

EXHIBIT U

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2022-3033138

AQUA STATEMENT NO. 1

**DIRECT TESTIMONY OF
WILLIAM C. PACKER**

**With Regard To
A General Overview of the Transaction
Financial and Legal Fitness of Aqua
APA Rate Provisions
Public Benefits of the Transaction
Section 1329
Section 507**

February 2023

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1 **I. INTRODUCTION**

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

3 A. My name is William C. Packer. My business address is 762 West Lancaster Avenue,
4 Bryn Mawr, Pennsylvania 19010.

5
6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed by Essential Utilities, Inc. (“Essential”), as Vice President, Regulatory
8 Accounting and Regional Controller. In this position, I am the Regional Controller of
9 Aqua Pennsylvania, Inc. (“Aqua PA”), and Aqua New Jersey, Inc. (“Aqua NJ”).
10 Additionally, I oversee rate issues for all subsidiaries of Essential. Aqua PA is the parent
11 company to Aqua Pennsylvania Wastewater, Inc. (“Aqua” or the “Company”).

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

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

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1 rate-making process by working closely with operating subsidiaries in 23 states,
2 preparing schedules and answering interrogatories.

3 In March 2005, I joined Aqua NJ, where I served as Assistant Controller until
4 December 2006, when I transferred to Aqua America, Inc. In July 2008, I was promoted
5 to the position of Mid-Atlantic Manager of Rates. In April 2011, I became the Manager
6 of Rates and Planning – Northeast Divisions. I was promoted to Regional Controller for
7 the Aqua PA and Aqua NJ subsidiaries in October 2012. In April 2017, I was promoted
8 to Vice President – Controller of Aqua PA. In 2020, I was promoted to my current
9 position of Vice President, Regulatory Accounting and Regional Controller where I have
10 additional responsibilities to oversee rates and regulatory accounting matters of Essential.

11 In addition to my corporate experience, I served three terms as a Councilman in
12 the Borough of Woodbury Heights, New Jersey. In that role, I served as the Chairman of
13 the Finance, Administration, and Personnel committee; in addition, I served as a member
14 of the Public Safety and Streets/Roads committees.

15 I was elected as Mayor of the Borough of Woodbury Heights in November of
16 2018 and was sworn in on January 5, 2019. I was re-elected as Mayor in November of
17 2022 and sworn in on January 8, 2023. The Borough of Woodbury Heights is one of 565
18 municipalities in New Jersey and has a population of approximately 3,000 residents.

19
20 **Q. Have you testified before this Commission before?**

21 A. Yes, I have testified in several proceedings before the Pennsylvania Public Utility
22 Commission (“PUC” or the “Commission”), including Aqua PA’s petition to charge a
23 7.5% Distribution System Improvement Charge (“DSIC”) at Docket R-2008-2079310,

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1 Aqua PA’s last four rate cases at Docket Nos. R-2009-2132019, R-2011-2267958, R-
2 2018-3003558 (water) & R-2018-3003561 (wastewater), and R-2021-3027385 (water) &
3 R-2021-3027386 (wastewater, and Aqua’s eight previous Section 1329 proceedings in
4 Docket Nos. A-2016-2580061, A-2017-2605434, A-2018-3001582, A-2019-3008491, A-
5 2019-3009052, A-2019-3015173, A-2021-3024267, and A-2021-3026132. I have also
6 testified in Aqua PA’s recent Section 1329 proceeding in Docket No. A-2022-3034143. I
7 have also testified in various other proceedings before the Commission.

8
9 **Q. What is the purpose of your testimony?**

10 A. The purpose of my testimony is as follows: (1) to provide a general overview of Aqua;
11 (2) to provide a general overview of the proposed transaction (“Proposed Transaction”)
12 between Aqua and the City of Beaver Falls (“Beaver Falls” or the “City”); (3) to describe
13 Aqua’s legal and financial fitness to own and operate the Beaver Falls Wastewater
14 System (the “System”); and (4) to explain the benefits of the proposed transaction.

15
16 **Q. Are you sponsoring any Exhibits with your testimony?**

17 A. Yes. Attached to my testimony as Appendix A is a schedule showing the revenue
18 deficiency and overall impact on customers.

19
20 **Q. Are there any other witnesses submitting testimony with this application?**

21 A. Yes. In addition to my testimony, Aqua is submitting the following statements in support
22 of the Application:

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- 1 • Aqua Statement No. 2 – Direct Testimony of Mark J. Bubel, Sr. Mr. Bubel will
2 provide testimony regarding the specifics of the System being acquired from an
3 operations/engineering perspective and Aqua’s technical fitness.
- 4 • Aqua Statement No. 3 – Direct Testimony of Zach Martin. Mr. Martin will
5 provide testimony regarding the operations of the System and the benefits of
6 Aqua’s ownership.
- 7 • Aqua Statement No. 4 – Direct Testimony of Charles R. Jones, Jr. Mr. Jones will
8 provide testimony regarding the background of the Proposed Transaction from
9 Beaver Falls’ perspective and benefits of the Proposed Transaction.
- 10 • Aqua Statement No. 5 – Direct Testimony of Dylan W. D’Ascendis. Mr.
11 D’Ascendis will provide testimony regarding the appraisal conducted on behalf of
12 Aqua.
- 13 • Aqua Statement No. 6 – Direct Testimony of Harold Walker III. Mr. Walker will
14 provide testimony regarding the appraisal conducted on behalf of Beaver Falls.

