge to generate revenue and move this 5/8<sup>th</sup> inch month charge closer  
6 towards the monthly charge in Zones 3, 4 and 5. A higher monthly charge limits the  
7 increase in the usage rate which results in an average residential bill increase of  
8 89.2% (I&E Ex. No. 5, Sch. 6, p. 2, line 5).

9

10 **Q. DID THE OCA ALSO ADDRESS THE ZONE 7 RESIDENTIAL**  
11 **CUSTOMER CHARGE?**

12 A. Yes. The OCA recommends increasing the present \$28.10 per month Residential  
13 customer charge to \$31.00 per month to make it the same as the Zone 1 Residential  
14 customer charge that the OCA recommends (OCA St. No. 4, p. 18).

15

16 **Q. DO YOU OPPOSE THE OCA PROPOSAL TO ESTABLISH A**  
17 **RESIDENTIAL CUSTOMER CHARGE OF \$31.00 PER MONTH?**

18 A. No. I do not oppose the OCA proposal establish \$31.00 per month customer charge  
19 in Zone 7. Limiting the increase in the customer charge will benefit zero and low  
20 usage customers in a zone that will experience a very large increase in the average  
21 bill. In addition, if the Commission approves the \$31.00 per month Residential

1 customer charge, it should also apply the \$31.00 monthly customer charge to the  
2 other classes to be fair and to simplify the rate structure.

3  
4 **ZONE 8 – EAST BRADFORD**

5 **Q. WHAT INCREASE IN REVENUE DID YOU RECOMMEND FOR ZONE 8?**

6 A. I recommended a \$610,765 increase in revenue for Zone 8 which includes late  
7 payment revenue (I&E Ex. No. 5-R, Sch. 1, line 4, column D). The rationale for this  
8 increase is described on I&E St. No. 5, p 43.

9  
10 **Q. DID THE OCA ALSO RECOMMEND THAT REVENUE FROM ZONE 8**  
11 **INCREASE MORE THAN PROPOSED BY THE COMPANY?**

12 A. Yes. The OCA recommended a \$833,254 increase in revenue for Zone 8 to reduce  
13 the subsidy Zone 8 will receive from Aqua water customers (OCA St. No. 4, pp. 9-  
14 10). The \$833,254 increase is also shown on I&E Ex. No. 5-R, Sch. 1, line 4,  
15 column G.

16  
17 **Q. DID THE OSBA RECOMMEND THAT REVENUE FROM ZONE 8**  
18 **INCREASE MORE THAN PROPOSED BY THE COMPANY?**

19 A. No. The OSBA recommended the same \$358,379 increase in revenue for Zone 8  
20 that the Company proposed (OSBA St. 1, BK-4WW). The \$358,379 increase is also  
21 shown on I&E Ex. No. 5-R, Sch. 1, line 4, column J.

1 **Q. PLEASE ADDRESS THE OCA AND OSBA REVENUE PROPOSALS.**

2 A. The OCA proposed to increase revenue in Zone 8 more than the Company for the  
3 same reason that I did. However, the actual recommendation differs. Specifically,  
4 the OCA increase is \$222,489 (\$833,254 - \$610,765) more than I proposed (I&E Ex.  
5 No. 5-R, Sch. 1, line 4, column F). Since the OCA recommendation reduces the  
6 subsidy from Aqua water customers more than my recommendation, I do not oppose  
7 the OCA recommendation. However, the OSBA increase is the same as the  
8 Company's proposed increase. Therefore, I recommend that the OSBA proposal be  
9 rejected because it does not reduce the subsidy from Aqua water customers to a  
10 reasonable level.

11

12 **Q. WHAT ZONE 8 RESIDENTIAL CUSTOMER CHARGES DID YOU**  
13 **RECOMMEND?**

14 A. I recommended that the Zone 8 Residential unmetered charge increase to \$100.00  
15 per month and customer charge where the usage rate will apply increase to \$55.00  
16 per month (I&E Ex. No. 5, Sch. 6. p. 1). I recommended these customer charges to  
17 generate revenue and reduce the subsidy from Aqua water customers. A higher  
18 monthly charge limits the increase in the usage rate which results in an average  
19 residential bill increase of 44.7% for a Townhouse customer (I&E Ex. No. 5, Sch. 6,  
20 p. 3, line 5).

