YORK WATER STATEMENT NO. 103W

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

THE YORK WATER COMPANY

DIRECT TESTIMONY OF MATTHEW E. POFF

Q. State your name and business address.

A. Matthew E. Poff. My business address is: 130 East Market Street, York, Pennsylvania.

Q. By whom are you employed?

A. I am employed by The York Water Company ("York Water" or the "Company").

Q. State your present position with the Company and explain your duties and responsibilities.

A. I am Chief Financial Officer and Treasurer for the Company. My duties and responsibilities include managing the day-to-day financial transactions of the Company.

Q. How long have you been employed by the Company?

A. I have been employed by the Company since June 15, 2009.

Q. What is your educational background?

A. I have a Bachelor’s Degree from the Pennsylvania State University, University Park, Pennsylvania and a Master’s Degree in Business Administration from York College of Pennsylvania, York, Pennsylvania.

Q. Are you a certified public accountant?

A. Yes, I am a certified public accountant licensed by the Commonwealth of Pennsylvania.

Q. What has been your other business experience?

A. From September, 2006 through June, 2009, I was employed by I. B. Abel, Inc. in York, Pennsylvania as the Chief Financial Officer. In this capacity, I managed the day to day accounting and financial transactions of the Company.

From July, 1995 through September, 2006, I was employed by Beard Miller Company LLP (now Baker Tilly US, LLP) as a certified public accountant. In this capacity, I oversaw the audits and reviews and preparation of financial statements and tax returns for various business entities, both private and public companies of various sizes.

Q. Have you previously testified before a regulatory commission?

A. Yes, I have presented testimony to the Pennsylvania Public Utility Commission (“Commission”) in the Company’s last two rate cases.

Q. Will you list the exhibits you are sponsoring in this proceeding?

A. In addition to the exhibits identified in York Water Statement No. 103, I am sponsoring the following exhibits prepared by me or under my direction and supervision:

Exhibit Nos. FI-2W relating to the statement of operations for the wastewater division;

Exhibit Nos. F(a)-4W, FII-2W, FII-2-1W, FII-2-2W, FII-2-3W, FII-2-4W, FII-2-5W, FII-2-6W, FII-2-7W, FII-2-8W, FII-2-9W, FII-2-10W, FII-3W, FII-4W, FII-5W, FII-7W, FII-8W, and FII-9W relating to operating revenues for the wastewater division;

Exhibit Nos. FIII-2W, FIII-2-4W, FIII-2-6W, FIII-2-13W, FIII-2-20W, FIII-2-28W, and FIII-2-30W relating to operating expenses for the wastewater division; and

Exhibit No. FV-1-1W and FV-1-3W relating to the original cost measure of value for the wastewater division; and

Exhibit Nos. F(b)-1W.

Q. Explain Exhibit No. FI-2W.

A. Exhibit No. FI-2W summarizes projections of income for the twelve months ending December 31, 2022 and February 29, 2024, and summarizes adjustments to such projected income to: (1) annualize and normalize the effect of changes occurring during the twelve months ending December 31, 2022, and February 29, 2024, and (2) reflect changes in operating revenues, Public Utility Commission, Consumer Advocate, Small Business Advocate, and Damage Prevention Control assessments, and income taxes due to the increase in operating revenues resulting from the proposed increase in rates.

Projected net income for the twelve months ending December 31, 2022, in the amount of $183,141 is shown in Column 4 of Exhibit No. FI-2W, page 2. I note that this amount reflects non-operating income and other income deductions not included in the calculation of net operating income for ratemaking purposes. In deriving the projected net operating income, I began with the pro forma net operating income at present rates for the twelve months ended December 31, 2021, in the amount of $(249,248), which is shown in Column 1 of Exhibit No. FI-2W, page 2, and which is taken from Exhibit No. HI-2W. The net of all adjustments to revenues and expenses results in projected future test year level of income adjustments of $288,510 at present rates as shown in Column 3 of Exhibit No. FI-2W, page 2. These adjustments are detailed in other exhibits, which will be explained later. The net operating income of $39,262 represents net operating income for the projected future test year. It is necessary to adjust such net operating income to reflect and annualize various changes during the future test year to determine operating income at the level of operations at the end of the test year at present rates to be used for ratemaking purposes.

Column 6 of Exhibit No. FI-2W, page 2 summarizes the pro forma adjustments to the projected future test year net operating income. Projected net operating income for the twelve months ending December 31, 2022, in the amount of $39,262 is shown in Column 4 of Exhibit No. FI-2W, page 2. Adjustments to operating income in the net amount of $2,270 to annualize and normalize the effect of changes during the twelve months ending December 31, 2022, are shown in Column 6 of Exhibit No. FI-2W, page 2. These adjustments are detailed in other exhibits, which will be explained by various witnesses. The net operating income of $41,533 represents net operating income for the pro forma future test year. The figures in Column 7 of page 2 of Exhibit No. FI-2W have been carried over to Column 1 of page 3 of Exhibit No. FI-2W.

In deriving the projected net operating income for the fully projected future test year, I began with the pro forma net operating income at present rates for the twelve months ended December 31, 2022, in the amount of $41,533, which is shown in Column 1 of Exhibit No. FI-2W, page 3. The net of all adjustments to revenues and expenses results in fully projected future test year income adjustments of $(316,099) at present rates as shown in Column 3 of Exhibit No. FI-2W, page 3. These adjustments are detailed in other exhibits, which will be explained by various witnesses. The net operating income of $(274,567) represents net operating income for the fully projected future test year ending February 29, 2024. It is necessary to adjust such net operating income to reflect and annualize various changes during the fully projected future test year to determine operating income at the level of operations at the end of the test year at present rates to be used for ratemaking purposes.

Column 6 of Exhibit No. FI-2W, page 3 summarizes the pro forma adjustments to the fully projected future test year net operating income. Projected net operating income for the twelve months ending February 29, 2024, in the amount of $(274,567) is shown in Column 4 of Exhibit No. FI-2W, page 3. Adjustments to operating income in the net amount of $4,201, to annualize and normalize the effect of changes during the twelve months ending February 29, 2024, are shown in Column 6 of Exhibit No. FI-2W, page 3. These adjustments are detailed in other exhibits, which will be explained by various witnesses. The net operating income of $(270,366) represents pro forma net operating income for the fully projected future test year. Column 7 figures have been carried over to Column 1 of Exhibit FI-2W, page 4.

Column 3 of Exhibit No. FI-2W page 4 provides a summary of the increases to net operating income under proposed base rates at the fully projected future test year level of operations. The net increase to net operating income at proposed rates would be $2,915,373 after reflecting increases in operating revenues, and related increase in Public Utility Commission, Consumer Advocate, Small Business Advocate, and Damage Prevention Control assessments and income taxes. These adjustments are shown in Column 3 of Exhibit No. FI-2W, page 4 and are detailed in other exhibits, which various witnesses will explain later. Pro forma net operating income for the twelve months ending February 29, 2024, in the amount of $2,645,008 is shown in Column 4 of Exhibit No. FI-2W, page 4.

Q. Explain Exhibit No. FII-2W.

A. Exhibit No. FII-2W is to summarize projections of operating revenues under existing rates for the twelve months ending December 31, 2022, and February 29, 2024, and to summarize adjustments to such projected operating revenues to: (1) annualize the effect of changes occurring during the twelve months ending December 31, 2022, and February 29, 2024, under existing rates; (2) reflect the increase in operating revenues resulting from the proposed increase in rates; and (3) summarize the revenue requirement for wastewater after allocating a portion to water customers.

Projected operating revenues under existing rates for the twelve months ending December 31, 2022, in the amount of $4,062,002 are shown in Column 3 of Exhibit No. FII-2W, page 2. In deriving the projected operating revenues under existing rates, I began with the pro forma operating revenues at present rates for the twelve months ended December 31, 2021, in the amount of $4,031,924, which are shown in Column 1 of Exhibit No. FII-2W, page 2, and which are taken from Exhibit No. HII-2W. Adjustments to the pro forma historic test year operating revenues to project the future test year operating revenues under existing rates in the amount of $30,078 are shown in Column 2 of Exhibit No. FII-2W, page 2. These adjustments are detailed in Exhibit Nos. FII-2-1W through FII-2-2W, which I will explain later and are summarized in Exhibit No. FII-2W, page 3.

Exhibit No. FII-2, page 4 summarizes the pro forma adjustments to the projected future test year operating revenues. Projected operating revenues under existing rates for the twelve months ending December 31, 2022, in the amount of $4,062,002 are shown in Column 1 of Exhibit No. FII-2W, page 4. Adjustments to operating revenues under existing rates in the amount of $30,078 to annualize the effect of changes during the twelve months ending December 31, 2022, are shown in Column 2 of Exhibit No. FII-2W, page 4. These adjustments are detailed in Exhibit Nos. FII-2-3W through FII-2-4W, which I will explain later, and are summarized in Exhibit No. FII-2, page 5. Column 3 of Exhibit No. FII-2, page 4 shows the pro forma operating revenues under existing rates of $4,092,080 for the twelve months ending December 31, 2022.

Projected operating revenues under existing rates for the twelve months ending February 29, 2024, in the amount of $4,132,184 are shown in Column 3 of Exhibit No. FII-2W, page 6. In deriving the projected operating revenues under existing rates, I began with the pro forma operating revenues at present rates for the twelve months ended December 31, 2022, in the amount of $4,092,080, which are shown in Column 1 of Exhibit No. FII-2W, page 6. Adjustments to the pro forma future test year operating revenues to project the fully projected future test year operating revenues under existing rates in the amount of $40,104 are shown in Column 2 of Exhibit No. FII-2W, page 6. These adjustments are detailed in Exhibit Nos. FII-2-5W through FII-2-8W, which I will explain later, and are summarized in Exhibit No. FII-2W, page 7.

Exhibit No. FII-2W, page 9 summarizes the pro forma adjustments to the fully projected future test year operating revenues. Projected operating revenues under existing rates for the twelve months ending February 29, 2024, in the amount of $4,132,184 are shown in Column 1 of Exhibit No. FII-2W, page 9. Adjustments to operating revenues under existing rates in the amount of $30,078 to annualize the effect of changes during the twelve months ending February 29, 2024, are shown in Column 2 of Exhibit No. FII-2W, page 9. These adjustments are detailed in Exhibit Nos. FII-2-9W through FII-2-10W, which I will explain later, and are summarized in Exhibit No. FII-2W, page 8.

Adjustments to operating revenues in the amount of $4,127,648, or 99.2% reflect the increase in operating revenues due to the application of proposed base rates set forth in Supplement No. 14 to Tariff Wastewater-Pa. P.U.C. No. 1 are shown on Column 6 of Exhibit No. FII-2W, page 9. Pro forma operating revenues under proposed rates for the twelve months ending February 29, 2024, in the amount of $8,289,911 are shown on Column 7 of Exhibit No. FII-2W, page 9.

The Company does not believe that it is appropriate for wastewater customers to incur a 99.2% increase at this time. Therefore, the Company is proposing to limit the increase in rates for wastewater customers to 35%. This 35% increase is more than the overall water rate increase percentage and will move wastewater customers closer to cost of service. A 35% increase for wastewater customers is $1,456,792 ($4,162,262 x 0.35). The Company proposes to allocate the remaining additional revenue requirement of $2,670,856 ($4,127,648 - $1,456,792) to water customers, increasing the water revenue requirement by 4.8% (33.8% - 29.0%).

Q. Explain Exhibit No. FII-2-1W.

A. Exhibit No. FII-2-1W projects operating revenues under existing rates for estimated metered residential wastewater customers connected and disconnected during the twelve months ending December 31, 2022. The projected net gain in number of metered residential wastewater customers during the twelve months ending December 31, 2022, is 71. This projection is based on the average net gain in metered residential wastewater customers for the year ended December 31, 2021. The projected net gain of metered residential wastewater customers during the twelve months ending December 31, 2022, of 71 is multiplied by the annual average revenue per average metered residential wastewater customer during the historic test year ended December 31, 2021, of $744.17 to derive the annualized revenue adjustment of $52,836 (71 x $744.17).

In order to present the projected future test year metered sales to residential wastewater customers, it is necessary to determine the portion of the annualized revenue adjustment in the amount of $52,836 that will occur during the twelve months ending December 31, 2022. The projected net gain of metered residential wastewater customers for the twelve months ending December 31, 2022, is presumed to occur evenly throughout the future test year. Accordingly, one half (0.50) of the annualized revenue adjustment determined in this Exhibit is projected to occur during the twelve months ending December 31, 2022. The portion of the annualized revenue adjustment included in the twelve months ending December 31, 2022, or $26,418 ($52,836 x 0.50) has been carried forward to Exhibit No. FII-2W, page 3. The remainder of the annualized revenue adjustment is reflected on Exhibit No. FII-2-3W, which I will explain later.

Q. Explain Exhibit No. FII-2-2W.

A. Exhibit No. FII-2-2W projects operating revenues under existing rates for estimated metered commercial wastewater customers connected and disconnected during the twelve months ending December 31, 2022. The projected net gain in number of metered commercial wastewater customers during the twelve months ending December 31, 2022, is 7. This projection is based on the average net gain in metered commercial wastewater customers for the year ended December 31, 2021. The projected net gain of metered commercial wastewater customers during the twelve months ending December 31, 2022, of 7 is multiplied by the annual average revenue per average metered commercial wastewater customer during the historic test year ended December 31, 2021, of $1,045.77 to derive the annualized revenue adjustment of $7,320 (7 x $1,045.77).

