

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

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

AQUA PENNSYLVANIA, INC.

&

AQUA PENNSYLVANIA WASTEWATER, INC.

Docket Nos. R -2021-3027385 & R-2021-3027386

Surrebuttal Testimony

of

Joseph Kubas

Bureau of Investigation and Enforcement

Concerning:

**Overall Act 11 Revenue, Wastewater
Present Rate Revenue, Late Payment Revenue
Proposed Revenue, Tariff Zones
Rate Structure, Revenue Shortfall
Cost of Service Studies Scaleback of Rates**

TABLE OF CONTENTS

INTRODUCTION..... 2

ACT 11 - RATE STRUCTURE AND REVENUE SUMMARY 2

ZONES 1-6 SUMMARY 8

ZONE 3 – WOODLOCH SPRINGS - COMMERCIAL..... 11

ZONE 6 - MASTHOPE 12

ZONES 7-11 SUMMARY 17

ZONE 7 - LIMERICK 18

ZONE 8 – EAST BRADFORD RESIDENTIAL AND COMMERCIAL..... 18

ZONE 9 - CHELTENHAM..... 21

ZONE 10 – EAST NORRITON AND WHITPAIN 22

ZONE 11 – NEW GARDEN 23

THIRD PARTY SALES 25

OTHER OPERATING REVENUE –
PRESENT RATE LATE PAYMENT REVENUE 27

OTHER OPERATING REVENUE –
PROPOSED RATE LATE PAYMENT REVENUE..... 28

SCALE BACK OF RATES 30

TARIFF ZONES 31

COST OF SERVICE STUDIES 32

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 THE SUBMITTED DIRECT**
6 **TESTIMONY IN THIS CASE ON NOVEMBER 10, 2021 AND REBUTTAL**
7 **TESTIMONY ON DECEMBER 2, 2021?**

8 A. Yes.

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

11 A. The purpose of my surrebuttal testimony is to correct and update the I&E wastewater
12 subsidy spreadsheet, address the rebuttal testimony submitted on behalf of Aqua
13 Pennsylvania, Inc's – Wastewater (Aqua or Company) by William C. Packer (Aqua St.
14 1-R), Erin M. Feeney (Aqua St. 2-R, and Constance C. Hepenstall, (Aqua St, No. 5-R).
15 I will also address the rebuttal testimony submitted on behalf of the Office of Small
16 Business Advocate (OSBA) by Brian Kalcic, (OSBA St. 1R) and the rebuttal testimony
17 submitted on behalf of the Masthope Mountain Community Association (MMCA) by
18 Robert A. Rosenthal (MMCA St. 2-R)

19
20 **Q. DOES YOUR SURREBUTTAL TESTIMONY INCLUDE AN EXHIBIT?**

21 A. Yes. I&E Exhibit No. 5-SR contains schedules relating to my surrebuttal testimony.

1 **INTRODUCTION**

2 **Q. PLEASE DESCRIBE THE FILING.**

3 A. On August 20, 2021, Aqua filed a combined water and wastewater base rate case. The
4 total increase of approximately \$97,685,000 is comprised of an increase in water
5 revenue of approximately \$86,100,000, and an increase in wastewater revenue of
6 approximately \$11,585,000 (Aqua Volume 1, Sch. Act 11).

7
8 **Q. HOW MANY DIFFERENT WASTEWATER ZONES DOES AQUA HAVE AND
9 DO THE RATES VARY BY RATE ZONE?**

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

13
14 **Q. DID YOU GENERALLY AGREE WITH THE CONTINUATION OF RATE
15 ZONES?**

16 A. Yes, given the wide variety of present wastewater rates, I determined Aqua's proposal to
17 continue the various rate zones is reasonable. However, I recommended some changes
18 should be made to the proposed rates as described below.

19
20 **ACT 11 - RATE STRUCTURE AND REVENUE SUMMARY**

21 **Q. DID YOU COMPILE A SUMMARY THAT SHOWS THE REVENUE IMPACT
22 OF BOTH THE COMPANY'S AND I&E'S RATE STRUCTURE
23 RECOMMENDATIONS?**

24 A. Yes. A summary of the Company's and the I&E wastewater revenue recommendations

1 described below was provided on I&E Ex. No. 5, Sch. 1.

2
3 **Q. DID THE COMPANY REVISE THE PRESENT WASTEWATER REVENUE**
4 **THAT WILL IMPACT I&E EXHIBIT NO. 5, SCHEDULE 1, PAGE 4, AND**
5 **OTHER SCHEDULES IN YOUR DIRECT TESTIMONY?**

6 A. No. The Company did not change the present rate revenue of \$19,011,713 for Zones 1
7 through 6.

8
9 **Q. DID THE COMPANY REVISE THE PROPOSED WASTEWATER REVENUE**
10 **THAT WILL IMPACT I&E EXHIBIT NO. 5, SCHEDULE 1, PAGE 4, AND**
11 **OTHER SCHEDULES IN YOUR DIRECT TESTIMONY?**

12 A. Yes. The Company increased the Woodloch Springs proposed revenue by \$3,434 and
13 the third-party sales proposed revenue by \$67,958 (Aqua St. No. 5-R, p. 3). Applying
14 the billing factors to each adjustment increases the \$22,458,158 originally proposed by a
15 total of \$71,328 and results in a proposed revenue for Zones 1 through 6 of \$22,556,486
16 (Aqua Ex. 5-RB, Sch 1).

17
18 **Q. DO YOU ACCEPT THE FIRST REVISION TO WOODLOCH SPRINGS**
19 **UNDER PROPOSED RATES?**

20 A. Yes. I accept the concept of changing the Woodloch Springs rate structure, but as
21 described below, I recommend a slightly higher unmetered monthly charge for
22 Woodloch Springs commercial customers.

1 **Q. DO YOU ACCEPT THE SECOND REVISION TO THIRD PARTY SALES**
2 **UNDER PROPOSED RATES?**

3 A. Yes. The Company's revision to the proposed revenue from Southdown Homes is
4 acceptable. I describe why it is acceptable below.

5
6 **Q. DID YOU COMPILE A REVISED SUMMARY THAT SHOWS THE TOTAL**
7 **WASTEWATER REVENUE AND REMAINING SUBSIDY THAT REFLECTS**
8 **THE COMPANY REVISIONS AND YOUR REVISIONS?**

9 A. Yes. A summary of the Company's revenue recommendation and the wastewater
10 revenue that I recommend is attached as I&E Ex. No. 5-SR, Sch. 1, p. 1.

