



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
400 NORTH STREET, HARRISBURG, PA 17120

IN REPLY PLEASE
REFER TO OUR FILE

November 10, 2022

Docket No. R-2022-3036491
Utility Code 210011

MERLE W STOLTZFUS PRESIDENT
ELVERSON WATER COMPANY INC
26 E MAIN STREET
P O BOX 20
ELVERSON PA 19520
INBOX@ELVERSONWATER.COM

RE: Elverson Water Company, Inc. Supplement No. 11 to Tariff Water – Pa. P.U.C. No. 2 at
Docket R-2022-3036491

Dear Mr. Stoltzfus:

On October 31, 2022, Elverson Water Company, Inc. filed the above-captioned document with the Pennsylvania Public Utility Commission (Commission). For the Commission to complete its analysis of the filing, please respond with the information requested in the attached document.

Please forward the information to the Secretary of the Commission at the address listed below **within ten (10) business days** from the date of this letter. All documents requiring notary stamps must have original signatures. The Commission strongly encourages submission through efilings with the Secretary of the Commission by opening an efilings account through the Commission website and accepting eservice at <https://efiling.puc.pa.gov>. The Commission is accepting all public documents through our efilings system at this time.

If your filing contains confidential material, you are required to either file by overnight delivery or submit to the Secretary's Share Point File system to ensure the timely filing of your submission. Filers should contact the Secretary's Bureau in advance to gain access to the Share Point File system. Make sure to reference the Docket Number listed above when filing your response. The overnight address for hard-copy or confidential responses is:

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

Please note your answers must be verified per 52 Pa Code § 1.36. Accordingly, you must provide the following statement with your responses:

I, [print name of appropriate company representative], hereby state that the facts above set forth 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).

Signature _____
Title _____
Date _____

Please contact the below staff person if any problems should arise that prevent a full response within ten business days or if any clarification of these data requests is needed. Please mark the materials “CONFIDENTIAL” in bold or highlighted manner if any of the requested information is deemed to be of a confidential nature.

In addition, to expedite completion of the review, please send a copy of the response to Clint McKinley in the Water/Wastewater Section of the Bureau of Technical Utility Services via e-mail at cmckinley@pa.gov. Please also direct any questions to Clink McKinley at telephone number (717) 783-6161. Thank you in advance for your cooperation.

Sincerely,



Rosemary Chiavetta
Secretary

Enclosure: TUS Data Request Set 1

cc: Christine Hoover, Office of Consumer Advocate (w/enclosure), choover@paoca.org
Teresa Wagner, Office of Small Business Advocate (w/enclosure), tereswagne@pa.gov
Richard Kanaskie, Bureau of Investigation & Enforcement (w/enclosure), rkanaskie@pa.gov

TUS Data Request Set 1

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Note: Please restate the data request prior to providing a response. In addition, provide the name and title of the person(s) providing the response and/or information for each data request.

- R-1. Section 1 of the filing consisted of Elverson Water Company, Inc.'s (EWC's) Third Revised Page No. 6 of Tariff Supplement No. 11 to Tariff Water – Pa. P.U.C. No 2 (Supplement No. 11), which included a new provision stating, "The Company reserves the right to negotiate higher bulk water rates via agreements with contractors for commercial projects, such as, but not limited to, the construction, flushing, testing, and operation of pipelines." Regarding this provision, please provide the following:
- a. The specific reasons for each change;
 - b. A calculation of the number of customers, by tariff subdivision, whose bills will be affected by the change;
 - c. The effect of the change on the utility's customers;
 - d. The direct or indirect effect of the proposed change on the utility's revenue and expenses;
 - e. The effect of the change on the service rendered by the utility; and
 - f. Plans the utility has for introducing or implementing the changes with respect to its ratepayers.
- R-2. Section B.1 on the Second Revised Page No. 5 of Supplement No. 11 indicated changes to the $\frac{3}{4}$, 1 and 1- $\frac{1}{2}$ inch private fire protection customer classes and increases to the rate per quarter for $\frac{3}{4}$ to 3-inch connections and decreases to the rate per quarter for the 4-to-8-inch customer classes. Please provide responses to the following:
- a. State the specific reason for the addition of the $\frac{3}{4}$, 1 and 1 $\frac{1}{2}$ inch private fire protection connections;
 - b. Provide a calculation of the number of customers, by tariff subdivision, whose bills will be affected by the change;
 - c. Identify the direct or indirect effect of the proposed change on the utility's revenue and expenses; and
 - d. Provide evidence substantiating the proposed increases and decreases, by size of connection, for private fire protections customers.