In order to present the projected future test year metered sales to commercial wastewater customers, it is necessary to determine the portion of the annualized revenue adjustment in the amount of $7,320 that will occur during the twelve months ending December 31, 2022. The projected net gain of metered commercial wastewater customers for the twelve months ending December 31, 2022, is presumed to occur evenly throughout the future test year. Accordingly, one half (0.50) of the annualized revenue adjustment determined in this Exhibit is projected to occur during the twelve months ending December 31, 2022. The portion of the annualized revenue adjustment included in the twelve months ending December 31, 2022, or $3,660 ($7,320 x 0.50) has been carried forward to Exhibit No. FII-2W, page 3. The remainder of the annualized revenue adjustment is reflected on Exhibit No. FII-2-4W, which I will explain later.

Q. Explain Exhibit No. FII-2-3W.

A. Exhibit No. FII-2-3W annualizes operating revenues for estimated metered residential wastewater customers connected and disconnected during the twelve months ending December 31, 2022. As explained previously, the Company projects a net gain of 71 in the number of metered residential wastewater customers during the twelve months ending December 31, 2022. The projected net gain of metered residential wastewater customers during the twelve months ending December 31, 2022, of 71 is multiplied by the annual average revenue per average metered residential wastewater customer during the historic test year ended December 31, 2021, of $744.17 to derive the annualized revenue adjustment of $52,836 (71 x $744.17).

As explained previously with respect to Exhibit No. FII-2-1W, I have already reflected in projected future test year revenues that portion of the increased revenues from these 71 customers that are projected to be gained during the future test year ending December 31,

2022. That projected amount is $26,418, or one half of the annualized revenue adjustment of $52,836. The remaining half of the annualized revenue adjustment is reflected on Exhibit No. FII-2-3W as an annualization adjustment to the future test year projection. The remaining half of the annualized revenue adjustment of $26,418 has been carried forward to Exhibit No. FII-2W, page 5.

Q. Explain Exhibit No. FII-2-4W.

A. Exhibit No. FII-2-4W annualizes operating revenues for estimated metered commercial wastewater customers connected and disconnected during the twelve months ending December 31, 2022. As explained previously, the Company projects a net gain of 7 in the number of metered commercial wastewater customers during the twelve months ending December 31, 2022. The projected net gain of metered commercial wastewater customers during the twelve months ending December 31, 2022, of 7 is multiplied by the annual average revenue per average metered commercial wastewater customer during the historic test year ended December 31, 2021, of $1,045.77 to derive the annualized revenue adjustment of $7,320 (7 x $1,045.77).

As explained previously with respect to Exhibit No. FII-2-2W, I have already reflected in projected future test year revenues that portion of the increased revenues from these 7 customers that are projected to be gained during the future test year ending December 31, 2022. That projected amount is $3,660, or one half of the annualized revenue adjustment of $7,320. The remaining half of the annualized revenue adjustment is reflected on Exhibit No. FII-2-4W as an annualization adjustment to the future test year projection.

The remaining half of the annualized revenue adjustment of $3,660 has been carried forward to Exhibit No. FII-2W, page 5.

Q. Explain Exhibit No. FII-2-5W.

A. Exhibit No. FII-2-5W projects operating revenues for the estimated metered residential wastewater customers connected and disconnected during January and February 2023. Although these customers are projected to be added prior to the fully projected future test year, the revenues from these customers will be included in the revenues earned for the twelve months ending February 29, 2024, so it is appropriate to include these revenues.

As was the case for the twelve months ending December 31, 2022, the Company projects a net gain of 71 in the number of metered residential wastewater customers during the twelve months ending December 31, 2023. The projected net gain of metered residential wastewater customers during the twelve months ending December 31, 2023 of 71 is divided by twelve and multiplied by two to yield the number of customers expected to be gained during the two-month period ending February 28, 2023, which is 12 (71 / 12 x 2). Next, the number of customers gained during the two-month period is multiplied by the annual average revenue per average metered residential wastewater customer during the future test year ended December 31, 2022, of $744.17 to derive the annualized revenue adjustment for residential wastewater customers of $8,806 (12 x $744.17).

The adjustment for the estimated residential wastewater customers to be added during January and February 2023, of $8,806 has been carried forward to Exhibit No. FII-2W, page 7.

Q. Explain Exhibit No. FII-2-6W.

A. Exhibit No. FII-2-6W projects operating revenues for the estimated metered commercial wastewater customers connected and disconnected during January and February 2023. Although these customers are projected to be added prior to the fully projected future test year, the revenues from these customers will be included in the revenues earned for the twelve months ending February 29, 2024, so it is appropriate to include these revenues.

As was the case for the twelve months ending December 31, 2022, the Company projects a net gain of 7 in the number of metered commercial wastewater customers during the twelve months ending December 31, 2023. The projected net gain of metered commercial wastewater customers during the twelve months ending December 31, 2023 of 7 is divided by twelve and multiplied by two to yield the number of customers expected to be gained during the two-month period ending February 28, 2023, which is 1 (7 / 12 x 2). Next, the number of customers gained during the two-month period is multiplied by the annual average revenue per average metered commercial wastewater customer during the future test year ended December 31, 2022, of $1,045.77 to derive the annualized revenue adjustment for commercial wastewater customers of $1,220 (1 x $1,045.77).

The adjustment for the estimated commercial wastewater customers to be added during January and February 2023, of $1,220 has been carried forward to Exhibit No. FII-2W, page 7.

Q. Explain Exhibit No. FII-2-7W.

A. Exhibit No. FII-2-7W projects operating revenues under existing rates for estimated metered residential wastewater customers connected and disconnected during the twelve months ending February 29, 2024. The projected net gain in number of metered residential wastewater customers during the twelve months ending February 29, 2024, is 71. This projection is based on the average net gain in metered residential wastewater customers for the year ended December 31, 2021. The projected net gain of metered residential wastewater customers during the twelve months ending February 29, 2024, of 71 is multiplied by the annual average revenue per average metered residential wastewater customer during the historic test year ended December 31, 2021, of $744.17 to derive the annualized revenue adjustment of $52,836 (71 x $744.17).

In order to present the projected future test year metered sales to residential wastewater customers, it is necessary to determine the portion of the annualized revenue adjustment in the amount of $52,836 that will occur during the twelve months ending February 29, 2024. The projected net gain of metered residential wastewater customers for the twelve months ending February 29, 2024, is presumed to occur evenly throughout the future test year. Accordingly, one half (0.50) of the annualized revenue adjustment determined in this Exhibit is projected to occur during the twelve months ending February 29, 2024. The portion of the annualized revenue adjustment included in the twelve months ending February 29, 2024, or $26,418 ($52,836 x 0.50) has been carried forward to Exhibit No. FII-2W, page 7. The remainder of the annualized revenue adjustment is reflected on Exhibit No. FII-2-9W, which I will explain later.

Q. Explain Exhibit No. FII-2-8W.

A. Exhibit No. FII-2-8W projects operating revenues under existing rates for estimated metered commercial wastewater customers connected and disconnected during the twelve months ending February 29, 2024. The projected net gain in number of metered commercial wastewater customers during the twelve months ending February 29, 2024, is 7. This projection is based on the average net gain in metered commercial wastewater customers for the year ended December 31, 2021. The projected net gain of metered commercial wastewater customers during the twelve months ending February 29, 2024, of 7 is multiplied by the annual average revenue per average metered commercial wastewater customer during the historic test year ended December 31, 2021, of $1,045.77 to derive the annualized revenue adjustment of $7,320 (7 x $1,045.77).

In order to present the projected future test year metered sales to commercial wastewater customers, it is necessary to determine the portion of the annualized revenue adjustment in the amount of $7,320 that will occur during the twelve months ending February 29, 2024. The projected net gain of metered commercial wastewater customers for the twelve months ending February 29, 2024, is presumed to occur evenly throughout the future test year. Accordingly, one half (0.50) of the annualized revenue adjustment determined in this Exhibit is projected to occur during the twelve months ending February 29, 2024. The portion of the annualized revenue adjustment included in the twelve months ending February 29, 2024, or $3,660 ($7,320 x 0.50) has been carried forward to Exhibit No. FII-2W, page 7. The remainder of the annualized revenue adjustment is reflected on Exhibit No. FII-2-10W, which I will explain later.

Q. Explain Exhibit No. FII-2-9W.

A. Exhibit No. FII-2-9W annualizes operating revenues for estimated metered residential wastewater customers connected and disconnected during the twelve months ending February 29, 2024. As explained previously, the Company projects a net gain of 71 in the number of metered residential wastewater customers during the twelve months ending February 29, 2024. The projected net gain of metered residential wastewater customers during the twelve months ending February 29, 2024, of 71 is multiplied by the annual average revenue per average metered residential wastewater customer during the historic test year ended December 31, 2021, of $744.17 to derive the annualized revenue adjustment of $52,836 (71 x $744.17).

As explained previously with respect to Exhibit No. FII-2-7W, I have already reflected in projected future test year revenues that portion of the increased revenues from these 71 customers that are projected to be gained during the fully projected future test year ending February 29, 2024. That projected amount is $26,418, or one half of the annualized revenue adjustment of $52,836. The remaining half of the annualized revenue adjustment is reflected on Exhibit No. FII-2-3W as an annualization adjustment to the future test year projection. The remaining half of the annualized revenue adjustment of $26,418 has been carried forward to Exhibit No. FII-2W, page 8.

Q. Explain Exhibit No. FII-2-10W.

A. Exhibit No. FII-2-10W annualizes operating revenues for estimated metered commercial wastewater customers connected and disconnected during the twelve months ending February 29, 2024. As explained previously, the Company projects a net gain of 7 in the number of metered commercial wastewater customers during the twelve months ending February 29, 2024. The projected net gain of metered commercial wastewater customers during the twelve months ending February 29, 2024, of 7 is multiplied by the annual average revenue per average metered commercial wastewater customer during the historic test year ended December 31, 2021, of $1,045.77 to derive the annualized revenue adjustment of $7,320 (7 x $1,045.77).

As explained previously with respect to Exhibit No. FII-2-8W, I have already reflected in projected future test year revenues that portion of the increased revenues from these 7 customers that are projected to be gained during the fully projected future test year ending February 29, 2024. That projected amount is $3,660, or one half of the annualized revenue adjustment of $7,320. The remaining half of the annualized revenue adjustment is reflected on Exhibit No. FII-2-4W as an annualization adjustment to the future test year projection. The remaining half of the annualized revenue adjustment of $3,660 has been carried forward to Exhibit No. FII-2W, page 8.

Q. Explain Exhibit No. FII-3W.

A. Exhibit No. FII-3W provides a comparison of present and proposed base rates. The present base rates are those set forth in Supplement No. 8 to Wastewater-Pa P.U.C. No. 1 approved by the Commission March 1, 2019. The proposed base rates are set forth in Supplement No. 14 to Wastewater-Pa. P.U.C. No. 1. A copy of the Company's proposed tariff supplement is attached to Exhibit No. FII-3W.

Q. Explain Exhibit No. FII-4W.

A. Exhibit No. FII-4W provides a detailed customer analysis by customer classification. Pages 2 through 3 of Exhibit No. FII-4W provides the application of present metered base rates, which became effective March 1, 2019, to the pro forma customer analysis for the twelve months ending February 29, 2024.

Q. Explain Exhibit No. FII-9W.

A. Exhibit No. FII-9W, page 2 provides the number of customers by class as of December 31, 2019, 2020, and 2021 and the projected number of customers by class as of December 31, 2022, and as of February 29, 2024, February 28, 2025, and February 28, 2026. Page 3 of Exhibit No. FII-9W provides consumption by customer class for the twelve months ended December 31, 2019, 2020, and 2021 and the projected consumption by customer class for the twelve months ending December 31, 2022, and as of February 29, 2024, February 28, 2025, and February 28, 2026.

Q. Are you sponsoring any other exhibits relative to operating revenues?

A. Yes, I am also sponsoring Exhibit Nos. F(a)-4W, FII-5, FII-7 and FII-8.

Q. Explain Exhibit No. FIII-2W.

A. Exhibit No. FIII-2W summarizes adjustments to operating expenses for the twelve months ending December 31, 2022, annualizes and normalizes the effect of changes occurring during the twelve months ending December 31, 2022, summarizes adjustments to operating expenses for the twelve months ending February 29, 2024, and annualizes and normalizes the effect of changes occurring during the twelve months ending February

29, 2024, due to the increase in operating revenues resulting from the proposed increase in rates.

Pro forma operating expenses for the twelve months ended December 31, 2021, in the amount of $3,845,703 are shown in Column 1 of Exhibit FIII-2W page 2. Adjustments required to project operating expenses for the twelve months ending December 31, 2022 in the amount of $151,942 are shown in Column 3 of Exhibit FIII-2W, page 2, and are detailed in Exhibit Nos. FIII-2-1, FIII-2-4W, and FIII-2-6W. Projected operating expenses for the twelve months ending December 31, 2022, in the amount of $3,997,645 are shown in Column 4 of Exhibit FIII-2W, page 2.

Adjustments to operating expenses in the amount of $26,683 to annualize and normalize the effect of changes projected to occur during the twelve months ending December 31, 2022, are shown in Column 6 of Exhibit FIII-2W, page 2, and are detailed in Exhibit No. FIII-2-15 and FIII-2-13W. Pro forma operating expenses for the twelve months ending December 31, 2022, in the amount of $4,024,328 are shown in Column 7 of Exhibit FIII-2W, page 2 and are carried over to Column 1 of Exhibit No. FIII-2W, page 3.

