

EXHIBIT U

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

AQUA PENNSYLVANIA, INC.

DOCKET NO. A-2022-3034143

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**

October 2022

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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, Bryn
4 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 Aqua
9 Pennsylvania, Inc. (“Aqua” or the “Company”) and Aqua New Jersey, Inc. (“Aqua NJ”).
10 Additionally, I oversee rate issues for all subsidiaries of Essential.

11
12 **Q. Please provide a brief description of your education and work experience.**

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

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1 In March 2005, I joined Aqua New Jersey, Inc., where I served as Assistant
2 Controller until December 2006, when I transferred to Aqua America, Inc. In July 2008, I
3 was promoted to the position of Mid-Atlantic Manager of Rates and since then have
4 assumed increasing levels of responsibility and promotions. In April 2017, I was promoted
5 to Vice President – Controller of Aqua. In 2020, I was promoted to my current position of
6 Vice President, Regulatory Accounting and Regional Controller where I have additional
7 responsibilities to oversee rates and regulatory accounting matters of Essential.

8 In addition to my corporate experience, I served three terms as a Councilman in the
9 Borough of Woodbury Heights, New Jersey. In that role, I served as the Chairman of the
10 Finance, Administration, and Personnel committee; in addition, I served as a member of
11 the Public Safety and Streets/Roads committees. I was elected as Mayor of the Borough
12 of Woodbury Heights in November of 2018 and was sworn in on January 5, 2019. The
13 Borough of Woodbury Heights is one of 565 municipalities in New Jersey and has a
14 population of approximately 3,000 residents.

15
16 **Q. Have you testified before this Commission before?**

17 A. Yes, I have testified in multiple proceedings before the Pennsylvania Public Utility
18 Commission (“PUC” or the “Commission”), including Aqua’s last four rate cases including
19 its most recent case in Docket No. R-2021-3027385, and Aqua’s eight previous Section
20 1329 proceedings in Docket Nos. A-2016-2580061, A-2017-2605434, A-2018-3001582,
21 A-2019-3008491, A-2019-3009052, A-2019-3015173, A-2021-3024267 and A-2021-
22 3026132.

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1 **Q. What is the purpose of your Direct Testimony?**

2 A. The purpose of my Direct Testimony is as follows: (1) to provide a general overview of
3 Aqua; (2) to provide a general overview of the proposed transaction (“Proposed
4 Transaction”) between Aqua, the Borough of Shenandoah (“Borough”), and the Municipal
5 Authority of the Borough of Shenandoah (“MABS”); (3) to describe Aqua’s legal and
6 financial fitness to own and operate the MABS Water System (the “System”); and (4) to
7 explain the benefits of the Proposed Transaction.

8
9 **Q. Are you sponsoring any Exhibits with your Direct Testimony?**

10 A. Yes. Attached to my Direct Testimony as Appendix A is a schedule showing the revenue
11 deficiency and overall impact on customers of the Proposed Transaction.

12
13 **Q. Are there any other witnesses submitting Direct Testimony with this application?**

14 A. Yes. In addition to my Direct Testimony, Aqua is submitting the following statements in
15 support of the Application:

- 16 • Aqua Statement No. 2 – Direct Testimony of Brennan T. Kelly. Mr. Kelly will
17 provide testimony regarding the specifics of the System being acquired from an
18 environmental/engineering perspective and benefits of Aqua ownership.
- 19 • Aqua Statement No. 3 – Direct Testimony of Stephen Clark. Mr. Clark will
20 provide testimony regarding his understanding of the operations of the System
21 and benefits of Aqua ownership.

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1 • Aqua Statement No. 4 – Direct Testimony of Matthew J. Marchisello. Mr.
2 Marchisello will provide testimony regarding the MABS Dams, compliance, and
3 benefits of Aqua ownership.

4 • Aqua Statement No. 5 – Direct Testimony of Leo Pietkiewicz. Mr. Pietkiewicz
5 will provide testimony regarding the background of the Proposed Transaction from
6 MABS’ perspective and the benefits flowing therefrom.

7 • Aqua Statement No. 6 – Direct Testimony of Harold Walker III. Mr. Walker will
8 provide testimony regarding the appraisal conducted on behalf of Aqua.

9 • Aqua Statement No. 7 – Direct Testimony of Dylan D’Ascendis. Mr. D’Ascendis
10 will provide testimony regarding the appraisal conducted on behalf of the Borough
11 Borough/MABS.

12

13 **Q. Has the Company filed an application with the Commission for regulatory approval**
14 **to acquire the water system assets of the System?**

15 A. Yes. Aqua filed its Application on October 6, 2022.

16

17 **Q. What is Aqua seeking in its Application?**

18 A. There are three requests. First, Aqua is requesting approval of the acquisition under
19 Section 1102, 66 Pa. C.S. § 1102, similar to many requests that come before the
20 Commission. Second, pursuant to Act 12 of 2016 (“Act 12” or the “Act”), 66 Pa. C.S. §
21 1329, Aqua is seeking to utilize fair market value for the determination of the ratemaking
22 rate base of the System. Third, Aqua is requesting that the Commission approve, if

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1 necessary, its acquisition agreement with MABS and the assignment of one contract under
2 Section 507, 66 Pa. C.S. § 507.

3 **Q. What does Section 1329 require to be included in the Application?**

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

8
9 **Q. Can you generally opine on the purpose of Section 1329 and the Commission’s view?**

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

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

¹ *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”).

² TSIO at 7.

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1 value might be under regulatory accounting for depreciated utility
2 assets.³

3 ...

4 Section 1329 enables a Seller to price its public assets at a
5 market value based on reasonable business valuation principles and
6 enables a Buyer to recover its investment in those public assets at
7 that market-based value.⁴

8
9 **Q. What does the Commission require for the approval of the certificate that utilizes**
10 **Section 1329?**

11 A. In its Final Implementation Order entered October 27, 2016, in Docket No. M-2016-
12 2543193 (“Final Implementation Order”), the Commission referenced the checklist in the
13 Tentative Implementation Order for items to include with the application for it to be
14 processed in a six-month time frame. This checklist was subsequently updated in March
15 2017. The Commission released its Final Supplemental Implementation Order on February
16 28, 2019, in Docket No. M-2016-2543193 (“Final Supplemental Implementation Order”),
17 which included an updated Checklist, standard data requests (“SDRs”), jurisdictional
18 exceptions, and form testimony for Utility Valuation Experts (“UVEs”). Aqua has
19 included references with the updated Checklist indicating where in the Application the
20 relevant information is located.

21
22 **II. OVERVIEW OF AQUA**

23 **Q. Please provide a general overview of Aqua.**

24 A. Aqua is the second largest investor-owned regulated water utility operating in the
25 Commonwealth of Pennsylvania. Aqua provides water utility service to approximately

³ TSIO at 6.