15

16 **Q. Has the Company filed an application with the Commission for regulatory approval**
17 **to acquire the wastewater system assets of the Beaver Falls (the “Acquired Assets”)?**

18 A. Yes. Aqua filed its Application on February 17, 2023.

19

20 **Q. What is Aqua seeking in its application?**

21 A. There are five requests. First, Aqua is requesting approval of the acquisition under
22 Section 1102, 66 Pa.C.S. § 1102, similar to many requests that come before the
23 Commission. Second, Aqua is requesting Commission approval to begin providing

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1 wastewater service in the requested territory, as shown as the area outlined in red on the map
2 attached to the Application as **Exhibit A** (the “Requested Territory”). Third, pursuant to
3 Act 12 of 2016 (“Act 12” or the “Act”), 66 Pa.C.S. § 1329, Aqua is seeking to utilize fair
4 market value for the determination of the ratemaking rate base of the Acquired Assets.
5 Fourth, Aqua also requests that the Commission, to the extent necessary, issue certificates
6 for filing, pursuant to Section 507 of the Public Utility Code, 66 Pa.C.S. § 507, for the
7 Asset Purchase Agreement between Aqua and the City, and for certain municipal
8 contracts which will be assigned to Aqua or entered into by Aqua at closing on the
9 Proposed Transaction. Fifth, to the extent that certain municipal customers do not enter
10 into a new conveyance and treatment agreement, the Company requests that the
11 Commission amend certain municipal contracts pursuant to Section 508 of the Public
12 Utility Code, 66 Pa.C.S. § 508.

13
14 **Q. What does Section 1329 require to be included in the application?**

15 A. Section 1329 requires that the application include (1) copies of the two appraisals, (2) the
16 purchase price, (3) ratemaking rate base, (4) transaction and closing costs, and (5) the
17 proposed tariff. A rate stabilization plan could also be required if it is applicable to the
18 transaction.

19
20 **Q. Can you generally opine on the purpose of Section 1329 and the Commission’s view
21 of this provision of the Public Utility Code?**

22 A. Yes, as stated by the Commission, “Section 1329 works to: (1) provide certainty as to the
23 value of acquired utility property; (2) remove regulatory barriers to the prudent sale of

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1 public water and wastewater assets; (3) protect a Seller from having to offer public assets
2 for sale at below-market rates; and (4) allow a Buyer to recover market-based investment
3 in those public assets through regulated rates.”¹ I also agree with the Commission that
4 Section 1329 “encourages a realistic approach to the sale of public assets based upon the
5 fair market value of those assets.”² Moreover, as further explained by the Commission:

6 Section 1329 recognizes that no reasoned argument would propose that
7 these public assets are of marginal value simply because the book value and
8 the Commission’s traditional rate setting methodology dictate as much.
9 Rather, the valuation methods of Section 1329 provide municipalities and
10 authorities with a wholistic recognition of the fair market value of the public
11 assets they seek to sell based on a balancing of accepted business valuation
12 principles, specifically, the cost, market, and income approaches. 66 Pa.
13 C.S. § 1329(a). Thus, for sale purposes, Section 1329 works to value the
14 public assets as the businesses they are as opposed to what their value might
15 be under regulatory accounting for depreciated utility assets.³

16 ...

17
18
19 Section 1329 enables a Seller to price its public assets at a market value
20 based on reasonable business valuation principles and enables a Buyer to
21 recover its investment in those public assets at that market-based value.⁴
22

23 **Q. What does the Commission require for the approval of the certificate that utilizes**
24 **Section 1329?**

25 A. In its Final Implementation Order entered October 27, 2016, in Docket No. M-2016-
26 2543193 (“Final Implementation Order”), the Commission referenced the checklist in the
27 Tentative Implementation Order for items to include with the application for it to be
28 processed in a six-month time frame. This checklist was subsequently updated in March

¹ *Implementation of Section 1329 of the Public Utility Code*, Docket No. M-2016-2543193 Tentative Supplemental Implementation Order at 4 (Sep. 20, 2018) (hereinafter “TSIO”).

² TSIO at 7.

³ TSIO at 6.

⁴ TSIO at 7.

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1 2017. The Commission released its Final Supplemental Implementation Order on
2 February 28, 2019 at Docket No. M-2016-2543193, which included an updated checklist,
3 standard data requests (“SDR”), jurisdictional exceptions, and form testimony for Utility
4 Valuation Experts (“UVE”). Aqua has included references with the Checklist indicating
5 where in the Application the relevant information is located.

6
7 **II. OVERVIEW OF AQUA PA AND AQUA**

8 **Q. Please provide a general overview of Aqua PA and Aqua.**

9 A. Aqua PA is the second largest investor-owned regulated water/wastewater utility
10 operating in the Commonwealth of Pennsylvania. Aqua PA provides water and
11 wastewater utility service to approximately 508,000 customers, consisting of 448,000
12 water customers and 60,000 wastewater customers. Aqua PA employs approximately
13 600 highly trained utility professionals to achieve its mission to provide safe, adequate,
14 and reliable utility service at reasonable rates. In addition, Aqua PA is one of eight
15 regulated water and wastewater subsidiaries of Essential, which brings to bear its own
16 financial, technical, and managerial resources to assist in our mission.

17 Aqua is a subsidiary of Aqua PA and is engaged in the business of collecting,
18 treating, transporting, and disposing of wastewater for the public. Aqua provides
19 wastewater service to approximately 60,000 customers in Adams, Berks, Bucks, Carbon,
20 Chester, Clarion, Clearfield, Delaware, Lackawanna, Luzerne, Monroe, Montgomery,
21 Pike, Schuylkill, Venango, and Wyoming Counties.

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1 **Q. Please provide a description of Beaver Falls.**

2 A. Beaver Falls is a duly organized and validly existing city under a Home Rule Charter.
3 The City owns the sanitary wastewater collection and treatment system which provides
4 sanitary wastewater service to approximately 3,190 customers in the City, and provides
5 transmission and treatment service for 7 contributory municipalities/municipal
6 authorities, including Big Beaver Borough, West Mayfield Township, White Township,
7 North Sewickley Township, Eastvale Borough, Patterson Township, and Patterson
8 Heights Borough (“Contributing Municipalities”). Please see Aqua Statement No. 4,
9 Direct Testimony of Charles R. Jones, Jr., for a further description of the City.

10

11 **Q. Please provide an overview of the proposed Transaction.**

12 A. After arms-length negotiations between Aqua and the City, the Asset Purchase
13 Agreement (“APA”) was signed and executed on October 20, 2021, providing for the sale
14 of the Acquired Assets, which have the meaning specified in Section 2.01 of the APA.
15 The purchase price totaled \$41,250,000. According to the APA, Aqua will implement
16 Beaver Falls’ sanitary wastewater rates in effect at closing as reflected on Schedule 7.04
17 of the APA. Aqua’s tariff rules and regulations will apply following closing.