Adjustments required to project operating expenses for the twelve months ending February 29, 2024, in the amount of $180,717 are shown in Column 3 of Exhibit FIII-2W, page 3, and are detailed in Exhibit Nos. FIII-2-25, FIII-2-20W, and FIII-2-28W. Projected operating expenses for the twelve months ending February 29, 2024, in the amount of $4,205,045 are shown in Column 4 of Exhibit FIII-2W, page 3 and are carried over to Column 1 of Exhibit No. FIII-2W, page 4.

Adjustments to operating expenses in the amount of $23,968 to annualize and normalize the effect of changes projected to occur during the twelve months ending February 29, 2024, are shown in Column 3 of Exhibit FIII-2W, page 4, and are detailed in Exhibit No. FIII-2-40 and FIII-2-30W. Pro forma operating expenses for the twelve months ending February 29, 2024, in the amount of $4,229,013 are shown in Column 4 of Exhibit FIII-2W, page 4.

There are no projected adjustments to operating expenses due to the increase in operating revenues resulting from the proposed increase. Pro forma operating expenses for the twelve months ending February 29, 2024, in the amount of $4,229,013 are shown in Column 7 of Exhibit FIII-2W, page 4.

Q. Explain Exhibit No. FIII-2-4W.

A. Exhibit No. FIII-2-4W projects the effect of inflation during the twelve months ending December 31, 2022 on operating expenses, which have not been specifically adjusted to future test year levels. Amounts specifically adjusted in this rate filing are identified and deducted from total operating expenses for twelve months ended December 31, 2021, to determine the remaining expenses for twelve months ended December 31, 2021, which have not been specifically adjusted to reflect the effects of inflation of $1,664,416. The projected effect of inflation on operating expenses not specifically adjusted in the amount of $106,523 is determined by applying the annual percent change in the CPI-U Index between February 2021 and February 2022 of 6.4% to the total operating expenses not specifically adjusted of $1,664,416 ($1,664,416 x 0.064). The adjustment of $106,523 has been carried forward to Exhibit No. FIII-2W, Page 2, Column 3 and identified as General Price Level Adjustment.

Q. Explain Exhibit No. FIII-2-6W.

A. Exhibit No. FIII-2-6W projects the allocations from water operations for the twelve months month ending December 31, 2022, based on the Company's current allocation methodology and projected expense adjustments to the accounts that are allocated. Various expenses that are for both the water and wastewater portions of the business are recorded on the water side of the business. At the end of each accounting period, a portion of those allocable expenses are recorded as a reduction to expense on the water side of the business and an addition to expense on the wastewater side of the business.

The allocable portion of indirect labor, indirect fringe benefits and operating expense to wastewater based on the projected balances of the accounts to be allocated for the twelve months ending December 31, 2022, is calculated to be $493,323. The payroll taxes and fringe benefits on the direct labor recorded on the wastewater side of the business is calculated to be $112,121. The adjustment of $15,683 is determined by subtracting the allocation to wastewater for the twelve months ended December 31, 2021, of $589,761 by the calculated allocable portion of indirect labor, indirect fringe benefits and operating expense of $493,323 and calculated payroll taxes and fringe benefits on the direct labor of $112,121 [$493,323 + $112,121 - $589,761 = $15,683]. The adjustment of allocations to wastewater for the twelve months ending December 31, 2022, of $15,683 as an adjustment to Account No. 77580005 has been carried forward to Exhibit No. FIII-2W, Page 3, Column 3.

Q. Explain Exhibit No. FIII-2-13W.

A. Exhibit No. FIII-2-13W annualizes the allocations from water operations for the twelve months month ending December 31, 2022, based on the Company's current allocation methodology and pro forma expense adjustments to the accounts that are allocated. Various expenses that are for both the water and wastewater portions of the business are recorded on the water side of the business. At the end of each accounting period, a portion of those allocable expenses are recorded as a reduction to expense on the water side of the business and an addition to expense on the wastewater side of the business.

The allocable portion of indirect labor, indirect fringe benefits and operating expense to wastewater based on the pro forma balances of the accounts to be allocated for the twelve months ending December 31, 2022, is calculated to be $502,945. The payroll taxes and fringe benefits on the direct labor recorded on the wastewater side of the business is calculated to be $116,129. The adjustment of $13,629 is determined by subtracting the projected allocation to wastewater for the twelve months ended December 31, 2022, of $605,444 (see Exhibit No. FIII-2-6W) by the calculated allocable portion of indirect labor, indirect fringe benefits and operating expense of $502,945 and calculated payroll taxes and fringe benefits on the direct labor of $116,129 [$502,945 + $116,129 - $605,444 = $13,629]. The adjustment of allocations to wastewater for the twelve months ending December 31, 2022, of $13,629 as an adjustment to Account No. 77580005 has been carried forward to Exhibit No. FIII-2W, Page 3, Column 6.

Q. Explain Exhibit No. FIII-2-20W.

A. Exhibit No. FIII-2-20W projects the allocations from water operations for the twelve months ending February 29, 2024, based on the Company's current allocation methodology and projected expense adjustments to the accounts that are allocated. Various expenses that are for both the water and wastewater portions of the business are recorded on the water side of the business. At the end of each accounting period, a portion of those allocable expenses are recorded as a reduction to expense on the water side of the business and an addition to expense on the wastewater side of the business.

The allocable portion of indirect labor, indirect fringe benefits, and operating expense to wastewater based on the projected balances of the accounts to be allocated for the twelve months ending February 29, 2024, is calculated to be $484,130. The payroll taxes and fringe benefits on the direct labor recorded on the wastewater side of the business is calculated to be $117,935. The adjustment of $(17,008) is determined by subtracting the allocation to wastewater for the future test year ended December 31, 2022, of $619,073 (see Exhibit No. FIII-2-13W) by the calculated allocable portion of indirect labor, indirect fringe benefits, and operating expense of $484,130 and calculated payroll taxes and fringe benefits on the direct labor of $117,935 [$484,130 + $117,935 - $619,073 = $(17,008)]. The adjustment of allocations to wastewater for the twelve months ending February 29, 2024, of $(17,008) as an adjustment to Account No. 77580005 has been carried forward to Exhibit No. FIII-2W, Page 5, Column 3.

Q. Explain Exhibit No. FIII-2-28W.

A. Exhibit No. FIII-2-28W projects the effect of inflation during the twelve months ending February 29, 2024, on operating expenses, which have not been specifically adjusted to future test year levels. Amounts specifically adjusted in this rate filing are identified and deducted from total operating expenses for twelve months ending December 31, 2022, to determine the remaining expenses for twelve months ending December 31, 2022, which have not been specifically adjusted to reflect the effects of inflation of $2,997,505. The projected effect of inflation on operating expenses not specifically adjusted in the amount of $191,840 is determined by applying the annual percent change in the CPI-U Index between February 2021 and February 2022 of 6.4% to the total operating expenses not specifically adjusted of $2,997,505, for a period of 14 months ($2,997,505 x 0.064 x 14/12). The adjustment of $191,840 has been carried forward to Exhibit No. FIII-2W, Page 5, Column 3 and identified as General Price Level Adjustment.

Q. Explain Exhibit No. FIII-2-30W.

A. Exhibit No. FIII-2-30W annualizes the allocations from water operations for the twelve months month ending February 29, 2024, based on the Company's current allocation methodology and pro forma expense adjustments to the accounts that are allocated. Various expenses that are for both the water and wastewater portions of the business are recorded on the water side of the business. At the end of each accounting period, a portion of those allocable expenses is recorded as a reduction to expense on the water side of the business and an addition to expense on the wastewater side of the business.

The allocable portion of indirect labor, indirect fringe benefits, and operating expense to wastewater based on the pro forma balances of the accounts to be allocated for the twelve months ending February 29, 2024, is calculated to be $491,428. The payroll taxes and fringe benefits on the direct labor recorded on the wastewater side of the business is calculated to be $121,851. The adjustment of $11,213 is determined by subtracting the projected allocation to wastewater for the twelve months ended February 29, 2024, of $602,065 (see Exhibit No. FIII-2-20W) by the calculated allocable portion of indirect labor, indirect fringe benefits and operating expense of $491,428 and calculated payroll taxes and fringe benefits on the direct labor of $121,851 [$491,428 + $121,851 - $602,065 = $11,213]. The adjustment of allocations to wastewater for the twelve months ending February 29, 2024, of $11,213 as an adjustment to Account No. 77580005 has been carried forward to Exhibit No. FIII-2, Page 7, Column 3.

Q. Explain Exhibit No. FV-1-1W.

A. Exhibit No. FV-1-1W is a summary, by year, of the projected unamortized balance of deferred income taxes related to accelerated depreciation and the unamortized balances of excess deferred income taxes related to accelerated depreciation that are deducted from the measure of value.

Page 1 of Exhibit No. FV-1-1W is a summary, by year, of the projected unamortized balance in the amount of $136,478 as of December 31, 2022, of deferred income taxes related to accelerated depreciation that are deducted from the measure of value. Column 2 lists, by year, deferred federal income taxes resulting from accelerated depreciation from 2012 through December 31, 2022. The balance in Column 2 is $136,478.

The projected unamortized balance of deferred income taxes as of December 31, 2022, in the amount of $136,478 has been carried forward to Exhibit FV-1W, page 2 and has been deducted from the original cost measure of value.

Page 2 of Exhibit No. FV-1-1W is a summary, by year, of the projected unamortized balance in the amount of $159,832 as of February 29, 2024, of deferred income taxes related to accelerated depreciation that are deducted from the measure of value. Column 2 lists, by year, deferred federal income taxes resulting from accelerated depreciation from 2012 through February 29, 2024. The balance in Column 2 is $159,832.

The projected unamortized balance of deferred income taxes as of February 29, 2024, in the amount of $159,832 has been carried forward to Exhibit FV-1W, page 3 and has been deducted from the original cost measure of value.

Page 3 of Exhibit No. FV-1-1W is a calculation of the adjustment to the deferred income taxes related to accelerated depreciation as required under Treasury Regulation 1.167(l)-1 of the Internal Revenue Code. Under the regulation, if a future period is used in determining the maximum amount of the reserve to be excluded from the rate base, the amount of the reserve is the amount of the reserve at the beginning of the period and a pro rata portion of the projected increase to the account during the period. The increase in deferred income taxes from February 28, 2023, to February 29, 2024, is $20,018, or a monthly increase of $1,668 as presented in Column 3. The regulation requires the pro rata portion of the increase to be determined by multiplying the increase by a fraction of which the numerator is the number of days remaining in the period and the denominator is the total number of days in the period. Those fractions are presented in Column 4 and the pro rata portion of the increase is presented in Column 5. The deferred income taxes under this regulation are presented in Column 6 as the pro rata portion of the increase added to the deferred income taxes at the beginning of the period. The difference between the deferred income taxes per the corporate books and the deferred income taxes per this regulation is presented in Column 7. The difference as of February 29, 2024, in the amount of $(10,845) has been carried forward to Exhibit FV-1W, page 3 and has offset the projected unamortized balance of deferred income taxes as of February 29, 2024, in the amount of $159,832 presented on Page 2 of Exhibit No. FV-1-1W.

Page 4 of Exhibit No. FV-1-1W is a summary, by year, of the projected unamortized balance in the amount of $10,755, as of December 31, 2022, of excess deferred income taxes related to accelerated depreciation that are deducted from the measure of value. Column 2 lists, by year, excess deferred federal income taxes resulting from accelerated depreciation from 2012 through 2017. The balance in Column 2 is $10,755.

The projected unamortized balance of excess deferred income taxes as of December 31, 2022, in the amount of $10,755 has been carried forward to Exhibit FV-1W, page 2 and has been deducted from the original cost measure of value.

Page 5 of Exhibit No. FV-1-1W is a summary, by year, of the projected unamortized balance in the amount of $3,338, as of February 29, 2024, of excess deferred income taxes related to accelerated depreciation that are deducted from the measure of value. Column 2 lists, by year, excess deferred federal income taxes resulting from accelerated depreciation from 2012 through 2017. The balance in Column 2 is $3,338.

Page 6 of Exhibit No. FV-1-1W is a calculation of the adjustment to the excess deferred income taxes related to accelerated depreciation as required under Treasury Regulation 1.167(l)-1 of the Internal Revenue Code. Under the regulation, if a future period is used in determining the maximum amount of the reserve to be excluded from the rate base, the amount of the reserve is the amount of the reserve at the beginning of the period and a pro rata portion of the projected decrease to the account during the period. The decrease in excess deferred income taxes from February 28, 2023, to February 29, 2024, is $6,358, or a monthly decrease of $530 as presented in Column 3. The regulation requires the pro rata portion of the decrease to be determined by multiplying the decrease by a fraction of which the numerator is the number of days remaining in the period and the denominator is the total number of days in the period. Those fractions are presented in Column 4 and the pro rata portion of the decrease is presented in Column 5. The excess deferred income taxes under this regulation are presented in Column 6 as the pro rata portion of the decrease subtracted from the excess deferred income taxes at the beginning of the period. The difference between the excess deferred income taxes per the corporate books and the excess deferred income taxes per this regulation is presented in Column 7. The difference as of February 29, 2024, in the amount of $3,444 has been carried forward to Exhibit FV-1W, page 3 and has been added to the projected unamortized balance of excess deferred income taxes as of February 29, 2024, in the amount of $3,338 presented on Page 5 of Exhibit No. FV-1-1W.

Q. Explain Exhibit No. FV-1-3W.

A. Exhibit No. FV-1-3W provides the calculation of the unamortized taxes on deposits for construction and customer advances as of December 31, 2022, in the amount of $19,145 and as of February 29, 2024, in the amount of $18,347, that are added to the original cost measure of value.