11
12 **Q. DID AQUA PROPOSE TO SHIFT SOME OF THE WASTEWATER REVENUE**
13 **REQUIREMENT FROM WASTEWATER CUSTOMERS TO WATER**
14 **CUSTOMERS IN THIS FILING?**

15 A. Yes. In its filing, the Company proposes that its wastewater operations receive a
16 \$20,839,425 subsidy from its water operations (Aqua Ex. 1-A, Schedule Act 11). This
17 amount was reduced slightly to \$20,818,925 in the Company's rebuttal testimony as a
18 result of changes to the wastewater revenue under proposed rates (Aqua Ex. 1-A(a)
19 Schedule Act 11).

20
21 **Q DID YOU RECOMMEND THE \$20,839,425 SUBSIDY TO WASTEWATER BE**
22 **REDUCED?**

23 A. Yes. I recommended a \$5,072,876 reduction to the subsidy needed to operate the
24 wastewater systems (I&E Ex. No. 5, Sch. 1, p. 1, column K, line 17).

1 **Q. DID THE COMPANY ADDRESS YOUR TESTIMONY THAT THE SUBSIDY**
2 **SHOULD BE REDUCED?**

3 A. Yes. Aqua witness William C. Packer addressed the OCA recommendation and my
4 recommendation together as both being between \$9 and \$10 million and disagrees with
5 this reduction for various reasons. First, he believes that the Company's proposal to
6 allocate 30% of the cost of operating wastewater systems to water customers is
7 reasonable. Second, he believes that since many of the systems were recently acquired,
8 they should be subsidized, and the rates increased gradually. Third, he believes my
9 testimony implies that the municipalities believed that cost of acquiring these systems
10 would be borne by existing customers, and they were not properly informed of the rate
11 implications. Fourth, he believes the customers had ample opportunity to address future
12 rate increases when the systems were acquired. Sixth, he believes that I stated that the
13 same allocation made in prior cases will be indefinitely applied (Aqua St. 1-R, pp. 23-
14 25).

15
16 **Q. IS AQUA'S TESTIMONY THAT YOUR RECOMMENDATION IS TO**
17 **REDUCE THE WASTEWATER SUBSIDY BY \$9 OR \$10 MILLION**
18 **CORRECT?**

19 A. No. Aqua's summary of my recommendation is incorrect. My recommendation was to
20 reduce the subsidy by approximately \$5 million before reflecting all I&E adjustments
21 (I&E Ex. No. 5, Sch. 1, p. 1 column D, line 18, and St. No. 5, p. 6, line 4).

1 **Q. DID AQUA ADEQUATELY SUPPORT ITS POSITION THAT ALLOCATING**
2 **30% OF THE COST OF OPERATING WASTEWATER SYSTEMS TO WATER**
3 **CUSTOMERS IS REASONABLE?**

4 A. No. Aqua only states that the 30% is reasonable without any support. Aqua failed to
5 address my testimony that addressed the unfairness of any subsidy to wastewater
6 customers that I described on I&E St. No. 5, pp. 4-8.

7
8 **Q. DO YOU AGREE WITH AQUA THAT SINCE MANY OF THESE SYSTEMS**
9 **WERE RECENTLY ACQUIRED, THE COMMISSION SHOULD LIMIT THE**
10 **INCREASE THAT SHOULD BE RECOVERED FROM THESE SYSTEMS?**

11 A. No. It is not clear what systems Aqua is referring to, for the systems in Zones 1 through
12 6, many were acquired over 10 years ago. The systems in Zones 7 through 11 were
13 acquired since the last base rate case. However, some of these systems have rates lower
14 than the present rates in Zones 1 through 6. It is unfair to keep these rates artificially
15 lower than the rates of existing customers. Therefore, there is no justification for
16 limiting the increase to newly acquired system and shifting the burden to existing
17 customers. This comparison provides more support for increasing the rates in newly
18 acquired systems if the rates are lower than the rates in existing systems.

19
20 **Q. DID YOU IMPLY THAT THE MUNICIPALITIES BELIEVED THE COST OF**
21 **ACQUIRING THESE SYSTEMS WOULD ONLY BE BORNE BY OTHER**
22 **RATEPAYERS AND THEY WERE NOT PROPERLY INFORMED?**

23 A. No. It is not clear what point Aqua is trying to make, but I did not imply that the

1 municipalities believed that Aqua's cost of acquiring the systems would only be borne
2 by existing customers. It was Aqua, not the municipalities, that limited the increases in
3 this case. What the municipalities believed the increase would be in a rate case is
4 unknown by me and not relevant in this case. I worked on all the Aqua 1329
5 Applications and in many Applications, the municipalities were eager to sell the systems
6 in exchange for all the benefits they would receive in spite of the inevitable future rate
7 increase.

8
9 **Q. DOES THE COMPANY'S CLAIM THAT CUSTOMERS HAD AMPLE**
10 **OPPORTUNITY TO ADDRESS RATES WHEN THE APPLICATION WAS**
11 **FILED SUPPORT ITS RECOMMENDATION TO LIMIT THE INCREASE TO**
12 **WASTEWATER SYSTEMS?**

13 A. No. I believe this statement supports my recommendation more than Aqua's proposal to
14 limit the increase to wastewater customers. I will agree that the customers were
15 informed that rates would increase, in some cases by large amounts. And, in most cases,
16 the municipal customers expressed their concerns when they were notified during the
17 Application process to expect large rate increases.

18
19 **Q. IS THE COMPANY'S CLAIM CONCERNING PRIOR ALLOCATIONS**
20 **VALID?**

21 A. No. It's not clear to what statement Aqua is referring. I do not testify that an allocation
22 made in a prior case should be continued indefinitely. My recommendation is designed
23 to reduce the subsidy in this case by increasing certain specific rates in this case. In the

1 last case, Aqua proposed wastewater receive a subsidy of approximately \$8 million
2 (I&E Ex. No. 5-SR, Sch. 4). Three years later in this case, the proposed subsidy has
3 increased to approximately \$20.8 million (Aqua 1-A(a) water Schedule Act 11).

4 Therefore, it makes no sense to continue the allocation indefinitely, but instead to reduce
5 the subsidy in each case to limit the subsidy in future cases.

6
7 **Q. DID THE COMPANY PROVIDE ANY VALID RATIONALE FOR NOT**
8 **REDUCING THE \$20.8 MILLION SUBSIDY?**

9 A. No. I don't consider the arbitrary 30% target as a valid rationale. For the reasons stated
10 above, and in my direct testimony and in the remainder of this surrebuttal testimony, the
11 \$20.8 million subsidy should be reduced to the level that I recommend.

12
13 **Q. DID YOU COMPILE A REVISED SUMMARY THAT SHOWS THE OVERALL**
14 **I&E REVENUE INCREASE AND ACT 11 ALLOCATION?**

15 A. Yes. A summary of the Company's revenue recommendation and the I&E overall
16 revenue recommendation, which incorporates the adjustments of other I&E witnesses is
17 shown on I&E Ex. No. 5-SR, Sch. 1, p. 3.