⁴ TSIO at 7.

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1 448,000 water customers. Aqua employs approximately 600 highly trained utility
2 professionals to achieve its mission to provide safe, adequate, and reliable utility service at
3 reasonable rates. In addition, Aqua is one of eight regulated water and wastewater
4 subsidiaries of Essential, which brings to bear its own financial, technical, and managerial
5 resources to assist in our mission.

6
7 **Q. Please provide a description of MABS.**

8 A. MABS owns the System and provides water service in the Borough and in portions of
9 Girardville Borough, West Mahanoy Township, Mahanoy Township, and Butler
10 Township. MABS was formed in 1941, by the Borough, and is duly organized and existing
11 under the Municipal Authorities Act. MABS provides water utility service to
12 approximately 2,900 customers. The utility infrastructure being acquired includes, but is
13 not limited to, the Water Treatment Plant (“WTP”), all pipes, services, valves, hydrants,
14 pumping stations, reservoirs, dams, storage tanks, improvements, fixtures, manholes,
15 pipelines, and land and land rights. Please refer to Aqua Statement No. 5, Direct Testimony
16 of Mr. Pietkiewicz, for a further description of the Borough and MABS.

17
18 **Q. Please provide an overview of the Proposed Transaction.**

19 A. Aqua responded to a request for bids by the Borough and was ultimately chosen as the
20 successful bidder. After arms-length negotiations between Aqua, the Borough, and MABS,
21 the Asset Purchase Agreement (“APA”), dated July 20, 2021, was signed and executed,
22 providing for the sale of the assets, properties and rights of the System. The purchase price
23 totaled \$12,000,000. According to the APA, the acquired customers will be charged the

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1 existing rates of MABS upon closing. Aqua’s tariff rules and regulations will apply
2 following closing.

3

4 **III. FITNESS**

5 **Q. Please describe how Aqua is legally fit to own and operate the System.**

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

9

10 **Q. Please describe how Aqua is financially fit to own and operate the system.**

11 A. As I mentioned in my overview, Aqua is a Class A water utility in the Commonwealth and
12 the largest water subsidiary of Essential, with total net water utility plant assets of \$4.1
13 billion and annual revenues of \$495 million in 2021. Aqua had operating income of
14 approximately \$260 million and net income of \$194 million. Aqua’s cash flows from
15 operations equaled approximately \$275 million. Aqua has an A rating from Standard and
16 Poor’s Rating Service and has approximately \$1.815 billion in outstanding long-term debt
17 at a weighted average interest rate of approximately 4.00%. Aqua also utilizes low-cost
18 long-term debt financing instruments through the Pennsylvania Infrastructure Investment
19 Authority (“PENNVEST”), representing about 2% of Aqua’s total debt portfolio. In
20 addition to Aqua’s access to long-term debt, Aqua has a short-term credit facility of \$100
21 million and has access to equity capital as a subsidiary of Essential.

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1 **IV. FUNDING**

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

3 A. The Proposed Transaction will be funded using existing short-term credit lines. The short-
4 term credit funding will be converted to a mix of long-term debt and equity capital shortly
5 after Closing.

6
7 **Q. Do you anticipate the Proposed Transaction will affect Aqua’s corporate credit
8 rating?**

9 A. No. The Company does not anticipate that the Proposed Transaction will affect Aqua’s
10 corporate credit rating.

11

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

13 **Q. Please explain the rate provisions in paragraph 7.04 of the APA.**

14 Under the provisions of Paragraph 7.04(a) of the APA, as of the day of Closing, Aqua will
15 charge the same base rates as those previously charged by MABS and Aqua shall apply its
16 then-existing rules, regulations, fees, and changes as reflected in its Tariff, as amended
17 from time to time. The base rates shall not be increased until after Aqua’s next base rate
18 case, and Aqua has agreed that it will not apply its Distribution System Improvement
19 Charge (“DSIC”) to MABS customers until calendar year 2023.

20

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

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

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

3 A. No. Aqua is proposing to implement MABS' current rates. There is no language in Aqua's
4 proposed tariff requesting that rates be held constant or phased in over a period of time
5 after the next rate case. Aqua's agreement to not apply the DSIC until 2023 is also not a
6 rate stabilization plan. Section 7.04 of the APA, accordingly, does not constitute a rate
7 stabilization plan.

8
9 **Q. Are you requesting the implementation of a DSIC for MABS customers at this time?**

10 A. No. Following Closing, and in compliance with Aqua's agreement to not charge a DSIC
11 to MABS customers until 2023, Aqua intends to amend its Long-Term Infrastructure
12 Improvement Plan ("LTIP") to include MABS in the LTIP and file the amended LTIP
13 with the PUC. Aqua will include a request in that filing to initiate the DSIC for MABS
14 customers as permitted by Section 1329.

15
16 **Q. Please explain how Aqua will bill MABS customers after Closing.**

17 A. Currently, MABS bills their customers on a monthly and quarterly basis. Aqua will convert
18 quarterly billed customers to monthly billing, as noted in Paragraph 7.04(a) of the APA.

19
20 **VI. PUBLIC INTEREST**

21 **Q. Please explain why the Proposed Transaction is in the public interest.**

22 A. I, along with the other witnesses, will discuss a number of reasons why the Proposed
23 Transaction is in the public interest. Notably, the Commonwealth and the PUC has a long-

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1 standing record of support for consolidation/regionalization of water/wastewater systems,
2 because it provides the utility industry a better chance to realize the benefits of better
3 management practices, economies of scale, and the resulting greater
4 customer/environmental/economic benefits.⁵ Ultimately, these benefits inure to customers
5 both existing and acquired. The Proposed Transaction with MABS is no exception to the
6 principles noted by the PUC in its policy statement in support of
7 consolidation/regionalization and the benefits of such, as it relates to Aqua, is evidenced
8 by Aqua’s and Aqua Pennsylvania Wastewater, Inc.’s successful acquisition of numerous
9 water and wastewater utilities in its over approximately 135 years of operation.

10
11 **Q. Please discuss Aqua’s track record of acquiring and improving water systems in the**
12 **Commonwealth.**

13 A. Aqua currently provides utility service to approximately 448,000 water customers in the
14 Commonwealth and has over 135 years of experience operating water treatment and
15 distribution systems in a safe, reliable and efficient manner. Moreover, Aqua has the
16 managerial, technical, and financial resources to operate, maintain and improve the System.

17 Aqua has acquired 10 water systems over the past 10 years.⁶ Many of these systems
18 required significant investment to correct service and environmental issues. Other systems
19 did not need substantial capital investment. Aqua is essentially the compilation of smaller

⁵ *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) (PUC noted that “acquisitions of smaller systems by larger more viable systems will likely improve the overall long-term viability of the water and wastewater industry. Additionally, these types of acquisitions will also enhance the quality of ratepayers’ daily lives, promote community economic development, and provide environmental enhancements.”).