Under the Tax Cuts and Jobs Act of 2017, the definition of tax contributions in aid of construction was modified under Section 118(b) and the exclusion from gross income under Section 118(c) was repealed. The modification to the definition of taxable contribution in aid of construction includes contributions from customers as well as any payment received from a governmental or civic entity. Under the Company's approved tariff, the Company paid income taxes on any deposit, Customer Advance, Contribution in Aid of Construction, or other like amounts received from an applicant that shall constitute taxable income as defined by the Internal Revenue Service. Such income taxes shall be segregated in a deferred account for inclusion in rate base in a future rate case proceeding. Such income taxes associated with a deposit or advance will not be charged to the specific depositor of capital. This provision was rescinded under the Infrastructure Investment and Jobs Act of 2021.

The Company paid taxes on deposits for construction and customer advances received during the period under which the deposits for construction and customer advances was taxable of $19,943 as of December 31, 2021.

The total income taxes on deposits for construction and customer advances as of December 31, 2021, of $19,943 is offset by the reduction of income taxes from the depreciation on the projects paid for with the deposits for construction and customer advances. The depreciation on the projects paid for with the deposits for construction and customer advances of $2,761 for the period ending December 31, 2022, is determined by applying the depreciation rate of 4% to the deposits for construction and customer advances. State income tax deduction in the amount of $276 is determined by applying the Pennsylvania corporate net income tax rate of 9.99% to the depreciation on the projects paid for with deposits for construction and customer advances of $2,761 ($2,761 x 0.0999 = $276). Federal income tax deduction in the amount of $522 is determined by subtracting State income tax deduction in the amount of $276 from the depreciation on the projects paid for with deposits for construction and customer advances of $2,761 and applying the presently effective Federal income tax rate of 21% [($2,761 - $276) x 0.21 = $522]. Total income tax deductions on depreciation on the projects paid for with deposits for construction and customer advances for the period ending December 31, 2022, in the amount of $798 is determined by adding state income taxes in the amount of $276 and Federal income taxes in the amount of $522 [$276 + $522 = $798]. The net taxes on deposits for construction and customer advance as of December 31, 2022, of $19,145 is determined by subtracting the income tax deductions on depreciation on the projects paid for with deposits for construction and customer advances for the period ending December 31, 2022, in the amount of $798 from the income taxes on deposits for construction and customer advances as of December 31, 2021, in the amount of $19,943 ($19,943 - $798 = $19,145). The net taxes on deposits for construction and customer advance as of December 31, 2022, of $19,145 has been carried forward to Exhibit No. FV-1W, Page 2.

The total income taxes on deposits for construction and customer advances as of December 31, 2022 of $18,347, is offset by the reduction of income taxes from the depreciation on the projects paid for with the deposits for construction and customer advances. The depreciation on the projects paid for with the deposits for construction and customer advances of $2,761 for the period ending February 29, 2024, is determined by applying the depreciation rate of 4% to the deposits for construction and customer advances. State income tax deduction in the amount of $276 is determined by applying the Pennsylvania corporate net income tax rate of 9.99% to the depreciation on the projects paid for with deposits for construction and customer advances of $2,761 ($2,761 x 0.0999 = $276). Federal income tax deduction in the amount of $522 is determined by subtracting State income tax deduction in the amount of $276 from the depreciation on the projects paid for with deposits for construction and customer advances of $2,761 and applying the presently effective Federal income tax rate of 21% [($2,761 - $276) x 0.21 = $522]. Total income tax deductions on depreciation on the projects paid for with deposits for construction and customer advances for the period ending December 31, 2022, in the amount of $798 is determined by adding state income taxes in the amount of $276 and Federal income taxes in the amount of $522 [$276 + $522 = $798]. The net taxes on deposits for construction and customer advance as of February 29, 2024, of $18,347 is determined by subtracting the income tax deductions on depreciation on the projects paid for with deposits for construction and customer advances for the period ending February 29, 2024, in the amount of $798 from the income taxes on deposits for construction and customer advances as of December 31, 2022, in the amount of $19,145 ($19,145 - $798 = $18,347). The net taxes on deposits for construction and customer advance as of February 29, 2024, of $18,347 has been carried forward to Exhibit No. FV-1W, Page 3.

Q. Are you sponsoring any other exhibits?

A. Yes, I am also sponsoring Exhibit No. F(b)-1W.

Q. Does this conclude your future test year and fully projected future test year direct testimony at this time?

A. Yes.

YORK WATER STATEMENT NO. 104W

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

THE YORK WATER COMPANY

DIRECT TESTIMONY OF DANIEL E. COPPERSMITH JR.

Q. State your name and business address.

A. Daniel E. Coppersmith Jr. My business address is: 130 East Market Street, York, Pennsylvania.

Q. By whom are you employed?

A. I am employed by The York Water Company (the “Company”).

Q. State your present position with the Company and explain your duties and responsibilities.

A. I am the Finance Manager for the Company. My duties and responsibilities include preparing the operating budget, managing the Property Records Department, and filing data requirements with the Pennsylvania Public Utility Commission (the "Commission").

Q. How long have you been employed by the Company?

A. I have been employed by the Company since June 19, 2007.

Q. What is your educational background?

A. I have a Bachelor's of Science Degree in Accounting from Central Penn College.

Q. Have you previously testified before a regulatory commission?

A. Yes, I have presented testimony to the Pennsylvania Public Utility Commission ("Commission") in the Company's last rate case.

Q. Will you list the exhibits you are sponsoring in this proceeding?

A. In addition to the exhibits identified in York Water Statement No. 104, I am sponsoring the following exhibits prepared by me or under my direction and supervision:

Exhibit Nos. FI-2-1W and FI-2-2W relating to depreciation expense included in the statement of operations for the wastewater division; and

Exhibit Nos. FV-1W, FV-1-2W, FV-1-3W, FV-16-1W, and FV-16-3W relating to the original cost measure of value for the wastewater division.

Q. Explain Exhibit No. FI-2-1W.

A. Exhibit No. FI-2-1W adjusts the depreciation accrual from the Pro Forma level reflected on the corporate books for the twelve months ended December 31, 2021, to the Pro Forma level determined in the depreciation study identified as Exhibit No. FVI-WA for the twelve-month period ending December 31, 2022. The adjustment in the amount of $130,353 is determined by subtracting the Pro Forma depreciation accrual for the twelve months ended December 31, 2021, in the amount of $689,855 from the projected annual depreciation accrual in the amount of $820,208. The adjustment in the amount of $130,353 has been carried forward to Exhibit No. FI-2W page 2, Column 3.

Q. Explain Exhibit No. FI-2-2W.

A. Exhibit No. FI-2-2W adjusts the depreciation accrual from the Pro Forma level reflected for the twelve months ending December 31, 2022, to the Pro Forma level determined in the depreciation study identified as Exhibit No. FVI-WB for the twelve-month period ending February 29, 2024. The adjustment in the amount of $113,510 is determined by subtracting the Pro Forma depreciation accrual for the twelve months ending December 31, 2022, in the amount of $820,208 from the projected annual depreciation accrual in the amount of $933,718. The adjustment in the amount of $113,510 has been carried forward to Exhibit No. FI-2W, page 3, Column 3.

Q. Who will testify with respect to pro forma annual depreciation expense for the Future Test Year and the Fully Projected Future Test Year?

A. John J. Spanos will testify with respect to annual depreciation expense (see York Water Statement No. 106).

Q. Are you sponsoring any other exhibits regarding the Company's statement of operations?

A. No.

Q. Explain Exhibit No. FV-1W.

A. Exhibit No. FV-1W provides a summary of the components of the original cost measure of value in the amount of $28,853,963 as of December 31, 2022, and $33,353,950 as of February 29, 2024, pro forma net operating income available and rate of return under existing rates for the twelve months ended December 31, 2021, projected net operating income and rate of return under existing rates for the twelve months ending December 31, 2022, and February 29, 2024, net operating income and rate of return under existing rates after adjustments for ratemaking purposes ("pro forma") for the twelve months ending December 31, 2022, and February 29, 2024, and net operating income and rate of return under proposed rates for the twelve months ending February 29, 2024.

A summary of the components of the original cost measure of value in the amount of $28,853,963 as of December 31, 2022, is shown on page 2 of Exhibit No. FV-1W.

One component is the projected utility plant in service less projected book accrued depreciation as of December 31, 2022. The projected original cost of utility plant in service as of December 31, 2022, is $38,027,682, and the projected accrued depreciation as of December 31, 2022, is $8,292,630. The projected depreciated original cost of utility plant in service as of December 31, 2022, is $29,735,052 ($38,027,682 - $8,292,630 = $29,735,052). The details of projected original cost of utility plant in service and projected accrued depreciation by account, sub account, and vintage are set forth in Exhibit No. FVI-WA.

Q. Who will testify with respect to projected accrued depreciation in the amount of $8,292,630 as of December 31, 2022, related to utility plant in service?

A. John J. Spanos will testify with respect to accrued depreciation (see York Water Statement No. 106).

Q. Will you continue with your explanation of page 2 of Exhibit No. FV-1W?

A. The projected unamortized balance as of December 31, 2022, of deferred Federal income taxes related to accelerated depreciation in the amount of $136,478 is deducted from the original cost measure of value, and this amount is set forth in Exhibit No. FV-1-1W, page 1, which Mr. Poff addresses in his testimony (see York Water Statement No. 103W).

The projected unamortized balance, as of December 31, 2022, of excess deferred Federal income taxes related to accelerated depreciation in the amount of $10,755 is deducted from the original cost measure of value, and this amount is set forth in Exhibit No. FV-1-1W, page 4, which Mr. Poff addresses in his testimony (see York Water Statement No. 103W).

An amount of $1,047,809 representing contributions in aid of construction less accrued depreciation as of December 31, 2022, is deducted from the original cost measure of value. This amount consists of the original cost of contributions in aid of construction per books as of December 31, 2022, in the amount of $1,118,900 less accrued depreciation as of December 31, 2022, in the amount of $71,091 ($1,118,900 - $71,091 = $1,047,809). The details are shown by account, sub account, and vintage in Exhibit No. FVI-WA.

Q. Who will testify with respect to the accrued depreciation related to contributions and advances?

A. John J. Spanos will testify with respect to accrued depreciation (see York Water Statement No. 106).

Q. Do the amounts set forth in Exhibit No. FV-1W for Contributions reflect any amounts related to income tax liabilities that the Company has incurred between January 1, 1987, and June 12, 1996, as a result of the TRA-86 requirement that Contributions and Advances be taxed or has incurred between January 1, 2018, and December 31, 2020, as a result of the Tax Cuts and Jobs Act of 2017 requirement that Contributions and Advances be taxed?

A. No. Consistent with the Company's ratemaking and accounting procedure in effect at the time with regard to the income taxes on Contributions and Advances, the Company has made no adjustment to amounts recorded between January 1, 1987, and June 12, 1996, or between January 1, 2018, and December 31, 2020, for Contributions to reflect additional income taxes that were required to be paid with respect to receipt of such Contributions as a result of Section 824 of TRA-86 or the Tax Cuts and Jobs Act of 2017. Contributions received between January 1, 1987, and June 12, 1996, or between January 1, 2018, and December 31, 2020, are reflected in the utility plant accounts and in the accounts for Contributions, as shown in Exhibit No. FVI at the original cost of the facilities constructed with the Contribution, without consideration of the associated income tax liability incurred by the Company. Under federal tax law provisions in effect at the time, Contributions and Advances received subsequent to June 12, 1996, through December 31, 2017, were not taxed. Under federal tax law provisions currently in effect, Contributions and Advances received subsequent to December 31, 2020, are not taxed.

Q. Continue with your explanation of Exhibit No. FV-1.

A. An unamortized utility plant adjustment for Felton Borough in the amount of $294,808 is included in the original cost measure of value. The details are set forth in Exhibit No. FV-1-2W, which I will explain later.

Taxes on deposits for construction and customer Advances in the amount of $19,145 are included in the original cost measure of value. The details are set forth in Exhibit No. FV-1-3W, which Mr. Poff addresses in his testimony (see York Water Statement No. 103W).

A summary of the components of the original cost measure of value in the amount of $33,353,950 as of February 29, 2024, is shown on page 3 of Exhibit No. FV-1W.

One component is the projected utility plant in service less projected book accrued depreciation as of February 29, 2024. The projected original cost of utility plant in service as of February 29, 2024, is $43,442,074, and the projected accrued depreciation as of February 29, 2024, is $9,177,932. The projected depreciated original cost of utility plant in service as of February 29, 2024, is $34,264,142 ($43,442,074 - $9,177,932 = $34,264,142). The details of projected original cost of utility plant in service and projected accrued depreciation by account, sub account, and vintage are set forth in Exhibit No. FVI-WB.

Q. Who will testify with respect to projected accrued depreciation in the amount of $9,177,932 as of February 29, 2024, related to utility plant in service?

A. John J. Spanos will testify with respect to accrued depreciation (see York Water Statement No. 106).

Q. Will you continue with your explanation of page 3 of Exhibit No. FV-1W?

A. The projected unamortized balance as of February 29, 2024, of deferred Federal income taxes related to accelerated depreciation in the amount of $148,987 is deducted from the original cost measure of value, and this net amount is set forth in Exhibit No. FV-1-1W, pages 2 and 3, which Mr. Poff addresses in his testimony (see York Water Statement No. 103W).

The projected unamortized balance, as of February 29, 2024, of excess deferred Federal income taxes related to accelerated depreciation in the amount of $6,782 is deducted from the original cost measure of value, and this net amount is set forth in Exhibit No. FV-1-1W, pages 5 and 6, which Mr. Poff addresses in his testimony (see York Water Statement No. 103W).