18
19 **ZONES 1-6 SUMMARY**

20 **Q. DID THE COMPANY PROVIDE A COST OF SERVICE STUDY (COSS) TO**
21 **DETERMINE THE COST OF PROVIDING WASTEWATER SERVICE IN**
22 **ZONES 1 THROUGH 6?**

23 A. Yes. The Company provided one COSS for Zones 1-6 (Aqua Volume 5, Ex. 5-B, Part
24 D).

1 **Q. DO THE PROPOSED REVENUES FROM ZONES 1 THROUGH 6 RECOVER**
2 **THE ENTIRE COST OF PROVIDING WASTEWATER SERVICE TO THESE**
3 **ZONES?**

4 A. No. The revenue shortfall for Zones 1-6 is approximately \$13.452 million (Aqua
5 Volume 5, Exhibit 5-A, Part 1, Sch. A-WW, column 3).

6
7 **Q PLEASE SUMMARIZE YOUR RECOMMENDATIONS IN ZONES 1**
8 **THROUGH 6.**

9 A. My goal was to reduce the \$13.452 million subsidy needed to operate these
10 wastewater zones. The average bill is lower in Zones 1 and 6 than it is for Zones 2
11 through 5. Therefore, as described below, I propose that the average bill in Zones 1
12 and 6 increase a greater percentage than the average bills in Zones 2 through 4. With
13 respect to Zone 5, I have accepted the Company's proposed rates. I made these
14 recommendations because under one COSS for Zones 1 through 6, there is no
15 justification for such a wide variety in rates and the corresponding average bills.

16
17 **Q DID THE COMPANY ADDRESS YOUR RECOMMENDATION**
18 **CONCERNING THE RATES IN ZONES 1 THROUGH 6?**

19 A. Yes. The Company believes the rates I propose result in "rate shock" and should not
20 be approved (Aqua St. No. 5-R, p. 21).

1 **Q DID THE COMPANY DEFINE RATE SHOCK OR DESCRIBE WHAT**
2 **SPECIFIC RATE SHOCK CONCERNS IT HAD?**

3 A. No.

4
5 **Q ALTHOUGH THE COMPANY DID NOT PROVIDE A DEFINITION, IS**
6 **THERE ANY OTHER WAY TO DETERMINE WHAT PERCENTAGE**
7 **INCREASE THE COMPANY FINDS TO BE REASONABLE AND DOES NOT**
8 **CONSTITUTE RATE SHOCK?**

9 A. A good rule of thumb to evaluate the Company's rate shock definition would be to
10 determine the largest percentage increase proposed by the Company. The largest
11 increase the Company proposed in this proceeding is in Zone 7 where the Company
12 proposed the average residential customer receive an increase of 86.7% (Aqua
13 Volume 5, Exh. 5-B, Part II, Sch. WW-5, p. 16). It would be reasonable to assume
14 that the Company would then have to agree that anything less than an 86.7% increase
15 could not constitute rate shock.

16

17 **Q WITH THIS 86.7% INCREASE AS THE MAXIMUM AVERAGE BILL**
18 **INCREASE, IS THE COMPANY'S CLAIM THAT YOUR RATES RESULT IN**
19 **RATE SHOCK VALID?**

20 A. No. The average bill increases that I propose in Zone 1 through Zone 6 are less than
21 the 86.7% increase the Company proposed in Zone 7; therefore, the rates and
22 corresponding average bills in Zones 1 through Zone 6 that I propose are reasonable.

1 **Q WHAT DO YOU RECOMMEND CONCERNING THE RATES IN ZONES 1**
2 **THROUGH 6?**

3 A. I recommend that all rates that I recommended in direct testimony be approved with
4 the exception of the Woodloch Spring rates described below.

5
6 **ZONE 3 – WOODLOCH SPRINGS - COMMERCIAL**

7 **Q. WHAT RATE STRUCTURE AND RATES DID AQUA PROPOSE FOR THE**
8 **ZONE 3 – WOODLOCH SPRINGS CUSTOMERS?**

9 A. In the original filing, Aqua proposed the Zone 3 - Woodloch Spring commercial
10 customers rates at \$356.40 per month and a usage rate of \$0.1515 per hundred gallons.
11 This would have produced \$11,115 in proposed revenue (Aqua Volume 5, Ex. 5-N, Part
12 II, Sch. WW-5, p. 9).

13
14 **Q. DID AQUA CORRECT THE RATE STRUCTURE AND RATES FOR THE**
15 **ZONE 3 – WOODLOCH SPRINGS CUSTOMERS?**

16 A. Yes. After the original filing, Aqua determined the proof of revenue for Zone 3 -
17 Woodloch Springs was incorrect. Therefore, in rebuttal testimony, Aqua corrected the
18 rate structure to reflect how these customers are actually charged. The correct rate
19 structure is based upon Equivalent Dwelling Unit (EDU) billing. The proposed rate for
20 the 144 EDU's is \$101.03 per month with no usage charge. This will produce \$14,548
21 in proposed revenue (Aqua Exhibit 5R-B, Sch. WW-5, p. 9).

1 **Q. DO YOU ACCEPT THE CORRECTED RATE STRUCTURE SHOWN BY THE**
2 **COMPANY AND THE PROPOSED RATE?**

3 A. I accept the proposed rate structure based upon an EDU. However, I recommend that
4 the monthly unmetered charge be increased to \$109.00 per month. This \$109.00 per
5 EDU is the same \$109.00 unmetered charge I propose for other Zone 3 customers (I&E
6 Ex. No. 5, Sch. 4, column F, lines 3-4). This revised recommendation produces \$2,764
7 more revenue than I originally proposed for Zone 3 – Woodloch Springs (I&E Ex No. 5-
8 SR, Sch. 2, line 12).

9
10 **Q. WHERE DID YOU REFLECT THE \$2,764 OF ADDITIONAL COMMERCIAL**
11 **REVENUE FROM THIS REVISION?**

12 A. The additional \$2,764 in proposed revenue is included in the \$5,365,264 of proposed
13 commercial revenue on I&E Ex. No. 5-SR, Sch. 1, p. 1, column H, line 2).

14
15 **ZONE 6 - MASTHOPE**

16 **Q. WHAT PRESENT RATES DO CUSTOMERS IN ZONE 6 CURRENTLY PAY?**

17 A. The present Zone 6 rates are shown on I&E Ex. No. 5, Sch. 5, p. 1, column B, lines 13-
18 19 (Aqua Volume 5, Ex. 5-B, Part II, Sch. WW-5, p. 13, column 4).