⁶ Phoenixville (Outside Borough Systems) (2019); Sun Valley Water Company (2018); Superior Water Company, East Cameron Municipal Authority (2016); Robin Hood Water Company, Bunker Hill Water System, Mt. Jewett Borough (2015); Newport-Ferguson (area of Bristol Township), Concord Park, Treasure Lake Water System (2013).

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1 systems that have been acquired over the last 135 years and make both utilities what they
2 are today. The inherent diversification of systems and customers provides a foundation of
3 stability in the day to day, month to month, and year to year operations of the utility, in
4 that, they are all not requiring major capital investments at the same time. Thus, spreading
5 the financial impacts over the long-term operations of the utility. The System is in need of
6 significant infrastructure investment as outlined in Aqua Statement No. 2 – Direct
7 Testimony of Brennan T. Kelly. I would submit that it is important for Aqua to be
8 permitted to acquire both non-viable and viable systems. Both types of systems, viable
9 and non-viable, are consistent with the Commission’s policy statements regarding
10 acquisitions. The acquisition of the System will continue to address the Commission’s
11 supported policy of consolidation and regionalization.

12
13 **Q. Did the Commonwealth Court refer to the Commission’s policy of**
14 **consolidation/regionalization and Aqua’s expertise in system operations and ability**
15 **to raise capital in its opinion in *McCloskey v. Pa. P.U.C.* addressing Aqua’s transaction**
16 **with New Garden Township?**

17 A. Yes. Although I am not an attorney, I have read the Court’s Opinion in the *McCloskey*
18 case. At the end of Section A of the Opinion, the Court refers to Commission findings that
19 Aqua, as owner of numerous water and wastewater systems in Southeastern Pennsylvania,
20 has sufficient expertise to operate a system and ability to raise capital to support a system
21 and that the Commission has a policy of consolidation and regionalization that allows for
22 increased maintenance, upgrade and expansion of public facilities. The Court concludes
23 that the foregoing are reasons of the type that the Supreme Court, in its *Verizon* decision

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1 held were sufficient and amounted to the substantial evidence required to meet the public
2 benefit standard for the transaction. This same analysis is sufficient to support the public
3 benefit and substantial evidence of public benefit in this proceeding.

4
5 **Q. Will MABS' customers benefit from the Proposed Transaction?**

6 A. Yes. MABS' customers will become part of a larger scale, efficiently operated, water
7 utility. Aqua is already providing water service in Girardville (through its Girardville
8 System). Aqua's Girardville system is interconnected with Aqua's nearby Mt. Carmel and
9 Shamokin (Roaring Creek) systems. As discussed in Mr. Clark's Direct Testimony, Aqua
10 is planning to interconnect its existing water system with the System to provide redundancy
11 and emergency supply. Aqua's Roaring Creek Division office is located in close proximity
12 to the System, which will enable Aqua to assume the operations of the System efficiently
13 and improve long-term viability of the System as envisioned in the PUC policy statement.

14 Additionally, the acquisition will not have any immediate impact on the rates of
15 either MABS' customers or the existing customers of Aqua. Aqua is projecting there will
16 likely be less operating and maintenance costs under its ownership through reductions in
17 costs for System maintenance, as well as efficiencies in administrative and general costs,
18 such as insurance, auditing and legal, and environmental, among others. Specifically,
19 referencing MABS 2020 Financial statements, Operating Expenses were approximately
20 \$1.7 million, whereas, the Company is projecting annual expenses of approximately \$1.2
21 million for the System under Aqua's ownership.

22 Lastly, given the fact that there are meaningful investments needed in the System,
23 as noted in the Direct Testimonies of Mr. Kelly, Mr. Clark, Mr. Marchisello, and Mr.

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1 Pietkiewicz, the customers of the System will benefit greatly from Aqua's technical
2 experience and fitness in deploying resources towards capital improvements.

3

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

5 A. Yes. The acquisition of the System will be an approximate 0.6% increase in Aqua's
6 customer base. By virtue of Aqua's larger customer base, future infrastructure investments
7 across the Commonwealth will be shared at a lower incremental cost per customer for all
8 of Aqua's customers.

9 The connections per MABS' records are approximately 2,900, which equates to an
10 approximately \$4,100 purchase price per connection and is approximately 50% less than
11 the Company's existing rate base per connection, projected at approximately \$8,500.
12 Given the Company is seeking approval to purchase the System at a cost per customer that
13 is less than its existing customers, combined with the meaningfully lower operating costs
14 I mentioned previously, the System characteristics demonstrate that there are economies of
15 scale that can be achieved as a result of this acquisition, thus benefiting existing customers.

16 I note again that Aqua has developed into the utility it is today by acquiring,
17 integrating, and efficiently operating smaller and mid-sized systems. This progression has
18 successfully happened over the last several decades and taken the form of both viable and
19 non-viable systems. Over the long term, this process has benefitted both current customers,
20 acquired customers, and the Commonwealth.

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1 **Q. In *McCloskey*, the Commonwealth Court concluded that the Commission must**
2 **address rate impact “in a general fashion” when deciding whether there is substantial**
3 **public benefit. Please address the rate impact of the Proposed Transaction.**

4 A. The current average monthly bill of a MABS residential customer is approximately \$43.46
5 per month. As my calculations in Appendix A demonstrate, applying 100% of the revenue
6 deficiency to the existing rates, the average bill would increase to approximately \$62.96
7 per month or a 44.87% increase. Again, the System has characteristics that demonstrate
8 that economies of scale can be achieved as a result of this acquisition. Given this fact and
9 the fact that there are again meaningful future investments needed to address deficiencies
10 in the System, those future rate impacts could be spread across a broader customer base
11 thus moderating those future rate increases that would otherwise be experienced by MABS
12 customers alone over time. Yet, while the rates of the System are reasonably expected to
13 increase, either on their own, or whether acquired by the Company, the fact is that there is
14 more flexibility and opportunity to deal with those impacts over a much larger customer
15 base. This benefits both existing and acquired customers alike.

16
17 **Q. Is the impact on rates outweighed by other positive factors from the Proposed**
18 **Transaction?**

19 A. Yes. There is an expectation of increased rates as a result of acquisitions such as this, as
20 noted by the Commonwealth Court in *McCloskey*. The positive factors from the Proposed
21 Transaction, however, outweigh the possibility of increased rates. These types of
22 transactions further a recognized legislative objective and are consistent with the
23 Commission’s consolidation/regionalization policy. The Application demonstrates that

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1 there will be both tangible and intangible positive factors that are likely to be realized as a
2 result of the Proposed Transaction, as described in my Direct Testimony and the Direct
3 Testimonies of Mr. Kelly, Mr. Clark, Mr. Marchisello, and Mr. Pietkiewicz.