An amount of $1,033,184 representing projected contributions in aid of construction less accrued depreciation as of February 29, 2024, is deducted from the original cost measure of value. This amount consists of the projected original cost of contributions in aid of construction as of February 29, 2024, in the amount of $1,136,500 less projected accrued depreciation as of February 29, 2024, in the amount of $103,316 ($1,136,500 - $103,316 = $1,033,184). The details are shown by account, sub account, and vintage in Exhibit No. FVI-WB.

Q. Who will testify with respect to the projected accrued depreciation related to contributions and advances?

A. John J. Spanos will testify with respect to accrued depreciation (see York Water Statement No. 106).

Q. Do the amounts set forth in Exhibit No. FV-1W for Contributions reflect any amounts related to income tax liabilities that the Company has incurred between January 1, 1987, and June 12, 1996, as a result of the TRA-86 requirement that Contributions and Advances be taxed or has incurred between January 1, 2018, and December 31, 2020, as a result of the Tax Cuts and Jobs Act of 2017 requirement that Contributions and Advances be taxed?

A. No.

Q. Will you continue with your explanation of page 3 of Exhibit No. FV-1W?

A. An unamortized utility plant adjustment for Felton Borough in the amount of $260,414 are included in the original cost measure of value. The details are set forth in Exhibit No. FV-1-2W, which I will explain later.

Taxes on deposits for construction and customer advances in the amount of $18,347 are included in the original cost measure of value. The details are set forth in Exhibit No. FV-1-3W, which Mr. Poff addresses in his testimony (see York Water Statement No. 103W).

Column 1 of page 4 of Exhibit No. FV-1W shows pro forma net operating income available for return under existing rates for the twelve months ended December 31, 2021, in the amount of ($249,248) and the rate of return on the original cost measure of value as of February 29, 2024, of (0.75)%. Column 3 of page 4 of Exhibit No. FV-1W shows the adjustments to determine projected net operating income for the twelve months ending December 31, 2022, in the amount of $288,510. These adjustments have been detailed in other exhibits that Mr. Poff and Mr. Winter address in their testimony (see York Water Statement Nos. 103W and 105W). Projected net operating income available for return under existing rates for twelve months ending December 31, 2022, in the amount of $39,262 and the rate of return on the original cost measure of value as of February 29, 2024, of 0.12% are shown in Column 4 of page 4 of Exhibit No. FV-1W. Column 6 of page 4 of Exhibit No. FV-1W shows the adjustments to determine pro forma net operating income for the twelve months ending December 31, 2022, in the amount of $2,270. These adjustments have been detailed in other exhibits that Mr. Poff and Mr. Winter address in their testimony (see York Water Statement Nos. 103W and 105W). Pro forma net operating income available for return under existing rates for twelve months ending December 31, 2022, in the amount of $41,533 and the rate of return on the original cost measure of value as of February 29, 2024, of 0.12% are shown in Column 7 of page 4 of Exhibit No. FV-1W and are carried forward to Column 1, page 5 of Exhibit No. FV-1W.

Column 3 of page 5 of Exhibit No. FV-1W shows the adjustments to determine projected net operating income for the twelve months ending February 29, 2024, in the amount of $(316,099). These adjustments have been detailed in other exhibits that Mr. Poff and Mr.

Winter address in their testimony (see York Water Statement Nos. 103W and 105W). Projected net operating income available for return under existing rates for twelve months ending February 29, 2024, in the amount of $(274,567) and the rate of return on the original cost measure of value as of February 29, 2024, of (0.82)% are shown in Column 4 of page 5 of Exhibit No. FV-1W. Pro forma adjustments to net operating income available for return in the amount of $4,201 are shown in Column 6, page 5 of Exhibit No. FV-1W. These adjustments have been detailed in other exhibits that Mr. Poff and Mr. Winter address in their testimony (see York Water Statement Nos. 103W and 105W). Column 7, page 5 of Exhibit No. FV-1W shows pro forma net operating income available for return for the twelve months ending February 29, 2024, under existing rates of $(270,366) and the rate of return on the original cost measure of value as of February 29, 2024, of (0.81)%. The Column 7 figures are carried forward to Column 1, page 6 of Exhibit No. FV-1W.

Adjustments to pro forma net operating income available for return for the twelve months ending February 29, 2024, related to the effect of proposed rates in the amount of $2,915,373 are shown in column 3 of page 6 of Exhibit No. FV-1W. These adjustments have been detailed in other exhibits which Mr. Poff and Mr. Winter address in their testimony (see York Water Statement Nos. 103W and 105W). Column 4 of page 6 of Exhibit No. FV-1W shows pro forma net operating income available for return for the twelve months ending February 29, 2024, in the amount of $2,645,008 and the rate of return on the original cost measure of value as of February 29, 2024, of 7.93%. The rate of return used for the wastewater portion of the business is identical to that used for the water portion of the business.

Q. Explain Exhibit No. FV-1-2W.

A. Exhibit No. FV-1-2W provides the calculation of the unamortized utility plant acquisition adjustment relative to the acquisition of Felton Borough as of December 31, 2022, in the amount of $294,808 and as of February 29, 2024, in the amount of $260,414 included in the original cost measure of value.

Reasonable acquisition costs greater than depreciated original cost are permitted to be included in rate base and amortized over ten years in accordance with Section 1327 of the Public Utility Code. The Company is seeking approval to amortize the reasonable acquisition costs greater than the depreciated original cost of waterworks property and rights. Please see the testimony of Mr. Hand for details on this acquisition (see York Water Statement No. 1).

The acquisition adjustment subject to amortization of $294,808 is determined by subtracting the depreciated original cost of waterworks property acquired from Felton Borough in the amount of $618,871 from Felton Borough acquisition costs of $913,679 ($917,679 - $618,871 = $294,808).

The unamortized acquisition adjustment for the period ending February 29, 2024, of $260,414 is determined by taking the unamortized acquisition adjustment as of December 31, 2022, of $294,808 and deducting the monthly amortization in the amount of $2,457 ($294,808 / 10 years / 12 months) for the fourteen months from January 2023 through February 29, 2024, of $34,394 ($2,457 x 14) ($294,808 - $34,394 = $260,414). The unamortized utility plant acquisition adjustment as of February 29, 2024, in the amount of $260,414 has been carried forward to Exhibit FV-1W, page 3 and has been added to the original cost measure of value.

Q. Are you sponsoring any other exhibits regarding the original cost measure of value?

A. Yes, I am also sponsoring Exhibit Nos. FV-16-1W and FV-16-3W.

Q. Does this conclude your future test year and fully projected future test year direct testimony at this time?

A. Yes.

YORK WATER STATEMENT NO. 105W

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

THE YORK WATER COMPANY

DIRECT TESTIMONY OF MICHAEL C. WINTER

Q. State your name and business address.

A. Michael C. Winter. My business address is: 130 East Market Street, York, Pennsylvania.

Q. By whom are you employed?

A. I am employed by The York Water Company ("York Water" or the "Company").

Q. State your present position with the Company and explain your duties and responsibilities.

A. I am Controller of the Company. My duties and responsibilities include managing the financial operations of the Company and overseeing the accounting department in order to meet the requirements of regulatory agencies.

Q. How long have you been employed by the Company?

A. I have been employed by the Company since May 22, 2017.

Q. What is your educational background?

A. I have a Bachelors Degree from the Pennsylvania State University, York, Pennsylvania and a Master's Degree in Business Administration from Strayer University, Owings Mills, Maryland.

Q. Are you a certified public accountant?

A. Yes, I am a certified public accountant licensed by the Commonwealth of Pennsylvania.

Q. What has been your other business experience?

A. From June 2014 to September 2016, I served as the Director of Operations for Simon Lever LLP, an accounting firm based in Lancaster, Pennsylvania. In that capacity, I managed the operations of the accounting firm including, financial operations, administration, human resources, marketing, and information technology. From July 2007 to June 2014, I worked at T. Rowe Price in Owings Mills, Maryland. I worked in several positions of increasing authority and my final position was Assistant Vice President. My responsibilities included overseeing various accounting and financial reporting duties for T. Rowe Price's Retirement Plan Services division.

Q. Have you previously testified before a regulatory commission?

A. No, this is the first time I have presented testimony to the Pennsylvania Public Utility Commission ("Commission").

Q. Will you list the exhibits you are sponsoring in this proceeding?

A. In addition to the exhibits identified in York Water Statement No. 105, I am sponsoring the following exhibits prepared by me or under my direction and supervision:

Exhibit Nos. FIV-15W, FIV-15-1W, FIV-15-2W, FIV-15-3W, FIV-15-4W, and FIV-15-5W relating to taxes other than income taxes for the wastewater division; and

Exhibit Nos. FIV-17W, FIV-17-2W, FIV-17-3W, FIV-17-3(a)W, FIV-17-4, FIV-17-5W, FIV-17-7W, FIV-17-8W, FIV-17-8(a)W, FIV-17-9, FIV-17-10W, FIV-17-11W, and FIV-18W relating to operating income taxes for the wastewater division.

Q. Explain Exhibit No. FIV-15W.

A. Exhibit No. FIV-15W summarizes projected and pro forma adjustments to operating taxes other than income taxes for the twelve months ending December 31, 2022, and February 29, 2024, for ratemaking purposes and to reflect additional operating taxes other than income taxes resulting from the proposed increase in operating revenues.

Pro forma operating taxes other than income taxes for the twelve months ended December 31, 2021, in the amount of $42,616 are shown in Column 1, Page 2 of Exhibit FIV-15W. Adjustments to operating taxes other than income taxes of $202 reflect the calculation of the projected level of taxes other than income taxes under existing rates for the twelve months ending December 31, 2022. Such adjustments are shown in Column 3, Page 2 of Exhibit No. FIV-15W and are detailed in Exhibit No. FIV-15-1W. Projected operating taxes other than income taxes for the twelve months ended December 31, 2022, in the amount of $42,818 are shown in Column 4, Page 2 of Exhibit FIV-15.

Adjustments to operating taxes other than income taxes of $202 reflect the calculation of the Pro Forma level of taxes other than income taxes under existing rates for the twelve months ending December 31, 2022. Such adjustments are shown in Column 6, Page 2 of Exhibit No. FIV-15W and are detailed in Exhibit Nos. FIV-15-2W. Pro Forma operating taxes other than income taxes for the twelve months ending December 31, 2022, in the amount of $43,020 are shown in Column 7, Page 2 of Exhibit No. FIV-15W and are carried forward to Column 1 of Page 3 of Exhibit No. FIV-15W.

Projected adjustments to operating taxes other than income taxes of $269 are shown in Column 3, Page 3 of Exhibit No. FIV-15W and are detailed in Exhibit Nos. FIV-15-3W. Projected operating taxes other than income taxes for the twelve months ended February 29, 2024, in the amount of $43,289 are shown in Column 4, Page 3 of Exhibit FIV-15.

Adjustments to operating taxes other than income taxes of $202 reflect the calculation of the Pro Forma level of taxes other than income taxes under existing rates for the twelve months ending February 29, 2024. Such adjustments are shown in Column 6, Page 3 of Exhibit No. FIV-15W and are detailed in Exhibit Nos. FIV-15-4W. Pro forma operating taxes other than income taxes for the twelve months ending February 29, 2024, of $43,491 are shown in Column 7, Page 3 of Exhibit No. FIV-15W and are carried forward to Column 1 of Page 4 of Exhibit No. FIV-15W.

Adjustments to operating taxes other than income taxes amounting to $27,720 are made to reflect the increased operating taxes other than income taxes that result from the increase in operating revenues under proposed rates. These adjustments are shown in Column 3, Page 4 of Exhibit No. FIV-15W and are detailed in Exhibit No. FIV-15-5W. Pro Forma operating taxes other than income taxes under proposed rates for the twelve months ended February 29, 2024, in the amount of $71,211 are shown in Column 4, Page 4 of Exhibit FIV-15W.

Q. Explain Exhibit No. FIV-15-1W.

A. Exhibit No. FIV-15-1W is an adjustment to reflect the Commission's General Assessment, the Consumer Advocate's Assessment, the Small Business Advocate's Assessment, and the Damage Prevention Control Assessment based on projected operating revenues under existing rates for twelve months ending December 31, 2022, and the 2021-2022 assessment factors. The currently-effective combined 2021-2022 assessment rate of 0.671560% for the Commission's General Assessment, the Consumer Advocate's Assessment, the Small Business Advocate's Assessment, and the Damage Prevention Control Assessment is applied to projected operating revenues at existing rates for twelve months ending December 31, 2022, in the amount of $4,057,141 (Refer to Exhibit No. FII-2W) to determine the projected combined assessment under existing rates for twelve months ended December 31, 2022, in the amount of $27,246 ($4,057,414 x 0.671560%). The adjustment in the amount of $202 is determined by subtracting the pro forma assessments for the twelve months ended December 31, 2021, of $27,044 (Refer to Exhibit No. HIV-15-1W) from the calculated projected amount of $27,246 [$27,246 - $27,044 = $202]. The adjustment in the amount of $202 has been carried forward to Exhibit No. FIV-15W, Page 2, Column 3.

