



COMMONWEALTH OF PENNSYLVANIA

November 4, 2022

**E-FILED**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

**Re: Pennsylvania Public Utility Commission v. The York Water Company (Water & Wastewater) / Docket Nos. R-2022-3031340, R-2022-3032806**

Dear Secretary Chiavetta:

The Pennsylvania Public Utility Commission's Implementation Order at *Electronic Access to Pre-Served Testimony*, Docket No. M-2012-2331973, requires that all testimony furnished to the court reporter during a proceeding must subsequently be provided to the Secretary's Bureau.

As such, this letter will confirm that the Office of Small Business Advocate ("OSBA") has e-filed the Direct Testimony and Exhibits of Brian Kalcic labeled OSBA Statement No. 1, the Rebuttal Testimony, labeled OSBA Statement No. 1-R, and the Surrebuttal Testimony, labeled OSBA Statement No. 1-S, on behalf of the OSBA, in the above-captioned proceedings.

All known parties were previously served with the aforementioned Testimony. If you have any questions, please contact me.

Sincerely,

/s/ Steven C. Gray

Steven C. Gray  
Senior Supervising  
Assistant Small Business Advocate  
Attorney I.D. No. 77538

*Enclosures*

cc: Brian Kalcic  
Parties of Record (**Cover Letter and Certificate of Service Only**)



COMMONWEALTH OF PENNSYLVANIA

August 19, 2022

The Honorable Katrina L. Dunderdale  
Administrative Law Judge  
Pennsylvania Public Utility Commission  
Piatt Place  
301 5th Avenue, Suite 220  
Pittsburgh, PA 15222

**Re: Pennsylvania Public Utility Commission v. The York Water Company (Water & Wastewater) / Docket Nos. R-2022-3031340, R-2022-3032806**

Dear Judge Dunderdale:

Enclosed please find the Direct Testimony and Exhibits of Brian Kalcic, labeled OSBA Statement No. 1, on behalf of the Office of Small Business Advocate (“OSBA”), in the above-captioned proceedings.

As evidenced by the enclosed Certificate of Service, all known parties will be served, as indicated.

If you have any questions, please do not hesitate to contact me.

Sincerely,

/s/ Steven C. Gray

Steven C. Gray  
Senior Supervising  
Assistant Small Business Advocate  
Attorney ID No. 77538

*Enclosures*

cc: PA PUC Secretary Rosemary Chiavetta (Cover Letter & Certificate of Service only)  
Brian Kalcic  
Parties of Record

**OSBA STATEMENT NO. 1**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY COMMISSION :  
v. : Docket No. R-2022-3031340  
THE YORK WATER COMPANY : Docket No. R-2022-3032806**

**Direct Testimony and Exhibits of**

**BRIAN KALCIC**

**On Behalf of the**

**Pennsylvania Office of Small Business Advocate**

**Topics:**

**Revenue Allocation  
Act 11 Revenue Requirement  
Scale Back of Rates**

**Date Served: August 19, 2022**

**Date Submitted for the Record: November 4, 2022**

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**I. QUALIFICATIONS AND OVERVIEW**

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

A. Brian Kalcic, 7330 Dorset Avenue, St. Louis, Missouri 63130.

**Q. What is your occupation?**

A. I am an economist and consultant in the field of public utility regulation, and principal of Excel Consulting. My qualifications are described in the Appendix to this testimony.

**Q. On whose behalf are you testifying in this case?**

A. I am testifying on behalf of the Office of Small Business Advocate (“OSBA”), which is representing the small business customers served by The York Water Company (“York” or the “Company”).

**Q. What is the subject of your testimony?**

A. My direct testimony addresses a number of topics. First, I will review and critique York’s class revenue allocation for water service, and allocation of Act 11 revenues to water service classes. Second, I will evaluate the propriety of the Company’s proposed wastewater increases and proposed Act 11 revenue requirement, and sponsor changes, where appropriate.

**Q. Do you have any preliminary comments?**

1 Yes. I wish to note at the outset that my recommendations and schedules reflect the  
2 Company's full rate request in this proceeding. Any such reference is intended for  
3 comparison purposes only and should not be construed as a recommendation by the  
4 OSBA that the Commission grant York's request in whole or in part.

5  
6 **Q. How is your testimony organized?**

7 A. My direct testimony is structured as follows. **Section I** of my testimony contains  
8 my qualifications and an overview of my testimony. **Section II** examines the  
9 Company's proposed class revenue allocation for water service and allocation of  
10 Act 11 revenues, and presents the OSBA's alternative recommendations and scale  
11 back proposal. In **Section III**, I discuss the Company's proposed wastewater  
12 increases and Act 11 revenue requirement, and present the OSBA's alternative  
13 recommendations and Act 11 scale back proposal.

14  
15 **Q. Please summarize your recommendations.**

16 A. Based on my analysis of the Company's filing and discovery responses, I  
17 recommend that the ALJ and Commission:

- 18
- 19 • Adopt York's proposed revenue allocation for water service, exclusive of  
20 Act 11 considerations, since it moves all rate classes to their respective  
21 cost-based revenue levels;
  - 22 • Adopt the OSBA's recommended methodology for allocating the  
23 Company's Act 11 revenue requirement to water service classes, which

*Direct Testimony of Brian Kalcic*

1           would recover Act 11 wastewater subsidies from water customers on a  
2           revenue-neutral basis, by customer class;

- 3           • Adopt the OSBA’s recommended wastewater service increases, which  
4           would increase total wastewater revenues by \$2.5 million or 58.3%;
- 5           • Adopt the OSBA’s recommended Act 11 revenue requirement of \$1.7  
6           million; and
- 7           • Adopt the OSBA’s recommended water, wastewater and Act 11 scale back  
8           proposals in the event that the Commission awards York less than its  
9           requested increase in this proceeding.

10

11           The specific details associated with my recommendations are discussed below.

12

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## II. WATER SERVICE

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### Water Revenue Allocation

4

**Q. Mr. Kalcic, please describe the Company's current water rate structure.**

5

A. At present, the Company serves approximately 70,000 customers via two rate

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areas.<sup>1</sup> Each rate area contains separate rate schedules for residential, commercial

7

and industrial general metered service ("GMS") customers. In addition, the

8

Company maintains separate private and public fire service rate schedules in each

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rate area.

10

All GMS customers are subject to the same set of (fixed) customer charges,

11

which vary by meter size. However, the Company's consumption charges differ by

12

rate class, and by rate area. In particular, all Gravity system rate classes are subject

13

to lower consumption charges than their corresponding Repumped system classes.

14

15

**Q. Is York proposing any changes to its current rate structure?**

16

A. No, it is not.

17

18

**Q. How does the Company propose to recover its requested base revenue increase in this case?**

19

20

A. Schedule BK-1W provides a summary of the Company's proposed class revenue

21

allocation. Page 1 shows the Company's proposed revenue allocation on a total

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<sup>1</sup> The Company's rate areas are referred to as the Gravity system and the Repumped system.

1 system basis, while the Company's proposed increases to its Gravity and Repumped  
2 systems are shown on pages 2 and 3, respectively.<sup>2</sup>

3 As shown on page 1 of Schedule BK-1W, the proposed system average  
4 increase in total base rate water revenues is 35.1% (see line 8). The Company's  
5 proposed increases to sales classes range from a low of 18.7% (Public Fire) to a  
6 high of 44.4% (Commercial).

7

8 **Q. Do the class water increases shown in Schedule BK-1W reflect the recovery of**  
9 **a portion of York's claimed wastewater revenue requirement?**

10 A. Yes. As discussed below, York proposes to recover \$2.7 million of its claimed  
11 wastewater revenue requirement from water service customers under Act 11.

12

13 **Q. Does the OSBA agree with the magnitude of York's proposed Act 11 revenue**  
14 **requirement?**

15 A. No. In the OSBA's view, the Company's proposed wastewater increases are far too  
16 low. I will discuss the OSBA's recommended wastewater increases, and its  
17 recommended reduction to York's proposed Act 11 revenue requirement, in the  
18 next section of my testimony.

19

20 **Q. What is the Company's revenue allocation proposal exclusive of its proposed**  
21 **reallocation of Act 11 revenues?**

---

<sup>2</sup> Note that this order of presentation, i.e., Total System on page 1, followed by the Gravity and Repumped systems on pages 2-3, applies to all of the applicable schedules included in Mr. Kalcic's direct testimony.



1 A. Page 1 of Schedule BK-2W summarizes the Company's proposed revenue  
2 allocation for water service exclusive of Act 11 revenues. The adjusted system  
3 average increase in total water revenues is 30.2% (line 8), and individual customer  
4 class increases range from a low of 18.7% (Public Fire) to a high of 41.5%  
5 (Commercial).

6

7 **Q. What specific guidelines did York employ in developing its proposed revenue**  
8 **allocation for water service in this proceeding?**

9 A. On page 10 of her direct testimony, Ms. Heppenstall lists two specific rate design  
10 guidelines or directives that were conveyed to her by Company management: 1)  
11 increase public fire hydrant rates, as necessary, to recover 25% of the cost of  
12 service per Section 1328 of the Public Utility Code; and 2) increase all remaining  
13 customer and consumption charges so as to move total revenues, by class, toward  
14 the indicated cost of service of each class, while recovering the Company's claimed  
15 revenue requirement.

16

17 **Q. With respect to the second directive, does Ms. Heppenstall provide any**  
18 **indication that the Company's proposed revenue allocation would move all**  
19 **rate classes closer to cost of service?**

20 A. Yes. Continuing on page 11 of her direct testimony, Ms. Heppenstall states that "as  
21 shown on Schedule A of Exhibit No. FVIII, the revenues under proposed rates in  
22 column 6 result in revenues that are closely aligned with the allocated cost of  
23 service in column 2."

1

2 **Q. Have you examined whether York’s proposed class revenue allocation,**  
3 **exclusive of Act 11 considerations, is successful in moving all rate classes closer**  
4 **to cost of service?**

5 A. Yes, by examining changes in the levels of water revenue subsidies, by customer  
6 class, at present and Company proposed rates.

7

8 **Q. Why is information about class subsidies relevant to determining movement**  
9 **toward cost of service?**

10 A. By definition, if a class is not paying exactly its full cost of service, it is either: a)  
11 receiving a subsidy (i.e., paying too little); or b) providing a subsidy (i.e., paying  
12 too much). In order to determine whether or not a class is moving toward cost of  
13 service, one must ascertain whether the class’s present subsidy is growing or  
14 shrinking at proposed rates. If its present subsidy is growing at proposed rates, the  
15 class is moving in the wrong direction (i.e., away from cost of service).  
16 Conversely, if its present subsidy is shrinking at proposed rates, the class is moving  
17 closer to cost of service.

18 In short, the proper yardstick for measuring the degree of movement toward  
19 cost of service is the change in the absolute level of class subsidies at present and  
20 proposed rates.