1 **Q. DID THE OCA ALSO ADDRESS THE ZONE 8 RESIDENTIAL**  
2 **CUSTOMER CHARGES?**

3 A. Yes. The OCA recommends maintaining the current flat rate of \$68.09 per month as  
4 a customer charge for all customers and allowing the Company to also charge these  
5 customers for usage (OCA St. No. 4, p. 18).

6

7 **Q. DO YOU OPPOSE THE OCA PROPOSAL TO ESTABLISH A**  
8 **RESIDENTIAL CUSTOMER CHARGE OF \$68.09 PER MONTH FOR**  
9 **RESIDENTIAL CUSTOMERS?**

10 A. No. I do not oppose the OCA proposal establish \$68.09 per month customer charge  
11 in Zone 8. The \$68.09 per month customer charge will generate more revenue than  
12 the \$55.00 per month customer charge that I recommended.

13

14 **Q. WHAT UNMETERED RATE DID YOU RECOMMEND FOR ZONE 8?**

15 A. I recommended an unmetered rate of \$100.00 per month (I&E Ex. No. 5, Sch. 6,  
16 lines 8 and 9). The \$100.00 per month unmetered rate is based upon the total bill for  
17 a usage customer that uses 4,000 gallons per month.

18

19 **Q. DID THE OCA ADDRESS THE COMPANY PROPOSAL TO ESTABLISH A**  
20 **ZONE 8 UNMETERED RATE OF \$83.42 PER MONTH?**

21 A. No. The OCA only addressed the customer charge of \$68.09 per month. However,  
22 there will still be 23 unmetered single-family customers that Aqua proposed will pay

1 a \$83.42 per month unmetered rate and 19 townhome customers that Aqua proposed  
2 will pay a \$68.09 per month unmetered rate (Aqua Volume 5, Sch. EB-3, p. 1).

3  
4 **Q. WILL THE \$83.42 PER MONTH UNMETERED RATE BE IMPACTED IF**  
5 **THE COMMISSION ACCEPTS THE OCA PROPOSAL TO ESTABLISH A**  
6 **CUSTOMER CHARGE OF \$68.09 PER MONTH?**

7 A. Yes. If the OCA customer charge recommendation is approved, the \$68.09 customer  
8 charge will impact the unmetered rate of \$83.42 per month since the \$83.42 (\$39.10  
9 + \$1.108 X 40) per month is based upon a customer charge of \$39.10 per month, a  
10 usage rate of \$1.108 per hundred gallons and an average 4,000 gallons usage per  
11 month (Aqua Volume 5, Sch. EB-3, p. 1).

12  
13 **Q. WHAT UNMETERED RATE DO YOU RECOMMEND IF THE**  
14 **COMMISSION ACCEPTS THE OCA RECOMMENDATION TO**  
15 **ESTABLISH A CUSTOMER CHARGE OF \$68.09 PER MONTH?**

16 A. I recommend that both the single-family and townhouse unmetered charge be based  
17 upon the final bill for a usage customer that uses 4,000 gallons per month in Zone 8.  
18 This recommendation is consistent with my recommendation proposed in my direct  
19 testimony (I&E St. No. 5, p. 43).

1 **ZONE 9 – CHELTENHAM**

2 **Q. WHAT INCREASE IN REVENUE DID YOU RECOMMEND FOR ZONE 9?**

3 A. I recommended a \$4,084,843 increase in revenue for Zone 9 which includes late  
4 payment revenue (I&E Ex. No. 5-R, Sch. 1, line 5, column D). The rationale for this  
5 increase is described on I&E St. No. 5, pp 47-48.