Q. Explain Exhibit No. FIV-15-2W.

A. Exhibit No. FIV-15-2W is an adjustment to reflect the Commission's General Assessment, the Consumer Advocate's Assessment, the Small Business Advocate's Assessment, and the Damage Prevention Control Assessment based on Pro Forma operating revenues under existing rates for twelve months ending December 31, 2022, and the 2021-2022 assessment factors. The currently-effective combined 2021-2022 assessment rate of 0.671560% for the Commission's General Assessment, the Consumer Advocate's Assessment, the Small Business Advocate's Assessment, and the Damage Prevention Control Assessment is applied to Pro Forma operating revenues at existing rates for twelve months ending December 31, 2022, in the amount of $4,087,219 (Refer to Exhibit No. FII-2W) to determine the pro forma combined assessment under existing rates for twelve months ended December 31, 2022, in the amount of $27,448 ($4,087,219 x 0.671560%). The adjustment in the amount of $202 is determined by subtracting the projected year assessments for the twelve months ended December 31, 2022, of $27,246 (Refer to Exhibit No. FIV-15-1W) from the calculated pro forma amount of $27,448 ($27,448 - $27,246 = $202). The adjustment in the amount of $202 has been carried forward to Exhibit No. FIV-15W, Page 2, Column 6.

Q. Explain Exhibit No. FIV-15-3W.

A. Exhibit No. FIV-15-3W is an adjustment to reflect the Commission's General Assessment, the Consumer Advocate's Assessment, the Small Business Advocate's Assessment, and the Damage Prevention Control Assessment based on projected operating revenues under existing rates for twelve months ending February 29, 2024, and the 2021-2022 assessment factors. The currently-effective combined 2021-2022 assessment rate of 0.671560% for the Commission's General Assessment, the Consumer Advocate's Assessment, the Small Business Advocate's Assessment, and the Damage Prevention Control Assessment is applied to projected operating revenues at existing rates for twelve months ending February 29, 2024, in the amount of $4,127,323 (Refer to Exhibit No. FII-2W) to determine the projected combined assessment under existing rates for twelve months ended February 29, 2024, in the amount of $27,717 ($4,127,323 x 0.671560%). The adjustment in the amount of $269 is determined by subtracting the Pro Forma year assessments for the twelve months ending December 31, 2022, of $27,448 (Refer to Exhibit No. FIV-15-2W) from the calculated projected amount of $27,717 [$27,717 - $27,448 = $269]. The adjustment in the amount of $269 has been carried forward to Exhibit No. FIV-15W, Page 3, Column 3.

Q. Explain Exhibit No. FIV-15-4W.

A. Exhibit No. FIV-15-4W is an adjustment to reflect the Commission's General Assessment, the Consumer Advocate's Assessment, the Small Business Advocate's Assessment, and the Damage Prevention Control Assessment based on Pro Forma operating revenues under existing rates for twelve months ending February 29, 2024, and the 2021-2022 assessment factors. The currently-effective combined 2021-2022 assessment rate of 0.671560% for the Commission's General Assessment, the Consumer Advocate's Assessment, the Small Business Advocate's Assessment, and the Damage Prevention Control Assessment is applied to Pro Forma operating revenues at existing rates for twelve months ending February 29, 2024, in the amount of $4,157,401 (Refer to Exhibit No. FII-2W) to determine the pro forma combined assessment under existing rates for twelve months ended February 29, 2024, in the amount of $27,919 ($4,157,401 x

0.00671560). The adjustment in the amount of $202 is determined by subtracting the projected year assessments for the twelve months ending February 29, 2024, of $27,717 (Refer to Exhibit No. FIV-15-3W) from the calculated Pro Forma amount of $27,919 ($27,919 - $27,717 = $202). The adjustment in the amount of $202 has been carried forward to Exhibit No. FIV-15, Page 3, Column 6.

Q. Explain Exhibit No. FIV-15-5W.

A. Exhibit No. FIV-15-5W is an adjustment to reflect the Commission's General Assessment, the Consumer Advocate's Assessment, the Small Business Advocate's Assessment, and the Damage Prevention Control Assessment based on Pro Forma operating revenues under proposed rates for twelve months ending February 29, 2024, and the 2021-2022 assessment factors. The currently-effective combined 2021-2022 assessment rate of 0.671560% for the Commission's General Assessment, the Consumer Advocate's Assessment, the Small Business Advocate's Assessment, and the Damage Prevention Control Assessment is applied to Pro Forma operating revenues under proposed rates for twelve months ending February 29, 2024, in the amount of $8,285,050 (Refer to Exhibit No. FII-2W) to determine the Pro Forma combined assessment under proposed rates for twelve months ending February 29, 2024, in the amount of $55,639 ($8,285,050 x 0.00671560). The adjustment in the amount of $27,720 is determined by subtracting the Pro Forma year assessments under existing rates for the twelve months ending February 29, 2024, of $27,919 (Refer to Exhibit No. FIV-15-4W) from the calculated Pro Forma amount under proposed rates of $55,639 ($55,639 - $27,919 = $27,720). The adjustment in the amount of $27,720 has been carried forward to Exhibit No. FIV-15W, Page 4, Column 3.

Q. Explain Exhibit No. FIV-17W.

A. Exhibit No. FIV-17W is to summarize adjustments to operating income taxes for the twelve months ending December 31, 2022, and February 29, 2024, for ratemaking purposes and to reflect additional operating income taxes resulting from the proposed increase in operating revenues.

Pro forma operating income taxes for the twelve months ended December 31, 2021, in the amount of $(297,003) are shown in Column 1 of Page 1 of Exhibit FIV-17W. Projected adjustments to operating income taxes of $(540,929) are shown in Column 3 of Page 1 of Exhibit No. FIV-17W and are detailed in Exhibit Nos. FIV-17-2W through FIV-17-4W, which I will explain later. Pro forma adjustments to operating income taxes of $923 are shown in Column 6 of Page 1 of Exhibit No. FIV-17W and are detailed in Exhibit No. FIV-17-5W, which I will explain later. Pro forma operating income taxes for the twelve months ending December 31, 2022, in the amount of $(837,009) are shown in Column 7 of Page 1 of Exhibit No. FIV-17W and are carried forward to Column 1 of Page 2 of Exhibit No. FIV-17W. Projected adjustments to operating income taxes of $61,707 are shown in Column 3 of Page 2 of Exhibit No. FIV-17W and are detailed in Exhibit Nos. FIV-17-7W through FIV-17-9W, which I will explain later. Projected operating income taxes for the twelve months ending February 29, 2024, in the amount of $(775,302) are show in Column 4 of Page 2 of Exhibit No. FIV-17W and are carried forward to Column 1 of Page 3 of Exhibit No. FIV-17W. Pro forma adjustments to operating income taxes of $1,707 are shown in Column 3 of Page 3 of Exhibit No. FIV-17W and are detailed in Exhibit No. FIV-17-10W, which I will explain later.

Adjustments to operating income taxes amounting to $1,184,556 are to reflect the increased operating income taxes that will result from the increase in operating revenues under proposed rates, and these adjustments are shown in Column 6 of Page 3 of Exhibit No. FIV-17W and are detailed in Exhibit No. FIV-17-11W, which I will explain later.

Q. Explain Exhibit No. FIV-17-2W.

A. Exhibit No. FIV-17-2W is an adjustment to reflect projected current Federal income tax and projected current Pennsylvania corporate net income tax based on projected taxable income for the twelve months ending December 31, 2022, under existing rates at the currently effective Federal income tax rate of 21% and at the Pennsylvania corporate net income tax rate of 9.99%.

Total projected operating income before income taxes and excluding depreciation under existing rates for the twelve months ending December 31, 2022, in the amount of $21,539 is determined by subtracting projected operating expenses under existing rates in the amount of $3,997,645 (Refer to Exhibit No. FIII-2W, Page 2 of 4, Column 4) and projected operating taxes other than income taxes under existing rates in the amount of $42,818 (Refer to Exhibit No. FIV-15W, Page 2 of 4, Column 4) from projected operating revenues under existing rates in the amount of $4,062,002 (Refer to Exhibit No. FII-2W, Page 2 of 5) [$4,062,002 - $3,997,645 - $42,818 = $21,539]. To arrive at taxable income at present rates, amounts are added for Amortization of Acquisition Adjustments of $29,481, and amounts are then deducted for tax repair expense in the amount of $1,544,947, cost of removal in the amount of $496, state tax depreciation in the amount of $1,003,612 and pro forma interest expense deduction for ratemaking purposes in the amount of $510,280. Expenses of the Company's Amortization of Acquisition Adjustments of $29,481 are not allowed as a deduction for income tax purposes. Since this amount is included in operating expenses and deducted in arriving at the figure of $21,539, it must be added back in arriving at taxable income. Tax repair expense in the amount of $1,544,947 has been capitalized on the corporate books but is taken as a current deduction on the Company's Federal and State income tax returns. Cost of removal in the amount of $496 has been capitalized on the corporate books but is taken as a current deduction on the Company's Federal and State income tax returns. State tax depreciation in the amount of $1,003,612 is detailed on Exhibit No. FIV-17-3W and Exhibit No. FIV-17-3 (a)W. I note that the Federal tax depreciation is less than state tax depreciation, which I will explain later with respect to Exhibit No. FIV-17-3 (a)W. The projected interest expense deduction for ratemaking purposes in the amount of $510,280 is determined by reflecting the interest charges to ratepayers in the cost of capital determination (Interest Synchronization) (Rate Base of $28,853,963 x Weighted Debt Cost Rate of 1.77%).

Projected taxable income under existing rates in the amount of $(3,008,316) is determined by adding the expenses of the Amortization of Acquisition Adjustments of $29,481 and deducting tax repair expense in the amount of $1,544,947, cost of removal in the amount of $496, state tax depreciation in the amount of $1,003,612, and projected interest expense in the amount of $510,280 from projected net operating income in the amount of $21,539 [$21,539 + $29,481 - $1,544,947 - $496 - $1,003,612 - $510,280 = $(3,008,316)].

Projected State income tax under existing rates in the amount of $(300,531) is determined by applying the Pennsylvania corporate net income tax rate of 9.99% to projected taxable income in the amount of $(3,008,316) [$(3,008,316) x 0.0999 = $(300,531)]. Projected Federal taxable income under existing rates in the amount of $(564,390) is determined by subtracting projected State income tax under existing rates in the amount of $(300,531) and adding back additional allowed State depreciation on bonus property of $20,215 from projected taxable income in the amount of $(3,008,316) [$(3,008,316) - $(300,531) + $20,215 = $(2,687,570)]. Projected Federal income tax under existing rates in the amount of $(564,390) is determined by applying the presently effective Federal income tax rate of 21% to the projected Federal taxable income under existing rates in the amount of $(2,687,570) [$(2,687,570) x 0.21 = $(564,390)]. Total projected current income taxes under existing rates in the amount of $(864,921) is determined by adding projected state income tax under existing rates in the amount of $(300,531) and projected Federal income tax under existing rates in the amount of $(564,390) [$(300,531) + $(564,390) = $(864,921)]. The adjustment to income taxes in the amount of $(632,425) is determined by subtracting total pro forma current income taxes under existing rates during the twelve months ended December 31, 2021, in the amount of $(232,495) (Refer to Exhibit No. FIV-17W) from total projected current income taxes under existing rates in the amount of $(864,921) [$(864,921) - $(232,495) = $(632,425)]. The adjustment to income taxes at present rates in the amount of $(632,425) has been carried forward to Exhibit No. FIV-17W, Page 1, Column 3.

Q. Explain Exhibit No. FIV-17-3W.

A. Exhibit No. FIV-17-3W provides information concerning income tax depreciation used to calculate current and deferred Federal Income Taxes for ratemaking purposes for the future test year. In order to explain Exhibit FIV-17-3W, a general explanation of the tax depreciation methods used by York Water for various vintages of property is required.

For property placed in service beginning with calendar year 2012, the Company employs various methods of tax depreciation as permitted by law. Normalization of the tax deferrals resulting from the use of these accelerated depreciation methods is required by the Internal Revenue Code.

If the Company is not permitted to recover revenues necessary to provide for normalization of the income tax effects of accelerated depreciation, the Company will not be permitted to deduct accelerated depreciation for Federal income tax purposes.

Tax depreciation by vintage year in the amount of $983,397 for property included in the measure of value is shown on Exhibit No. FIV-17-3W, Column 3.

Deferred taxes must be provided with the normalization requirements of Internal Revenue Code Sections 167 and 168. The amount of $983,397 is reduced by $820,208, which is the amount included for ratemaking purposes as depreciation in order to determine the difference of $163,189 to be used for calculating the deferred Federal income tax [$983,397 – $820,208 = $163,189]. The Federal income tax rate of 21% is applied to the difference of $163,189 to determine deferred Federal income tax in the amount of $34,270 [$163,189 x 0.21]. The adjustment to deferred Federal income tax expense in the amount of $91,152 is determined by subtracting deferred Federal income tax recorded on the corporate books during the twelve months ended December 31, 2021, in the amount of $(56,883) from the calculated deferred Federal income tax in the amount of $34,270 [$34,270 - $(56,883) = $91,152]. The adjustment to deferred Federal income tax in the amount of $91,152 has been carried forward to Exhibit No. FIV-17W, Column 3.

Q. Explain Exhibit No. FIV-17-3 (a)W.

A. Exhibit No. FIV-17-3 (a)W is the calculation of the state tax decoupling from the Federal Special 30-Percent and 50 Percent Depreciation Allowance for the twelve months ended December 31, 2022, in accordance with Act 89 of 2002 signed into law June 29, 2002, and the Economic Growth and Tax Relief Reconciliation Act of 2001, the Job Creation and Worker Assistance Act of 2002, the Jobs and Growth Tax Relief Reconciliation Act of 2003, the Economic Stimulus Act of 2008, and the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. These acts require corporate taxpayers who elected the Federal Special 30-Percent and 50 Percent Depreciation Allowance to make adjustments, which eliminate the effect of the Federal Special 30-Percent and 50 Percent Depreciation Allowance in arriving at Pennsylvania taxable income. Because Act 89 of 2002 eliminated the effect of the first-year Federal bonus depreciation, additional State depreciation deductions are allowed in subsequent years.