21

22 **Q. Has the Commission recently indicated its agreement with your position that**  
23 **the proper metric for measuring the degree of movement toward cost of**

1 **service is the change in the absolute level of class subsidies at present and**  
2 **proposed rates?**

3 A. Yes. On page 36 of its Opinion and Order in the City of Bethlehem – Water  
4 Department base rate proceeding at Docket No. R-2020-3020256, entered on April  
5 15, 2021, the Commission stated: “As noted by the OSBA, the proper yardstick for  
6 measuring the degree of movement toward cost of service is the change in the  
7 absolute level of class subsidies at present and proposed rates.”

8

9 **Q. Have you calculated the class subsidies associated with York’s present and**  
10 **proposed water rates, using the Company’s water cost-of-service study**  
11 **(“WCOSS”)?**

12 A. Yes, in Schedule BK-3W.

13

14 **Q. How did you calculate the subsidies that are reported on pages 1-3 of Schedule**  
15 **BK-3W?**

16 A. The subsidies are derived by subtracting each class’s cost-of-service based revenue  
17 requirement, *exclusive of the cost of wastewater service*, as measured by the  
18 Company’s WCOSS, from the class’s total revenue contribution (again, net of any  
19 proposed contributions toward wastewater service), at present and Company  
20 proposed rates. These calculations provide a dollar measure of the difference  
21 between actual class water revenues and those revenue levels that, if attained,  
22 would produce equalized class rates of return at present and Company proposed  
23 rates.

1           As previously discussed, classes that exhibit a reduction in the (absolute)  
2 magnitude of their respective subsidies are moving closer to cost of service.  
3 Conversely, classes that exhibit an increase in the (absolute) magnitude of their  
4 respective subsidies are moving away from cost of service.

5

6 **Q   What do the class subsidy results shown in Schedule BK-3W indicate with**  
7 **regard to the Company’s goal of moving all rate classes closer to cost of**  
8 **service?**

9 A.   On a rate area basis, a comparison of the total Gravity and Repumped system results  
10 shown on line 6, pages 2 and 3 of Schedule BK-3W, indicates that the Gravity  
11 system as a whole receives a subsidy of approximately \$589,000 from the  
12 Repumped system at present rates. This subsidy would be reduced (within rate  
13 design rounding) to zero under York’s proposed rates.

14           In addition, on a total system basis, a comparison of columns 1 and 2 on  
15 page 1 of Schedule BK-3W shows that the present subsidies (provided or received)  
16 of all customer classes would be eliminated (within rate design rounding) under  
17 York’s proposed revenue allocation. In other words, all customer classes would  
18 move to full cost of service, exclusive of Act 11 considerations, under the  
19 Company’s revenue allocation proposal.

20

21 **Q.   Are you therefore in agreement with the Company’s proposed revenue**  
22 **allocation for water service, exclusive of Act 11 considerations?**

23 A.   Yes, I am.

1

2 *Allocation of Act 11 Revenues*

3 **Q. How did York allocate its proposed Act 11 revenue requirement to water**  
4 **service classes?**

5 A. Since most of York's wastewater customers are residential and commercial, the  
6 Company allocated Act 11 revenue responsibility to its residential and commercial  
7 water service classes, in both its Gravity and Repumped service areas, in proportion  
8 to each class's relative share of allocated water service costs, i.e., based on each  
9 class's relative water cost of service, before any assignment of Act 11 revenue  
10 responsibility.<sup>3</sup>

11

12 **Q. Is the OSBA in agreement with the Company's method of allocating its**  
13 **proposed Act 11 revenue requirement to water service classes?**

14 A. No. As discussed below, York's proposed method of recovering Act 11 revenues is  
15 inconsistent with the manner by which the Company determines its Act 11 revenue  
16 requirement shortfall.

17

18 **Q. Please explain.**

19 A. As illustrated in Table 1 below, the Company's total proposed shift in Act 11  
20 revenue responsibility of \$2.7 million is determined by the difference between (i)  
21 its claimed wastewater revenue requirement of \$8.3 million, and (ii) the total level

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<sup>3</sup> See York Statement No. 108, at page 8.

1 of proposed wastewater revenues of \$5.6 million.<sup>4</sup> To recover the \$2.7 million  
 2 revenue shortfall in a consistent fashion, the Company should assign each water  
 3 service class an amount equal to the difference between the corresponding  
 4 wastewater class’s (i) total revenue requirement, i.e., total cost of service as  
 5 determined by the Company’s wastewater cost-of-service study (“WWCOSS”), and  
 6 (ii) total level of proposed revenues.

**Table 1**  
 Summary of Class Contributions to  
 York’s Proposed Act 11 Revenue Requirement of \$2.7 m.

	<i>Total Claimed WW Cost of Service</i>	<i>Total Proposed WW Revenues</i>	<i>Proposed Act 11 Subsidy</i>
	(1)	(2)	(3) = (1)-(2)
Residential	\$6,934,645	\$4,956,259	\$1,978,386
Non-Residential	<u>1,350,380</u>	<u>657,889</u>	<u>692,491</u>
Subtotal Sales	\$8,285,025	\$5,614,148	\$2,670,877
Other Revenues	<u>4,861</u>	<u>4,861</u>	-
Total Revenue Requirement	\$8,289,886	\$5,619,009	\$2,670,877

13 Source: Exhibit No. FVIII-WA, Schedule A.  
 14

15 Put simply, the allocation of York’s Act 11 revenue requirement to water  
 16 service classes on the basis of corresponding wastewater class contributions to the  
 17 Company’s Act 11 revenue requirement shortfall will ensure that wastewater

<sup>4</sup> See York’s response to OSBA-I-5.

1 subsidies are properly recovered from water customers on a revenue neutral basis,  
2 by customer class.

3

4 **Q. Have you prepared a schedule that shows the OSBA's recommended allocation**  
5 **of the Company's proposed Act 11 revenue requirement to water service**  
6 **classes?**

7 A. Yes, I have. Schedule BK-4W shows the OSBA's recommended allocation of  
8 York's proposed Act 11 revenue requirement, by customer class, in column 3. The  
9 OSBA's total recommended class water increases, inclusive of an Act 11 revenue  
10 requirement of \$2.7 million, are shown in column 4, which may be compared to  
11 York's proposed total class increases shown in Schedule BK-1W.

12

13 **Q. The Company's proposed Residential and Commercial class increases shown**  
14 **in Schedule BK-1W are almost identical to the OSBA's corresponding class**  
15 **increases shown in Schedule BK-4W.<sup>5</sup> Why is that the case?**

16 A. The two revenue allocation proposals differ only with respect to the method used to  
17 allocate Act 11 revenue responsibility to the Company's Residential and  
18 Commercial classes. In this instance, the Company's proposal to allocate Act 11  
19 revenue responsibility to water classes on the basis of relative water cost of service

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<sup>5</sup> Note that the OSBA's recommended Industrial, Private Fire Protection and Public Fire Protection increases are unchanged from York's proposal since: 1) the OSBA has accepted the Company's proposed revenue allocation for water service, exclusive of Act 11 considerations, shown in Schedule BK-2W; and 2) neither York nor the OSBA propose to allocate any Act 11 revenue responsibility to industrial or fire protection customers.

1       *happens* to produce an outcome that mirrors the results obtained under the OSBA's  
2 recommended methodology.

3               Such happenstance is not an indication that the two methods are equivalent,  
4 or will always produce similar results.

5

6 **Q. What information does Schedule BK-5W contain?**

7 A. As I indicated earlier, the OSBA objects to the overall magnitude of the Company's  
8 proposed shift in wastewater revenue responsibility to water customers. Schedule  
9 BK-5W shows the OSBA's total recommended increases in class water revenues,  
10 inclusive of its recommended Act 11 revenue requirement of \$1.7 million.

11               The OSBA recommended Act 11 revenue requirement is discussed in  
12 Section III of my testimony.

13

14       *Scale Back of Water Rates*

15 **Q. Do you have a scale back recommendation in the event that the Commission**  
16 **grants the Company a water revenue increase, exclusive of Act 11, that is less**  
17 **than the \$16.2 million total shown on line 8 of Schedule BK-2W?**

18 A. I do. In that event, I would recommend that the class increases shown in column 2  
19 of Schedule BK-2W, excluding Public Fire Protection, be scaled back  
20 proportionately via an across-the-board reduction of the Company's proposed class  
21 increases within the Gravity and Repumped systems.

22



1 **Q. Should the Act 11 revenues assigned to water classes also be subject to scale**  
2 **back at the conclusion of this proceeding?**

3 A. Yes. However, the amount of any such scale back will be dependent upon (i) the  
4 level of the Company's awarded wastewater revenue requirement and (ii) the final  
5 level of wastewater rates. As a result, the Act 11 revenue responsibility assigned to  
6 water classes should be subject to a separate scale back at the conclusion of this  
7 case.

8 My wastewater- and Act 11-related scale back recommendations are  
9 discussed in the next section of my testimony.

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**III. WASTEWATER SERVICE**

Wastewater Rate Increases

**Q. How does York propose to adjust its wastewater service revenues in this proceeding?**

A. Schedule BK-1WW shows York’s proposed wastewater increases, by customer class. The Company proposes to assign residential and non-residential wastewater customers an average increase of 33.5% and 48.3%, respectively. In aggregate, York is proposing to increase existing wastewater revenues by \$1.5 million, or 35.0%.

**Q. How did York arrive at its proposal to limit the overall wastewater increase to 35.0%?**

A. The Company sought to move wastewater rates toward full cost of service while avoiding the rate shock that would occur if wastewater rates were to reflect full cost of service.<sup>6</sup>

As shown in Table 1 above, the Company’s proposal to limit its overall wastewater increase to 35.0% necessitates that \$2.7 million of York’s claimed wastewater revenue requirement be recovered from water service customers.

**Q. As a general matter, does the OSBA oppose a shift of York’s claimed wastewater revenue requirement to water customers?**

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<sup>6</sup> See the Company’s response to I&E-RS-1-D.

1 A. No. I am advised by Counsel that Act 11 permits the recovery of a portion of the  
2 Company's wastewater revenue requirement from water customers in a given rate  
3 proceeding, in order to mitigate the rate increases that wastewater service customers  
4 might otherwise experience.

5 However, Counsel also advises that Act 11 does not authorize a *permanent*  
6 shift in revenue responsibility from wastewater to water customers. In other words,  
7 Act 11 does not supersede the cost-of-service principles established by the  
8 Commonwealth Court's decision in *Lloyd*.<sup>7</sup>

9

10 **Q. Is the OSBA in agreement with the Company's overall proposed wastewater**  
11 **increase, and associated Act 11 revenue requirement?**

12 A. No. The OSBA strongly disagrees with the overall level of York's proposed  
13 wastewater increase.

14

15 **Q. Why?**

16 A. The evidence in this case shows that wastewater customers, collectively, would pay  
17 \$2.7 million less than their total cost of service under the Company's proposed  
18 revenue levels. Yet, York proposes to assign its subsidized wastewater customers  
19 an overall increase of just 35.0% (Schedule BK-1WW), while assigning its  
20 subsidizing water service customers an overall increase of 35.1% (Schedule BK-  
21 1W). The Company's overall (water and wastewater) system average increase is

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<sup>7</sup> The Commonwealth Court has unambiguously decided that cost of service should be the "polestar" criterion for rate-setting. In *Lloyd v. Pa. PUC*, the Court held that other rate-making concerns could not trump cost of providing service. *Lloyd v. Pa. PUC*, 904 A.2d 1010, 1020 (Pa. Cmwlth. 2006).