18

19 **III. FITNESS**

20 **Q. Please describe how the Company is legally fit to own and operate the System.**

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

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Q. Please describe how the Company is financially fit to own and operate the System.

A. As I mentioned in my overview, Aqua PA, as parent company to Aqua, is a Class A water utility in the Commonwealth. Aqua PA is the largest water/wastewater subsidiary of Essential, with total net utility plant assets of \$4.1 billion and annual revenues of \$495 million in 2021. Aqua PA had operating income of approximately \$260 million and net income of \$194 million. Aqua PA’s cash flows from operations equaled approximately \$275 million.

Aqua is a Class A wastewater utility in the Commonwealth, with total net utility plant assets of approximately \$490 million and annual revenues of approximately \$70 million.

Aqua PA has an A rating from Standard and Poor’s Rating Service and has approximately \$1.9 billion in outstanding long-term debt at a weighted average interest rate of approximately 4.04%. Aqua PA also utilizes low-cost long-term debt financing instruments through the Pennsylvania Infrastructure Investment Authority (“PENNVEST”), representing about 1.4% of Aqua PA’s total debt portfolio. In addition to Aqua PA’s access to long-term debt, Aqua PA has its short-term credit facility of \$100 million and has access to equity capital as a subsidiary of Essential. Aqua, as a subsidiary of Aqua PA, has access to all of Aqua PA’s financing capabilities.

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1 **IV. FUNDING**

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

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

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

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

11

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

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

14 A. Under the provisions of Paragraph 7.04 of the APA, Aqua will implement Beaver Falls'
15 sanitary wastewater rates in effect at closing as reflected on Schedule 7.04 of the APA.
16 At and after closing, the Company shall apply its then-existing miscellaneous fees and
17 charges in the Company's Tariff.

18

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

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

23

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1 **Q. Does the Application include a rate stabilization plan?**

2 A. No.

3

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

6 A. No. The Company is proposing to implement the City's current rates. There is no
7 language in Aqua's proposed tariff requesting that rates be held constant or phased in
8 over a period of time after the next rate case. Section 7.04 of the APA, accordingly, does
9 not constitute a rate stabilization plan.

10

11 **Q. Are you requesting the implementation of a DSIC for City customers at this time?**

12 A. No. Following closing, Aqua intends to amend its Long-Term Infrastructure
13 Improvement Plan ("LTIIIP") to include Beaver Falls in the LTIIIP and file the amended
14 LTIIIP with the PUC. The Company will include a request in that filing to initiate the
15 DSIC to Beaver Falls customers as permitted by Section 1329.

16

17 **Q. Please explain how the Company will bill the City's customers after closing.**

18 A. Currently, the City bills on a quarterly and monthly basis based on water usage. Metered
19 water usage information is provided by Beaver Falls Municipal Authority ("BFMA"),
20 which provides water service to customers in the City and in the Contributing
21 Municipalities. The Company will continue to bill customers on a quarterly and monthly
22 basis. A schedule of rates tariff page implementing monthly and quarterly rates for City
23 customers post-closing is attached to the Application as **Exhibit G**. The Contributing

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1 Municipalities are billed quarterly, with the exception of North Sewickley Township
2 which is billed monthly, based on water meter read data on a volumetric basis.

3

4 **VI. PUBLIC INTEREST**

5 **Q. Please explain why the proposed transaction is in the public interest.**

6 A. The PUC has a long-standing record of support for consolidation/regionalization of
7 water/wastewater systems. The PUC understands that in doing so, the utility industry
8 will have a better chance to realize the benefits of better management practices,
9 economies of scale, and the resulting greater customer/environmental/economic benefits.
10 The Commission has previously stated that “acquisitions of smaller systems by larger
11 more viable systems will likely improve the overall long-term viability of the water and
12 wastewater industry. Additionally, these types of acquisitions will also enhance the
13 quality of ratepayers’ daily lives, promote community economic development, and
14 provide environmental enhancements.”⁵ Ultimately, these benefits inure to customers
15 both existing and acquired. The Proposed Transaction with Beaver Falls is no exception
16 to the principles noted in the aforementioned Policy Statement, and Aqua PA and Aqua
17 have successfully acquired numerous water/wastewater utilities in over approximately
18 135 years of operation.

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⁵ Pennsylvania Public Utility Commission, Final Policy Statement on Acquisitions of Water and Wastewater Systems, Docket No. M-00051926, Final Order at 18 (Aug. 17, 2006) (“Policy Statement”).

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1 **Q. Please discuss the Company’s track record of acquiring and improving wastewater**
2 **systems in the Commonwealth.**

3 A. Aqua currently provides utility service to approximately 60,000 wastewater customers in
4 the Commonwealth and has years of experience operating wastewater treatment and
5 collection systems in a safe, reliable and efficient manner. Moreover, Aqua has the
6 managerial, technical, and financial resources to continue to operate, maintain and
7 improve the Beaver Falls System.

8 Aqua has acquired 14 wastewater systems over the past 10 years.⁶ Many of these
9 systems required significant investment to correct service and environmental issues.

10 Other systems did not need substantial capital investment. Aqua and Aqua PA are
11 essentially the compilation of smaller systems that have been acquired over the last 135
12 years and make both utilities what they are today. The inherent diversification of systems
13 and customers provides a foundation of stability in the day to day, month to month, and
14 year to year operations of the utility, in that, they are all not requiring major capital
15 investments at the same time. Thus, spreading the financial impacts over the long-term
16 operations of the utility. I would submit that if Aqua were permitted to acquire only non-
17 viable systems, rather than a mix of viable and non-viable, this would have a significant
18 impact on its existing customers’ rates and service. Both types of systems, viable and
19 non-viable, are consistent with the Commission’s policy statements regarding
20 acquisitions. The acquisition of the Beaver Falls System will continue to address the
21 Commission’s supported policy of consolidation and regionalization.