19
20 **Q. DID THE COMPANY PROPOSE TO INCREASE THE PRESENT CUSTOMER**
21 **CHARGE, FLAT RATE, AND USAGE RATES IN ZONE 6?**

22 A. Yes. The proposed Zone 6 rates are shown on I&E Ex. No. 5, Sch. 5, p. 1, column D,
23 lines 13-19 (Aqua Volume 5, Ex. 5-B, Part II, Sch. WW-5, p. 13, column 6).

1 **Q. WHAT IS THE AVERAGE INCREASE TO A RESIDENTIAL CUSTOMER IN**
2 **ZONE 6 UNDER THE COMPANY’S PROPOSED RATES?**

3 A. The bill for an average Residential customer in Zone 6 will increase from \$45.51 per
4 month to \$54.77 per month, which is an increase of \$9.27 per month or 20.4% (Aqua
5 Volume 5, Ex. 5-B, Part II, Sch. WW-7, p. 15).

6
7 **Q. WHAT RATES DID YOU RECOMMEND FOR ZONE 6 CUSTOMERS?**

8 A. My recommended rates for Zone 6 customers are listed on I&E Ex. No. 5, Sch. 5, p. 1,
9 column F, lines 13-19. How I determined these rates and the justification for increasing
10 these rates is described on I&E St. No. 5, pp. 33-34.

11
12 **Q. WHAT INCREASE WILL THE AVERAGE RESIDENTIAL CUSTOMER IN**
13 **ZONE 6 EXPERIENCE UNDER YOUR PROPOSAL?**

14 A. The bill for an average Residential customer in Zone 6 will increase from \$45.51 per
15 month to \$65.82 per month, which is an increase of \$20.31 per month or 44.6% (I&E
16 Ex. No. 5, Sch. 5, p. 2, line 5).

17
18 **Q. DID MMCA ADDRESS YOUR RECOMMENDATION TO INCREASE RATES**
19 **IN ZONE 6?**

20 A. Yes. MMCA believes that the increase that I proposed for Zone 6 is particularly
21 excessive and burdensome on Masthope customers and the increase should be held to
22 the increase originally proposed by Aqua. First, MMCA states that the 53% target
23 increase is double the 26.4% proposed by Aqua. Second, MMCA believes that the

1 proposed 160% usage rate increase is onerous. Third, MMCA believes that the usage
2 rate increase will greatly impact Commercial customers. Fourth, MMCA believes that
3 my proposed rate structure will put a greater amount of Aqua's revenue at risk. MMCA
4 goes on to state that most customers are seasonal and use less than the average of other
5 customers (MMCA St No. 2-R, pp. 2-4).

6
7 **Q. DO YOU AGREE THAT YOUR PROPOSED ZONE 6 RATES ARE**
8 **EXCESSIVE OR BURDENSOME?**

9 A. No. The present average bill for a Zone 6 customer is \$45.51 per month (I&E Ex. No. 5,
10 Sch. 5, p. 2, line 5). This is the lowest average residential bill of any customer in Zone 1
11 through 6. Therefore, in order to consolidate rates in Zones 1 through 6, and be fair to
12 customers in the other zones, the average residential bill in Zone 6 must be increased
13 more than average. Another factor is the actual increase proposed for Zone 6 relative to
14 my other rate proposals. Comparing the \$20.31 per month increase in the average
15 residential bill for a Zone 6 residential customer that I proposed to the \$20.74 per month
16 average increase to a Zone 1 residential customer that I proposed, shows the \$20.31
17 increase is almost identical and reasonable (I&E Ex. No. 5, Sch. 2, p. 2, line 5, and Sch.
18 5, p. 5, line 5). Another valid comparison is the proposed average bill. Comparing the
19 Company's proposed \$74.61 per month average bill for a Zone 1 residential customer to
20 the \$65.82 per month average bill that I proposed for a Zone 6 residential customer
21 shows that my proposed average bill of \$65.82 per month for an average residential
22 Zone 6 customer is reasonable (I&E Ex. No. 5, Sch. 5, p. 2, line 5).

1 **Q. WHERE DID YOU DESCRIBE THE MAXIMUM INCREASE OF 53%?**

2 A. I described how the average bill increases for Zone 1-6 customers are no more than 53%
3 (I&E St. No. 5, p. 10).

4
5 **Q. IS THE MMCA' S CONCERN ABOUT A TARGET INCREASE OF 53%**
6 **VALID FOR ZONE 6?**

7 A. No. The bill for an average Zone 6 customer will increase from \$45.51 per month to
8 \$65.82 per month which equates to an increase of \$20.31 per month or only 44.6% (I&E
9 Ex. No. 5, Sch. 5, p. 2, line 5). Since the increase that I proposed is less than the target
10 increase of 53%, the 44.6% increase that I propose for Zone 6 is reasonable. Finally, the
11 44.6% increase to the average Zone 6 customer's bill is reasonable given it is less than
12 the maximum 86.7% the Company believed to be reasonable and not constitute "rate
13 shock".

14
15 **Q. DOES IT MATTER THAT THE AVERAGE INCREASE YOU PROPOSE IS**
16 **MORE THE COMPANY PROPOSED?**

17 A. No. The Commission can establish any rate it deems reasonable. All proposed rates are
18 subject to revision and are ultimately established by the Commission regardless of the
19 customer notice.

20
21 **Q. SHOULD THE COMMISSION BE CONCERNED ABOUT YOUR PROPOSAL**
22 **TO INCREASE THE USAGE RATE 160%?**

23 A. No. Ordinarily, the higher percentage increase would be a concern, but the present Zone

1 6 usage rate is only \$0.100 per hundred gallons. Given this low current usage rate, I
2 appropriately proposed that this \$0.100 per hundred gallons be increased by \$0.16 per
3 hundred gallons to \$0.260 per hundred gallons. The \$0.16 per hundred-gallon increase
4 is less than the \$0.1998 per hundred gallon increase the Company proposed for Zone 1.
5 Therefore, the \$0.16 per hundred-gallon increase that I propose for Zone 6 does not keep
6 up with the increase proposed in Zone 1, thus continuing the inequity in the usage rates,
7 but to a lesser degree than the Company.

8
9 **Q. SHOULD THE COMMISSION BE CONCERNED ABOUT THE HIGHER-**
10 **THAN-AVERAGE INCREASE THE COMMERCIAL CUSTOMERS WILL**
11 **EXPERIENCE?**

12 A. No. Ordinarily, the high percentage increase would be a concern. However, the average
13 Commercial customer uses 63,647 gallons per month (6,111,800 gallons / 96 bills Aqua
14 Volume V, Sch. WW-5, p. 13) and the average bill will increase from \$108.45 to
15 \$221.68 per month under my rate structure proposal (I&E Ex. No. 5-SR, Sch. 3, column
16 D, line 18). If this same commercial customer paid the Company's proposed Zone 1
17 rates, the customer would pay \$540.45 per month under present rates and \$649.98 per
18 month under proposed rates (I&E Ex. No. 5-SR, Sch. 3, column I, line 18). Based upon
19 this comparison, the increase in Zone 6 rates that I recommended are also reasonable for
20 Zone 6 commercial customers.