1 also 35.1%. Consequently, one must conclude that the relative magnitude of York's  
2 overall wastewater and water increases in this proceeding are not reflective of cost  
3 of service.

4           Within a given rate proceeding, it is axiomatic that a necessary condition for  
5 an under-contributing class to move closer to cost of service is that the class receive  
6 an increase greater than the system average. Since York proposes to assign its  
7 wastewater service customers an increase (35.0%) that is slightly less than the  
8 system average (35.1%), it is not possible for the Company's wastewater service  
9 customers to move closer to their collective cost of service at York's proposed  
10 wastewater revenue levels.

11

12 **Q. What are the OSBA's recommended increases in wastewater revenues, by**  
13 **customer class, at York's requested wastewater revenue requirement level?**

14 A. The OSBA recommends that York's wastewater classes receive an across-the-board  
15 rate increase of 58.4%, resulting in an overall increase of \$2.4 million or 58.3%, as  
16 shown in Schedule BK-2WW.

17

18 **Q. How did you determine that wastewater customers should receive an average**  
19 **base rate increase of 58.4%?**

20 A. In the OSBA's view, it is both reasonable and appropriate that York's wastewater  
21 customers be assigned a greater overall increase than water customers in this case,  
22 while still limiting the resulting rate impact on wastewater customers. To that end,  
23 I determined that York's overall wastewater increase should be limited to 1.75

1 times the overall water increase in this proceeding. Accordingly, the OSBA is  
2 proposing to increase overall wastewater revenues by 58.3% (see Schedule BK-  
3 2WW, line 5), which is 1.75 times the OSBA's overall recommended increase in  
4 water revenues of 33.3% (see Schedule BK-5W, page 1, line 8).

5

6 **Q. Is the OSBA proposing to assign an across-the-board increase of 58.4% to all**  
7 **of the Company's existing wastewater charges?**

8 A. No. The OSBA's recommended wastewater rate design is intended to limit overall  
9 *class* increases to 58.4%, while facilitating the consolidation of York's existing  
10 wastewater rates over time.

11 The OSBA's recommended wastewater rate design is presented in Schedule  
12 BK-3WW.

13

14 **Q. How does the OSBA's additional wastewater increase impact the Company's**  
15 **Act 11 revenue requirement?**

16 A. Since the OSBA's overall recommended wastewater increase is \$0.972 million  
17 greater than proposed by York, the Company's proposed Act 11 revenue  
18 requirement is reduced by the same amount. The OSBA's overall recommended  
19 Act 11 revenue requirement is therefore \$1.7 million (see Schedule BK-4WW, line  
20 5), which is 20.5% of the Company's claimed wastewater revenue requirement.

21

22 **Q. How does the OSBA propose to allocate its recommended Act 11 revenue**  
23 **requirement of \$1.7 million to York's water service customers?**

1 A. As discussed in the previous section of my testimony, the OSBA recommends that  
2 the Commission approve the allocation of Act 11 revenues to water service classes  
3 on a revenue neutral basis, by customer class. The OSBA's proposed allocation of  
4 its recommended Act 11 revenue requirement of \$1.7 million is shown in column 3  
5 of Schedule BK-4WW.

6

7 *Scale Back of Wastewater Rates & Act 11 Revenues*

8 **Q. Do you have a scale back recommendation pertaining to wastewater rates in**  
9 **the event that the Commission awards the Company an overall wastewater**  
10 **revenue requirement that is less than York's requested amount of \$8.3 million**  
11 **shown on line 5 of Schedule BK-4WW?**

12 A. Yes. In that event, I would recommend that no scale back be applied to wastewater  
13 rates unless the Company's awarded wastewater revenue requirement is less than  
14 the OSBA's recommended wastewater revenue level of \$6.6 million shown in  
15 Schedule BK-4WW. Should the Company's awarded revenue requirement be less  
16 than \$6.6 million, I would recommend that the OSBA's recommended wastewater  
17 rates be reduced proportionately.

18

19 **Q. How should the Act 11 revenues assigned to water classes be scaled back at the**  
20 **conclusion of this proceeding?**

21 A. By definition, the Company's awarded Act 11 revenue requirement will be equal to  
22 the difference between York's: 1) awarded wastewater revenue requirement, and 2)  
23 total approved wastewater revenues. In order to ensure that York's awarded Act 11

*Direct Testimony of Brian Kalcic*

1 revenue requirement is recovered from water service customers on a revenue  
2 neutral basis, by customer class, the Commission should determine each wastewater  
3 class's contribution to the Company's final Act 11 revenue requirement.

4 To do so, I recommend that i) the individual wastewater class revenue  
5 requirements shown in column 1 of Schedule BK-4W W be scaled back  
6 proportionately, so as to reflect the Company's awarded wastewater revenue  
7 requirement level, and ii) final wastewater class revenues be subtracted from each  
8 class's scaled back revenue requirement.

9

10 **Q. Does this conclude your direct testimony?**

11 A. Yes.

# **EXHIBIT BK-1 W**

**Schedules BK-1W through BK-5W**



**THE YORK WATER COMPANY**

Company Proposed Allocation of its  
Requested Increase in Total Base Water Revenue  
Total System  
(Future Test Period Ending February 29, 2024)

<u>Line</u>	<u>Classification</u>	Present	Proposed Increase	
		Base Revenue 1/ 1	Amount 2	Percent 3
1	Residential	\$34,469,296	\$11,604,135	33.7%
2	Commercial	\$10,567,063	\$4,694,995	44.4%
3	Industrial	\$4,075,103	\$1,692,582	41.5%
4	Private Fire	\$2,019,336	\$578,320	28.6%
5	Public Fire	<u>\$1,392,525</u>	<u>\$260,445</u>	18.7%
6	Subtotal	\$52,523,323	\$18,830,477	35.9%
7	Other Revenue	<u>\$1,119,149</u>	<u>\$22,876</u>	2.0%
8	Total Company	\$53,642,472	\$18,853,353	35.1%

Source: Exhibit No. FVIII, Schedule A

Note:

1/ Excludes DSIC and STAS surcharges.

**THE YORK WATER COMPANY**

Company Proposed Allocation of its  
Requested Increase in Total Base Water Revenue  
Gravity System  
(Future Test Period Ending February 29, 2024)

<u>Line</u>	<u>Classification</u>	Present	Proposed Increase	
		Base Revenue 1/	Amount	Percent
		1	2	3
1	Residential	\$9,781,992	\$3,529,238	36.1%
2	Commercial	\$3,610,022	\$1,654,386	45.8%
3	Industrial	\$851,750	\$387,235	45.5%
4	Private Fire	\$673,909	\$240,608	35.7%
5	Public Fire	<u>\$268,062</u>	<u>\$55,732</u>	20.8%
6	Total Gravity	\$15,185,735	\$5,867,199	38.6%

Source: Exhibit No. FVIII, Schedule A

Note:

1/ Excludes DSIC and STAS surcharges.

**THE YORK WATER COMPANY**

Company Proposed Allocation of its  
Requested Increase in Total Base Water Revenue  
Repumped System  
(Future Test Period Ending February 29, 2024)

<u>Line</u>	<u>Classification</u>	Present	Proposed Increase	
		Base Revenue 1/	Amount	Percent
		1	2	3
1	Residential	\$24,687,304	\$8,074,897	32.7%
2	Commercial	\$6,957,041	\$3,040,609	43.7%
3	Industrial	\$3,223,353	\$1,305,347	40.5%
4	Private Fire	\$1,345,427	\$337,712	25.1%
5	Public Fire	<u>\$1,124,463</u>	<u>\$204,713</u>	18.2%
6	Total Repumped	\$37,337,588	\$12,963,278	34.7%

Source: Exhibit No. FVIII, Schedule A

Note:

1/ Excludes DSIC and STAS surcharges.

**THE YORK WATER COMPANY**

Company Proposed Allocation of its  
Requested Increase in Water Revenue, Exclusive of Act 11  
Total System  
(Future Test Period Ending February 29, 2024)

<u>Line</u>	<u>Classification</u>	Present Base <u>Revenue 1/</u>	<u>Proposed Increase</u>	
			<u>Amount</u>	<u>Percent</u>
		1	2	3
1	Residential	\$34,469,296	\$9,618,028	27.9%
2	Commercial	\$10,567,063	\$4,010,245	38.0%
3	Industrial	\$4,075,103	\$1,692,582	41.5%
4	Private Fire	\$2,019,336	\$578,320	28.6%
5	Public Fire	<u>\$1,392,525</u>	<u>\$260,445</u>	18.7%
6	Subtotal	\$52,523,323	\$16,159,620	30.8%
7	Other Revenue	<u>\$1,119,149</u>	<u>\$22,876</u>	2.0%
8	Total Company	\$53,642,472	\$16,182,496	30.2%

Source: Exhibit No. FVIII, Schedule A

Note:

1/ Excludes DSIC and STAS surcharges.

**THE YORK WATER COMPANY**

Company Proposed Allocation of its  
Requested Increase in Water Revenue, Exclusive of Act 11  
Gravity System  
(Future Test Period Ending February 29, 2024)

<u>Line</u>	<u>Classification</u>	Present	Proposed Increase	
		Base Revenue 1/	Amount	Percent
		1	2	3
1	Residential	\$9,781,992	\$2,955,444	30.2%
2	Commercial	\$3,610,022	\$1,418,170	39.3%
3	Industrial	\$851,750	\$387,235	45.5%
4	Private Fire	\$673,909	\$240,608	35.7%
5	Public Fire	<u>\$268,062</u>	<u>\$55,732</u>	20.8%
6	Total Gravity	\$15,185,735	\$5,057,189	33.3%

Source: Exhibit No. FVIII, Schedule A

Note:

1/ Excludes DSIC and STAS surcharges.

**THE YORK WATER COMPANY**

Company Proposed Allocation of its  
Requested Increase in Water Revenue, Exclusive of Act 11  
Repumped System  
(Future Test Period Ending February 29, 2024)

<u>Line</u>	<u>Classification</u>	Present	Proposed Increase	
		Base Revenue 1/	Amount	Percent
		1	2	3
1	Residential	\$24,687,304	\$6,662,584	27.0%
2	Commercial	\$6,957,041	\$2,592,075	37.3%
3	Industrial	\$3,223,353	\$1,305,347	40.5%
4	Private Fire	\$1,345,427	\$337,712	25.1%
5	Public Fire	<u>\$1,124,463</u>	<u>\$204,713</u>	18.2%
6	Total Repumped	\$37,337,588	\$11,102,431	29.7%

Source: Exhibit No. FVIII, Schedule A

Note:

1/ Excludes DSIC and STAS surcharges.