4
5 **VII. SECTION 1329 FAIR MARKET VALUE CONSIDERATIONS**

6 **Q. Is Aqua proposing that the Application be evaluated utilizing the Fair Market Value**
7 **provisions of Section 1329 of the Public Utility Code?**

8 A. Yes. Aqua’s Application has been prepared with this in mind. Specifically, Aqua is
9 requesting that the ratemaking rate base of the System be based on the lesser of the average
10 of the Fair Market Value Appraisals included in the Application or the purchase price
11 pursuant to Section 1329 of the Public Utility Code.

12
13 **Q. Has Aqua prepared the Application in compliance with the Commission’s Final**
14 **Implementation Order and Final Supplemental Implementation Order?**

15 A. Yes. Aqua has complied with all required documentation according to the Commission’s
16 updated Checklist including, but not limited to, providing with the Application the
17 Engineering Assessment of Assets, responses to SDRs, testimony supporting the
18 Application, and two independent Fair Market Value appraisals.

19
20 **Q. Please provide an overview of the valuation process.**

21 A. Following the execution of the APA, Aqua and the Borough agreed to engage Pennoni
22 Associates, Inc. to complete the Engineer’s Assessment (Exhibit D). Both parties engaged
23 their respective UVEs to perform a Fair Market Value analysis of the System in accordance

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1 with the Uniform Standards of Professional Appraisal Practice (“USPAP”), utilizing the
2 cost, market, and income approaches. Aqua engaged the services of Gannett Fleming
3 Valuation and Rate Consultants, LLC (“Gannett”) and has attached to its Application their
4 Fair Market Value Appraisal as Exhibit Q. MABS engaged the services of ScottMadden,
5 Inc. (“ScottMadden”) and their Fair Market Value Appraisal is attached to the Application
6 as Exhibit R. Both firms have been pre-certified as authorized UVEs by the Commission
7 and are its list of qualified appraisers.

8
9 **Q. Please describe the conclusions of the two appraisals used to determine the fair**
10 **market value of the Assets.**

11 A. The two appraisals used the USPAP employing the cost, market, and income approaches
12 to arrive at the fair market value of the System. The MABS sponsored appraisal performed
13 by ScottMadden arrived at a system value of \$18,100,307. The Aqua sponsored appraisal
14 performed by Gannett arrived at a system value of \$25,221,000. Therefore, the fair market
15 value as defined in Act 12 is the average of these two appraisals which is \$21,660,654.

16
17 **Q. Pursuant to Section 1329 of the Public Utility Code, what is the resulting rate base**
18 **determination for the System?**

19 A. According to Section 1329, the ratemaking rate base is the lesser of either the purchase
20 price in the APA, which is \$12,000,000, or the fair market value which is \$21,660,654. In
21 this instance, since the purchase price is lower than the fair market value, the ratemaking
22 rate base for the System is \$12,000,000.

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1 **Q. Please state the total of the UVE fees incurred by Aqua and whether you believe the**
2 **UVes' fees are reasonable?**

3 A. The UVE fees for Aqua's appraisal received as of the date of the Application totaled
4 \$15,978. Aqua's UVE fees will be included in the transaction and closing costs of this
5 Proposed Transaction as stated below. Based on the scope of work, the methods used as
6 accepted industry practice, and that the UVes' fees were less than 5% of the fair market
7 value benchmark noted in the Final Implementation Order and Final Supplemental
8 Implementation Order, I believe the fees are reasonable. Per the Final Implementation
9 Order, Final Supplemental Implementation Order and updated Checklist, the contract
10 engaging Aqua's UVE, Gannett, along with Gannett's invoices are included as Exhibit S1.
11 The contract engaging the Borough/MABS' UVE, ScottMadden is included as Exhibit S2.
12 ScottMadden's invoices for September, when their appraisal was completed will be issued
13 in October, and Aqua will provide those invoices when they become available.

14

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

16 A. Aqua anticipates that the transaction and closing costs will be approximately \$457,000,
17 including Aqua's UVE fees. The exact transaction and closing costs will be determined at
18 Closing.

19

20 **VIII. CONCLUSION**

21 **Q. Does this conclude your Direct Testimony?**

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

**Aqua Pennsylvania, Inc. - Water
Shenandoah Water Acquisition**

1.) Shenandoah Water Acquisition

	2023	Notes
	Year 1	
Revenue	\$ 1,927,789	
O&M	1,203,215	
Depreciation	345,715	***2.72% Composite Depreciation Rate
Taxes Other	72,626	
Income Taxes	\$ 22,061	*****21% Federal & 8.99% State
Operating Income	\$ 284,172	
Rate Base at Fair Market Value	\$ 12,000,000	
Capital Investments (Year 1)	\$ 710,100	
Rate Base (Including Capital Investments less depreciation year 1)	\$ 12,364,385	
Interest Expense ^	227,752	
^ Includes Interest Expense synchronized with rate base		
Required Operating Income (Rate Base x Rate of Return)	\$ 894,811	
Operating Income Deficiency	\$ 610,638	
Gross Revenue Conversion Factor	1.416433	
Revenue Deficiency (Excess) \$	\$ 865,000	
Revenue Deficiency (Excess) %	44.87%	
Increase applied to Acquired (Authority) customers 80% Cost of Service Increase %	\$ 306,442 15.90%	
Increase applied to Acquired (Authority) customers 100% Increase %	\$ 865,000 44.87%	
Increase applied to Acquired (Authority) customers 50% Increase %	\$ 432,500 22.44%	
Increase applied to Existing (Company Wastewater) customers 50% Increase %	\$ - 0.00%	
Increase applied to Existing (Company Water) customers 20% - Cost of Service Increase %	\$ 558,558 0.10%	