1 **Q. DOES MMCA’S CLAIM THAT THERE ARE MANY SEASONAL**
2 **CUSTOMERS MATTER?**

3 A. No. However, the percentage increase is lower for low usage customers. For example,
4 the bill for a customer that uses 1,000 gallons per month will increase from \$42.67 per
5 month to \$58.80 per month which equates to an increase of \$16.13 per month or 37.8%
6 (I&E Ex. No. 5, Sch. 5, p. 2, line 2). This \$58.80 per month bill is lower than other
7 customer bills at 1,000 gallons in Zones 3 through 5 as proposed by the Company.

8
9 **Q. PLEASE SUMMARIZE YOUR TESTIMONY ADDRESSING MMCA’S**
10 **REBUTTAL TESTIMONY.**

11 A. MMCA failed to show how the Zone 6 rates that I propose are excessive or burdensome
12 when compared to the rates and average bills in other zones, or why Zone 6 rates should
13 not be increased. MMCA failed to address my testimony that rates in Zones 1 through 6
14 should eventually be consolidated since these zones are included in one Cost of Service
15 Study. My analysis shows the proposed rates and average bills for Zone 6 customers are
16 reasonable. Therefore, my proposed Zone 6 rates should be approved.

17

18 **ZONES 7-11 SUMMARY**

19 **Q. DO RATE ZONES 7-11 INCLUDE THE SYSTEMS RECENTLY ACQUIRED**
20 **UNDER SECTION 1329 OF THE PENNSYLVANIA PUBLIC UTILITY CODE?**

21 A. Yes. The acquired systems include Limerick, East Bradford, Cheltenham, East
22 Norriton, and New Garden. The Limerick system became Zone 7, the East Bradford
23 system became Zone 8, the Cheltenham system became Zone 9, the East Norriton

1 System became Zone 10, and the New Garden System became Zone 11. I will address
2 each rate zone below.

3

4 **ZONE 7 - LIMERICK**

5 **Q. WHEN DID AQUA ACQUIRE THE LIMERICK SYSTEM?**

6 A. Aqua acquired the Limerick system on July 26, 2018, at Docket A-2017-2605434.

7

8 **Q. WHAT RATES DID YOU RECOMMEND FOR THE ZONE 7 CUSTOMERS?**

9 My recommended rates for Zone 7 customers are listed on I&E Ex. No. 5, Sch. 6, p. 1,
10 column F, lines 1-7.

11

12 **Q. DID THE COMPANY ADDRESS YOUR ZONE 7 RATE
13 RECOMMENDATION?**

14 A. Yes. The Company stated that it did not oppose my rate proposal in Zone 7 (Aqua St.
15 No. 5-R, p. 22). Therefore, the rates I recommend for Zone 7 should be approved.

16

17 **ZONE 8 – EAST BRADFORD RESIDENTIAL AND COMMERCIAL**

18 **Q. WHEN DID AQUA ACQUIRE THE EAST BRADFORD SYSTEM?**

19 A. Aqua acquired the East Bradford system on December 13, 2018, at Docket A-2018-
20 3001582.

1 **Q. WHAT RATES DID YOU RECOMMEND FOR ZONE 8 RESIDENTIAL**
2 **CUSTOMERS?**

3 A. My recommended rates for Zone 8 residential customers are listed on I&E Ex. No. 5,
4 Sch. 6, p. 1, Column F, lines 8-11 and 13.

5
6 **Q. DID THE COMPANY ADDRESS YOUR ZONE 8 RATE**
7 **RECOMMENDATION?**

8 A. Yes. The Company stated that my proposed rates result in rate shock. The Company
9 also disagreed with my unmetered rate proposal and multifamily rate proposal in Zone 8
10 as well as my proposal to charge different unmetered rates for residential and
11 commercial customers (Aqua St. No. 5-R, p. 22).

12
13 **Q. DO YOU BELIEVE YOUR RATE RECOMMENDATIONS RESULT IN RATE**
14 **SHOCK?**

15 A. No. As described in my direct testimony, the cost of providing service to Zone 8 will
16 still be greater than the revenue that will be generated from Zone 8 under my proposed
17 rates (I&E Ex. No. 5, Sch. 1, p. 1, line 10). Also, customers in Zone 8 benefited from
18 being acquired by Aqua (I&E St. No. 5, p. 36).

19
20 **Q. DO YOU WISH TO REVISE YOUR RECOMMENDATION CONCERNING**
21 **UNMETERED RESIDENTIAL AND COMMERCIAL UNMETERED RATES?**

22 A. No. My recommendations were made to maximize revenue and limit the increase to the
23 residential and commercial classes. Such a consolidation would result in either a large

1 increase in the average bill or the smaller increase in proposed revenue, which I believe
2 is inappropriate.

3
4 **Q. WHAT DID YOU RECOMMEND CONCERNING ZONE 8 TOWNHOUSE**
5 **UNMETERED RATE?**

6 A. I originally proposed that the present unmetered townhouse rate be increased from
7 \$68.09 per month to \$100.00 per month (I&E Ex. No. 5, Sch. 6, p. 1, line 9).

8
9 **Q. DID THE COMPANY CLAIM THERE WAS AN AGREEMENT TO PROVIDE**
10 **SERVICE TO THESE CUSTOMERS BY THE BOROUGH OF WEST**
11 **CHESTER?**

12 A. Yes. The Company provided a copy of the agreement in rebuttal labeled Aqua Ex. 5R-
13 C whereas the rates for 19 townhome customers were established by an agreement with
14 the Borough of West Chester. The 19 customers are shown as 228 bills (19 customer X
15 12 month) on Aqua Ex. 5R-B, Sch. EB-3.

16
17 **Q. DO YOU WISH TO REVISE YOUR RECOMMENDATION TO INCREASE**
18 **THE ZONE 8 TOWNHOUSE UNMETERED RATE?**

19 A. No. While it appears the Commission Order entered September 20, 2018, at Docket A-
20 2018-3001582 approved the agreement with Bingham Township, the Commission is not
21 bound by the rates proposed by Aqua in future cases such as this one. Therefore, in
22 order to generate revenue and charge all unmetered Zone 8 customers the same rate, I

1 continue to recommend that the 19 townhouse customers be billed \$100.00 per month
2 (I&E Ex. No. 5, Sch 6, p. 1, line 9).