⁶ East Whiteland, Lower Makefield (2022); New Garden, East Norriton (2020); Cheltenham (2019); East Bradford, Limerick (2018); Tobyhanna, Avon Grove (2017); Emlenton, Honeycroft (2016); Bunker Hill (2015); Penn Township (2014); and Treasure Lake (2013).

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

A. Yes. Although I am not an attorney, I have read the Court’s Opinion in the *McCloskey* case. At the end of Section A of the Opinion, the Court refers to Commission findings that Aqua, as owner of numerous water and wastewater systems in Southeastern Pennsylvania, has sufficient expertise to operate a system and ability to raise capital to support a system and that the Commission has a policy of consolidation and regionalization that allows for increased maintenance, upgrade and expansion of public facilities. The Court concludes that the foregoing are reasons of the type that the Supreme Court in its *Verizon* decision held were sufficient to meet the public benefit standard and substantial evidence to support the notion that there is a public benefit for the transaction. This same analysis is sufficient to support the public benefit and substantial evidence of public benefit in this proceeding.

Q. Will the City’s customers benefit from the transaction?

A. Yes. The City’s customers will become part of a larger scale, efficiently operated, wastewater utility. The Company is already the owner and operator of wastewater systems in nearby Venango County, and Aqua PA owns and operates water systems in nearby Lawrence County. As such, we have key operations in nearby service areas and will be able to assume the operations of the Beaver Falls System, fold them into a larger

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1 scale, efficiently operated wastewater utility that over time will likely yield further
2 operating efficiencies and improve long term viability as envisioned in the PUC Policy
3 Statement.

4 Aqua is not anticipating any physical, operational or managerial changes at its
5 Southeastern Office or Western divisional offices as a result of the acquisition. Aqua will
6 be hiring seven operational staff from Beaver Falls to address the day-to-day operations
7 of Beaver Falls. These seven staff members represent the full complement of Beaver
8 Falls sewer employees, and as such Aqua will be ensuring continued employment for the
9 Beaver Falls sewer employees. The retention of this operational staff will benefit
10 customers served by the Beaver Falls System by ensuring that system-specific knowledge
11 and expertise is retained.

12 Additionally, the acquisition will not have any immediate impact on the rates of
13 either the City's customers or the existing customers of Aqua. The Company is
14 projecting less operating and maintenance costs under the Company's ownership that will
15 likely be realized through reductions in costs for wastewater maintenance, as well as
16 efficiencies in administrative and general costs, such as insurance, auditing and legal,
17 among others. Specifically, referencing Beaver Falls 2021 Financial Statements, Total
18 Operating and Maintenance Expenses for the System (i.e., the Joint Sewer Users Fund
19 and the City Sewer Users Fund) were approximately \$2.03 Million, whereas the
20 Company is projecting annual expenses of approximately \$1.46 Million, or an
21 approximate 29% reduction.

22 Lastly, given the fact that there are meaningful investments needed in this System,
23 as noted in the testimony of Mark J. Bubel, Sr., Aqua Statement No. 2, the customers of

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1 the Beaver Falls System will benefit greatly from the Company’s technical experience
2 and fitness in deploying resources towards capital improvements.

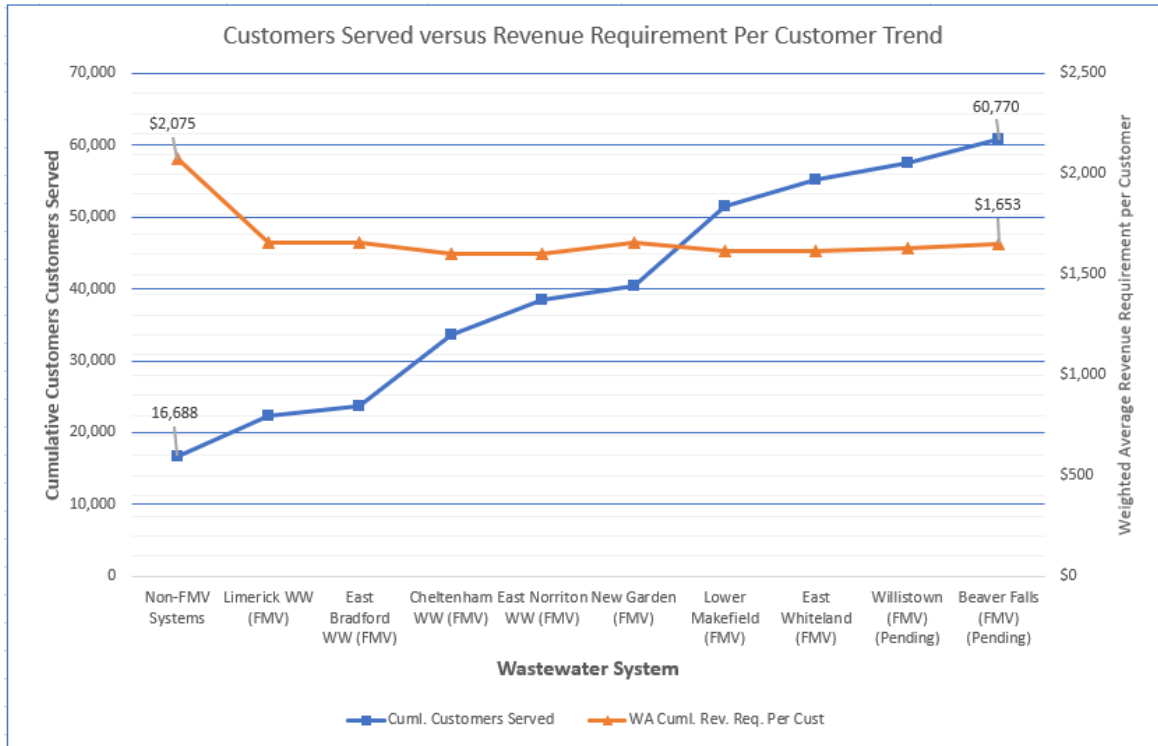
3

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

5 A. Yes. The acquisition of the Beaver Falls System will be an approximate 5% increase in
6 Aqua’s customer base. By virtue of the Company’s larger customer base, future
7 infrastructure investments across the state will be shared at a lower incremental cost per
8 customer for all of Aqua’s customers. This is demonstrated in the below chart (Figure 1)
9 I have developed using revenue requirement data for Aqua’s legacy non-fair market value
10 systems, all acquired prior to 2018, and also includes subsequent fair market value
11 systems acquired, approved to be acquired, and including the Beaver Falls system.
12 Figure 1 shows the linear trend line of the combined weighted average revenue
13 requirement per customer of Aqua’s legacy non-fair market value systems at \$2,075
14 annually, which is a declining trend and demonstrates economies of scale that have been
15 realized from prudent acquisition growth including systems such as Beaver Falls:

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1 Figure 1



2
3 The above chart is an example of the economies of scale realized by the Company as a
4 result of acquisitions. Aqua is providing wastewater utility service to more customers at
5 a lower overall cost per customer.

6 I note again that both Aqua and Aqua PA have developed into the utilities they
7 are today by acquiring and operating smaller and mid-sized systems. This progression
8 has successfully happened over the last several decades and taken the form of both viable
9 and non-viable systems. Over the long term, this process has benefitted both current
10 customers, future customers that were acquired, and the Commonwealth.

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

5 A. The current average bill of a residential customer in Beaver Falls, is approximately
6 \$97.24 per quarter. As my calculations in Appendix A show the average bill could
7 increase to approximately \$266.52 per quarter or a 174.09% increase, which assumes that
8 one hundred percent of the revenue requirement deficiency is borne by the acquired
9 customers of Beaver Falls. While this quantification is on possible outcome, as the
10 Commission noted in its Final Supplemental Implementation Order “the Section 1329
11 valuation could have a highly unlikely rate effect of \$0. Equally unlikely is the full
12 allocation of all costs – acquisition and perhaps others – to a rate division consisting of
13 only the customers of the acquired municipal system. The more likely *outcome* is
14 indeterminate; it will be found somewhere between possible extremes.”⁷

15 Again, this System has characteristics that demonstrate that economies of scale
16 can be achieved as a result of this acquisition. Given this fact and the fact that there are
17 meaningful future investments needed to address deficiencies in the System, those future
18 rate impacts could be spread across a broader customer base thus moderating those future
19 rate increases over time. Yet, while the rates of the Beaver Falls System are reasonably
20 expected to increase, either on their own, or whether acquired by the Company, the fact is

⁷ *Implementation of Section 1329 of the Public Utility Code*, Docket No. M-2016-2543193 Final Supplemental Implementation Order at 32 (Feb. 28, 2019) (emphasis original) (“FSIO”).

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1 that there is more flexibility and opportunity to deal with those impacts over a much
2 larger customer base. This benefits both existing and acquired customers alike.

3
4 **Q. Is the impact on rates outweighed by other positive factors from the Proposed**
5 **Transaction?**

6 A. Yes. While Appendix A shows there could be future increases in rates as a result of the
7 transaction, this is not unexpected, and the possibility of increased rates is noted by the
8 Commonwealth Court in *McCloskey*. The positive factors from the transaction noted in
9 my testimony, as well as the other witness who have submitted testimony in this
10 Application, outweigh the possibility of increased rates. These types of transactions
11 further a recognized legislative objective and are consistent with the Commission's
12 consolidation/regionalization policy. The Company's application demonstrates that there
13 will be both tangible and intangible positive factors that are likely realized as a result of
14 the Proposed Transaction, including capital improvements, expense efficiencies, and
15 economies of scale.

16
17 **VII. SECTION 1329 FAIR MARKET VALUE CONSIDERATIONS**

18 **Q. Is Aqua proposing that its application be evaluated utilizing the Fair Market Value**
19 **provisions of Section 1329 of the Public Utility Code?**

20 A. Yes. The Company's Application has been prepared with this in mind. Specifically, the
21 Company is requesting that the ratemaking rate base of the Beaver Falls System be based
22 on the lesser of the average of the Fair Market Value Appraisals included in the
23 Application or the purchase price pursuant to Section 1329 of the Public Utility Code.

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

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Q. Has Aqua prepared its application in compliance with the Commission’s Final Implementation Order and Final Supplemental Implementation Order?

A. Yes. Aqua has complied with all required documentation according to the PUC’s application checklist including, but not limited to, the Engineering Assessment of Assets, responses to SDRs, testimony supporting the Application, and two independent Fair Market Value appraisals.

Q. Please provide an overview of the valuation process.

A. Following the execution of the APA, the Company and the City agreed to engage Gannett Fleming, Inc. to complete the Engineer’s Assessment, which is attached to the Application as Exhibit D. Both parties engaged their respective UVEs to perform a Fair Market Value analysis of the System in accordance with the Uniform Standards of Professional Appraisal Practice (“USPAP”), utilizing the cost, market, and income approaches. Aqua engaged the services of ScottMadden, Inc. (“ScottMadden”) and has attached to its Application their Fair Market Value Appraisal as Exhibit Q. The City engaged the services of Gannett Fleming Valuation and Rate Consultants, LLC (“Gannett”) and their Fair Market Value Appraisal is attached to the Application as Exhibit R. Both firms have been pre-certified as authorized UVEs by the PUC and are on the list of qualified appraisers maintained by the PUC.

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

1 **Q. Please describe the conclusions of the two appraisals used to determine the fair**
2 **market value of the City’s assets.**

3 A. The two appraisals used the USPAP employing the cost, market, and income approaches
4 to arrive at the fair market value of the System. The City sponsored appraisal performed
5 by Gannett arrived at a System value of \$44,292,000. The Company sponsored appraisal
6 performed by ScottMadden arrived at a System value of \$40,199,348. Therefore, the fair
7 market value as defined in Act 12 is the average of these two appraisals which is
8 \$42,245,674.