- R-3. Section B.1 on the Second Revised Page No. 5 of Supplement No. 11 identified an increase to the Public Fire Protection rate per hydrant per quarter. Please provide the following regarding this increase:
- a. State the specific reason for the increase; and
 - b. Provide evidence the rate increase complies with Section 1328 of the Public Utility Code 66 Pa.C.S. § 1328, permitting the recovery of in rates of the full cost of service related to public fire hydrants but requiring that the municipalities in which those public fire hydrants are located are not charged for more than 25% of the cost of service for those public fire hydrants.
- R-4. Section H, on Second Revised Page No. 6A of Supplement No. 11, identified a decrease to the PENNVESTt Surcharge from 48.75% to 34%. Please provide a detailed calculation identifying how EWC arrived at this percentage.
- R-5. The filing's Schedule B consisted of a form titled Balance Sheet Year Ended 6/30/2022 (Balance Sheet). On the Balance Sheet, EWC identified an increase to Cash from \$17,843 to \$70,026 or approximately \$52,183 ($\$70,026 - \$17,843 = \$52,183$) for the year ending 6/30/2022. Please provide an explanation for this change.
- R-6. EWC's Balance Sheet identified Notes Receivable in the amounts of \$1,491,073 for the end of year and \$1,705,748 for the beginning of year. Please provide a detailed breakdown of the change in the end of year Notes Receivable balance and an explanation as to why EWC is carrying this amount in accounts receivable.
- R-7. EWC's Balance Sheet identified Customers' Advances for Construction in the amount of \$287,713. Please provide responses to the following:
- a. Provide a detailed breakdown of this account which identifies each project and the corresponding advanced amount; and
 - b. Explain the apparent discrepancy between EWC's Balance Sheet Customer's Advance for Construction in the amount of \$287,713 and EWC's Annual Report for the year ended December 31, 2021 (2021 Annual Report), Schedule 200, Account No. 252.00 – Advances for Construction that indicated a zero balance for both the beginning and end of year.
- R-8. The filing's Schedule C consisted of a form titled Statements of Revenues (Statement of Revenues). On the form, EWC indicated three public fire customers were added in the year ending 6/30/2022. However, the revenue from public fire protection customers for the year ending 6/30/2022 does not reflect a corresponding increase for these additional customers. Please clarify this discrepancy and state the actual revenue from public fire customers for the year ending 6/30/2022.
- R-9. In the Statement of Revenues, EWC identified a proposed increase of \$1,700 for private fire revenue. However, Supplement No. 11 proposed a decrease in Private Fire Protection Rates for a four-inch connection. Please explain this discrepancy and correct

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the Statement of Revenue to reflect either the proposed increase or decrease rate for private Fire Protection customers.