3

4 **ZONE 9 - CHELTENHAM**

5 **Q. WHEN DID AQUA ACQUIRE THE CHELTENHAM SYSTEM?**

6 A. Aqua acquired the Cheltenham system on December 20, 2020, at Docket A-2019-
7 3008491.

8

9 **Q. WHAT RATES DID YOU RECOMMEND FOR THE ZONE 9 CUSTOMERS?**

10 My recommended rates for Zone 9 customers are listed on I&E Ex. No. 5, Sch. 7, p. 1,
11 column F, lines 1-2.

12

13 **Q. DID THE COMPANY ADDRESS YOUR ZONE 9 RATE**
14 **RECOMMENDATION?**

15 A. Yes. The Company stated that my proposed rates result in rate shock (Aqua St. No. 5-R,
16 p. 23).

17

18 **Q. DO YOU BELIEVE YOUR RATE RECOMMENDATIONS RESULT IN RATE**
19 **SHOCK?**

20 A. No. As described in my direct testimony, the customers in Zone 9 should contribute to
21 the overall wastewater revenue shortfall (I&E St. No. 5, pp. 47-48). Furthermore, the
22 average bill increase of 56.0% shown on I&E Ex. No. 5, Sch. 7, p. 2, line 5 is less than

1 the 86.7% that Aqua found reasonable in Zone 7. Finally, customers in Zone 9 benefited
2 from being acquired by Aqua (I&E St. No. 5, p. 36).

3
4 **ZONE 10 – EAST NORRITON AND WHITPAIN**

5 **Q. WHEN DID AQUA ACQUIRE THE EAST NORRITON AND WHITPAIN**
6 **SYSTEM?**

7 A. Aqua acquired the East Norriton – Whitpain system on June 19, 2020, at Docket A-
8 2019-3009052.

9
10 **Q. WHAT RATES DID YOU RECOMMEND FOR THE ZONE 10 CUSTOMERS?**

11 A. My recommended rates for Zone 10 customers are listed on I&E Ex. No. 5, Sch. 7, p. 1,
12 column F, lines 3-11.

13
14 **Q. DID THE COMPANY ADDRESS YOUR ZONE 10 RATE**
15 **RECOMMENDATION?**

16 A. Yes. The Company stated that my proposed rates result in rate shock. Aqua St. No. 5-
17 R, p. 23).

18
19 **Q. DO YOU BELIEVE YOUR RATE RECOMMENDATIONS RESULT IN RATE**
20 **SHOCK?**

21 A. No. As described in my direct testimony, the cost of providing service to Zone 10 will
22 still be less than the revenue that I propose for Zone 10 (I&E Ex. No. 5, Sch. 1, p. 1, line
23 14). Furthermore, the average bill increase of 72.6% for the East Norriton customers

1 shown on I&E Ex. No. 5, Sch. 7, p. 3, line 5 is less than the 86.7% that Aqua found
2 reasonable in Zone 7. Finally, customers in Zone 10 benefited from being acquired by
3 Aqua (I&E St. No. 5, p. 36).

4
5 **ZONE 11 – NEW GARDEN**

6 **Q. WHEN DID AQUA ACQUIRE THE NEW GARDEN SYSTEM?**

7 A. Aqua acquired the New Garden system on December 22, 2020, at Docket A-2016-
8 2580061.

9
10 **Q. WHAT RATES DID YOU RECOMMEND FOR THE ZONE 11 NEW GARDEN**
11 **CUSTOMERS?**

12 A. My recommended rates for Zone 11 – New Garden customers are listed on I&E Ex. No.
13 5, Sch. 8, p. 1, column F.

14
15 **Q. DID THE COMPANY ADDRESS YOUR ZONE 11 RATE**
16 **RECOMMENDATION?**

17 A. Yes. The Company generally stated that my proposed rates result in rate shock.
18 Specifically, the Company disagreed with my recommendation to eliminate the usage
19 allowance in Zone 11 (Aqua St. No. 5-R, pp. 23-24).

20
21 **Q. DO YOU BELIEVE YOUR RATE RECOMMENDATIONS RESULT IN RATE**
22 **SHOCK?**

23 A. No. As described in my direct testimony, the cost of providing service to Zone 11 will

1 still be less than the revenue that I propose for Zone 11 (I&E Ex. No. 5, Sch. 1, p. 1, line
2 14). Furthermore, the average bill increase of 81.7% shown on I&E Ex. No. 5-R, Sch. 2,
3 p. 2, line 5 is less than the 86.7% that Aqua found reasonable in Zone 7. Finally,
4 customers in Zone 11 benefited from being acquired by Aqua (I&E St. No. 5, p. 36).

5
6 **Q. WHY DID YOU RECOMMEND THAT THE ALLOWANCE BE**
7 **ELIMINATED?**

8 A. Eliminating the allowance sends the proper pricing signal by not billing customers for
9 flow that they did not create (I&E St. No. 5, pp. 55-56).

10
11 **Q. DID YOU AGREE TO LOWER THE \$63.00 PER MONTH CUSTOMER**
12 **CHARGE IN YOUR REBUTTAL TESTIMONY?**

13 A. Yes. To address the concerns expressed by the OCA, I reduced the \$63.00 per month
14 residential customer charge that I proposed to \$43.00 per month (I&E St. No. 5, p. 22-
15 23). The revised bill comparison of my rate structure shows a 103.8% increase for
16 customers that are billed 2,000 gallons per month (I&E Ex. No. 5-R, Sch. 2, p. 2, line 3).

17
18 **Q. PLEASE ADDRESS THE COMPANY'S CLAIM THAT THE ALLOWANCE**
19 **SHOULD NOT BE ELIMINATED.**

20 A. The Company's bill comparison of my rate structure shows a 123.71% increase for
21 customers that are billed 2,000 gallons per month (Aqua St. No. 5-R, p. 24). However,
22 as described above, a lower monthly charge and increasing the usage rates results in a
23 revised total proposed bill at the 2,000 gallons per month of \$86.99 per month, which is

1 an increase of 103.8% (I&E Ex. No. 5-R, Sch. 2, p. 2, line 3). This \$86.99 per month is
2 lower than the \$101.25 per month bill the Company proposes in Zone 4, lower than the
3 \$117.70 per month bill the Company proposed in Zone 5, and lower than the \$141.94
4 average bill the Company proposed in Zone 5 - Sage Hill that all use 2,000 gallons per
5 month (Aqua Volume 5, Ex. 5-B, Part II, Sch. WW-7, pp. 9, 12, 14). Therefore, since
6 the revised rate structure I proposed results in a bill lower than the average bills in these
7 zones, my revised rate structure proposal to eliminate the allowance is reasonable.
8