9
10 **Q. Pursuant to Section 1329 of the Public Utility Code, what is the resulting rate base**
11 **determination for the Beaver Falls System?**

12 A. According to Section 1329, the ratemaking rate base is the lesser of either the purchase
13 price in the APA, which is \$41,250,000, or the fair market value which is \$42,245,674.
14 In this instance, since the purchase price is lower than the fair market value, the
15 ratemaking rate base for the Beaver Falls System is \$41,250,000.

16
17 **Q. Please state the total of the UVE fees incurred by the Company.**

18 A. The UVE fees for the Company’s appraisal received as of the date of the Application
19 totaled \$37,055.00. The Company’s UVE fees will be included in the transaction and
20 closing costs of this Proposed Transaction as stated below.

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AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

1 **Q. Please explain whether you believe the UVEs' fees are reasonable?**

2 A. Based on the scope of work, the methods used as accepted industry practice, and that the
3 UVEs' fees were less than 5% of the fair market value benchmark noted in the Final
4 Implementation Order and Final Supplemental Implementation Order, I believe the fees
5 are reasonable. Per the Final Implementation Order, Final Supplemental Implementation
6 Order and Checklist, the contract engaging the Company's UVE, ScottMadden, along
7 with ScottMadden's invoices are included as Exhibit S1. The contract engaging the
8 City's UVE, Gannett, along with Gannett's invoices are included as Exhibit S2.

9

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

11 A. The Company anticipates that the transaction and closing costs will be approximately
12 \$714,980 including the Company's UVE fees. The exact closing costs will be
13 determined at closing.

14

15 **VIII. SECTIONS 507 AND 508**

16 **Q. Is Aqua requesting the Commission issue certificates of filing for certain municipal**
17 **contracts that will be entered into or assigned to Aqua at closing?**

18 A. Yes. Aqua is first asking for the Commission to approve the APA between the City and
19 Aqua. As noted in the Application, Beaver Falls accepts wastewater flow into its
20 collection system from seven Contributing Municipalities, which is treated at the Beaver
21 Falls WWTP, pursuant to certain agreements with the Contributing Municipalities. Flow
22 is conveyed from the Contributing Municipalities through the City's gravity sewers, force
23 mains, and pump station. As noted in the Application, the Company could not locate

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

1 certain agreements that set forth the terms and conditions under which flow is sent from
2 Patterson Heights Borough, West Mayfield Borough, and White Township. In addition,
3 for the Contributing Municipalities that did have agreements that could be located (Big
4 Beaver Municipal Authority, Eastvale Borough, North Sewickley Township, and
5 Patterson Township), there are certain provisions regarding the annual recalculation of
6 rates that the Company cannot implement as it is not a municipality. As such, the
7 Company has developed pro forma agreements that it intends to negotiate with the
8 Contributing Municipalities so that all the Contributing Municipalities, both those that
9 had agreements and those that did not, will be under the same arrangement for rates and
10 service. The arrangement for conveyance and treatment of flow is set forth in the pro
11 forma agreement between Aqua and the Contributing Municipalities.

12 To the extent that the pro forma agreement cannot be negotiated by closing of this
13 Transaction, the Company is requesting that for those Contributing Municipalities that
14 have existing agreements that certain provisions be amended under Section 508 of the
15 Public Utility Code to provide for Aqua to charge for service provided under a regulated
16 public utility ratemaking model. The changes proposed to these exiting agreements are
17 reflected in Exhibit CC to the Application. Those Contributing Municipalities that do not
18 have existing agreements, and that do not enter into a negotiated agreement with Aqua,
19 will be charged the Bulk Rate as set forth in Aqua's tariff supplement included in the
20 Application as Exhibit G.

21
22

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

1 **Q. Does the pro forma agreement set forth how the Contributing Municipalities will be**
2 **charged for wastewater conveyance and treatment?**

3 A. Yes. The pro forma agreement currently provides for the implementation of the existing
4 base rate that Beaver Falls charges to the Contributing Municipalities. This base rate will
5 then change by a Consumer Price Index (“CPI”) on January 1 of each year, except for
6 years where Aqua will have new base rates effective through a base rate case. In the
7 years where new base rates will be effective from a base rate proceeding, the increase
8 will be what the Commission determines is a just and reasonable increase for the
9 Contributing Municipalities.

10

11 **Q. Could the terms of this pro forma agreement change through negotiation?**

12 A. Yes. As stated above, the Company is intending to negotiate this pro forma agreement.
13 Through such negotiation, it is possible that the final terms may be different from what is
14 presented in the initial Application filing. The Company will provide any updated
15 agreement to the parties for their review. The Company will present the final form of
16 agreement to the Commission for approval under Section 507.

17

18 **Q. Are there any other municipal contracts to be approved under Section 507?**

19 A. Yes. The Application includes additional contracts to be approved under Section 507 in
20 Exhibits F11 and 12.

21

22

AQUA PENNSYLVANIA WASTEWATER, INC.
DIRECT TESTIMONY OF WILLIAM C. PACKER

1 **IX. CONCLUSION**

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

3 A. Yes it does. However, I reserve the right to supplement my testimony as additional
4 issues and facts arise during the course of this proceeding.

