

# **EXHIBIT Y**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**AQUA PENNSYLVANIA WASTEWATER, INC.**

**DOCKET NO. A-2023-3041695**

**AQUA STATEMENT NO. 3**

**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**

**November 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, Bryn  
4       Mawr, Pennsylvania 19010.

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

7   A.    I am employed by Essential Utilities, Inc. (“Essential”), as Vice President, Regulatory  
8       Accounting and Regional Controller. In this position, I am the Regional Controller of Aqua  
9       Pennsylvania, Inc. (“Aqua PA”), and Aqua New Jersey, Inc. (“Aqua NJ”). Additionally, I  
10      oversee rate issues for all subsidiaries of Essential. Aqua PA is the parent company to  
11      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 (“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’s  
20      Service Company. I was employed there for four years in several roles, including Senior  
21      Fixed Assets/Job Cost Accountant, Financial Support Analyst, and Accounting Supervisor  
22      Fixed Assets. At American, I had the opportunity to support the rate-making process by

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1 working closely with operating subsidiaries in 23 states, preparing schedules and  
2 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 and since then have assumed increasing  
6 levels of responsibility and promotions. In April 2017, I was promoted to Vice President  
7 – Controller of Aqua PA. In 2020, I was promoted to my current position of Vice President,  
8 Regulatory Accounting and Regional Controller where I have additional responsibilities to  
9 oversee rates and regulatory accounting matters of Essential.

10 In addition to my corporate experience, I served three terms as a Councilman in the  
11 Borough of Woodbury Heights, New Jersey. In that role, I served as the Chairman of the  
12 Finance, Administration, and Personnel committee; in addition, I served as a member of  
13 the Public Safety and Streets/Roads committees. I was elected as Mayor of the Borough  
14 of Woodbury Heights in November of 2018 and was sworn in on January 5, 2019. I was  
15 re-elected as Mayor in November of 2022 and sworn in on January 8, 2023. The Borough  
16 of Woodbury Heights is one of 565 municipalities in New Jersey and has a population of  
17 approximately 3,000 residents.

18  
19 **Q. Have you testified before the Pennsylvania Public Utility Commission (“PUC” or the**  
20 **“Commission”) before?**

21 **A.** Yes, I have testified in various proceedings before the Commission, including, Aqua PA’s  
22 last six rate cases, Aqua’s nine previous Section 1329 proceedings, and Aqua PA’s sole  
23 water Section 1329 proceeding.

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

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

7  
8 **Q. Are you sponsoring any Exhibits with your Direct Testimony?**

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

12  
13 **Q. Has the Company filed an application with the Commission for regulatory approval  
14 to acquire the wastewater system assets of the GSA?**

15 A. Yes.

16  
17 **Q. What is Aqua seeking in its Application?**

18 A. There are three requests. First, Aqua is requesting approval of the Proposed Transaction  
19 under Section 1102 of the Public Utility Code (the “Code”), 66 Pa.C.S. § 1102, similar to  
20 many requests that come before the Commission. Second, pursuant to Act 12 of 2016  
21 (“Act 12”), 66 Pa.C.S. § 1329, Aqua is seeking to utilize fair market value for the  
22 determination of the ratemaking rate base of the System. Third, Aqua is requesting that  
23 the Commission approve, to the extent necessary, the Asset Purchase Agreement (“APA”)

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1           between Aqua and the GSA, and for certain municipal contracts which will be assigned to  
2           Aqua or entered into by Aqua at closing on the Proposed Transaction pursuant to Section  
3           507 of the Code, 66 Pa.C.S. § 507.

4

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

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

10

11   **Q.    Can you generally opine on the purpose of Section 1329 and the Commission’s view**  
12           **of this provision of the Code?**

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

20                   Section 1329 recognizes that no reasoned argument would propose  
21                   that these public assets are of marginal value simply because the  
22                   book value and the Commission’s traditional rate setting  
23                   methodology dictate as much. Rather, the valuation methods of  
24                   Section 1329 provide municipalities and authorities with a wholistic

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<sup>1</sup> *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”).

<sup>2</sup> TSIO at 7.