**THE YORK WATER COMPANY**

Class Revenue Subsidies at  
Present and Company Proposed Rates  
Total System - Water Service Only  
(Future Test Period Ending February 29, 2024)

<u>Line</u>	<u>Classification</u>	<u>Present Subsidy</u>	<u>Proposed Subsidy</u>
		1	2
1	Residential	\$57,569	(\$414)
2	Commercial	(\$329,392)	\$238
3	Industrial	(\$182,932)	(\$222)
4	Private Fire	\$181,406	\$61
5	Public Fire	<u>\$273,360</u>	<u>(\$37)</u>
6	Total Company	\$11	(\$374)

Source: Sch. BK-3W,  
pgs. 2 & 3

Sch. BK-3W,  
pgs. 2 & 3

Note: A positive subsidy figure indicates that a class is providing a subsidy; negative figure indicates that it is receiving a subsidy.

**THE YORK WATER COMPANY**

Class Revenue Subsidies at  
Present and Company Proposed Rates  
Gravity System - Water Service Only  
(Future Test Period Ending February 29, 2024)

<u>Line</u>	<u>Classification</u>	<u>Present Subsidy</u> 1	<u>Proposed Subsidy</u> 2
1	Residential	(\$336,937)	\$311
2	Commercial	(\$229,432)	(\$410)
3	Industrial	(\$82,223)	(\$149)
4	Private Fire	\$11,158	(\$42)
5	Public Fire	<u>\$48,348</u>	<u>\$35</u>
6	Total Gravity	(\$589,086)	(\$255)

Source: Exh. No. FVIII,  
Sch. A  
& York WCOSS at  
Present Rates

Exh. No. FVIII,  
Sch. A

Note: A positive subsidy figure indicates that a class is providing a subsidy; negative figure indicates that it is receiving a subsidy.



**THE YORK WATER COMPANY**

Class Revenue Subsidies at  
Present and Company Proposed Rates  
Repumped System - Water Service Only  
(Future Test Period Ending February 29, 2024)

<u>Line</u>	<u>Classification</u>	<u>Present Subsidy</u> 1	<u>Proposed Subsidy</u> 2
1	Residential	\$394,506	(\$725)
2	Commercial	(\$99,960)	\$648
3	Industrial	(\$100,709)	(\$73)
4	Private Fire	\$170,248	\$103
5	Public Fire	<u>\$225,012</u>	<u>(\$72)</u>
6	Total Repumped	\$589,097	(\$119)

Source:	Exh. No. FVIII, Sch. A & York WCOSS at Present Rates	Exh. No. FVIII, Sch. A
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Note: A positive subsidy figure indicates that a class is providing a subsidy; negative figure indicates that it is receiving a subsidy.

**THE YORK WATER COMPANY**

Company Proposed Allocation of its  
Claimed Increase in its Water Service Revenue Requirement,  
with OSBA's Allocation of York's Act 11 Revenue Requirement of \$2.7 million  
Total System  
(Future Test Period Ending February 29, 2024)

<u>Line</u>	<u>Classification</u>	Present Base <u>Revenue 1/</u> 1	York Proposed <u>Increase</u> 2	OSBA Allocation of York Act 11 <u>Rev. Req.</u> 3	Total <u>Increase</u> 4=2+3	% <u>Inc.</u> 5=4/1
1	Residential	\$34,469,296	\$9,618,028	\$1,978,386	\$11,596,414	33.6%
2	Commercial	\$10,567,063	\$4,010,245	\$692,491	\$4,702,736	44.5%
3	Industrial	\$4,075,103	\$1,692,582	\$0	\$1,692,582	41.5%
4	Private Fire	\$2,019,336	\$578,320	\$0	\$578,320	28.6%
5	Public Fire	<u>\$1,392,525</u>	<u>\$260,445</u>	<u>\$0</u>	<u>\$260,445</u>	18.7%
6	Subtotal	\$52,523,323	\$16,159,620	\$2,670,877	\$18,830,497	35.9%
7	Other Revenue	<u>\$1,119,149</u>	<u>\$22,876</u>		<u>\$22,876</u>	2.0%
8	Total Company	\$53,642,472	\$16,182,496		\$18,853,373	30.2%

Source: Exh. No. FVIII, Schedule A      Schedule BK-2W      OSBA Table 1

Note:

1/ Excludes DSIC and STAS surcharges.

**THE YORK WATER COMPANY**

Company Proposed Allocation of its  
Claimed Increase in its Water Service Revenue Requirement,  
with OSBA's Allocation of York's Act 11 Revenue Requirement of \$2.7 million  
Gravity System  
(Future Test Period Ending February 29, 2024)

<u>Line</u>	<u>Classification</u>	Present Base <u>Revenue 1/</u> 1	York Proposed <u>Increase</u> 2	OSBA Allocation of York Act 11 <u>Rev. Req.</u> 3	Total <u>Increase</u> 4=2+3	% <u>Inc.</u> 5=4/1
1	Residential	\$9,781,992	\$2,955,444	\$571,564	\$3,527,008	36.1%
2	Commercial	\$3,610,022	\$1,418,170	\$238,886	\$1,657,056	45.9%
3	Industrial	\$851,750	\$387,235	\$0	\$387,235	45.5%
4	Private Fire	\$673,909	\$240,608	\$0	\$240,608	35.7%
5	Public Fire	<u>\$268,062</u>	<u>\$55,732</u>	<u>\$0</u>	<u>\$55,732</u>	20.8%
6	Total Gravity	\$15,185,735	\$5,057,189	\$810,450	\$5,867,639	38.6%

Source: Exh. No. FVIII, Schedule OSBA  
Schedule A BK-2W Table 1

Note:

1/ Excludes DSIC and STAS surcharges.

**THE YORK WATER COMPANY**

Company Proposed Allocation of its  
Claimed Increase in its Water Service Revenue Requirement,  
with OSBA's Allocation of York's Act 11 Revenue Requirement of \$2.7 million  
Repumped System  
(Future Test Period Ending February 29, 2024)

<u>Line</u>	<u>Classification</u>	Present Base <u>Revenue 1/</u> 1	York Proposed <u>Increase</u> 2	OSBA Allocation of York Act 11 <u>Rev. Req.</u> 3	Total <u>Increase</u> 4=2+3	% <u>Inc.</u> 5=4/1
1	Residential	\$24,687,304	\$6,662,584	\$1,406,822	\$8,069,406	32.7%
2	Commercial	\$6,957,041	\$2,592,075	\$453,605	\$3,045,680	43.8%
3	Industrial	\$3,223,353	\$1,305,347	\$0	\$1,305,347	40.5%
4	Private Fire	\$1,345,427	\$337,712	\$0	\$337,712	25.1%
5	Public Fire	<u>\$1,124,463</u>	<u>\$204,713</u>	<u>\$0</u>	<u>\$204,713</u>	18.2%
6	Total Repumped	\$37,337,588	\$11,102,431	\$1,860,427	\$12,962,858	34.7%

Source: Exh. No. FVIII, Schedule OSBA  
Schedule A BK-2W Table 1

Note:

1/ Excludes DSIC and STAS surcharges.

**THE YORK WATER COMPANY**

Company Proposed Allocation of its  
Claimed Increase in its Water Service Revenue Requirement,  
with OSBA's Recommended Act 11 Revenue Requirement of \$1.7 million  
Total System  
(Future Test Period Ending February 29, 2024)

<u>Line</u>	<u>Classification</u>	Present Base <u>Revenue 1/</u> 1	York Proposed <u>Increase</u> 2	OSBA Allocation of York Act 11 <u>Rev. Req.</u> 3	Total <u>Increase</u> 4=2+3	% <u>Inc.</u> 5=4/1
1	Residential	\$34,469,296	\$9,618,028	\$1,051,614	\$10,669,642	31.0%
2	Commercial	\$10,567,063	\$4,010,245	\$647,568	\$4,657,813	44.1%
3	Industrial	\$4,075,103	\$1,692,582	\$0	\$1,692,582	41.5%
4	Private Fire	\$2,019,336	\$578,320	\$0	\$578,320	28.6%
5	Public Fire	<u>\$1,392,525</u>	<u>\$260,445</u>	<u>\$0</u>	<u>\$260,445</u>	18.7%
6	Subtotal	\$52,523,323	\$16,159,620	\$1,699,182	\$17,858,802	34.0%
7	Other Revenue	<u>\$1,119,149</u>	<u>\$22,876</u>		<u>\$22,876</u>	2.0%
8	Total Company	\$53,642,472	\$16,182,496		\$17,881,678	33.3%

Source: Exh. No. FVIII, Schedule A      Schedule BK-2W      Schedule BK-4WW

Note:

1/ Excludes DSIC and STAS surcharges.

**THE YORK WATER COMPANY**

Company Proposed Allocation of its  
Claimed Increase in its Water Service Revenue Requirement,  
with OSBA's Recommended Act 11 Revenue Requirement of \$1.7 million  
Gravity System  
(Future Test Period Ending February 29, 2024)

<u>Line</u>	<u>Classification</u>	Present Base <u>Revenue 1/</u> 1	York Proposed <u>Increase</u> 2	OSBA Allocation of York Act 11 <u>Rev. Req.</u> 3	Total <u>Increase</u> 4=2+3	% <u>Inc.</u> 5=4/1
1	Residential	\$9,781,992	\$2,955,444	\$303,816	\$3,259,260	33.3%
2	Commercial	\$3,610,022	\$1,418,170	\$223,389	\$1,641,559	45.5%
3	Industrial	\$851,750	\$387,235	\$0	\$387,235	45.5%
4	Private Fire	\$673,909	\$240,608	\$0	\$240,608	35.7%
5	Public Fire	<u>\$268,062</u>	<u>\$55,732</u>	<u>\$0</u>	<u>\$55,732</u>	20.8%
6	Total Gravity	\$15,185,735	\$5,057,189	\$527,205	\$5,584,394	36.8%

Source: Exh. No. FVIII, Schedule A      Schedule BK-2W      Schedule BK-4WW

Note:

1/ Excludes DSIC and STAS surcharges.

**THE YORK WATER COMPANY**

Company Proposed Allocation of its  
Claimed Increase in its Water Service Revenue Requirement,  
with OSBA's Recommended Act 11 Revenue Requirement of \$1.7 million  
Repumped System  
(Future Test Period Ending February 29, 2024)

<u>Line</u>	<u>Classification</u>	Present Base <u>Revenue 1/</u> 1	York Proposed <u>Increase</u> 2	OSBA Allocation of York Act 11 <u>Rev. Req.</u> 3	Total <u>Increase</u> 4=2+3	% <u>Inc.</u> 5=4/1
1	Residential	\$24,687,304	\$6,662,584	\$747,798	\$7,410,382	30.0%
2	Commercial	\$6,957,041	\$2,592,075	\$424,179	\$3,016,254	43.4%
3	Industrial	\$3,223,353	\$1,305,347	\$0	\$1,305,347	40.5%
4	Private Fire	\$1,345,427	\$337,712	\$0	\$337,712	25.1%
5	Public Fire	<u>\$1,124,463</u>	<u>\$204,713</u>	<u>\$0</u>	<u>\$204,713</u>	18.2%
6	Total Repumped	\$37,337,588	\$11,102,431	\$1,171,977	\$12,274,408	32.9%

Source: Exh. No. FVIII, Schedule BK-2W, Schedule BK-4WW  
Schedule A

Note:

1/ Excludes DSIC and STAS surcharges.