6  
7 **Q. DID THE OCA ALSO RECOMMEND THAT REVENUE FROM ZONE 9  
8 INCREASE MORE THAN PROPOSED BY THE COMPANY?**

9 A. Yes. The OCA recommended a \$3,077,711 increase in revenue for Zone 9 to reduce  
10 the subsidy Zone 9 will receive (OCA St. No. 4, pp. 9-10). The \$3,077,711 increase  
11 is also shown on I&E Ex. No. 5-R, Sch. 1, line 5, column G. In recommending an  
12 increase in revenue, the OCA states that the increase applied to a zone was limited by  
13 the cost of providing service to that zone. Since the OCA increase of approximately  
14 \$3.077 million will eliminate the approximately \$3.057 million of calculated  
15 additional revenue requirement for Zone 9 shown on Aqua Volume 2, Schedule Act  
16 11, Zone 9 falls into this category (OCA St. No. 4, p. 8).

17  
18 **Q. DID THE OSBA ALSO RECOMMEND THAT REVENUE FROM ZONE 9  
19 INCREASE MORE THAN PROPOSED BY THE COMPANY?**

20 A. No. The OSBA recommended the same \$2,541,306 increase in revenue for Zone 9  
21 that the Company proposed (OSBA St. 1, BK-4WW). The \$2,541,306 increase is  
22 also shown on I&E Ex. No. 5-R, Sch. 1, line 5, column J.

1 **Q. PLEASE ADDRESS THE OCA AND OSBA REVENUE PROPOSALS.**

2 A. The OCA proposed to increase revenue in Zone 9 more than the Company for the  
3 same reason that I proposed. However, the actual recommendations differ.  
4 Specifically, the OCA increase is \$1,007,122 (\$3,077,711 - \$4,084,833) less than I  
5 proposed (I&E Ex. No. 5-R, Sch. 1, line 5, column F). Since the OCA  
6 recommendation will generate less revenue than I recommended, I recommend that  
7 the OCA proposal be rejected. Also, since the OSBA increase is the same as the  
8 Company proposed increased, I also recommend that the OSBA proposal be  
9 rejected. Neither proposal reduces the subsidy from Aqua water customers to a  
10 reasonable level.

11

12 **Q. IS IT REASONABLE TO LIMIT THE TOTAL REVENUE OF A**  
13 **WASTEWATER SYSTEM TO THE COST OF PROVIDING SERVICE TO**  
14 **THAT SYSTEM?**

15 A. No. Each wastewater system should provide as much revenue as possible to reduce  
16 the total wastewater subsidy coming from Aqua water customers regardless of the  
17 cost of providing service to that zone. This approach is consistent with the  
18 socialization of costs and rate consolidation that is pursued for every public utility in  
19 Pennsylvania. It is more reasonable to recover the revenue shortfall from wastewater  
20 customers in this case since wastewater customers are causing the revenue shortfall.  
21 As described in my direct testimony, in the next case, Zones 7 through 11 can be  
22 grouped into one cost of service study (I&E St. No. 5, p. 66). If this



1 recommendation is approved, Zone 9 will be grouped with Zones 7, 8, 10 and 11 and  
2 no individual subsidy for any of these zones will be determined in the next case.

3  
4 **Q. WHAT ZONE 9 CUSTOMER CHARGE DID YOU RECOMMEND?**

5 A. I recommended that the Zone 9 customer charge increase to \$30.00 per month for all  
6 classes (I&E Ex. No. 5, Sch. 7, p. 1). I recommended this higher customer charge to  
7 generate revenue and move this 5/8<sup>th</sup> inch monthly charge closer towards the  
8 monthly charge in other zones. A higher monthly charge limits the increase in the  
9 usage rate, which results in an average residential bill increase of 56.0% (I&E Ex.  
10 No. 5, Sch. 7, p. 2, line 5).

11  
12 **Q. DID THE OCA ALSO ADDRESS THE ZONE 9 RESIDENTIAL**  
13 **CUSTOMER CHARGE?**

14 A. Yes. The OCA recommends approving the \$28.21 per month residential customer  
15 charge proposed by the Company (OCA St. No. 4, p. 19).