	Avg. Usage / Kgal	Estimated Monthly Increase	Estimated Percentage Increase
Residential - All Sizes/Classes - 80% Cost of Service	2.79	\$ 6.91	15.90%
Commercial - All Sizes/Classes - 80% Cost of Service	6.18	\$ 12.49	15.90%
Industrial - All Sizes/Classes - 80% Cost of Service	318.75	\$ 167.05	15.90%
Public - All Sizes/Classes - 80% Cost of Service	55.70	\$ 35.16	15.90%
Residential - All Sizes/Classes - 100% Cost of Service	2.79	\$ 19.50	44.87%
Commercial - All Sizes/Classes - 100% Cost of Service	6.18	\$ 35.25	44.87%
Industrial - All Sizes/Classes - 100% Cost of Service	318.75	\$ 471.52	44.87%
Public - All Sizes/Classes - 100% Cost of Service	55.70	\$ 99.24	44.87%
Residential - All Sizes/Classes - 50% Revenue Deficiency	2.79	\$ 9.75	22.44%
Commercial - All Sizes/Classes - 50% Revenue Deficiency	6.18	\$ 17.62	22.44%
Industrial - All Sizes/Classes - 50% Cost of Service	318.75	\$ 235.76	22.44%
Public - All Sizes/Classes - 50% Cost of Service	55.70	\$ 49.62	22.44%
Impact Existing Customers (Company Wastewater) - Residential - 50%	4.00	\$ -	0.00%
Impact Existing Customers (Company Wastewater) - Commercial - 50%	8.33	\$ -	0.00%
Impact Existing Customers (Company Wastewater) - Industrial - 50%	1.50	\$ -	0.00%
Impact Existing Customers (Company Wastewater) - Public - 50%	8.33	\$ -	0.00%
Impact Existing Customers (Company Water) - Residential - 20% Cost of Service	4.00	\$ 0.08	0.10%
Impact Existing Customers (Company Water) - Commercial - 20% Cost of Service	33.38	\$ 0.44	0.10%
Impact Existing Customers (Company Water) - Industrial - 20% Cost of Service	200.15	\$ 2.14	0.10%
Impact Existing Customers (Company Water) - Public - 20% Cost of Service	33.38	\$ 0.44	0.10%

2.) Rate of Return

	<u>Ratio</u>	<u>Cost Rate</u>	<u>WACC</u>
Debt	46.05%	4.00%	1.84%
Equity	53.95%	10.00%	5.40%
	100.00%		7.24%

3.) Gross Revenue Conversion Factor

Dollar of Revenue		1.0000000
Less: Gross Receipts (Revenue) Tax	0.00%	0.0000000
Less: Reg Assessments	0.62%	0.0062419
Less: Bad Debts	1.17%	0.0117050
State Taxable Income		0.9820531
State Income Tax	8.9999%	0.0883838
Federal Taxable Income		0.8936693
Federal Tax Rate	21.00%	
Federal Income Tax		0.1876706
Net Revenue Dollar		0.7059987
Gross Revenue Conversion Factor		1.4164331
EFT	28.1099%	

**Aqua Pennsylvania, Inc. - Water
Calculation of Shenandoah Water Acquisition - Present Revenues**

Address Type	Service	Billed Dollars	Billed Non-Meter Dollars	Adjust Dollars *	Customers (EDU)	Total Usage	Average Usage	Average Monthly Bill
Residential	Monthly Water-small	\$90,995	\$0	\$0	18	4,749,000		
	Monthly Water-large	\$23,530	\$0	\$0	3	3,430,000		
	Quarterly Water	\$1,286,835	\$0	\$123,842	2,666	81,752,417		
	Sprinkler Quarterly	\$0	\$13,920	\$0	6	-		
	Sprinkler Yearly	\$0	\$5,168	\$0	5	-		
	Hydrant-3 Months	\$0	\$3,059	\$0	2	-		
	Hydrant-6 Months	\$0	\$57	\$0	1	-		
	Hydrant-Quarterly	\$0	\$3,645	\$0	1	-		
Residential Total		\$1,401,360	\$25,849	\$123,842	2,702	89,931,417	2,789	\$43.46
Commercial	Monthly Water-small	\$131,453	\$0	\$0	142	8,574,000		
	Monthly Water-large	\$22,353	\$0	\$0	6	4,058,000		
	Quarterly Water	\$22,474	\$0	\$0	33	1,226,000		
	Monthly Water Large Meter	\$0	\$14,391	\$0	6	-		
Commercial Total		\$176,281	\$14,391	\$0	187	13,858,000	6,176	\$78.56
Industrial	Monthly Water-small	\$2,450	\$0	\$0	3	173,000		
	Monthly Water-large	\$60,602	\$0	\$0	2	18,952,000		
Industrial Total		\$63,052	\$0	\$0	5	19,125,000	318,750	\$1,050.86
Public	Monthly Water-small	\$9,663	\$0	\$0	23	637,000		
	Monthly Water-large	\$79,894	\$0	\$0	8	22,039,000		
	Quarterly Water	\$685	\$0	\$0	2	50,000		
	Monthly Water Large Meter	\$0	\$1,323	\$0	1	-		
Public Total		\$90,241	\$1,323	\$0	34	22,726,000	55,701	\$ 221.18
Subtotal Metered Service Revenue		\$1,730,934	\$41,564	\$123,842	2,928	145,640,417	4,145	\$49.26

* Adjustment made to annualize Quarterly Revenue Customers not billed for 4 periods

Address Type	Service	Billed Dollars	Billed Non-Meter Dollars
Residential	Residential DEP Fee	\$0	\$29,007
	Commercial DEP Fee	\$0	\$12
Residential Total		\$0	\$29,019
Commercial	Residential DEP Fee	\$0	\$12
	Commercial DEP Fee	\$0	\$2,036
Commercial Total		\$0	\$2,048
Industrial	Commercial DEP Fee	\$0	\$60
Industrial Total		\$0	\$60
Public	Commercial DEP Fee	\$0	\$322
Public Total		\$0	\$322
Subtotal Non-Metered Revenue		\$0	\$31,449

Total Present Rates - Existing Revenue for Appendix A =>

\$1,927,789

Aqua Pennsylvania, Inc. - Water
Calculation of Shenandoah Water Acquisition - Operating and Maintenance Expenses

	2023
	<u>Year 1</u>
<u>OPERATING AND MAINTENANCE EXPENSES:</u>	
O&M Labor Exp Reg	\$ 542,942
O&M Labor Exp OT	25,000
O&M Employee Benefits	107,423
O&M Sludge Removal	10,000
O&M Purchased Power	120,000
O&M Chemicals	80,000
O&M Mgmt Fees	102,550
O&M Cust Ops ACO (@ \$10.00 per customer)	29,300
O&M OS Engineering	12,000
O&M OS Lab Testing	10,000
O&M OS Operations	70,000
O&M OS Maintenance	16,000
O&M Transportation	50,000
O&M Supplies	28,000
Total O&M Expenses =>	<u><u>\$ 1,203,215</u></u>

Aqua Pennsylvania, Inc. - Water
Calculation of Shenandoah Water Acquisition - 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%	\$ 43,435
Property Taxes / (Purta)	0.890%	\$ 17,157
Regulatory Assessments	0.624%	\$ 12,033
Total		<u>\$ 72,626</u>

Assessment Rates

Public Utility Commission	0.47%
Consumer Advocate	0.13%
Small Business Advocate	0.02%

Docket No. R-2021-3027385
Exhibit 1-A(a)