# **EXHIBIT BK-1 WW**

**Schedules BK-1WW through BK-4WW**



**THE YORK WATER COMPANY**

Company Proposed Allocation of its  
Requested Increase in Total Base Wastewater Revenue  
(Future Test Period Ending February 29, 2024)

<u>Line</u>	<u>Classification</u>	Present	Proposed Increase	
		Base Revenue 1/	Amount	Percent
		1	2	3
1	Residential	\$3,713,704	\$1,242,555	33.5%
2	Non-Residential	<u>\$443,699</u>	<u>\$214,190</u>	48.3%
3	Total Sales	\$4,157,403	\$1,456,745	35.0%
4	Other Revenue	<u>\$4,861</u>	<u>\$0</u>	0.0%
5	Total Company	\$4,162,264	\$1,456,745	35.0%

Source: Exhibit No. FVIII-WA, Schedule A

Note:

1/ Excludes DSIC and STAS surcharges.

**THE YORK WATER COMPANY**

OSBA Recommended Increases in Base Wastewater Revenues,  
by Customer Class  
(Future Test Period Ending February 29, 2024)

<u>Line</u>	<u>Classification</u>	Present	OSBA	Recomm. Increase	
		Base Revenue 1/ 1	Recommended Revenue 2	Amount 3=2-1	Percent 4=3/1
1	Residential	\$3,713,704	\$5,883,031	\$2,169,327	58.4%
2	Non-Residential	<u>\$443,699</u>	<u>\$702,812</u>	<u>\$259,113</u>	58.4%
3	Total Sales	\$4,157,403	\$6,585,843	\$2,428,440	58.4%
4	Other Revenue	<u>\$4,861</u>	<u>\$4,861</u>	<u>\$0</u>	0.0%
5	Total Company	\$4,162,264	\$6,590,704	\$2,428,440	58.3%

Source: Exh. No. FVIII-WA,    Sch. BK-3WW  
Schedule A

Note:

1/ Excludes DSIC and STAS surcharges.

**THE YORK WATER COMPANY  
APPLICATION OF OSBA RECOMMENDED RATES TO CONSUMPTION ANALYSIS  
WASTEWATER OPERATIONS  
FOR THE TWELVE MONTHS ENDED FEBRUARY 29, 2024**

<u>Rate Block, 100 Gallons</u> (1)	<u>Pro Forma Number of Bills</u> (2)	<u>Pro Forma Consumption, 100 Gallons</u> (3)	<u>OSBA Base Rates</u> (4)	<u>Revenue at OSBA Base Rates</u> (5)
<b><u>RESIDENTIAL</u></b>				
<u>Metered</u>				
Minimum Charge 1	8,102	192,282	\$ 87.50	\$ 708,954
Minimum Charge 2	7,916	187,860	87.50	692,650
Customer Charge	24,564	-	78.03	1,916,729
	<u>40,582</u>	<u>380,142</u>		<u>3,318,333</u>
Over 4,000 Gallons - Rate 1	-	49,174	0.7617	37,456
Over 4,000 Gallons - Rate 2	-	53,250	0.7617	40,561
First 3,500 gallons	-	633,978	0.7617	482,901
Next 3,500 gallons	-	153,372	1.0000	153,372
Over 7,000 gallons	-	31,764	1.2500	39,705
	<u>-</u>	<u>921,538</u>		<u>753,995</u>
Total Residential -Metered	40,582	1,301,680		4,072,328
<u>Unmetered</u>				
Unmetered Rate 1	2,830	-	\$ 87.50	247,625
Unmetered Rate 2	20,707	-	\$ 60.40	1,250,703
Unmetered Rate 3	1,370	-	\$ 87.50	119,875
Unmetered Rate 4	2,200	-	\$ 87.50	192,500
Total Residential - Unmetered	<u>27,107</u>	<u>-</u>		<u>1,810,703</u>
Total Residential	67,689	1,301,680		5,883,031
<b><u>COMMERCIAL AND INDUSTRIAL</u></b>				
<u>Metered</u>				
Minimum Charge 1	464	13,782	\$ 87.50	\$ 40,600
Minimum Charge 2	470	13,945	87.50	41,081
Customer Charge	360	-	78.03	28,091
	<u>1,294</u>	<u>27,727</u>		<u>109,772</u>
Over 4,000 Gallons - Rate 1	-	6,732	\$ 0.7617	\$ 5,128
Over 4,000 Gallons - Rate 2	-	8,866	0.7617	6,753
First 3,500 gallons	-	7,597	0.7617	5,787
Next 3,500 gallons	-	5,016	1.0000	5,016
Over 7,000 gallons	-	64,392	1.2500	80,490
	<u>-</u>	<u>92,603</u>		<u>103,174</u>
Total Commercial and Industrial -Metered	1,294	120,330		212,946
<u>Unmetered</u>				
Unmetered Rate 1	-	-	\$ 87.50	\$ -
Unmetered Rate 2	6,527	-	\$ 72.80	475,166
Unmetered Rate 3	132	-	\$ 87.50	11,550
Unmetered Rate 4	36	-	\$ 87.50	3,150
Total Commercial and Industrial - Unmetered	<u>6,695</u>	<u>-</u>		<u>489,866</u>
Total Commercial and Industrial	7,989	120,330		\$ 702,812
Total - All Classes	75,678	1,422,010		\$ 6,585,843

**THE YORK WATER COMPANY**

Summary of Class Contributions to  
OSBA's Recommended Act 11 Revenue Requirement of \$1.7 m.  
(Future Test Period Ending February 29, 2024)

<u>Line</u>	<u>Classification</u>	Total Claimed WW Cost of Service 1	Total OSBA Recomm. Revenues 2	OSBA Act 11 Subsidy 3
1	Residential	\$6,934,645	\$5,883,031	\$1,051,614
2	Non-Residential	<u>\$1,350,380</u>	<u>\$702,812</u>	<u>\$647,568</u>
3	Total Sales	\$8,285,025	\$6,585,843	\$1,699,182
4	Other Revenue	<u>\$4,861</u>	<u>\$4,861</u>	<u>\$0</u>
5	Total Company	\$8,289,886	\$6,590,704	\$1,699,182

Source: Exh. No. FVIII-WA, Sch. BK-2WW  
Schedule A

# **EXHIBIT BK-1 IR**

## **REFERENCED INTERROGATORY RESPONSES**

**OSBA-I-5**

**I&E-RS-1-D (Wastewater)**

**Pennsylvania Public Utility Commission**

v.

**The York Water Company  
Docket No. R-2022-3031340**

**Office of Small Business Advocate  
Interrogatories Set 1**

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**OFFICE OF SMALL BUSINESS ADVOCATE INTERROGATORY OSBA SET 1, NO. 5**

Reference Schedule H of Exhibit No. FVIII. Please explain in detail how the Company determined that water service customers should recover \$2.671 million of the Company's claimed wastewater service revenue requirement.

**RESPONDENT:**

C. E. Heppenstall  
Gannett Fleming

**DATE:**

June 27, 2022

**RESPONSE:**

The amount of wastewater cost of service to be recovered from water customers was based on the difference between the total pro forma wastewater cost of service and the proposed revenues from wastewater customers based on a 35% increase to existing wastewater rates.

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**  
**v.**  
**THE YORK WATER COMPANY - WASTEWATER**  
**DOCKET NO. R-2022-3032806**

**BUREAU OF INVESTIGATION AND ENFORCEMENT**  
**INTERROGATORIES SET RS**

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**BUREAU OF INVESTIGATION AND ENFORCEMENT INTERROGATORY**  
**I&E-RS-1-D**

Reference York Exhibit FII-2, page 10 showing present and proposed revenue for both water and wastewater. Provide the following:

- A. An explanation as to why the increase to wastewater customers is limited to 35%.
- B. All studies, analysis, or supporting back-up information that 35% is the highest increase that should apply to wastewater revenue.
- C. Any Commission order or prior specific agreements approved by the Commission that limits the increase to 35%.

**RESPONDENT:**

M. E. Poff  
CFO

**DATE:**

June 29, 2022

**RESPONSE:**

- A. The increase to wastewater customers was established at 35% to move the rates toward reflecting full cost of service but limiting it to avoid rate shock that would be associated with reflecting full cost of service.
- B. The Company has no studies, analysis, or supporting back-up information to provide.
- C. The Company is not aware of any orders or agreements that limits the increase to 35%.

# **APPENDIX**



## APPENDIX

### Qualifications of Brian Kalcic

Mr. Kalcic graduated from Benedictine University with a Bachelor of Arts degree in Economics in December 1974. In May 1977 he received a Master of Arts degree in Economics from Washington University, St. Louis. In addition, he completed all course requirements at Washington University for a Ph.D. in Economics.

From 1977 to 1982, Mr. Kalcic taught courses in economics at both Washington University and Webster University, including Microeconomic and Macroeconomic Theory, Labor Economics and Public Finance.

During 1980 and 1981, Mr. Kalcic was a consultant to the Equal Employment Opportunity Commission, St. Louis District Office. His responsibilities included data collection and organization, statistical analysis and trial testimony.

From 1982 to 1996, Mr. Kalcic was employed by the firm of Cook, Eisdorfer & Associates, Inc. During that time, he participated in the analysis of electric, gas and water utility rate case filings. His primary responsibilities included cost-of-service and economic analysis, model building, and statistical analysis.

In March 1996, Mr. Kalcic founded Excel Consulting, a consulting practice that offers business and regulatory analysis.

Mr. Kalcic has previously testified before the state regulatory commissions of Delaware, Indiana, Kansas, Kentucky, Maine, Massachusetts, Minnesota, Missouri, New Jersey, New York, Ohio, Oregon, Pennsylvania, and Texas, and also before the Bonneville Power Administration.

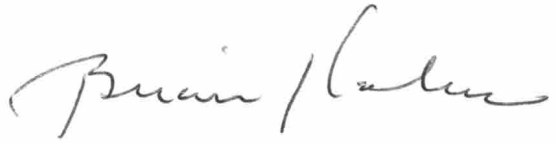
**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>Pennsylvania Public Utility Commission</b>	:	
	:	
v.	:	<b>Docket No. R-2022-3031340</b>
	:	<b>Docket No. R-2022-3032806</b>
	:	
<b>The York Water Company</b>	:	

**VERIFICATION**

I, Brian Kalcic, hereby state that the facts set forth in my Direct Testimony labeled OSBA Statement No. 1 are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. §4904 (relating to unsworn falsification to authorities).