9 **THIRD PARTY SALES**

10 **Q. WHAT PRESENT RATES DO THIRD PARTY CUSTOMERS CURRENTLY**
11 **PAY?**

12 A. There are eight third party customers. The present rate revenue is \$1,095,381 (I&E Ex.
13 No. 5, Sch. 1, p. 1, line 3, column G (Aqua Volume 5, Ex. 5-B, Part II, WW-5, pp. 15-
14 16, column 5).
15

16 **Q. WHAT DID YOU RECOMMEND FOR THE TWO CUSTOMERS WHERE**
17 **THE COMPANY HAS PROPOSED NO INCREASE IN RATES OR REVENUE?**

18 A. I recommended that the Southdown Homes usage rate increase from \$0.749 per hundred
19 gallons to \$0.9535 per hundred gallons (I&E Ex. No. 5, Sch. 9, p. 1, lines 11-15).
20

21 **Q. DID THE COMPANY REVISE THE SOUTHDOWN HOMES USAGE RATE IN**
22 **REBUTTAL TESTIMONY?**

23 A. Yes. The Company's revised proof of revenue show Southdown Homes paying a usage
24 rate of \$1.35 per hundred gallons (Aqua Ex. 5R-B, Sch. WW-5, p. 17).

1 **Q. DOES THIS REVISION SATISFY YOUR CONCERN REGARDING**
2 **SOUTHDOWN HOMES REVENUE?**

3 A. Yes. The Company corrected the Southdown usage rate so that this customer receives a
4 reasonable increase. Therefore, I will withdraw my recommendation to increase the
5 Southdown Homes usage rate to \$0.9535 per hundred gallons.

6
7 **Q. WHAT ADDITIONAL REVENUE DOES APPLYING A USAGE RATE OF**
8 **\$1.35 PER HUNDRED GALLONS GENERATE?**

9 A. I originally proposed revenue totaled \$107,816 (113,074 X 0.9535). Increasing the
10 usage rate increases proposed revenue to \$162,650 (113,074 X 1.35). Therefore, the
11 additional revenue is \$44,834 (\$162,650- \$107,618). Applying the billing factor of
12 0.99907573 reduces the \$44,834 to \$44,792 (\$44,834 X 0.99907573).

13
14 **Q. WHERE DID YOU REFLECT THE \$44,792 OF ADDITIONAL CONTRACT**
15 **REVENUE FROM THIS REVISION?**

16 A. The additional \$44,792 in proposed revenue is included in the \$1,437,920 of proposed
17 Bulk Sales revenue on I&E Ex. No. 5-SR, Sch. 1, p. 1, column H, line 3, and p. 2,
18 Column F, line 5).

19
20 **Q. DID THE COMPANY ADDRESS YOUR RECOMMENDATION TO**
21 **INCREASE THE EAST BRANDYWINE RATE TO \$446.75 PER MONTH AS**
22 **SHOWN ON I&E EXHIBIT NO. 5, SCHEDULE 9, PAGE 1, LINE 14?**

23 A. No. Therefore it should be approved.

1 **OTHER OPERATING REVENUE – PRESENT RATE LATE PAYMENT REVENUE**

2 **Q. HOW MUCH LATE PAYMENT REVENUE DID THE COMPANY PROJECT**
3 **IT WILL RECEIVE FROM WASTEWATER UNDER PRESENT RATES FOR**
4 **THE FPPTY?**

5 A. The total claim for Operating Revenue - Late Payment Revenue for wastewater under
6 present and proposed rates for the FPPTY ending March 31, 2023, is \$76,434. The
7 \$76,434 is comprised of two parts. The first part is \$23,436 from Zones 1-6 (Aqua
8 Volume 5, Ex. 5-B, Part II, Sch. WW-1, p. 1, column 2) and \$52,998 from Zones 7-11
9 (\$8,808 + \$16,378 + \$20,377 + \$7,435 + \$0) (Aqua Volume 5, Ex. 5-B, Sch. WW-
10 LMK, p. 1. EB, p. 1, CH-1, p. 1, EN-1, p. 1, and NG-1, p. 1).

11
12 **Q. DID YOU ADDRESS THE LACK OF LATE PAYMENT REVENUE IN ZONE**
13 **11?**

14 A. Yes. In direct testimony, I describe how the Company did not reflect any late payment
15 revenue for Zone 11 - New Garden under present rates. Therefore, I recommended that
16 late payment for this zone be increased from \$0 to \$17,382 under present rates (I&E St.
17 No. 5, pp. 59-60).

18
19 **Q. DID THE COMPANY ADDRESS YOUR RECOMMENDATION TO REFLECT**
20 **\$17,382 OF LATE PAYMENT REVENUE FOR ZONE 11 – NEW GARDEN?**

21 A. Yes. The Company accepted this recommendation (Aqua St. No. 2-R. p. 31). This
22 acceptance increases late payment revenue under present rates to \$93,816 (\$76,434 +
23 \$17,382).

1 **OTHER OPERATING REVENUE – PROPOSED RATE LATE PAYMENT REVENUE**

2 **Q. HOW MUCH LATE PAYMENT REVENUE DID THE COMPANY PROJECT**
3 **IT WILL RECEIVE UNDER PROPOSED RATES FOR THE FPPTY FOR**
4 **WASTEWATER?**

5 A. The total claim for operating revenue - late payment revenue for wastewater under
6 proposed rates for the FPPTY ending March 31, 2023, is also \$93,816 described under
7 present rates.

8
9 **Q. DID THE COMPANY REVISE THE AMOUNT OF LATE PAYMENT**
10 **REVENUE IT PROJECTED IT WILL RECEIVE UNDER PROPOSED RATES**
11 **FOR THE FPPTY FOR WASTEWATER?**

12 A. Yes. The Company addressed both water and wastewater together and stated “[t]he
13 ratio proposed by Mr. Cline to increase late payment charges under proposed rates is not
14 necessary as the Company has already adjusted for this under present rates.” (Aqua St.
15 No. 2, pp 30-31). For wastewater, the Company continues to believe that it will receive
16 the same revised \$93,816 (\$76,434 + \$17,382) in late payment revenue under proposed
17 rates for the FPPTY that it reflected under present rates.

18
19 **Q. WHAT DID YOU RECOMMEND CONCERNING THE \$23,436 LATE**
20 **PAYMENT REVENUE IN ZONES 1 THROUGH 6 UNDER PROPOSED**
21 **RATES?**

22 A. I recommended that the late payment revenue be increased from \$23,436 to \$30,994,
23 which is an increase of \$7,558 or 32.2% under proposed rates for the FPPTY (I&E Ex.

1 No. 5, Sch. 1, p. 1, line 6, column H). The 32.2% was the same percentage increase I
2 propose for the tariff rates in Zones 1-6 (I&E St. No. 5, p. 62).