- R-10. The filing's Schedule D consisted of a form titled Statements of Income (Statement of Income). On the form, Column (1) is labeled "Prior Year" and Column (2) is labeled "Current Year". Please verify that Column (1) presents values for the year ending 6/30/2021 and Column (2) presents values for the year ending 6/30/2022.
- R-11. On the Statement of Income, EWC indicated an increased "Maintenance Supplies" expense of approximately \$19,662 ($\$21,760 - \$2,098 = \$19,662$) for the year ending 6/30/2022 from the prior year. Regarding this expense category, please provide the following:
- a. An explanation for \$19,662 increase;
 - b. An explanation for the \$3,000 proposed increase;
 - c. Documentation (e.g., invoices, contracts, purchase orders) that substantiate the amounts identified for the year ending 6/30/2022 and the prior year; and
 - d. Identify the annual total "Maintenance Supplies" expense for each of the last three years.
- R-12. On the Statement of Income, EWC identified an "Operating Labor" expense of \$49,313 for the year ending 6/30/2022, \$48,315 for the prior year, and a proposed increase of \$9,000. However, the additional supporting data, provided as the filing's Section 5, indicated EWC does not have employees, but rather contracts management service from Stoltzfus Enterprises, Ltd. Regarding EWC's claimed and proposed "Operating Labor" expense, please provide the following:
- a. A detailed listing of the expenses recorded in this expense category;
 - b. Documentation (e.g., invoices, contracts, purchase orders) that substantiate the amounts identified for the year ending 6/30/2022 and the prior year; and
 - c. Evidence that the proposed increase is the result of known and measurable expenses (e.g., contract provisions identifying set increases, or a cost trending analysis of the expenses included in this expense category that indicates an increase).

R-13. On the Statement of Income, EWC identified a proposed increase of \$12,000 for the line item “General Office Expenses”. Regarding “General Office Expenses” please provide the following:

- a. A detailed listing of the expenses recorded in this expense category;
- b. Documentation (e.g., invoices, contracts, purchase orders) that substantiate the amounts identified for the year ending 6/30/2022 and the prior year;
- c. Evidence the proposed increase is the result of known and measurable expenses (e.g., contract provisions identifying set increases, or a cost trending analysis of the expenses included in this expense category that indicates an increase); and
- d. Identify the annual total “General Office Expenses” expense for each of the last three years.

R-14. On the Statement of Income, EWC identified a depreciation expense of \$40,202 for the year ended 6/30/2022, \$40,266 for the prior year, and a proposed an increase of \$7,000 for this expense. However, the asset depreciation report (Depreciation Report), provided as part of the filings Section 4 – Tax returns and depreciation report, indicated the annual depreciation of utility plant in service to be approximately \$40,077 for the year ending December 31, 2022. Regarding utility plant in service depreciation, please provide the following:

- a. A summary, by detailed plant account, of the book value of EWC assets at 6/30/2022 (e.g., a revised asset depreciation report for the year ending 6/30/2022 in lieu of the year ending 12/31/2022 as provided);
- b. A working electronic copy (e.g., a live excel spreadsheet) of the asset depreciation report requested in subpart a;
- c. A statement showing the amount of depreciation reserve of EWC assets at 6/30/2022; and
- d. A detailed calculation and supporting evidence justifying the proposed \$7,000 increase shown on Schedule D.

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R-15. On the Depreciation Report, EWC identified a service life, depreciation basis, current depreciation, beginning accumulated depreciation, and ending accumulated depreciation for EWC’s assets included in rate base. For the line items identified below, the current depreciation amounts identified do not appear to be equivalent to the current depreciation amount calculated using straight-line depreciation. In the revised asset depreciation report requested by R-8. b., please correct the calculated current depreciation amount to reflect the straight-line depreciation using EWC’s assigned service life for each asset listed above.

Date Acq.	Description	Service Life	Depr Basis	Current Depr	Begin A/Depr	End A/Depr
02/19/97	Two 11,300 Gallon Holding Tanks	25	5,250.00	17.50	5,232.50	5,250.00
05/31/97	Well #3 Filtration System	25	7,252.86	96.81	7,156.05	7,252.86
07/01/97	Well #3 Filtration Pump	25	6,008.98	120.16	5,888.82	6,008.98

R-16. The Depreciation Report indicated the Brick Lane Main, TVFD Main, and Ranck Main Extensions were placed into service on 08/13/06, 01/01/13, 01/01/13, respectively, with a 30-year service life. However, in the Depreciation Report, EWC used a 40-year service life for all other water mains. Please provide evidence EWC’s use of a shorter service life for main extensions compared to other water mains is appropriate.