Date: August 18, 2022



(Signature)

Brian Kalcic



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Jacobus, PA 17407  
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The Honorable Katrina L. Dunderdale  
Administrative Law Judge  
Pennsylvania Public Utility Commission  
Piatt Place  
301 5th Avenue, Suite 220  
Pittsburgh, PA 15222  
[kdunderdal@pa.gov](mailto:kdunderdal@pa.gov)

DATE: August 19, 2022

*/s/ Steven C. Gray*

---

Steven C. Gray  
Senior Supervising  
Assistant Small Business Advocate  
Attorney ID No. 77538



COMMONWEALTH OF PENNSYLVANIA

September 16, 2022

The Honorable Katrina L. Dunderdale  
Administrative Law Judge  
Pennsylvania Public Utility Commission  
Piatt Place  
301 5th Avenue, Suite 220  
Pittsburgh, PA 15222

**Re: Pennsylvania Public Utility Commission v. The York Water Company (Water & Wastewater) / Docket Nos. R-2022-3031340, R-2022-3032806**

Dear Judge Dunderdale:

Enclosed please find the Rebuttal Testimony of Brian Kalcic, labeled OSBA Statement No. 1-R, on behalf of the Office of Small Business Advocate (“OSBA”), in the above-captioned proceedings.

As evidenced by the enclosed Certificate of Service, all known parties will be served, as indicated.

If you have any questions, please do not hesitate to contact me.

Sincerely,

/s/ Steven C. Gray

Steven C. Gray  
Senior Supervising  
Assistant Small Business Advocate  
Attorney ID No. 77538

*Enclosures*

cc: PA PUC Secretary Rosemary Chiavetta (Cover Letter & Certificate of Service only)  
Brian Kalcic  
Parties of Record



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

2 A. Brian Kalcic, 7330 Dorset Avenue, St. Louis, Missouri 63130.

3

4 **Q. Have you previously submitted testimony in this proceeding?**

5 A. Yes.

6

7 **Q. What is the subject of your rebuttal testimony?**

8 A. I will respond to certain issues raised in the direct testimony of the following  
9 witnesses: 1) Jerome D. Mierzwa, on behalf of the OCA; and 2) Ethan H. Cline on  
10 behalf of I&E.

11

12 **OCA Witness Mierzwa**

13

14 **Q. Does Mr. Mierzwa accept the Company's filed water cost-of-service study  
15 ("WCOSS") in this proceeding?**

16 A. No. In Mr. Mierzwa's view, the Company's Base, Extra-Capacity ("BEC")  
17 WCOSS employs (i) inappropriate system maximum day and hour capacity ratios  
18 and (ii) inappropriate maximum-day ("max-day") and maximum-hour ("max-  
19 hour") *class* capacity factors.<sup>1</sup>

20

21 **Q. Please summarize the major components of the BEC cost methodology that is  
22 used in the Company's WCOSS.**

---

<sup>1</sup> See page 3 of OCA Statement 4.

1 A. By way of background, the BEC methodology consists of two primary steps. First,  
2 the utility's system-wide revenue requirement is *classified* (or split) into various  
3 functional cost categories, namely: 1) base; 2) extra capacity (which consists of  
4 maximum day and maximum hour costs); 3) customer; and 4) fire protection costs.  
5 Second, each functional cost category is *allocated* to rate classes in accordance with  
6 a factor that reflects relative cost responsibility. As such, the BEC classification  
7 and allocation steps combine to produce a measure of total cost of service, by rate  
8 class.

9

10 **Q. What role do *system* maximum day and maximum hour capacity ratios serve**  
11 **in the BEC cost methodology?**

12 A. The BEC methodology uses system maximum day and maximum hour ratios to  
13 determine the level of costs that are classified as base-, maximum day- and  
14 maximum hour-related in the WCOSS. All else equal, the greater the level of usage  
15 on the system maximum day and in the system maximum hour, compared to the  
16 level of average daily usage level on the system over the test year, the greater the  
17 amount of costs deemed to be (i.e., classified as) either maximum day and/or  
18 maximum hour related, as opposed to base (or average day) related.

19

20 **Q. What system maximum day and maximum hour ratios does the Company**  
21 **employ in its WCOSS?**



1 A. The Company uses system maximum day and maximum hour ratios of 1.52 and  
2 1.84, respectively, which represent the highest actual maximum day and hour  
3 demands, respectively, measured on York's system over the period 2000-2021.  
4

5 **Q. Why does Mr. Mierzwa claim that the Company's system capacity ratios are**  
6 **inappropriate?**

7 A. In Mr. Mierzwa's view, the system ratios used by the Company are outdated.  
8

9 **Q. What system maximum day and maximum hour ratios does Mr. Mierzwa**  
10 **recommend?**

11 A. In the OCA's WCOSS, Mr. Mierzwa employs system maximum day and maximum  
12 hour ratios of 1.35 and 1.65, respectively, which represent the highest actual  
13 demands measured on York's system over the period 2015-2021.  
14

15 **Q. Do you agree that it is reasonable to use the period 2015-2021 to determine the**  
16 **system maximum day and hour demand ratios to be used in a BEC cost study**  
17 **of York's water system?**

18 A. No. First, the system capacity ratios used in the BEC methodology are intended (i)  
19 to reflect how a utility's system is designed or, alternatively, (ii) to identify the  
20 functions that utility facilities serve, i.e., base, maximum day or maximum hour.  
21 The fact that the actual system maximum day and maximum hour demands  
22 experienced on the York system over the last seven years have not reached the

1 highest levels recorded since 2000 does not mean that the Company's system is no  
2 longer designed to meet those historical demands.

3 Second, I would point out that the system maximum day demand of 1.52  
4 used in the Company's WCOSS occurred relatively recently – in 2010, which is  
5 only five years prior to the start of Mr. Mierzwa's proposed review period.

6 Similarly, I would note that while Mr. Mierzwa proposes to use a system maximum  
7 hour ratio of 1.65 in the OCA's WCOSS, the Company's system has experienced  
8 actual maximum hour usage levels in excess of 1.65 in three of the last twelve  
9 years. In other words, the actual levels of maximum day and maximum hour  
10 demands experienced on York's system in recent years would suggest that the  
11 OCA's proposed ratios are unreasonably low.

12  
13 **Q. Mr. Kalcic, please turn now to Mr. Mierzwa's second area of disagreement**  
14 **with the Company's WCOSS – class capacity factors. What are class capacity**  
15 **factors, and what role do such factors play in the BEC cost methodology?**

16 A. The BEC methodology uses two types of capacity factors: 1) a max-day factor; and  
17 2) a max-hour factor. The max-day factor for each class is intended to reflect the  
18 ratio of the class's maximum day usage to its average day usage. Similarly, the  
19 max-hour factor for each class is intended to reflect the ratio of the class's  
20 maximum hour usage to its average hourly usage.

21 These class capacity factors are used to allocate capacity-related costs, i.e.,  
22 the max-day and max-hour capacity components of York's claimed revenue  
23 requirement, to customer classes in the Company's WCOSS.

1

2 **Q. Are the class capacity factor values that appear in the Company's WCOSS the**  
3 **same as those used in York's prior rate cases?**

4 A. Yes.

5

6 **Q. Why then does Mr. Mierzwa claim that the Company's class capacity factors**  
7 **are inappropriate?**

8 A. In Mr. Mierzwa's opinion, the Company's capacity factors are outdated, since the  
9 factors are based, in part, on customer demand studies that were conducted in 1976-  
10 1977.<sup>2</sup>

11

12 **Q. Did Mr. Mierzwa develop alternate class capacity factors for use in this**  
13 **proceeding?**

14 A. Yes, based on the procedure described in an appendix to the American Water  
15 Works Association's *Manual of Water Supply Practices* ("AWWA Manual").

16

17 **Q. Does the AWWA procedure rely on a direct measurement of class capacity**  
18 **factors, as in a customer demand study?**

19 A. No. The intent of the AWWA methodology is to provide an *estimate* of class max-  
20 day and max-hour usage ratios when actual class usage information (such as that  
21 obtained from a customer demand study) is unavailable.

---

<sup>2</sup> A demand study measures actual customer demand and usage levels from a statistically representative sample of customers, by class, over a period of time.

1

2 **Q. Please provide a general overview of how the AWWA procedure estimates**  
3 **class max-day capacity factors.**

4 A. The AWWA procedure employs three steps. First, a class maximum month (max-  
5 month) ratio is calculated by dividing: a) the average day consumption in the  
6 class's maximum-usage month; by b) the class's annual average day consumption.  
7 Second, the class max-month ratios from Step 1 are multiplied by the ratio of the  
8 system maximum day usage to the average usage in the system maximum month.<sup>3</sup>  
9 Third, the cumulative class ratios from Steps 1 and 2 are multiplied by an  
10 adjustment factor that is intended to recognize the daily and weekly fluctuations in  
11 maximum day demand across customer classes.

12

13 **Q. Did Mr. Mierzwa employ these three steps when estimating class max-day**  
14 **capacity factors for York's system?**

15 A. Yes, he did.

16

17 **Q. How did Mr. Mierzwa determine the class max-day variance adjustment**  
18 **factors (i.e., Step 3 in the AWWA methodology) to be used in his analysis?**

19 A. To my knowledge Mr. Mierzwa undertook no specific empirical analysis to  
20 determine appropriate max-day variance factors for York's system. Instead, Mr.  
21 Mierzwa simply employed the same max-day variance factors that appear in the  
22 AWWA Manual.

---

<sup>3</sup> Note that this adjustment factor is the same for all rate classes.

1

2 **Q. Is it reasonable to use the AWWA's class variance factors for York's system?**

3 A. No, because class variance factors play too important a role in determining class  
4 capacity factors (in the AWWA methodology) to simply adopt the *example* variance  
5 factors that are used in the AWWA Manual.

6

7 **Q. Please explain.**

8 A. As previous discussed, the max-day capacity factor for each class is intended to  
9 reflect the ratio of the class's maximum day usage to its average day usage. By  
10 definition, the first two steps of the AWWA methodology, which utilize only  
11 readily available *monthly* usage data, cannot measure (or capture) *daily* fluctuations  
12 in demand across customer classes. In that sense, the AWWA methodology  
13 requires a representative set of class variance factors (for Step 3) in order to provide  
14 a reasonable estimate of the max-day factor for each class. The OCA has provided  
15 no evidence that the example class variance factors that appear in the AWWA  
16 Manual are appropriate for York's system.

17

18 **Q. Do you have any other comment?**

19 A. Yes. If a different set of class variance factors were to be used in the OCA's  
20 analysis, the resulting class max-day factors would differ from those used in the  
21 OCA's COSS. In other words, Step 3 of the AWWA procedure is determinative of  
22 the final result of the AWWA methodology. As such, there is all the more reason to

1 ensure that the class variance factors used in the AWWA procedure are  
2 representative for the customer classes on a given utility system.