Appendix A

**Aqua Pennsylvania, Inc. - Water
City of Beaver Falls - Wastewater**

1.)	<u>City of Beaver Falls - Wastewater</u>	2023	
		Year 1	Notes
	Revenue	\$ 2,463,118	
	O&M	1,462,000	
	Depreciation	1,307,096	***3.09% Composite Depreciation Rate
	Taxes Other	73,263	
	Income Taxes	\$ (318,864)	*****21% Federal & 8.99% State
	Operating Income	\$ (60,377)	
	Rate Base at Fair Market Value	\$ 41,250,000	
	Capital Investments (Year 1)	\$ 1,050,834	
	Rate Base (Including Capital Investments less depreciation year 1)	\$ 40,993,739	
	Interest Expense ^	755,105	
	^ Includes Interest Expense synchronized with rate base		
	Required Operating Income (Rate Base x Rate of Return)	\$ 2,966,717	
	Operating Income Deficiency	\$ 3,027,094	
	Gross Revenue Conversion Factor	1.416433	
	Revenue Deficiency (Excess) \$	\$ 4,288,000	
	Revenue Deficiency (Excess) %	174.09%	
	Increase applied to Acquired (Authority) customers 80% Cost of Service	\$ 2,937,776	
	Increase %	119.27%	
	Increase applied to Acquired (Authority) customers 100%	\$ 4,288,000	
	Increase %	174.09%	
	Increase applied to Acquired (Authority) customers 50%	\$ 2,144,000	
	Increase %	87.04%	
	Increase applied to Existing (Company Wastewater) customers 50%	\$ 2,144,000	
	Increase %	3.08%	
	Increase applied to Existing (Company Water) customers 20% - Cost of Service	\$ 1,350,224	
	Increase %	0.24%	

	Avg. Usage / Kgal	Estimated Quarterly Increase	Estimated Percentage Increase
Residential (Domestic) - 80% Cost of Service	9.49	\$ 115.98	119.27%
Commercial - 80% Cost of Service	39.87	\$ 422.57	119.27%
Industrial - 80% Cost of Service	96.71	\$ 332.05	119.27%
Public - 80% Cost of Service	69.26	\$ 719.17	119.27%
Bulk - 80% Cost of Service	6,354.46	\$ 34,408.71	119.27%
Bulk Other (Dalton) - 80% Cost of Service	440.53	\$ 7,951.38	119.27%
Residential - 100% Revenue Deficiency	9.49	\$ 169.28	174.09%
Commercial - 100% Revenue Deficiency	39.87	\$ 616.78	174.09%
Industrial - 100% Revenue Deficiency	96.71	\$ 484.66	174.09%
Public - 100% Revenue Deficiency	69.26	\$ 1,049.70	174.09%
Bulk - 80% Revenue Deficiency	6,354.46	\$ 50,223.20	174.09%
Bulk Other (Dalton) - 80% Revenue Deficiency	440.53	\$ 11,605.89	174.09%
Residential - 50% Revenue Deficiency	9.49	\$ 84.64	87.04%
Commercial - 50% Revenue Deficiency	39.87	\$ 308.39	87.04%
Industrial - 50% Revenue Deficiency	96.71	\$ 242.33	87.04%
Public - 50% Revenue Deficiency	69.26	\$ 524.85	87.04%
Bulk - 80% Revenue Deficiency	6,354.46	\$ 25,111.60	87.04%
Bulk Other (Dalton) - 80% Revenue Deficiency	440.53	\$ 5,802.94	87.04%
Impact Existing Customers (Company Wastewater) - Residential - 50%	4.00	\$ 2.60	3.08%
Impact Existing Customers (Company Wastewater) - Commercial - 50%	8.33	\$ 4.13	3.08%
Impact Existing Customers (Company Wastewater) - Industrial - 50%	1.50	\$ 1.41	3.08%
Impact Existing Customers (Company Wastewater) - Public - 50%	8.33	\$ 4.13	3.08%
Impact Existing Customers (Company Water) - Residential - 20% Cost of Service	4.00	\$ 0.19	0.24%
Impact Existing Customers (Company Water) - Commercial - 20% Cost of Service	33.38	\$ 1.07	0.24%
Impact Existing Customers (Company Water) - Industrial - 20% Cost of Service	200.15	\$ 5.17	0.24%
Impact Existing Customers (Company Water) - Public - 20% Cost of Service	33.38	\$ 1.07	0.24%

2.)	<u>Rate of Return</u>	Ratio	Cost Rate	WACC
	Debt	46.05%	4.00%	1.84%
	Equity	53.95%	10.00%	5.40%
		100.00%		7.24%

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

**Aqua Pennsylvania, Inc. - Water
Calculation of City of Beaver Falls - Wastewater - Present Revenues**

<i>Address Type</i>	<i>Service</i>	<i>Billed Dollars</i>	<i>Quarterly Minimum Fee Up to 3 Kgal</i>	<i>Rate per Kgal</i>	<i>Customers</i>	<i>EDUs</i>	<i>Total Usage</i>	<i>Average Usage</i>	<i>Average Quarterly Bill</i>	<i>Average Monthly Bill</i>
Domestic	Wastewater	\$1,119,810	\$42.37	\$8.46	2,879	3,078	109,238,000			
Domestic/Residential Total		\$1,119,810			2,879	3,078	109,238,000	9,486	\$ 97.24	
Commercial	Wastewater	\$391,141	\$42.37	\$8.46	276	376	44,017,000			
Commercial Total		\$391,141			276	376	44,017,000	39,870	\$ 354.29	
Industrial	Wastewater	\$23,385	\$42.37	\$8.46	7	7	2,708,000			
Industrial Total		\$23,385			7	7	2,708,000	96,714	\$ 835.19	\$ 278.40
Public	Wastewater	\$41,002	\$42.37	\$8.46	17	17	4,710,000			
Public Total		\$41,002			17	17	4,710,000	69,265	\$ 602.97	
Bulk	Wastewater	\$807,780		\$4.54	7	3,767	177,925,000			
Bulk Total		\$807,780			7	3,767	177,925,000	6,354,464	\$ 28,849.27	
Bulk Other		\$80,000		\$4.54	1	1	1,762,115			
Bulk Total		\$80,000			1	1	1,762,115	440,529	\$ 20,000.00	\$ 6,666.67
Total Service Revenue		\$2,463,118			3,187	7,246	340,360,115			

Aqua Pennsylvania, Inc. - Water
Calculation of City of Beaver Falls - Wastewater - Operating and Maintenance Expenses

	2023
	<u>Year 1</u>
<u>OPERATING AND MAINTENANCE EXPENSES:</u>	
O&M Labor Exp Reg	\$ 435,000
O&M Labor Exp OT	20,000
O&M Employee Benefits	260,000
O&M Sludge Removal	62,000
O&M Purchased Power	125,000
O&M Chemicals	33,000
O&M Mgmt Fees	126,000
O&M Cust Ops ACO (@ \$10.00 per customer)	70,000
O&M OS Engineering	25,000
O&M OS Lab Testing	15,000
O&M OS Operations	-
O&M OS Maintenance	215,000
O&M Supplies	16,000
O&M Supplies	60,000
Total O&M Expenses =>	<u><u>\$ 1,462,000</u></u>