The recovery of a portion of the bonus depreciation of $20,215 is carried forward to Exhibit No. FIV-17-2W as an adjustment to State Tax Depreciation.

The basis of property qualified for the additional first year depreciation allowance is reflected in Column 2 of Exhibit No. FIV-17-3 (a)W. Total Federal tax depreciation is shown in Column 3 of Exhibit No. FIV-17-3 (a)W. The adjustment for additional allowed state depreciation in lieu of the Federal special 30-percent and 50 percent depreciation is reflected in Column 6 and is determined by multiplying Federal depreciation (net of current year bonus depreciation) shown in Column 5 by 0.42857 (3/7). The factor of 0.42857 (3/7) is reflected in the Bureau of Corporation Taxes Adjustment for Bonus Depreciation (Form REV-784).

Q. Explain Exhibit No. FIV-17-4W.

A. Exhibit No. FIV-17-4W calculates the reversal of excess deferred Federal income taxes related to accelerated depreciation on property for the Future Test Year.. Upon passage of the Tax Cuts and Jobs Act of 2017, the Company adjusted the balance of its deferred Federal income taxes related to accelerated depreciation on property to the newly enacted statutory Federal income tax rate of 21%. The difference between the existing balance of deferred Federal income taxes related to accelerated depreciation on property and the adjusted balance of deferred Federal income taxes related to accelerated depreciation on property was recorded as a regulatory liability for the excess deferred Federal income taxes related to accelerated depreciation on property.

A reversal is recorded for the excess deferred Federal income taxes whose normalized depreciation exceeds tax depreciation, that is, the tax life of the property has reached what is commonly referred to as the “turnaround point.” The vintage years that have reached the turnaround point are 2012 through 2016. Tax depreciation for these vintage years subject to normalization requirements of Internal Revenue Code Section 167 and 168 is $29,720. The amount of tax depreciation of $29,720 is less than $85,726, which is the amount included for ratemaking purposes as depreciation on property placed in service during these vintage years. The difference of $(56,006) is to be used for calculating the return of excess previously deferred Federal income tax to be reversed [$29,720 - $85,726 = $(56,006)]. Tax depreciation, and thus excess deferred Federal income taxes recovered from customers, was computed to the turnaround point for all of these properties at a rate of 34%. However, the Tax Cuts and Jobs Act of 2017 prohibits flow back of the excess between the 34% rate and the current rate any faster than ratably over the tax life of the property following the property attaining the turnaround point. This ratable flow back is to be achieved by using a weighted average tax rate, representing the weighted average rate for each vintage for all years prior to the turnaround year. The weighted average rate for each vintage year, which has reached the turnaround point, is shown in Column 6. The weighted average tax rate is applied to the tax depreciation subject to deferral shown in Column 4 to determine the reversal of deferred Federal income taxes in the amount of $(19,042). This was compared to the value of the deferred Federal income taxes at the newly enacted rate of $(11,761) determined by multiplying the total tax depreciation subject to deferral of $(56,006) by the newly enacted rate of 21% [$(56,006) x 0.21 = $(11,761)]. The difference between the deferred Federal income taxes at prior rates of $(19,042) and those at the newly enacted rate of $(11,761) is the reversal of the excess deferred Federal income taxes of $(7,281) [$(19,042) - $(11,761) = $(7,281)]. An adjustment of the excess deferred Federal income taxes in the amount of $344 is determined by subtracting the reversal of excess deferred Federal income taxes recorded on the corporate books during the twelve months ended December 31, 2021, in the amount of $(7,625), from the calculated pro forma reversal of excess deferred Federal income taxes in the amount of $(7,281) [$(7,281) - $(7,625) = $344]. The adjustment of the reversal of deferred Federal income taxes in the amount of $344 has been carried forward to Exhibit FIV-17, Column 3.

Q. Explain Exhibit No. FIV-17-5W.

A. Exhibit No. FIV-17-5W is an adjustment to reflect pro forma current Federal income tax and pro forma current Pennsylvania corporate net income tax based on pro forma taxable income for the twelve months ending December 31, 2022, under existing rates at the currently effective Federal income tax rate of 21% and at the Pennsylvania corporate net income tax rate of 9.99%.

Total pro forma operating income before income taxes and excluding depreciation under existing rates for the twelve months ending December 31, 2022, in the amount of $24,732 is determined by subtracting pro forma operating expenses under existing rates in the amount of $4,024,328 (Refer to Exhibit No. FIII-2W, Page 2 of 4, Column 7) and pro forma operating taxes other than income taxes under existing rates in the amount of $43,020 (Refer to Exhibit No. FIV-15W, Page 2 of 4, Column 7) from pro forma operating revenues under existing rates in the amount of $4,092,080 (Refer to Exhibit No. FII-2W, Page 2 of 2) [$4,092,080 - $4,024,328 - $43,020 = $24,732]. To arrive at taxable income at present rates, amounts are added for Amortization of Acquisition Adjustments of $29,481, and amounts are then deducted for deducted for tax repair expense in the amount of $1,544,947, cost of removal in the amount of $496, state tax depreciation in the amount of $1,003,612, and pro forma interest expense deduction for ratemaking purposes in the amount of $510,280. Expenses of the Company's Amortization of Acquisition Adjustments of $29,481 are not allowed as a deduction for income tax purposes. Since this amount is included in operating expenses and deducted in arriving at the figure of $24,732 it must be added back in arriving at taxable income. Tax repair expense in the amount of $1,544,947 has been capitalized on the corporate books but is taken as a current deduction on the Company's Federal and State income tax returns. Cost of removal in the amount of $496 has been capitalized on the corporate books but is taken as a current deduction on the Company's Federal and State income tax returns. State tax depreciation in the amount of $1,003,612 is detailed on Exhibit No. FIV-17-3W and Exhibit No. FIV-17-3 (a)W. I note that the Federal tax depreciation is less than state tax depreciation, as previously explained with respect to Exhibit No. FIV-17-3 (a)W. The projected interest expense deduction for ratemaking purposes in the amount of $510,280 is determined by reflecting the interest charges to ratepayers in the cost of capital determination (Interest Synchronization) (Rate Base of $28,853,963 x Weighted Debt Cost Rate of 1.77%).

Pro forma taxable income under existing rates in the amount of $(3,005,123) is determined by adding the expenses of the Amortization of Acquisition Adjustments of $29,481 and deducting tax repair expense in the amount of $1,544,947, cost of removal in the amount of $496, state tax depreciation in the amount of $1,003,612, and projected interest expense in the amount of $510,280 from pro forma net operating income in the amount of $24,732 [$24,732 + $29,481 - $1,544,947 - $496 - $1,003,612 - $510,280 = $(3,005,123)].

Pro forma State income tax under existing rates in the amount of $(300,212) is determined by applying the Pennsylvania corporate net income tax rate of 9.99% to pro forma taxable income in the amount of $(3,005,123) [$(3,005,123) x 0.0999 = $(300,212)]. Pro forma Federal taxable income under existing rates in the amount of $(2,684,696) is determined by subtracting pro forma State income tax under existing rates in the amount of $(300,212) and adding back additional allowed State depreciation on bonus property of $20,215 from pro forma taxable income in the amount of $(3,005,123) [$(3,005,123) – $(300,212) + $20,215 = $(2,684,696)]. Pro forma Federal income tax under existing rates in the amount of $(563,786) is determined by applying the presently effective Federal income tax rate of 21% to the pro forma Federal taxable income under existing rates in the amount of $(2,684,696) [$(2,684,696) x 0.21 = $(563,786)]. Total pro forma current income taxes under existing rates in the amount of $(863,998) is determined by adding pro forma state income tax under existing rates in the amount of $(300,212) and pro forma Federal income tax under existing rates in the amount of $(563,786) [$(300,212) + $(563,786) = $(863,998)]. The adjustment to income taxes in the amount of $923 is determined by subtracting total projected current income taxes under existing rates during the twelve months ended December 31, 2022, in the amount of $(864,921) (Refer to Exhibit No. FIV-17-2W) from total pro forma current income taxes under existing rates in the amount of $(863,998) [$(863,998) – $(864,921) = $923]. The adjustment to income taxes at present rates in the amount of $923 has been carried forward to Exhibit No. FIV-17W, Page 1, Column 6.

Q. Explain Exhibit No. FIV-17-7W.

A. Exhibit No. FIV-17-7W is an adjustment to reflect projected current Federal income tax and projected current Pennsylvania corporate net income tax based on projected taxable income for the twelve months ending February 29, 2024, under existing rates at the currently effective Federal income tax rate of 21% and at the Pennsylvania corporate net income tax rate of 9.99%.

Total projected operating income before income taxes and excluding depreciation under existing rates for the twelve months ending February 29, 2024, in the amount of $(116,150) is determined by subtracting projected operating expenses under existing rates in the amount of $4,205,045 (Refer to Exhibit No. FIII-2W, Page 3 of 4, Column 4) and projected operating taxes other than income taxes under existing rates in the amount of $43,289 (Refer to Exhibit No. FIV-15, Page 3 of 4, Column 4) from projected operating revenues under existing rates in the amount of $4,132,184 (Refer to Exhibit No. FII-2W, Page 2 of 2) [$4,132,184 - $4,205,045 - $43,289 = $(116,150)]. To arrive at taxable income at present rates, amounts are added for Amortization of Acquisition Adjustments of $29,481, and amounts are then deducted for deducted for tax repair expense in the amount of $1,015,000, cost of removal in the amount of $280, state tax depreciation in the amount of $1,051,733, and pro forma interest expense deduction for ratemaking purposes in the amount of $589,862. Expenses of the Company's Amortization of Acquisition Adjustments of $29,481 are not allowed as a deduction for income tax purposes. Since this amount is included in operating expenses and deducted in arriving at the figure of $(116,150), it must be added back in arriving at taxable income. Tax repair expense in the amount of $1,015,000 has been capitalized on the corporate books but is taken as a current deduction on the Company's Federal and State income tax returns.

Cost of removal in the amount of $280 has been capitalized on the corporate books but is taken as a current deduction on the Company's Federal and State income tax returns. State tax depreciation in the amount of $1,051,733 is detailed on Exhibit No. FIV-17-8W and Exhibit No. FIV-17-8 (a)W. I note that the state tax depreciation is greater than Federal tax depreciation, which I will explain later with respect to Exhibit No. FIV-17-8 (a)W. The projected interest expense deduction for ratemaking purposes in the amount of $589,862 is determined by reflecting the interest charges to ratepayers in the cost of capital determination (Interest Synchronization) (Rate Base of $33,353,950 x Weighted Debt Cost Rate of 1.77%).

Projected taxable income under existing rates in the amount of $(2,743,545) is determined by adding the expenses of the Amortization of Acquisition Adjustments of $29,481 and deducting tax repair expense in the amount of $1,015,000, cost of removal in the amount of $280, state tax depreciation in the amount of $1,051,733 and projected interest expense in the amount of $589,862 from pro forma net operating income in the amount of $(116,150) [$(116,150) + $29,481 - $1,015,000 - $280 - $1,051,733 - $589,862 = $(2,743,545)].

Projected State income tax under existing rates in the amount of $(274,080) is determined by applying the Pennsylvania corporate net income tax rate of 9.99% to projected taxable income in the amount of $(2,743,545) [$(2,743,545) x 0.0999 = $(274,080)]. Projected Federal taxable income under existing rates in the amount of $(2,462,660) is determined by subtracting projected State income tax under existing rates in the amount of $(274,080) and adding back additional allowed state depreciation on bonus property of

$6,805 to projected taxable income in the amount of $(2,743,545) [$(2,743,545) – $(274,080) + $6,805 = $(2,462,660)]. Projected Federal income tax under existing rates in the amount of $(517,159) is determined by applying the presently effective Federal income tax rate of 21% to the projected Federal taxable income under existing rates in the amount of $(2,462,660) [$(2,462,660) x 0.21 = $(517,159)]. Total projected current income taxes under existing rates in the amount of $(791,239) is determined by adding projected state income tax under existing rates in the amount of $(274,080) and projected Federal income tax under existing rates in the amount of $(517,159) [$(274,080) + $(517,159) = $(791,239)]. The adjustment to income taxes in the amount of $72,759 is determined by subtracting total pro forma current income taxes under existing rates during the twelve months ended December 31, 2022, in the amount of $(863,998) (Refer to Exhibit No. FIV-17-5W) from total projected current income taxes under existing rates in the amount of $(791,239) [$(791,239) – $(863,998) = $72,759]. The adjustment to income taxes at present rates in the amount of $72,759 has been carried forward to Exhibit No. FIV-17, Page 2, Column 3.

Q. Explain Exhibit No. FIV-17-8W.

A. Exhibit No. FIV-17-8W provides information concerning income tax depreciation used to calculate current and deferred Federal Income Taxes for ratemaking purposes for the fully projected future test year. A general explanation of the tax depreciation methods used by York Water for various vintages of property is required in order to fully understand Exhibit No. FIV-17-8W. That explanation was previously provided with respect to Exhibit No. FIV-17-3W.

Tax depreciation by vintage year in the amount of $1,044,928 for property included in the measure of value is shown on Exhibit No. FIV-17-3W, Column 3.