3
4 **Q. DO YOU WISH TO REVISE YOUR RECOMMENDATION CONCERNING**
5 **THE \$30,994 OF LATE PAYMENT REVENUE IN ZONES 1 THROUGH 6**
6 **UNDER PROPOSED RATES?**

7 A. Yes. Late payment revenue is based upon the overall percentage of the increase.
8 Therefore, changes in proposed rates in Zones 1 through 6 described above, cause the
9 overall percentage to increase from 32.2% to 32.5% (I&E Ex. No. 5, Sch. 1, p. 1, line 6,
10 column J), which causes the late payment revenue to increase accordingly. Specifically,
11 this change causes late payment revenue to increase from \$23,436 to \$31,054, which is
12 an increase of \$7,618 or 32.5% under proposed rates for the FPFTY (I&E Ex. No. 5-SR,
13 Sch. 1, p. 1, line 6, column H).

14
15 **Q. WHY DID YOU RECOMMEND LATE PAYMENT REVENUE BE**
16 **INCREASED UNDER PROPOSED RATES?**

17 A. I described how it is reasonable to expect that late payment revenue will increase when a
18 utility's base rates are increased as a result of a base rate proceeding. Since late payment
19 revenue is generally a percentage of a customer's bill, increasing revenue through a rate
20 increase will cause revenues from late payments to increase over time (I&E St. No. 5, p.
21 63).

1 **Q. DO YOU AGREE WITH THE COMPANY THAT IT ALREADY ACCOUNTED**
2 **FOR THE INCREASE TO LATE PAYMENT CHARGES FOR PROPOSED**
3 **RATES IN ITS PRESENT RATE ADJUSTMENT?**

4 A. No. The late payment claim under present rates is designed to project the amount of
5 revenue the Company would receive in the FPPTY if its rates were not increased. The
6 claim that the Company already made an adjustment for the increase in late payment
7 revenue that would be generated under proposed rates in its present rate is illogical and
8 should be rejected.

9

10 **Q. DO YOU WISH TO CHANGE YOUR RECOMMENDATION REGARDING**
11 **LATE PAYMENT REVENUE UNDER PROPOSED RATES?**

12 A. No. For the reasons described above and in my direct testimony, I continue to
13 recommend that the late payment revenue under proposed rates be increased by the same
14 percent increase as the overall base rate increase granted by the Commission.

15

16 **SCALE BACK OF RATES**

17 **Q. WHAT DID YOU STATE IN DIRECT TESTIMONY CONCERNING THE**
18 **SCALE BACK OF WASTEWATER RATES?**

19 A. I stated that no scale back of wastewater rates should occur until the total wastewater
20 subsidy is eliminated. To determine if any subsidy remains, the Company should
21 recalculate the subsidies and determine the total wastewater subsidy after the
22 Commission order is entered. The rationale for and the methodology for applying the
23 scale back are described in my direct testimony (I&E St. No. 5, pp. 63-64).

1 **Q. DID THE COMPANY AGREE WITH YOUR SCALE BACK**
2 **RECOMMENDATION?**

3 A. The Company agreed with my general recommendation that wastewater rates should not
4 be scaled back until all the wastewater subsidy is eliminated. However, the Company
5 stated that any further scale back would be based upon the Company's proposed rate
6 increases (Aqua St. No. 5-R, p. 25).

7
8 **Q. IS THE COMPANY'S PROPOSAL REASONABLE?**

9 A. Yes. If the total wastewater subsidy is eliminated, then the Company's originally
10 proposed rates can be scaled back because the proposed subsidy will no longer exist, and
11 my proposed higher rates will no longer be needed.

12
13 **TARIFF ZONES**

14 **Q. DID THE COMPANY GROUP THE VARIOUS SYSTEMS INTO ZONES IN**
15 **THE PROPOSED TARIFF?**

16 A. Yes. The Company grouped the various systems in the proposed tariff. Each system
17 falls into a zone that determines the rates the customer pay. Since the Company is
18 proposing the same rates for Zones 1 and 2 under proposed rates, the Company
19 reclassified Zone 3 customers into Zone 2; Zone 4 customers into Zone 3; Zone 5
20 customers into Zone 4; and Zone 6 customers into Zone 5 (Aqua Volume 1, - Aqua
21 Pennsylvania Wastewater, Inc. Tariff Sewer Pa P.U.C. No. 3, Original page 5 and 6).

1 **Q. WHAT DID YOU RECOMMEND IF THE COMMISSION AGREES WITH**
2 **YOUR RECOMMENDATION TO INCREASE RATES IN ZONE 2 ABOVE**
3 **WHAT THE COMPANY PROPOSED?**

4 A. I recommended that the Emlenton, Pinecrest, Rivercrest and White Haven Division
5 (Kidder) systems continue to be listed under Zone 2 (I&E St. No. 5, p. 65).

6
7 **Q. WHAT DID YOU RECOMMEND CONCERNING THESE FOUR SYSTEMS?**

8 A. I recommended that the Company keep Zones 3 through Zone 6 in the existing Zones 3
9 through Zone 6 designations, respectively (I&E St. No. 5, p. 65).

10

11 **Q. WHY DID YOU MAKE THIS RECOMMENDATION?**

12 A. If the Commission agrees that Zone 2 rates should be higher than Zone 1, then Zone 2
13 cannot be combined with Zone 1. Therefore, existing Zone 2 through Zone 6 will need
14 to have separate tariff pages (I&E St. No. 5, p. 65).

15

16 **Q. DID THE COMPANY ADDRESS YOUR RECOMMENDATION?**

17 A. No. Therefore if the Commission agrees that Zone 2 rates should be higher than Zone 1,
18 Zone 2 through Zone 6 will need to have separate tariff pages.

19

20 **COST OF SERVICE STUDIES**

21 **Q. DID AQUA ADDRESS THE CONTINUATION OF THE FILING OF**
22 **SEPARATE COST OF SERVICE STUDIES IN FUTURE BASE RATE CASES?**

23 A. No. As stated in my direct testimony, the Company did not address the continuation of

1 separate COSS' in its next base rate case for each current Section 1329 acquisition
2 reflected in this proceeding. However, this is the first base rate case to include separate
3 COSS for the systems acquired under Section 1329 (I&E St. No. 5, p. 66).

4
5 **Q. WHAT DID YOU RECOMMEND THE COMPANY PROVIDE IN THE NEXT**
6 **BASE RATE CASE?**

7 A. I recommended the Company continue to combine Zones 1 through 6 in one COSS. I
8 also recommend the Company combine Zones 7 through 11 into one COSS for the
9 reasons stated in my direct testimony (I&E St. No. 5, p. 66).

10
11 **Q. DID THE COMPANY ADDRESS YOUR COST OF SERVICE STUDY**
12 **RECOMMENDATION?**

13 A. No. Therefore, it should be approved.

14
15 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

16 A. Yes.