16  
17 **Q. DO YOU OPPOSE THE OCA PROPOSAL TO ESTABLISH A**  
18 **RESIDENTIAL CUSTOMER CHARGE OF \$28.21 PER MONTH?**

19 A. Yes. I believe the Zone 9 customer charge should be \$30.00 per month. This \$30.00  
20 per month customer charge is only \$1.79 per month more than the \$28.21 per month  
21 residential customer charge proposed by the Company and is reasonable considering  
22 that it is lower than the present residential customer charges in Zones 1 through 6,

1 Zone 8, and Zone 11. This minimal increase will move the Zone 9 customer charge  
2 towards the customer charges in other zones.  
3

4 **ZONE 10 – EAST NORRITON AND WHITPAIN**

5 **Q. WHAT INCREASE IN REVENUE DID YOU RECOMMEND FOR ZONE**  
6 **10?**

7 A. I recommended a \$1,528,396 increase in revenue for Zone 10 including late payment  
8 revenue (I&E Ex. No. 5-R, Sch. 1, line 6, column D). The rationale for this increase  
9 is described on I&E St. No. 5, p. 50 and p. 52.  
10

11 **Q. DID THE OCA ALSO PROPOSE THAT REVENUE FROM ZONE 10**  
12 **INCREASE MORE THAN PROPOSED BY THE COMPANY?**

13 A. Yes. The OCA recommended a \$2,787,619 increase in revenue for Zone 10 to  
14 reduce the subsidy Zone 10 will receive from Aqua water customers (OCA St. No. 4,  
15 pp. 9-10). The \$2,787,619 increase is also shown on I&E Ex. No. 5-R, Sch. 1, line 6,  
16 column G.  
17

18 **Q. DID THE OSBA RECOMMEND THAT REVENUE FROM ZONE 10**  
19 **INCREASE MORE THAN PROPOSED BY THE COMPANY?**

20 A. No. The OSBA recommended the same \$1,157,851 increase in revenue for Zone 10  
21 that the Company proposed (OSBA St. 1, BK-4WW). The \$1,157,851 increase is  
22 also shown on I&E Ex. No. 5-R, Sch. 1, line 6, column J.

1 **Q. PLEASE ADDRESS THE OCA AND OSBA REVENUE PROPOSALS.**

2 A. The OCA proposed to increase revenue in Zone 10 more than the Company for the  
3 same reason that I did. However, the actual recommendation differs. Specifically,  
4 the OCA increase is \$1,259,223 (\$1,528,396 - \$2,787,619) more than I proposed  
5 (I&E Ex. No. 5-R, Sch. 1, line 6, column F). Since the OCA recommendation  
6 reduces the subsidy from Aqua water customers more than my recommendation, I do  
7 not oppose the OCA recommendation. However, the OSBA increase is the same as  
8 the Company's proposed increased. Therefore, I recommend that the OSBA  
9 proposal be rejected because it does not reduce the subsidy to a reasonable level.

10

11 **Q. WHAT ZONE 10 CUSTOMER CHARGE DID YOU RECOMMEND?**

12 A. I recommended that the Zone 10 customer charge be increased to \$35.00 per month  
13 for all classes (I&E Ex. No. 5, Sch. 7. p. 1, lines 3, 6, 7 and 8). I recommended this  
14 customer charge to generate revenue and reduce the subsidy from Aqua water  
15 customers. A higher monthly charge limits the necessary increase in the usage rate,  
16 which results in an average residential bill increase of 72.6% for an East Norriton  
17 customers and 99.4% for Whitpain customers (I&E Ex. No. 5, Sch. 7, p. 3, line 5,  
18 and p. 4, line 5).

19

20 **Q. DID THE OCA ALSO ADDRESS THE ZONE 10 RESIDENTIAL**  
21 **CUSTOMER CHARGE?**

22 A. Yes. The OCA recommends a residential customer charge of \$31.00 per month,

1 which is the same charge the OCA proposes in other zones (OCA St. No. 4, p. 19).