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 3/31/2020 (2)	SERVED AT 3/31/2021 (3)	TO BE SERVED AT 3/31/2022 (4)	TO BE SERVED AT 3/31/2023 (5)	INCREASED BILLS (6)	DECREASED BILLS (7)	UNCHANGED BILLS (8)
1	Metered:							
2	Residential	398,180	400,887	401,624	402,361	402,250	-	111
3	Commercial	22,385	22,521	22,492	22,463	22,463	-	-
4	Industrial	740	728	728	728	728	-	-
5	Public	1,184	1,184	1,184	1,184	1,184	-	-
6	Bulk Water	-	-	-	-	-	-	-
7	Private Fire Protection	5,449	5,550	5,550	5,550	5,550	-	-
8	Sales to Water Utilities	10	13	13	13	13	-	-
9	Total Metered Customers	427,948	430,883	431,591	432,299	432,188	-	111
10	Other:							
11	Unmetered	2,801	2,246	2,246	2,246	2,229	-	17
12	Availability Charge	-	-	-	-	-	-	-
13	Public Fire Protection	268	267	267	267	267	-	-
14	Private Fire Protection	863	868	868	868	868	-	-
15	Total Customers	431,880	434,264	434,972	435,680	435,552	-	128

Docket No. R-2021-3027386
Exhibit 1-B through 1-G

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 3/31/2020 (2)	SERVED AT 3/31/2021 (3)	TO BE SERVED AT 3/31/2022 (4)	TO BE SERVED AT 3/31/2023 (5)	INCREASED BILLS (6)	DECREASED BILLS (7)	UNCHANGED BILLS (8)
1	Residential	31,411	37,986	38,078	38,170	37,829	70	271
2	Commercial	1,715	2,227	2,227	2,227	2,226	-	1
3	Industrial	9	9	9	9	9	-	-
4	Public	60	62	62	62	62	-	-
5	Miscellaneous	-	-	-	-	-	-	-
6	Availability Charge	-	-	-	-	-	-	-
7	Total Customers	33,195	40,284	40,376	40,468	40,126	70	272
ADD Lower Makefield Res Com Ind					10,918			235
East Whiteland Res/Com					3,895			-
Total Existing WW Customers					55,614			

Wastewater Revenues at Tariff Rates=> Proof of Revenue & Exhibit 1-B APWW Rate Case =>	\$ 55,789,513
Add Lower Makefield WW	\$ 10,038,836
Add East Whiteland Revenue	\$ 3,769,536
Total Existing Revenues	\$ 69,597,885

Docket No. R-2021-3027385

Water Revenues at Tariff Rates=> Proof of Revenue & Exhibit 1-A APWW Rate Case =>	\$ 561,514,060
Residential	\$ 364,984,139
Commercial	\$ 140,378,515
Industrial Revenues	\$ 22,460,562
Other Revenues	\$ 33,690,844
Total Existing Revenues (Res, Com, & Ind classes)	\$ 561,514,060

Docket No. R-2021-3027385

AQUA PENNSYLVANIA, INC.
1-A WATER AND 1-B WASTEWATER REVENUE REQUIREMENT - SUMMARY

	Total Company	Water Operations	Wastewater Base Operations	Wastewater Limerick	Wastewater East Bradford	Wastewater Cheltenham	Wastewater East Norriton	Wastewater New Garden
Present Rate Revenue	\$ 548,225,086	\$ 511,148,592	\$ 19,011,761	\$ 3,978,573	\$ 1,014,569	\$ 7,258,740	\$ 2,923,770	\$ 2,889,080
Additional Revenue Requirement	69,078,487	39,108,336	15,595,716	5,573,913	776,166	2,747,284	2,736,794	2,540,277
Act 11 Allocation (1) 16.79%	(0)	11,257,132	(8,773,183)	(2,308,940)	(127,958)	2,032,232	(1,079,811)	(999,471)
Proposed Revenues	\$ 617,303,573	\$ 561,514,060	\$ 25,834,295	\$ 7,243,546	\$ 1,662,778	\$ 12,038,256	\$ 4,580,752	\$ 4,429,886
Rate Increase/(Decrease) - \$	\$ 69,078,487	\$ 50,365,468	\$ 6,822,533	\$ 3,264,973	\$ 648,209	\$ 4,779,516	\$ 1,656,983	\$ 1,540,806
Rate Increase/(Decrease) - %	12.60%	9.85%	35.89%	82.06%	63.89%	65.84%	56.67%	53.33%
			-25.35%	-24.17%	-7.15%	20.31%	-19.08%	-18.41%

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. R-2021-3027386 and R-2021-3027386

<u>Current Rate Zone / Division</u>	<u>Current Rate Zone</u>	<u>New Rate Zone</u>	<u>Avg. Consumption</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Metered</u>	<u>Metered & Unmetered</u>
								<u>Number of Bills</u>	<u>Number of Bills</u>
RZ 1 - Bridlewood, Eagle Rock, Media	1	1	4,000	\$ 64.47	\$ 95.47	\$ 31.00	48.08%	16,347	16,359
RZ 10 - East Norriton	10	10	4,000	\$ 38.52	\$ 66.47	\$ 27.95	72.55%	52,639	55,124
RZ 10 - East Norriton - Whitpain	10	10	4,000	\$ 31.66	\$ 66.47	\$ 34.81	109.95%	66	66
RZ 11 - New Garden	11	11	4,000	\$ 73.03	\$ 138.50	\$ 65.47	89.65%	6,080	6,080
RZ 1A - Treasure Lake, Villiage at VF, Bunker Hill	1A	1A	4,000	\$ 59.01	\$ 95.47	\$ 36.46	61.79%	25,609	27,588
RZ 1B - Penn Township	1B	1	4,000	\$ 64.05	\$ 95.47	\$ 31.42	49.06%	9,953	9,953
RZ 2 - Emlenton, Rivercrest, White Haven (Kidder)	2	2	4,000	\$ 71.82	\$ 101.80	\$ 29.98	41.74%	11,088	20,435
RZ 3 - Beech Mountain Lakes, Deerfield Run, Laurel Lakes, Links at Gettysburg, Stony Creek, Thornhurst, and Willistown Woods	3	3	4,000	\$ 84.00	\$ 115.03	\$ 31.03	36.94%	26,224	26,224
RZ 5 - East Bradford (Brandywine), Little Washington, Greens at Penn Oaks, Sage Hill and Plumsock	5	5	4,000	\$ 118.02	\$ 150.30	\$ 32.28	27.35%	6,415	6,415
RZ 5 - Newlin Green	5	5	4,000	\$ 147.00	\$ 150.30	\$ 3.30	2.24%	588	588
RZ 5 - Sage Hill	5	5	4,000	\$ 189.00	\$ 150.30	\$ (38.70)	-20.48%	252	264
RZ 6 - Masthope	6	6	4,000	\$ 45.82	\$ 70.59	\$ 24.77	54.05%	16,452	16,488
RZ 7 - Limerick	7	7	4,000	\$ 39.73	\$ 78.53	\$ 38.80	97.67%	61,094	61,094
RZ 8 - East Bradford - Single Family Home	8 (Unmetered)	8 (Metered)	4,000	\$ 71.49	\$ 104.56	\$ 33.06	46.25%	4,596	4,596
RZ 8 - East Bradford - Townhome	8 (Unmetered)	8 (Metered)	4,000	\$ 55.36	\$ 104.56	\$ 49.20	88.88%	9,663	9,663
RZ 9 - Cheltenham	9	9	4,000	\$ 36.53	\$ 61.82	\$ 25.29	69.23%	117,807	117,807
RZ 3 - Links of Gettysburg, Thornhurst Div, Laurel Lakes, Woodloch Springs Unmetered	3	3	Unmetered	\$ 71.50	\$ 115.03	\$ 43.53	60.88%	11,496	11,496
RZ 4 - Honeycreek Village, Lake Harmony, New Daleville, Peddlers View, Tobyhanna Township, Twin Hills Unmetered	4	4	Unmetered	\$ 105.00	\$ 133.35	\$ 28.35	27.00%	23,389	23,389
RZ 7 - Limerick (Unmetered)	7 (Unmetered)	7 (Unmetered)	Unmetered	\$ 29.75	\$ 61.08	\$ 31.33	105.34%	6,078	6,078