Deferred taxes must be provided with the normalization requirements of Internal Revenue Code Sections 167 and 168. The amount of $1,044,928 is reduced by $933,718, which is the amount included for ratemaking purposes as depreciation in order to determine the difference of $111,210 to be used for calculating the deferred Federal income tax [$1,044,928 – $933,718 = $111,210]. The Federal income tax rate of 21% is applied to the difference of $111,210 to determine deferred Federal income tax in the amount of $23,354 [$111,210 x 0.21]. The adjustment to deferred Federal income tax expense in the amount of $(10,916) is determined by subtracting deferred Federal income tax recorded on the corporate books during the twelve months ended December 31, 2022, in the amount of $34,270 from the calculated deferred Federal income tax in the amount of $23,354 [$23,354 - $34,270 = $(10,916)]. The adjustment to deferred Federal income tax in the amount of $(10,916) has been carried forward to Exhibit No. FIV-17W, Column 3.

Q. Explain Exhibit No. FIV-17-8 (a)W.

A. Exhibit No. FIV-17-8 (a)W is the calculation of the state tax decoupling from the Federal Special 30-Percent and 50 Percent Depreciation Allowance for the projected period ending February 29, 2024, in accordance with Act 89 of 2002 signed into law June 29, 2002, and the Economic Growth and Tax Relief Reconciliation Act of 2001, the Job Creation and Worker Assistance Act of 2002, the Jobs and Growth Tax Relief Reconciliation Act of 2003, the Economic Stimulus Act of 2008, and the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. These acts require corporate taxpayers who elected the Federal Special 30-Percent and 50 Percent Depreciation Allowance to make adjustments, which eliminate the effect of the Federal Special 30-Percent and 50 Percent Depreciation Allowance in arriving at Pennsylvania taxable income. Because Act 89 of 2002 eliminated the effect of the first-year Federal bonus depreciation, additional State depreciation deductions are allowed in subsequent years.

The recovery of a portion of the bonus depreciation of $6,805 is carried forward to Exhibit No. FIV-17-5W as an adjustment to State Tax Depreciation.

The basis of property qualified for the additional first year depreciation allowance is reflected in Column 2 of Exhibit No. FIV-17-8 (a)W. Total Federal tax depreciation is shown in Column 3 of Exhibit No. FIV-17-8 (a)W. The adjustment for additional allowed state depreciation in lieu of the Federal special 30-percent and 50 percent depreciation is reflected in Column 6 and is determined by multiplying Federal depreciation (net of current year bonus depreciation) shown in Column 5 by 0.42857 (3/7). The factor of 0.42857 (3/7) is reflected in the Bureau of Corporation Taxes Adjustment for Bonus Depreciation (Form REV-784).

Q. Explain Exhibit No. FIV-17-9W.

A. Exhibit No. FIV-17-9W calculates the reversal of excess deferred Federal income taxes related to accelerated depreciation on property for the projected period ending February 29,2024. Upon passage of the Tax Cuts and Jobs Act of 2017, the Company adjusted the balance of its deferred Federal income taxes related to accelerated depreciation on property to the newly enacted statutory Federal income tax rate of 21%. The difference between the existing balance of deferred Federal income taxes related to accelerated depreciation on property and the adjusted balance of deferred Federal income taxes related to accelerated depreciation on property was recorded as a regulatory liability for the excess deferred Federal income taxes related to accelerated depreciation on property.

A reversal is recorded for the excess deferred Federal income taxes whose normalized depreciation exceeds tax depreciation, that is, the tax life of the property has reached what is commonly referred to as the "turnaround point." The vintage years that have reached the turnaround point are 2012 through 2016. Tax depreciation for these vintage years subject to normalization requirements of Internal Revenue Code Section 167 and 168 is $29,646. The amount of tax depreciation of $29,646 is less than $85,701, which is the amount included for ratemaking purposes as depreciation on property placed in service during these vintage years. The difference of $(57,055) is to be used for calculating the return of excess previously deferred Federal income tax to be reversed [$29,646 - $86,701 = $(57,055)]. Tax depreciation, and thus excess deferred Federal income taxes recovered from customers, was computed to the turnaround point for all of these properties at a rate of 34%. However, the Tax Cuts and Jobs Act of 2017 prohibits flow back of the excess between the 34% rate and the current rate any faster than ratably over the tax life of the property following the property attaining the turnaround point. This ratable flow back is to be achieved by using a weighted average tax rate, representing the weighted average rate for each vintage for all years prior to the turnaround year. The weighted average rate for each vintage year, which has reached the turnaround point, is shown in Column 6. The weighted average tax rate is applied to the tax depreciation subject to deferral shown in Column 4 to determine the reversal of deferred Federal income taxes in the amount of $(19,399). This was compared to the value of the deferred Federal income taxes at the newly enacted rate of $(11,982) determined by multiplying the total tax depreciation subject to deferral of $(57,055) by the newly enacted rate of 21% [$(57,055) x 0.21 = $(11,982)]. The difference between the deferred Federal income taxes at prior rates of $(19,399) and those at the newly enacted rate of $(11,982) is the reversal of the excess deferred Federal income taxes of $(7,417) [$(19,399) - $(11,982) = $(7,417)]. An adjustment of the excess deferred Federal income taxes in the amount of $(136) is determined by subtracting the reversal of excess deferred Federal income taxes recorded on the corporate books during the twelve months ended December 31, 2022, in the amount of $(7,281), from the calculated pro forma reversal of excess deferred Federal income taxes in the amount of $(7,417) [$(7,417) - $(7,281) = $(136)]. The adjustment of the reversal of deferred Federal income taxes in the amount of $(136) has been carried forward to Exhibit FIV-17W, Column 3.

Q. Explain Exhibit No. FIV-17-10W.

A. Exhibit No. FIV-17-10W is an adjustment to reflect pro forma current Federal income tax and pro forma current Pennsylvania corporate net income tax based on pro forma taxable income for the twelve months ending February 29, 2024, under existing rates at the currently effective Federal income tax rate of 21% and at the Pennsylvania corporate net income tax rate of 9.99%.

Total pro forma operating income before income taxes and excluding depreciation under existing rates for the twelve months ending February 29, 2024, in the amount of $(110,242) is determined by subtracting pro forma operating expenses under existing rates in the amount of $4,229,013 (Refer to Exhibit No. FIII-2W, Page 4 of 4, Column 7) and pro forma operating taxes other than income taxes under existing rates in the amount of $43,491 (Refer to Exhibit No. FIV-15W, Page 3 of 4, Column 7) from pro forma operating revenues under existing rates in the amount of $4,162,262 (Refer to Exhibit No. FII-2W, Page 2 of 2) [$4,162,262 - $4,229,013 - $43,491 = $(110,242)]. To arrive at taxable income at present rates, amounts are added for Amortization of Acquisition Adjustments of $29,481, and amounts are then deducted for deducted for tax repair expense in the amount of $1,015,000, cost of removal in the amount of $280, state tax depreciation in the amount of $1,051,733, and pro forma interest expense deduction for ratemaking purposes in the amount of $589,862. Expenses of the Company's Amortization of Acquisition Adjustments of $29,481 are not allowed as a deduction for income tax purposes. Since this amount is included in operating expenses and deducted in arriving at the figure of $(110,242), it must be added back in arriving at taxable income. Tax repair expense in the amount of $1,015,000 has been capitalized on the corporate books but is taken as a current deduction on the Company's Federal and State income tax returns. Cost of removal in the amount of $280 has been capitalized on the corporate books but is taken as a current deduction on the Company's Federal and State income tax returns. State tax depreciation in the amount of $1,051,733 is detailed on Exhibit No. 17-8W and Exhibit No. FIV-17-8 (a)W. I note that the state tax depreciation is greater than Federal tax depreciation, which I explained previously with respect to Exhibit No. FIV-17-8 (a)W. The projected interest expense deduction for ratemaking purposes in the amount of $589,862 is determined by reflecting the interest charges to ratepayers in the cost of capital determination (Interest Synchronization) (Rate Base of $33,353,950 x Weighted Debt Cost Rate of 1.77%).

Pro forma taxable income under existing rates in the amount of $(2,737,637) is determined by adding the expenses of the Amortization of Acquisition Adjustments of $29,481 and deducting tax repair expense in the amount of $1,015,000, cost of removal in the amount of $280, state tax depreciation in the amount of $1,051,733, and projected interest expense in the amount of $589,862 from pro forma net operating income in the amount of $(110,242) [$(110,242) + $29,481 - $1,015,000 - $280 - $1,051,733 - $589,862 = $(2,737,637)].

Pro forma State income tax under existing rates in the amount of $(273,490) is determined by applying the Pennsylvania corporate net income tax rate of 9.99% to pro forma taxable income in the amount of $(2,737,637) [$(2,737,637) x 0.0999 = $(273,490)]. Pro forma Federal taxable income under existing rates in the amount of $(2,457,342) is determined by subtracting pro forma State income tax under existing rates in the amount of $(273,490) and adding back additional allowed state depreciation on bonus property of $6,805 to pro forma taxable income in the amount of $(2,737,637) [$(2,737,637) – $(273,490) + $6,805 = $(2,457,342)]. Pro forma Federal income tax under existing rates in the amount of $(516,042) is determined by applying the presently effective Federal income tax rate of 21% to the pro forma Federal taxable income under existing rates in the amount of $(2,457,342) [$(2,457,342) x 0.21 = $(516,042)]. Total pro forma current income taxes under existing rates in the amount of ($789,532) is determined by adding pro forma state income tax under existing rates in the amount of $(273,490) and pro forma Federal income tax under existing rates in the amount of $(516,042) [$(273,490) + $(516,042) = $(789,532)]. The adjustment to income taxes in the amount of $1,707 is determined by subtracting total projected current income taxes under existing rates during the twelve months ending February 29, 2024, in the amount of $(791,239) (Refer to Exhibit No. FIV-17-7W) from total pro forma current income taxes under existing rates in the amount of $(789,532) [$(789,532) – $(791,239) = $1,707]. The adjustment to income taxes at present rates in the amount of $1,707 has been carried forward to Exhibit No. FIV-17W, Page 3, Column 3.

Q. Please explain Exhibit No. FIV-17-11W.

A. Exhibit No. FIV-17-11W is an adjustment to reflect increased Federal income tax and Pennsylvania corporate net income tax based on the proposed revenue increase resulting from proposed rates.

The total proposed increase in wastewater revenue in the amount of $4,127,648 (Refer to Exhibit No. FII-2W, page 2 of 2) is reduced by the increase in pro forma expense for the Public Utility Commission's general assessment, the Consumer Advocate's assessment, the Small Business Advocate's assessment, and the Damage Prevention Control assessment under proposed rates in the amount of $27,720 (Refer to Exhibit No. FIV-15-3W) to arrive at the net increase in taxable income subject to Pennsylvania corporate net income tax in the amount of $4,099,929 ($4,127,648 - $27,720 = $4,099,929). The Pennsylvania corporate net income tax rate of 9.99% is applied to the net increase in taxable income subject to state income tax in the amount of $4,099,929 to determine the increase of $409,583 in the state income tax as a result of the proposed revenue increase ($4,099,929 x 0.0999 = $409,583). The increase in the amount of $409,583 in the state income tax has been carried forward to Exhibit No. FIV-17W, Page 3, Column 6.

The proposed revenue increase subject to state income tax of $4,099,929 is reduced further by the increase of $409,583 in the state income tax to determine the proposed revenue increase in the amount of $3,690,346 subject to Federal income tax ($4,099,929 - $409,583 = $3,690,346). The presently effective Federal income tax rate of 21% is applied to the net increase in taxable income subject to Federal income tax to determine the increase in the amount of $774,973 in the Federal income tax that results from the proposed revenue increase ($3,690,346 x 0.21 = $774,973), and this amount has been carried forward to Exhibit No. FIV-17W, Page 3, Column 6.

Q. Explain Exhibit No. FIV-18W.

A. Exhibit No. FIV-18W provides an explanation of the debt interest expense utilized for the income tax calculation on projected income for the twelve months ending December 31, 2022, and an explanation and the calculation of debt interest expense utilized for the income tax calculation on pro forma income for the twelve months ending December 31, 2022.

Debt interest expense utilized for the income tax calculation on projected and pro forma income for the twelve months ending December 31, 2022, is determined by reflecting the interest charges to ratepayers in the cost of capital determination (interest synchronization).

The original cost measure of value as of December 31, 2022 (Refer to Exhibit No. FV-1W, page 2) of $28,853,963 times the weighted debt cost rate of 1.77% (from Exhibit No. FVII) equals the interest expense utilized for income tax calculation on projected and pro forma income for the twelve months ending December 31, 2022, of $510,280.

Debt interest expense on projected and pro forma income for the twelve months ending December 31, 2022, in the amount of $510,280 has been carried forward to Exhibit Nos. FIV-17-2W and FIV-17-6W, which I explained previously.

Exhibit No. FIV-18W also provides an explanation of the debt interest expense utilized for the income tax calculation on projected income for the twelve months ending February 29, 2024, and an explanation and the calculation of debt interest expense utilized for the income tax calculation on pro forma income for the twelve months ending February 29, 2024.

Debt interest expense utilized for the income tax calculation on projected and pro forma income for the twelve months ending February 29, 2024, is determined by reflecting the interest charges to ratepayers in the cost of capital determination (interest synchronization).

The original cost measure of value as of February 29, 2024 (Refer to Exhibit No. FV-1W, page 3) of $33,353,950 times the weighted debt cost rate of 1.77% (from Exhibit No.

FVII) equals the interest expense utilized for income tax calculation on projected and pro forma income for the twelve months ending February 29, 2024, of $589,862.

Debt interest expense on projected and pro forma income for the twelve months ending February 29, 2024, in the amount of $589,862 has been carried forward to Exhibit Nos. FIV-17-7W and FIV-17-10W, which I explained previously.

Q. Are you sponsoring any other exhibits?

A. No.

Q. Does this conclude your future test year and fully projected future test year direct testimony at this time?

A. Yes.