2  
3 **Q. DO YOU OPPOSE THE OCA PROPOSAL TO ESTABLISH A**  
4 **RESIDENTIAL CUSTOMER CHARGE OF \$31.00 PER MONTH IN ZONE**  
5 **10?**

6 A. No. I do not oppose the OCA proposal establish \$31.00 per month customer charge  
7 in Zone 10. A residential customer charge of \$31.00 per month customer charge will  
8 benefit zero and low usage customers in a zone where the average bill increase will  
9 be very large. Also, if the Commission accepts this \$31.00 per month residential  
10 customer charge, it should also apply to the commercial class to be fair and to  
11 simplify the rate structure.

12  
13 **Q. DID THE OCA ADDRESS THE COMPANY PROPOSAL TO ESTABLISH A**  
14 **ZONE 10 UNMETERED RATE OF \$58.53 PER MONTH?**

15 A. No. The OCA only addressed the customer charge of \$31.00 per month.

16  
17 **Q. WILL THE \$58.53 PER MONTH UNMETERED RATE BE IMPACTED IF**  
18 **THE COMMISSION ACCEPTS THE OCA PROPOSAL TO ESTABLISH A**  
19 **CUSTOMER CHARGE OF \$31.00 PER MONTH?**

20 A. Yes. If the OCA customer charge recommendation is approved, the \$31.00 customer  
21 charge will impact the unmetered rate of \$58.53 per month unmetered since the  
22 \$58.53 ( $\$32.37 + \$0.654 \times 40$ ) per month is based upon a customer charge of \$32.37

1 per month, a usage rate of \$0.654 per hundred gallons, and a 4,000-gallon average  
2 monthly usage (Aqua Volume 5, Sch. EN-5, p. 1).

3  
4 **Q. WHAT FLAT RATE DO YOU RECOMMEND IF THE COMMISSION**  
5 **ACCEPTS THE OCA RECOMMENDATION TO ESTABLISH A**  
6 **CUSTOMER CHARGE OF \$31.00 PER MONTH?**

7 A. I recommend that the unmetered charge be based upon the final bill for a usage  
8 customer that uses 4,000 gallons per month in Zone 10. This recommendation is  
9 consistent with my recommendation proposed on I&E Ex. 5, Sch. 7, p. 1, lines 4 and  
10 9.

11  
12 **ZONE 11 – NEW GARDEN**

13 **Q. WHAT INCREASE IN REVENUE DID YOU RECOMMEND FOR ZONE**  
14 **11?**

15 A. I recommended a \$1,383,546 increase in revenue for Zone 11 including late payment  
16 revenue (I&E Ex. No. 5-R, Sch. 1, line 7., column D). The rationale for this increase  
17 is described on I&E St. No. 5, pp. 55.

18  
19 **Q. DID THE OCA ALSO RECOMMEND THAT REVENUE FROM ZONE 11**  
20 **INCREASE MORE THAN PROPOSED BY THE COMPANY?**

21 A. Yes. The OCA recommended a \$1,795,825 increase in revenue for Zone 11 to  
22 reduce the subsidy Zone 11 will receive from Aqua water customers (OCA St. No. 4,

1 pp. 9-10). The \$1,795,825 increase is also shown on I&E Ex. No. 5-R, Sch. 1, line 7,  
2 column G.

3  
4 **Q. DID THE OSBA RECOMMEND THAT REVENUE FROM ZONE 11**  
5 **INCREASE MORE THAN PROPOSED BY THE COMPANY?**

6 A. Yes. The OSBA recommended a \$2,142,222 increase in revenue from Zone 11 so  
7 that the increase is 2 times the system average percentage increase or 74.6% (OSBA  
8 St. 1, p. 16, and BK-4WW, line 6). The \$2,142,222 increase is also shown on I&E  
9 Ex. No. 5-R, Sch. 1, line 7, column J.