Weighted Average Residential Bill (Metered & Unmetered) => \$ 84.33 * @ 4,000 Average Consumption

Where applicable, present rates includes DSIC at 5.00%.

All Residential Customers are charged a customer charge on an EDU basis with the exception of the Media, Treasure Lake, Village at Valley Forge and Plumsock Divisions, which are customer charge based on the appropriate meter size of the applicable Rate Zone. The rates above represent a 5/8" meter or 1 EDU.

As per the Asset Purchase Agreement, the East Norriton Division rate increase will not become effective until June 20, 2022.

Aqua Pennsylvania, Inc.
Commercial Average Monthly Bill Comparison - Wastewater
Docket Nos. R-2021-3027386 and R-2021-3027386

<u>Current Rate Zone / Division</u>	<u>Current Rate Zone</u>	<u>New Rate Zone</u>	<u>Avg. Consumption</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Metered</u>	<u>Metered & Unmetered</u>
								<u>Number of Bills</u>	<u>Number of Bills</u>
RZ 9 - Cheltenham	9	9	3,200	\$ 33.40	\$ 54.95	\$ 21.55	64.52%	84,326	84,326
RZ 7 - Limerick	7	7	5,800	\$ 51.89	\$ 93.24	\$ 41.35	79.70%	21,828	22,260
RZ 10 - East Norriton	10	10	24,500	\$ 220.00	\$ 220.90	\$ 0.89	0.41%	2,938	3,202
RZ 1 - Bridlewood, Eagle Rock, Media	1	1	39,400	\$ 346.96	\$ 504.71	\$ 157.74	45.46%	3,660	3,684
RZ 11 - New Garden	11	11	39,400	\$ 939.43	\$ 1,855.35	\$ 915.92	97.50%	1,281	1,281
RZ 1A - Treasure Lake, Villiage at VF, Bunker Hill	1A	1A	39,400	\$ 293.18	\$ 504.71	\$ 211.52	72.15%	729	789
RZ 1B - Penn Township	1B	1	39,400	\$ 484.58	\$ 504.71	\$ 20.13	4.15%	480	504
RZ 2 - Emlenton, Rivercrest, White Haven (Kidder)	2	2	39,400	\$ 372.90	\$ 542.05	\$ 169.15	45.36%	623	3,745
RZ 3 - Deer Mountain Lakes, Deerfield Knoll, Laurel Lakes, Links at Gettysburg, Stony Creek, Thornhurst, and Willistown Woods	3	3	39,400	\$ 399.95	\$ 539.89	\$ 139.95	34.99%	1,476	3,425
RZ 5 - East Bradford (Brandywine), Little Washington, Greens at Penn Oaks, Sage Hill and Plumsock	5	5	39,400	\$ 785.65	\$ 982.83	\$ 197.18	25.10%	42	42
RZ 6 - Masthope	6	6	39,400	\$ 82.99	\$ 165.27	\$ 82.28	99.14%	96	108
RZ 8 - East Bradford	8	8	44,500	\$ 335.21	\$ 569.71	\$ 234.49	69.95%	416	416
RZ 5 - Avon Grove School District	5	5	Flat	\$ 8,695.31	\$ 10,925.36	\$ 2,230.05	25.65%	12	12
RZ 4 - Honeycroft Village, Lake Harmony, New Daleville, Peddlers View, Tobyhanna Township, Twin Hills	4	4	Unmetered (Per EDU)	\$ 105.00	\$ 133.35	\$ 28.35	27.00%	1,559	7,427

Weighted Average COMMERCIAL Bill (Metered & Unmetered) =>	\$ 134.14
Weighted Average COMMERCIAL Consumption (Metered) =>	8,328.23

Where applicable, present rates includes DSIC at 5.00%.

All Residential Customers are charged a customer charge on an EDU basis with the exception of the Media, Treasure Lake, Villiage at Valley Forge and Plumsock Divisions, which are customer charge based on the appropriate meter size of the applicable Rate Zone. The rates above represent a 5/8" meter or 1 EDU.

As per the Asset Purchase Agreement, the East Norriton Division rate increase will not become effective until June 20, 2022.

Aqua Pennsylvania, Inc.
Industrial Average Monthly Bill Comparison - Wastewater
Docket Nos. R-2021-3027386 and R-2021-3027386

<u>Current Rate Zone / Division</u>	<u>Current Rate Zone</u>	<u>New Rate Zone</u>	<u>Avg. Consumption</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Metered Number of Bills</u>	<u>Metered & Unmetered Number of Bills</u>
RZ 1 - Media	1	1	3,700	\$ 62.08	\$ 90.30	\$ 28.22	45.47%	12	12
RZ 9 - Cheltenham	9	9	1,250	\$ 25.78	\$ 40.88	\$ 15.10	58.57%	108	108

Weighted Average INDUSTRIAL Bill (Meterd & Unmetered) =>	\$ 45.82
Weighted Average INDUSTRIAL Consumption (Meterd & Unmetered) =>	1,495.00

Where applicable, present rates includes DSIC at 5.00%.