R-17. The filing’s Schedule E consisted of a form titled Changes to Plant In Service – since last rate case (Changes to Plant In Service). On the form, EWC identified the installation of new water mains, which were placed into service in March of 2019 for a total capital investment of \$1,287,412. Additionally, EWC indicated it correspondingly retired old water mains for a total of \$13,529. Please provide responses to the following:

- a. Provide a complete breakdown of the March 2019 new water main installation by major National Association of Regulatory Utility Commissioner Uniform System of Accounts (NARUC USOA) plant account numbers (e.g., mains, valves, services) to include the material composition, pipe diameter and length in linear feet;
- b. Provide documentation (e.g. invoices, contracts, purchase orders) to substantiate EWC’s total capital investment of \$1,287,412 in new water mains;
- c. Provide a complete breakdown of the March 2019 old main retirements by major NARUC USOA plant account numbers (e.g., mains, valves, services) to include the material composition, pipe diameter and length in linear feet;
- d. Explain the discrepancy between the March 2019 old main retirements of \$13,529 and EWC’s 2019 Annual Report, for the year ending December 31, 2019, which appeared to list no retirements in Schedule 201; and

- e. Explain the reasonableness of the March 2019 old main retirements amount of \$13,529 in light of the March 2019 new water main installation that cost \$1,287,412. Specifically, main retirements should directly correlate with the length of new main installed in 2019 and reflect the residual undepreciated reserve for each retired asset.
- R-18. The Changes to Plant In Service form, included a line item for the installation of Well No. 7, in December of 2021 for a total capital investment of \$29,923. Regarding this line item please provide responses to the following:
- a. Provide documentation (e.g., invoices, contracts, purchase orders) to substantiate EWC's investment of \$29,923;
 - b. State the specific reasons why the new Well No. 7 was required to be put into service and indicate the number of customers served from Well No. 7; and
 - c. Indicate if any of EWC's existing wells were permanently removed from service and, if applicable, provide a list by NARUC USOA plant account numbers of any well assets that were retired along with the associated residual undepreciated reserve.
- R-19. Please provide a statement showing EWC's calculation of the rate of return to be earned when the tariff supplement becomes effective.
- R-20. Please provide a brief description of any major change in the operating or financial condition of EWC which occurred between 6/30/2022 and 10/31/2022.
- R-21. The filing's Schedule F consisted of a form titled Capital Structure (Capital Structure). On the form, EWC proposed a *pro forma* short-term debt of \$877,506 in lieu of a per books short-term debt of \$678,769. Please provide an explanation of how using the *pro forma* short-term debt is more appropriate than using EWC's actual per books short-term debt amount.
- R-22. On the Capital Structure form, EWC proposed a *pro forma* long-term debt of \$1,068,488 in lieu of a per books long-term debt of \$0. Please provide an explanation of how using the *pro forma* long-term debt is more appropriate than using EWC's actual per books long-term debt amount.
- R-23. Please provide a working electronic copy (i.e., a live excel spreadsheet) of the rate analysis for test year ending 6/30/2022, provided in the filing's Section 3.
- R-24. Please state the total number of bills, by customer class, issued in the year ending 6/30/2022.
- R-25. Please provide a copy of the news release issued by EWC pursuant to 52 Pa. Code § 53.45(b)(3).

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- R-26. Please provide a certificate of service evidencing that a copy of EWC's rate increase filing has been served on the following entities: the Commission's Bureau of Investigation and Enforcement; the Office of Consumer Advocate; and the Office of Small Business Advocate.
- R-27. Please provide evidence EWC is compliant with the Commission's Public Utility Security Planning and Readiness Self Certification reporting requirement for the year 2021. For reference, the Public Utility Security Planning and Readiness Self Certification form is to be filed by February 28th, annually and can be found on the Commission's website under the Filing & Resources tab at the following link https://www.puc.pa.gov/documents/utility-files/352/Security_Planning_Self-Cert_Checklist2021-F.pdf.