3

4 **Q. Mr. Kalcic, how does the AWWA methodology estimate class max-hour**  
5 **capacity factors?**

6 A. The AWWA approach estimates class max-hour capacity factors by multiplying the  
7 (previously estimated) class *max-day* capacity factors by an adjustment factor that is  
8 intended to recognize the daily and weekly fluctuations in maximum *hour* demand  
9 across rate classes.

10

11 **Q. How did Mr. Mierzwa determine the class *max-hour* variance factors to be**  
12 **used in his max-hour capacity factor analysis?**

13 A. To my knowledge, Mr. Mierzwa undertook no specific empirical analysis to  
14 determine appropriate max-hour variance factors for York's system. Once again,  
15 Mr. Mierzwa simply employed the same example max-hour variance factors that  
16 appear in AWWA Manual.

17

18 **Q. Do you find the OCA's class max-hour capacity factor analysis appropriate?**

19 A. No. As in the case of the class max-day capacity factor procedure, the AWWA  
20 methodology requires a representative set of max-hour variance factors in order to  
21 provide a reasonable estimate of the max-hour factor for each class. The OCA has  
22 provided no evidence that the example max-hour variance factors that appear in the  
23 AWWA Manual are appropriate for York's system.

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**Q. Does the OCA’s use of alternative system demand ratios and class capacity factors have a significant impact on class cost-of-service outcomes in this proceeding?**

A. Yes. Table 1-R below compares each class’s total allocated cost of service, exclusive of Act 11 considerations, under: 1) the Company’s WCOSS; and 2) the OCA’s WCOSS. As shown in Table 1-R, the OCA’s WCOSS shifts approximately \$1.3 million of revenue responsibility from Residential customers to Commercial, Industrial, and Fire Protection customers.

**Table 1-R**  
Comparison of Company and OCA WCOSS Results,  
Exclusive of Act 11 Considerations

<i>Class</i>	<i>Company WCOSS</i>	<i>OCA WCOSS</i>	<i>Difference</i>
	(1)	(2)	(3) = (2)-(1)
Residential	\$44,087,738	\$42,819,383	-\$1,268,355
Commercial	\$14,577,070	\$15,325,308	\$748,238
Industrial	\$5,767,906	\$6,053,924	\$288,018
Private Fire	\$2,597,596	\$2,735,857	\$138,261
Public Fire	<u>\$1,653,008</u>	<u>\$1,745,442</u>	<u>\$92,434</u>
Total	\$68,683,318	\$68,679,914	-\$3,404

Source: York Exh. No. FVIII, Sch. D & OCA WCOSS Workpapers.

**Q. Does Mr. Mierzwa use the results of his WCOSS to determine the OCA’s proposed class increases, at York’s claimed revenue requirement level?**

1 A. Yes. Mr. Mierzwa’s proposed class increases are based on moving all classes to  
2 full cost of service, based on the OCA’s WCOSS.<sup>4</sup>

3

4 **Q. Do you agree that it is appropriate to use the results of the OCA’s WCOSS to**  
5 **determine class increases in this proceeding?**

6 A. No. First, the OCA has not provided valid evidence that the system maximum  
7 demand levels used in the Company’s WCOSS are outdated. Second, as previously  
8 discussed, the OCA’s class capacity factor analysis is deficient. Third, the system  
9 demand ratios and class capacity factors used in the OCA’s WCOSS are  
10 unreasonably low and have a significant impact on reported class cost-of-service  
11 indications. As such, it would not be appropriate to adopt the OCA’s WCOSS and  
12 it would not be reasonable to rely on the OCA’s WCOSS results to determine final  
13 class increases in this proceeding.

14

15 **Q. What do you recommend?**

16 A. I recommend that the Commission reject the OCA’s proposed WCOSS and class  
17 revenue allocation for water service.

18

19 **Q. On pages 22-23 of OCA Statement 4, Mr. Mierzwa discusses the Company’s**  
20 **proposed method of allocating Act 11 revenue responsibility to water service**  
21 **classes. Mr. Mierzwa finds the Company’s proposal to allocate Act 11**  
22 **revenues based on the cost of water service “generally reasonable,” but**

---

<sup>4</sup> See Table 4 on page 17 of OCA Statement 4.



1       **recommends that the Industrial and Private Fire Protection classes *not* be**  
2       **excluded from an allocation of Act 11 revenues. Do you agree with the OCA’s**  
3       **modified method of allocating Act 11 revenues to water service classes?**

4    A.   I do not. As I discussed in my direct testimony, York’s proposed method of  
5       allocating Act 11 revenues is inconsistent with the manner by which the Company  
6       determines its Act 11 revenue requirement shortfall. The OCA’s proposal to  
7       include the Industrial and Private Fire Protection classes in the allocation does  
8       nothing to change that fact.

9                Instead, York’s Act 11 revenue requirement should be allocated to water  
10       service classes based on wastewater class contributions to the Company’s Act 11  
11       revenue requirement shortfall. Doing so will ensure that wastewater subsidies are  
12       properly recovered from water customers on a revenue neutral basis, by customer  
13       class.

14  
15    **Q.   On pages 23-24 of OCA Statement 4, Mr. Mierzwa discusses the magnitude of**  
16       **the Company’s proposed Act 11 revenue requirement. Mr. Mierzwa finds that**  
17       **the Company’s proposed Act 11 wastewater subsidy is “not reasonable,” and**  
18       **recommends that York’s Act 11 revenue requirement of \$2.67 million be**  
19       **reduced by \$625,000. How would the OCA’s proposed reduction to York’s Act**  
20       **11 wastewater subsidy impact the Company’s overall wastewater increase?**

21    A.   The OCA’s proposal would result in an overall wastewater increase of \$2.082  
22       million or 50.1%, compared to the Company’s proposed increase of \$1.456 million  
23       or 35.0%.

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**Q. How would the OCA’s proposed reduction to York’s Act 11 wastewater subsidy impact the Company’s proposed wastewater class increases?**

A. Since Mr. Mierzwa does not provide an alternative wastewater rate design and proof of revenue that would implement the OCA’s overall proposed wastewater increase of \$2.082 million, it is not clear to the OSBA what class increases would result. However, on page 24 of OCA Statement 4, at Table 5, Mr. Mierzwa appears to suggest that the OCA is seeking to implement Residential and Non-Residential wastewater class increases of 45.9% and 84.8%, respectively.

**Q. Would it be reasonable to implement a Non-Residential wastewater class increase of 84.8% in this proceeding?**

A. Certainly not. To put the OCA’s proposed Non-Residential increase of 84.8% in perspective, the highest class increase proposed by York, I&E and the OSBA in this case is 48.3%, 53.0%, and 58.4%, respectively.<sup>5</sup> The OCA’s proposed Non-Residential increase of 84.8% is clearly an outlier in this case, and would violate the traditional ratemaking principle of gradualism. The Commission should reject it.

**I&E Witness Cline**

**Q. What is I&E’s position regarding the Company’s proposed Act 11 revenue requirement?**

---

<sup>5</sup> See Schedules BK-1WW and BK-2WW, and I&E Exhibit No. 3, Schedule 7.

1 A. I&E recommends that the Company's proposed Act 11 revenue requirement be  
2 reduced to \$0.844 million, based on I&E's i) recommended reduction to the  
3 Company's requested wastewater revenue requirement and ii) recommended  
4 increase in overall wastewater revenues.<sup>6</sup>

5

6 **Q. Does Mr. Cline specify how I&E's proposed Act 11 revenue requirement**  
7 **should be allocated to the Company's water service classes?**

8 A. No, he does not.

9

10 **Q. In the event the Commission were to adopt I&E's proposed Act 11 revenue**  
11 **requirement, how should Act 11 revenues be allocated to water classes?**

12 A. As I have previously testified, York's approved Act 11 revenue requirement should  
13 be allocated to water service classes based on wastewater class contributions to the  
14 Company's Act 11 revenue requirement shortfall.

15

16 **Q. On pages 22-24 of I&E Statement No. 3, Mr. Cline discusses I&E's scale back**  
17 **proposal for water service customers. In the event that the Commission**  
18 **awards York a final water increase that is less than its requested amount, Mr.**  
19 **Cline recommends that the Company's proposed customer charges and usage**  
20 **rates be adjusted "so that the increase by class is proportional to what the**  
21 **Company proposed to produce the revenue level the Commission approves."**  
22 **Do you agree with I&E's scale back proposal?**

---

<sup>6</sup> See I&E Statement No. 3 at page 6.

*Rebuttal Testimony of Brian Kalcic*

1 A. I do not agree. Under I&E's proposal, the Company's proposed class water  
2 increases, inclusive of Act 11, would be subject to a *single* scale back at the  
3 conclusion of this case. However, as I discussed on pages 13-14 of OSBA  
4 Statement No. 1, there should be a *separate* scale back applied to the i) water cost  
5 of service component and ii) Act 11 revenue requirement component of the  
6 Company's proposed class increases.

7 For example, to the extent the Company's proposed Act 11 revenue  
8 requirement is reduced, the reduction should be applied/credited *solely* to the water  
9 classes originally allocated Act 11 revenue responsibility. To do so, a separate  
10 scale back must be applied to York's proposed allocation of Act 11 revenues.

11

12 **Q. What would be the result of adopting I&E's scale back proposal for the**  
13 **Company's water operations?**

14 A. I&E's proposal to scale back water rates so that final water class increases are  
15 proportional to York's filed increases, *inclusive of Act 11*, would (i) fail to collect  
16 final Act 11 wastewater subsidies from water customers on a revenue neutral basis,  
17 by customer class, and (ii) improperly credit a portion of any reduction in the  
18 Company's proposed Act 11 revenue requirement to classes that were not originally  
19 assigned Act 11 revenue responsibility.

20 For example, if a single scale back were to be applied to the Company's  
21 proposed class water increases, inclusive of Act 11, as advocated by Mr. Cline, then  
22 the final increase to be collected from water customers would necessarily reflect  
23 reductions in both the Company's i) claimed water service revenue requirement,

*Rebuttal Testimony of Brian Kalcic*

1 and ii) proposed Act 11 revenue requirement. As a result, those water classes that  
2 were *not* originally assigned Act 11 revenue responsibility, i.e., the Company's  
3 Industrial and Fire Protection classes, would see their original proposed increases  
4 reduced, in part, due to reductions in the Company's Act 11 revenue requirement.

5 There is simply no valid basis for sharing a reduction in York's proposed Act  
6 11 revenue requirement with the Company's Industrial and Fire Protection classes.