10  
11 **Q. PLEASE ADDRESS THE OCA REVENUE PROPOSAL.**

12 A. The OCA proposed to increase revenue in Zone 11 more than the Company for the  
13 same reason that I did. However, the actual recommendation differs. Specifically,  
14 the OCA increase is \$412,279 (\$1,383,546 - \$1,795,825) more than I proposed (I&E  
15 Ex. No. 5-R, Sch. 1, line 7, column F). Since the OCA recommendation reduces the  
16 subsidy from Aqua water customers more than my recommendation, I do not oppose  
17 the OCA recommendation.

18  
19 **Q. WHAT ZONE 11 RESIDENTIAL CUSTOMER CHARGE DID YOU**  
20 **RECOMMEND?**

21 A. As described above, I recommended that the Zone 11 residential customer charge be  
22 increased to \$63.00 per month for the residential class (I&E Ex. No. 5, Sch. 8. p. 1,

1 line 1). I recommended this residential customer charge to generate revenue and  
2 reduce the subsidy from Aqua water customers. A higher monthly charge limits the  
3 increase in the usage rate which results in an average residential bill increase of  
4 79.8% for New Garden customers (I&E Ex. No. 5, Sch. 8, p. 2, line 5).

5  
6 **Q. DID THE OCA ALSO ADDRESS THE ZONE 11 RESIDENTIAL**  
7 **CUSTOMER CHARGE?**

8 A. Yes. The OCA recommends a monthly residential customer charge of \$37.64 per  
9 month (OCA St. No. 4, p. 20).

10  
11 **Q. BASED UPON THE OCA'S CONCERNS, DO YOU WISH TO MODIFY**  
12 **YOUR ZONE 11 RESIDENTIAL CUSTOMER CHARGE**  
13 **RECOMMENDATION?**

14 A. Yes. I wish to revise my original recommendation and recommend that the present  
15 residential customer charge be increased to \$43.00 per month rather than the \$63.00  
16 per month I originally proposed. This \$43.00 per month customer charge equates to  
17 an increase of \$5.36 per month or 14.2% over the present residential customer charge  
18 of \$37.64 per month (I&E Ex. 5-R, Sch. 2, line 1). This revised recommendation  
19 will result in a customer charge that is closer to the residential customer charge of  
20 \$37.64 per month recommended by the OCA, will generate more revenue than the  
21 OCA proposed customer charge, and will keep the average bill closer to the average  
22 bill I originally proposed.

1 **Q. BASED UPON THE OCA'S CONCERNS, DO YOU ALSO WISH TO**  
2 **MODIFY YOUR ZONE 11 COMMERCIAL CUSTOMER CHARGE**  
3 **RECOMMENDATION?**

4 A. Yes. I wish to revise my original recommendation and recommend that the present  
5 residential commercial charge be increased to \$60.20 per month rather than the  
6 \$88.20 per month I recommended in direct testimony. The present commercial  
7 Group 1 customer charge is \$52.71 per month and the proposed customer charge of  
8 \$60.20 per month equates to an increase of \$7.49 per month or 14.2%. The 14.2%  
9 increase is the same percentage increase I recommend for the Zone 11 residential  
10 customer charge (I&E Ex. No. 5-R, Sch. 2, p. 1, lines 1-3).

11  
12 **Q. DID YOU ALSO INCREASE THE USAGE RATES TO RECOVER THE**  
13 **REVENUE NOT RECOVERED IN THE CUSTOMER CHARGES?**

14 A. Yes. To recover the same \$1,383,546 increase that I originally proposed, the  
15 residential usage rates applicable to usage up to 5,000 gallons per month will need to  
16 be increased to \$2.200 per hundred gallons and all usage over 5,000 gallons per  
17 month will need to be increased to \$3.1626 per hundred gallons (I&E Ex. No. 5-R,  
18 Sch. 2, p; 1, column F). These changes increase the bill for an average residential  
19 customer from \$68.48 to \$129.19 per month which is an increase of \$55.92 per  
20 month or 81.7% (I&E Ex. No. 5-R, Sch. 2, p. 2, line 5). This \$124.39 per month  
21 average bill is higher than the \$123.12 per month average bill I originally proposed  
22 but is reasonable given the lower percentage increase in the customer charge



1 applicable to zero usage customers. I also increased the proposed commercial usage  
2 rates to the level shown on I&E Ex. No. 5-R, Sch. 2, p. 2, lines 13-18.