All Residential Customers are charged a customer charge on an EDU basis with the exception of the Media, Treasure Lake, Village at Valley Forge and Plumsock Divisions, which are customer charge based on the appropriate meter size of the applicable Rate Zone. The rates above represent a 5/8" meter or 1 EDU.

As per the Asset Purchase Agreement, the East Norriton Division rate increase will not become effective until June 20, 2022.

Aqua Pennsylvania, Inc.
Residential Average Monthly Bill Comparison - Water
Docket Nos. R-2021-3027386 and R-2021-3027386

<u>Current Rate Zone / Division</u>	<u>Current Rate Zone</u>	<u>New Rate Zone</u>	<u>Meter Size</u>	<u>Avg. Consumption</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Number of Bills</u>	<u>Consumption</u>	<u>Average Gallons</u>
Rate Zone 1 - Main Division	1	1	5/8"	4,000	\$ 69.35	\$ 77.51	\$ 8.16	11.77%	4,433,841	190,268,063	4,291
CC Gardens & Sand Springs	1*	1	5/8"	4,000	\$ 56.16	\$ 77.51	\$ 21.35	38.02%	11,125	437,656	3,934
Beech Mountain	1*	1*	5/8"	4,000	\$ 33.82	\$ 45.14	\$ 11.32	33.48%	11,304	385,051	3,406
Bristol Township	1*	1*	5/8"	4,000	\$ 40.85	\$ 54.81	\$ 13.96	34.17%	5,168	222,802	4,311
Mifflin Township	1*	1	5/8"	4,000	\$ 53.75	\$ 77.51	\$ 23.76	44.21%	5,815	184,250	3,169
Mt. Jewett	1*	1	5/8"	4,000	\$ 65.14	\$ 77.51	\$ 12.37	18.99%	4,796	143,987	3,002
Robin Hood Lakes	1*	1	5/8"	4,000	\$ 56.33	\$ 77.51	\$ 21.18	37.60%	2,413	74,484	3,087
Chalfont	2	2	5/8"	4,000	\$ 65.14	\$ 77.51	\$ 12.37	18.99%	26,538	1,120,730	4,223
Concord Park	2	2*	5/8"	4,000	\$ 46.66	\$ 62.77	\$ 16.12	34.55%	1,964	77,374	3,940
Superior	2	2	5/8"	4,000	\$ 69.35	\$ 77.51	\$ 8.16	11.77%	51,088	2,393,598	4,685
Treasure Lake Oakland Beach, US water (Masthope), Eagle Rock	2	2*	5/8"	4,000	\$ 42.70	\$ 57.33	\$ 14.63	34.26%	25,628	828,948	3,235
	3	3	5/8"	4,000	\$ 69.35	\$ 79.43	\$ 10.08	14.54%	65,052	1,424,213	2,189
Bunker Hill	Bunker Hill	Bunker Hill	5/8"	4,000	\$ 27.95	\$ 38.44	\$ 10.49	37.53%	829	40,581	4,895
Sun Valley	Sun Valley	Sun Valley	5/8"	4,000	\$ 20.96	\$ 38.00	\$ 17.04	81.28%	765	30,588	3,998
Phoenixville	Phoenixville	Phoenixville	5/8"	4,000	\$ 15.33	\$ 22.66	\$ 7.33	47.78%	5,502	212,940	3,870

Weighted Average RESIDENTIAL Bill @ 4,000 Avg. Gallons => \$ 77.24

Based on 5/8" meter and an average consumption of 4,000 per month.

Where applicable, present rates includes DSIC at 7.50%.

*Consumption Charge Exceptions

Aqua Pennsylvania, Inc.
Commercial Average Monthly Bill Comparison - Water
Docket Nos. R-2021-3027386 and R-2021-3027386

<u>Current Rate Zone / Division</u>	<u>Current Rate Zone</u>	<u>New Rate Zone</u>	<u>Meter Size</u>	<u>Avg. Consumption</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Number of Bills</u>
Rate Zone 1 - Main Division	1	1	5/8"	33,900	\$ 414.74	\$ 453.75	\$ 39.01	9.41%	273,458
CC Gardens & Sand Springs	1*	1	5/8"	32,100	\$ 340.27	\$ 470.46	\$ 130.19	38.26%	32
Beech Mountain	1*	1*	5/8"	45,200	\$ 182.86	\$ 298.85	\$ 116.00	63.44%	60
Bristol Township	1*	1*	5/8"	11,400	\$ 125.97	\$ 180.30	\$ 54.34	43.13%	1,797
Mifflin Township	1*	1	5/8"	16,000	\$ 156.95	\$ 234.57	\$ 77.62	49.46%	351
Mt. Jewett	1*	1	5/8"	33,900	\$ 414.74	\$ 453.75	\$ 39.01	9.41%	4,796
Chalfont	2	1	5/8"	6,000	\$ 96.11	\$ 104.61	\$ 8.51	8.85%	-
Concord Park	2	1*	4"	434,800	\$ 3,277.12	\$ 5,130.10	\$ 1,852.98	56.54%	24
Superior	2	1	5/8"	6,000	\$ 96.11	\$ 104.61	\$ 8.51	8.85%	2,810
Treasure Lake	2	1*	5/8"	33,500	\$ 214.90	\$ 328.84	\$ 113.95	53.02%	386
Oakland Beach, CS Water (Masthope), Eagle Rock	3	3	5/8"	14,100	\$ 240.89	\$ 261.45	\$ 20.57	8.54%	1,044
Phoenixville	Phoenixville	Phoenixville	5/8"	19,100	\$ 60.63	\$ 89.70	\$ 29.07	47.95%	829

WA Consumption =>	33,382	WA Bill => \$	446.76
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Where applicable, present rates includes DSIC at 7.50%.

*Consumption Charge Exceptions

Aqua Pennsylvania, Inc.
Industrial Average Monthly Bill Comparison - Water
Docket Nos. R-2021-3027386 and R-2021-3027386

<u>Current Rate Zone / Division</u>	<u>Current Rate Zone</u>	<u>New Rate Zone</u>	<u>Meter Size</u>	<u>Avg. Consumption</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Number of Bills</u>
Rate Zone 1	1	1	5/8"	201,400	\$ 1,976.42	\$ 2,162.72	\$ 186.30	9.43%	9,057
Rate Zone 2	2	1	2"	201,400	\$ 2,053.29	\$ 2,306.21	\$ 252.93	12.32%	60
Rate Zone 3	3	3	5/8"	36,800	\$ 452.53	\$ 491.00	\$ 38.47	8.50%	12
Phoenixville	Phoenixville	Phoenixville	5/8"	3,600	\$ 14.13	\$ 20.88	\$ 6.75	47.76%	48

WA Consumption => 200,150 WA Bill => \$ 2,150.27

Where applicable, present rates includes DSIC at 7.50%.