7

8 **Q. What do you recommend?**

9 A. I recommend that the Commission reject I&E's scale back proposal for water  
10 service customers.

11

12 **Q. Does this conclude your rebuttal testimony?**

13 A. Yes.

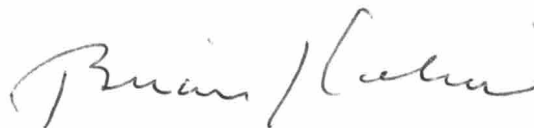
**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>Pennsylvania Public Utility Commission</b>	:	
	:	
v.	:	<b>Docket No. R-2022-3031340</b>
	:	<b>Docket No. R-2022-3032806</b>
	:	
<b>The York Water Company</b>	:	

**VERIFICATION**

I, Brian Kalcic, hereby state that the facts set forth in my Rebuttal Testimony labeled OSBA Statement No. 1-R are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. §4904 (relating to unsworn falsification to authorities).

Date: September 15, 2022



\_\_\_\_\_  
(Signature)

Brian Kalcic

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY COMMISSION** :  
v. : **Docket No. R-2022-3031340**  
: **Docket No. R-2022-3032806**  
**THE YORK WATER COMPANY** :

**CERTIFICATE OF SERVICE**

I hereby certify that true and correct copies of the foregoing have been served via email (*unless other noted below*) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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DATE: September 16, 2022

/s/ Steven C. Gray

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COMMONWEALTH OF PENNSYLVANIA

September 28, 2022

The Honorable Katrina L. Dunderdale  
Administrative Law Judge  
Pennsylvania Public Utility Commission  
Piatt Place  
301 5th Avenue, Suite 220  
Pittsburgh, PA 15222

**Re: Pennsylvania Public Utility Commission v. The York Water Company (Water & Wastewater) / Docket Nos. R-2022-3031340, R-2022-3032806**

Dear Judge Dunderdale:

Enclosed please find the Surrebuttal Testimony of Brian Kalcic, labeled OSBA Statement No. 1-S, on behalf of the Office of Small Business Advocate (“OSBA”), in the above-captioned proceedings.

As evidenced by the enclosed Certificate of Service, all known parties will be served, as indicated.

If you have any questions, please do not hesitate to contact me.

Sincerely,

/s/ Steven C. Gray

Steven C. Gray  
Senior Supervising  
Assistant Small Business Advocate  
Attorney ID No. 77538

*Enclosures*

cc: PA PUC Secretary Rosemary Chiavetta (Cover Letter & Certificate of Service only)  
Brian Kalcic  
Parties of Record



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

2 A. Brian Kalcic, 7330 Dorset Avenue, St. Louis, Missouri 63130.

3

4 **Q. Have you previously submitted testimony in this proceeding?**

5 A. Yes.

6

7 **Q. What is the subject of your rebuttal testimony?**

8 A. I will respond to the rebuttal testimony of the following witnesses: 1) Constance E.  
9 Heppenstall, on behalf of the Company; and 2) Jerome D. Mierzwa, on behalf of the  
10 OCA.

11

12 **Company Witness Heppenstall**

13

14 **Q. On pages 1-2 of York Statement No. 108-R, Ms. Heppenstall discusses your**  
15 **proposal to recover Act 11 wastewater subsidies from water customers on a**  
16 **revenue-neutral basis, by customer class. Ms. Heppenstall states that even**  
17 **though your Act 11 allocation methodology differs from the Company's**  
18 **proposal, you support "the Company's revenue allocation as the different**  
19 **methodologies produce similar results." Do you have any comment?**

20 A. Yes. As I stated in my direct testimony, the two methodologies happen to produce  
21 similar results at the Company's proposed level of Act 11 revenues. The results  
22 may be expected to differ if the Commission approves an Act 11 revenue  
23 requirement that is higher or lower than York's proposed level of \$2.7 million.

1           So that the record is clear, I want to reiterate that the OSBA recommends the  
2           Company’s approved Act 11 revenue requirement be recovered from water service  
3           customers on a revenue-neutral basis, by customer class.

4

5   **Q. Continuing on page 2 of York Statement No. 108-R, Ms. Heppenstall states**  
6   **that York agrees with your “recommendation that the water class increases**  
7   **(except public fire) be scaled back proportionally, understanding that the scale**  
8   **back is dependent on the awarded wastewater revenue requirement and the**  
9   **final level of wastewater rates.” Is that an accurate characterization of your**  
10 **scale back proposal?**

11 A. Ms. Heppenstall has accurately characterized my scale back proposal in the event  
12 the Commission grants York a water revenue increase, *exclusive of Act 11*, that is  
13 less than the Company’s filed request of \$16.2 million. Again, so that the record is  
14 clear, I also recommend that a *separate* scale back be applied to the Act 11  
15 revenues assigned to water service classes.<sup>1</sup>

16

17 **Q. Finally, on page 2 of York Statement No. 108-R, Ms. Heppenstall disagrees**  
18 **with your recommended wastewater increase of 58.4%, arguing that such an**  
19 **increase would i) cause rate shock and ii) be unreasonable given that this**  
20 **proceeding constitutes the first rate increase applicable to certain customers**  
21 **since York acquired their former wastewater systems. Please respond.**

---

<sup>1</sup> See OSBA Statement No. 1 at pages 13-14, and pages 19-20.

1 A. First, I would point out that while the OSBA’s recommended wastewater increase is  
2 significant at 58.4%, such an increase is less than 2.0 times the OSBA’s overall  
3 proposed water rate increase – a rate limit that is not unusual for base rate  
4 proceedings. Second, the Company’s proposed base rate wastewater increase of  
5 35% is actually less than its proposed base rate water service increase of 35.9%. In  
6 that respect, York’s proposed wastewater increase is clearly insufficient, in as much  
7 as water service customers are subsidizing York’s wastewater operations. Third,  
8 wastewater rates should move toward cost in each York rate proceeding. The fact  
9 that this rate case constitutes the first rate increase applicable to certain wastewater  
10 customers is not a valid rationale for York’s decision to assign wastewater  
11 customers a non-cost based increase in this proceeding.

12  
13 **OCA Witness Mierzwa**

14  
15 **Q. On pages 2-3 of OCA Statement 4R, Mr. Mierzwa disagrees with your**  
16 **adoption of the Company’s proposed water revenue allocation, exclusive of Act**  
17 **11 considerations, since the revenue allocation is based on the Company’s**  
18 **water cost-of-service study (“WCOSS”). In Mr. Mierzwa’s view, the**  
19 **Company’s WCOSS employs outdated system-wide demand and class capacity**  
20 **factor data. As a consequence, Mr. Mierzwa argues that the Commission**  
21 **should not adopt York’s cost study or proposed class revenue allocation for**  
22 **water service. Instead, Mr. Mierzwa recommends that the class revenue**  
23 **allocation be developed based on the results of the OCA’s WCOSS, which**

1        **reflects “the usage characteristics of York’s current customers.” Do you agree**  
2        **that the Commission should adopt the OCA’s WCOSS in this proceeding?**

3        A. I do not. I discuss the deficiencies inherent in the OCA’s WCOSS in my rebuttal  
4        testimony.<sup>2</sup> In short, while Mr. Mierzwa employs alternative (i) system-wide  
5        maximum day and maximum hour demand values and (ii) class maximum day and  
6        maximum hour capacity factors in the OCA’s WCOSS, neither modification to the  
7        Company’s WCOSS is warranted.

8

9        **Q. On pages 3-4 of OCA Statement 4R, Mr. Mierzwa discusses your proposal to**  
10       **allocate Act 11 revenues to water classes based on corresponding wastewater**  
11       **class contributions to the Company’s overall Act 11 revenue requirement**  
12       **shortfall. Mr. Mierzwa disagrees with your recommendation. He argues that**  
13       **since less than 7% of York’s water customers are also wastewater customers,**  
14       **“there is no cost basis to assign unrecovered wastewater costs of a particular**  
15       **class to water customers in that same class that do not receive wastewater**  
16       **service from York and pay another provider for wastewater service.” Is Mr.**  
17       **Mierzwa’s point valid?**

18       A. No. The fact that the Company has many more water customers than wastewater  
19       customers necessarily means that relatively few of York’s water customers will also  
20       be York wastewater customers. However, independent of the identity of their  
21       wastewater providers, why should York’s residential *water* customers subsidize the

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<sup>2</sup> See OSBA Statement No. 1-R, at pages 3-10.

1 rates paid by York’s commercial *wastewater* customers, or vice versa? Mr.  
2 Mierzwa offers no valid rationale in support of such an outcome.

3 Moreover, I am confident that if York’s wastewater rates were ever to  
4 recover 100% of the Residential class’s allocated wastewater revenue requirement,  
5 the OCA would express little interest in receiving *any* Act 11 revenue allocation in  
6 a subsequent York base rate case.

7

8 **Q. On pages 5-6 of OCA Statement 4R, Mr. Mierzwa discusses his disagreement**  
9 **with your proposal to reduce York’s filed Act 11 revenue requirement by \$1.0**  
10 **million, by assigning the Company’s wastewater classes a uniform increase of**  
11 **58.3%. He argues that since the Company’s residential wastewater customers**  
12 **contribute toward, or pay, a greater percentage of their indicated cost of**  
13 **service than non-residential customers, “the Non-Residential class should**  
14 **receive an increase which is greater than the increase assigned to the**  
15 **Residential class in order to provide additional movement toward the[ir]**  
16 **indicated cost of service.” What is your response?**

17 A. My recommended wastewater class increases are intended to minimize the overall  
18 level of Act 11 revenues to be recovered from water service customers, without  
19 imposing an undue rate impact on any wastewater class. Unlike Mr. Mierzwa’s  
20 proposal to assign non-residential wastewater customers an increase of 84.8%, the  
21 OSBA’s proposal would limit class increases to 58.4%, or 1.75 times the OSBA’s  
22 recommended increase to York’s water service customers. Moreover, the fact that  
23 the non-Residential wastewater class does not receive a greater increase than the

*Surrebuttal Testimony of Brian Kalcic*

1 Residential class under my proposal should be immaterial to the OCA, since the  
2 remaining subsidy received by non-residential wastewater customers in this  
3 proceeding is to be recovered solely from *commercial* water customers under the  
4 OSBA's Act 11 allocation proposal.

5

6 **Q. Does this conclude your surrebuttal testimony?**

7 A. Yes.



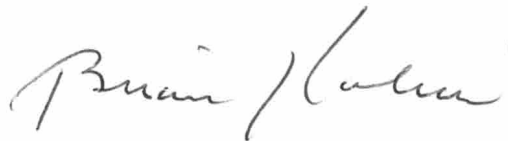
**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>Pennsylvania Public Utility Commission</b>	:	
	:	
v.	:	<b>Docket No. R-2022-3031340</b>
	:	<b>Docket No. R-2022-3032806</b>
	:	
<b>The York Water Company</b>	:	

**VERIFICATION**

I, Brian Kalcic, hereby state that the facts set forth in my Surrebuttal Testimony labeled OSBA Statement No. 1-S are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. §4904 (relating to unsworn falsification to authorities).

Date: September 27, 2022



\_\_\_\_\_  
(Signature)

Brian Kalcic



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DATE: September 28, 2022

/s/ Steven C. Gray

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DATE: November 4, 2022

/s/ Steven C. Gray

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