3  
4 **Q. PLEASE ADDRESS THE OSBA REVENUE PROPOSAL.**

5 A. The OSBA proposed to increase revenue in Zone 11 more than the Company to  
6 comply with a prior commitment. Specifically, the OSBA increase is \$758,676  
7 (\$1,383,546 - \$2,142,222) more than I proposed (I&E Ex. No. 5-R, Sch. 1, line 7,  
8 column I).

9  
10 **Q. DOES YOUR REVISED PROPOSED CUSTOMER CHARGE, USAGE**  
11 **RATE AND ELIMINATION OF THE USAGE ALLOWANCE GENERALLY**  
12 **ACHIEVE THE GOAL OF THE OSBA?**

13 A. Yes. As described above, my proposed customer charge of \$43.00 per month, and a  
14 usage rate of \$2.20 per hundred gallons for the first 5,000 gallons of usage results in  
15 an average bill of \$124.39 per month. The 81.7% increase in the average residential  
16 bill is slightly more than the 74.6% increase the OSBA recommended for Zone 11.  
17 Therefore, my rates and proposed revenue should be approved. However, if the  
18 Commission determines that the usage allowance should not be eliminated, the  
19 OSBA revenue proposal is acceptable.

1 **SCALE BACK OF RATES**

2 **Q. DID YOU DISCUSS THE SCALE BACK OF WASTEWATER RATES IF**  
3 **THERE IS A SUBSIDY BEING PROVIDED FROM AQUA WATER**  
4 **CUSTOMERS TO WASTEWATER CUSTOMERS?**

5 A. Yes. Until the total wastewater subsidy is eliminated, wastewater rates should not be  
6 scaled back. To determine if there remains any subsidy, I recommended the  
7 Company recalculate the subsidies and determine the total wastewater subsidy after  
8 the Commission order is entered in this case. The reasons I made this  
9 recommendation are stated in my direct testimony (I&E St. No. 5, p. 63-64).

10

11 **Q. DID THE OCA ADDRESS SCALING BACK WASTEWATER RATES?**

12 A. Yes. As I understand the OCA proposal, the OCA recommended that wastewater  
13 rates within a zone be scaled back if the proposed revenue exceeds the cost of  
14 providing service in that zone (OCA St. No. 4, pp. 10-11).

15

16 **Q. DID THE OSBA ADDRESS SCALING BACK WASTEWATER RATES?**

17 A. Yes. As I understand the OSBA proposal, the OSBA recommended that wastewater  
18 rates not be scaled back. Instead, the OSBA recommended that any scale back be  
19 applied to water rates and revenue only (OCA St. No. 1, p. 19 and KB-7W).

1 **Q. SHOULD THE OCA SCALE BACK RECOMMENDATION BE**  
2 **APPROVED?**

3 A. No. As stated in my direct testimony, wastewater rates should not be scaled back  
4 unless the total wastewater subsidy is eliminated. This will ensure that the subsidy  
5 being provided to wastewater customers from water customers is as minimal as  
6 possible (I&E St. No. 5, pp. 63-64).

7  
8 **Q. SHOULD THE OSBA SCALE BACK RECOMMENDATION BE**  
9 **APPROVED?**

10 A. Yes, as long as there is any subsidy from Aqua water customers to wastewater  
11 customers, the scale back should only apply to water. However, as stated in my  
12 direct testimony, if the revenue increase granted by the Commission results in the  
13 elimination of wastewater subsidy, some scale back should be applied to the  
14 wastewater systems (I&E St. No. 5. pp. 63-64).

15  
16 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

17 A. Yes.