Aqua Pennsylvania, Inc. - Water
Calculation of City of Beaver Falls - Wastewater - Taxes Other Than Income

<u>TAXES OTHER THAN INCOME (PRE-RATE CASE)</u>	<u>Rate</u>	<u>Year 1</u>
Payroll Taxes (FICA, FUTA, SUTA)	8.000%	\$ 34,800
Property Taxes / (Purta)	0.890%	\$ 21,922
Regulatory Assessments	0.672%	\$ 16,541
Total		<u>\$ 73,263</u>

Assessment Rates

Public Utility Commission	0.47%
Consumer Advocate	0.16%
Small Business Advocate	0.03%
Damage Prevention Committee	0.01%

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

Schedule A-2
Witness: William C. Packer

AQUA PENNSYLVANIA, INC.
NUMBER OF CUSTOMERS SERVED
AND WHOSE BILLS WILL BE CHANGED

LINE NO.	CUSTOMER CLASS (1)	SERVED AT 3/31/2020 (2)	SERVED AT 3/31/2021 (3)	TO BE SERVED AT 3/31/2022 (4)	TO BE SERVED AT 3/31/2023 (5)	INCREASED BILLS (6)	DECREASED BILLS (7)	UNCHANGED BILLS (8)
1	Metered:							
2	Residential	398,180	400,887	401,624	402,361	402,250	-	111
3	Commercial	22,385	22,521	22,492	22,463	22,463	-	-
4	Industrial	740	728	728	728	728	-	-
5	Public	1,184	1,184	1,184	1,184	1,184	-	-
6	Bulk Water	-	-	-	-	-	-	-
7	Private Fire Protection	5,449	5,550	5,550	5,550	5,550	-	-
8	Sales to Water Utilities	10	13	13	13	13	-	-
9	Total Metered Customers	427,948	430,883	431,591	432,299	432,188	-	111
10	Other:							
11	Unmetered	2,801	2,246	2,246	2,246	2,229	-	17
12	Availability Charge	-	-	-	-	-	-	-
13	Public Fire Protection	268	267	267	267	267	-	-
14	Private Fire Protection	863	868	868	868	868	-	-
15	Total Customers	431,880	434,264	434,972	435,680	435,552	-	128

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

Schedule A-2
Witness: William C. Packer

AQUA PENNSYLVANIA WASTEWATER, INC.
NUMBER OF CUSTOMERS SERVED
AND WHOSE BILLS WILL BE CHANGED

LINE NO.	CUSTOMER CLASS (1)	SERVED AT 3/31/2020 (2)	SERVED AT 3/31/2021 (3)	TO BE SERVED AT 3/31/2022 (4)	TO BE SERVED AT 3/31/2023 (5)	INCREASED BILLS (6)	DECREASED BILLS (7)	UNCHANGED BILLS (8)
1	Residential	31,411	37,986	38,078	38,170	37,829	70	271
2	Commercial	1,715	2,227	2,227	2,227	2,226	-	1
3	Industrial	9	9	9	9	9	-	-
4	Public	60	62	62	62	62	-	-
5	Miscellaneous	-	-	-	-	-	-	-
6	Availability Charge	-	-	-	-	-	-	-
7	Total Customers	33,195	40,284	40,376	40,468	40,126	70	272
ADD Lower Makefield Res Com Ind					10,918			235
East Whiteland Res/Com					3,895			-
Total Existing WW Customers					55,614			

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

Docket No. R-2021-3027385

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

Docket No. R-2021-3027385

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

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

Notes:
(1) The allocation between wastewater operations and water operations is achieved by the proposed consolidation of water and wastewater revenue requirements to derive the water and wastewater rates proposed by the Company in this case.

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

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

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

Where applicable, present rates includes DSIC at 5.00%.

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

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

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

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

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

Where applicable, present rates includes DSIC at 5.00%.

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

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

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

<u>Current Rate Zone / Division</u>	<u>Current Rate Zone</u>	<u>New Rate Zone</u>	<u>Avg. Consumption</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Metered Number of Bills</u>	<u>Metered & Unmetered Number of Bills</u>
RZ 1 - Media	1	1	3,700	\$ 62.08	\$ 90.30	\$ 28.22	45.47%	12	12
RZ 9 - Cheltenham	9	9	1,250	\$ 25.78	\$ 40.88	\$ 15.10	58.57%	108	108
Weighted Average INDUSTRIAL Bill (Meterd & Unmetered) =>						\$ 45.82			
Weighted Average INDUSTRIAL Consumption (Meterd & Unmetered) =>						1,495.00			

Where applicable, present rates includes DSIC at 5.00%.

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

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

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

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

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

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

Where applicable, present rates includes DSIC at 7.50%.

*Consumption Charge Exceptions

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

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

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

*Consumption Charge Exceptions

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

<u>Current Rate Zone / Division</u>	<u>Current Rate Zone</u>	<u>New Rate Zone</u>	<u>Meter Size</u>	<u>Avg. Consumption</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Number of Bills</u>
Rate Zone 1	1	1	5/8"	201,400	\$ 1,976.42	\$ 2,162.72	\$ 186.30	9.43%	9,057
Rate Zone 2	2	1	2"	201,400	\$ 2,053.29	\$ 2,306.21	\$ 252.93	12.32%	60
Rate Zone 3	3	3	5/8"	36,800	\$ 452.53	\$ 491.00	\$ 38.47	8.50%	12
Phoenixville	Phoenixville	Phoenixville	5/8"	3,600	\$ 14.13	\$ 20.88	\$ 6.75	47.76%	48
				WA Consumption =>	200,150	WA Bill => \$	2,150.27		

Where applicable, present rates includes DSIC at 7.50%.