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1 recognition of the fair market value of the public assets they seek to  
2 sell based on a balancing of accepted business valuation principles,  
3 specifically, the cost, market, and income approaches. 66 Pa. C.S.  
4 § 1329(a). Thus, for sale purposes, Section 1329 works to value the  
5 public assets as the businesses they are as opposed to what their  
6 value might be under regulatory accounting for depreciated utility  
7 assets.<sup>3</sup>

8 ...

9 Section 1329 enables a Seller to price its public assets at a market  
10 value based on reasonable business valuation principles and enables  
11 a Buyer to recover its investment in those public assets at that  
12 market-based value.<sup>4</sup>

13  
14 **Q. What does the Commission require for the approval of the certificate that utilizes**  
15 **Section 1329?**

16 A. In its Final Implementation Order entered October 27, 2016, in Docket No. M-2016-  
17 2543193 (“Final Implementation Order”), the Commission referenced the checklist in the  
18 Tentative Implementation Order for items to include with the application for it to be  
19 processed in a six-month time frame. This checklist was subsequently updated in March  
20 2017. The Commission released its Final Supplemental Implementation Order (“FSIO”)  
21 on February 28, 2019 at Docket No. M-2016-2543193,<sup>5</sup> which included an updated  
22 checklist, standard data requests (“SDRs”), jurisdictional exceptions, and form testimony  
23 for Utility Valuation Experts (“UVEs”). Aqua has included references with the Checklist  
24 indicating where in the Application the relevant information is located.

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<sup>3</sup> TSIO at 6.

<sup>4</sup> TSIO at 7.

<sup>5</sup> *Implementation of Section 1329 of the Public Utility Code*, Docket No. M-2016-2543193 Final Supplemental Implementation Order at 32 (Feb. 28, 2019).

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1    **II.    OVERVIEW OF AQUA PA AND AQUA**

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

3    A.    Aqua PA is the second largest investor-owned regulated water/wastewater utility operating  
4        in the Commonwealth of Pennsylvania. Aqua PA provides water and wastewater utility  
5        service to approximately 510,000 customers – 450,000 water and 60,000 wastewater.  
6        Aqua PA employs approximately 600 highly trained utility professionals to achieve its  
7        mission to provide safe, adequate, and reliable utility service at reasonable rates. In  
8        addition, Aqua PA is one of eight regulated water and wastewater subsidiaries of Essential,  
9        which brings to bear its own financial, technical, and managerial resources to assist in Aqua  
10       PA’s mission.

11           Aqua is a subsidiary of Aqua PA and is engaged in the business of collecting,  
12        treating, transporting, and disposing of wastewater for the public. Aqua provides  
13        wastewater service to customers in Adams, Berks, Bucks, Carbon, Chester, Clarion,  
14        Clearfield, Delaware, Lackawanna, Luzerne, Monroe, Montgomery, Pike, Schuylkill,  
15        Venango, and Wyoming Counties.

16  
17    **Q.    Please provide an overview of the Proposed Transaction.**

18    A.    After arms-length negotiations between Aqua and the GSA, the APA, dated April 27, 2023,  
19        was signed and executed, providing for the sale of the assets, properties and rights of the  
20        System. The purchase price totaled \$18,000,000. According to the APA, the acquired  
21        customers will be charged the GSA’s existing rates upon Closing. Aqua’s tariff rules and  
22        regulations will apply following Closing.

23

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1   **III.   FITNESS**

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

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

6  
7   **Q.   Please describe how the Company is financially fit to own and operate the System.**

8   A.   As I mentioned in my overview, Aqua PA, as parent company to Aqua, is a Class A water  
9       utility in the Commonwealth. Aqua PA is the largest water/wastewater subsidiary of  
10      Essential, with total net utility plant assets of \$4.4 billion and annual operating revenues of  
11      \$545 million in 2022. As of December 31, 2022, Aqua PA had operating income of  
12      approximately \$272 million and net income of \$208 million, and its cash flows from  
13      operations equaled approximately \$275 million. Aqua PA has an A rating from Standard  
14      and Poor’s Rating Service and has approximately \$2.0 billion in outstanding long-term  
15      debt at a weighted average interest rate of approximately 4.10%. Aqua PA also utilizes  
16      low-cost long-term debt financing instruments through the Pennsylvania Infrastructure  
17      Investment Authority (“PENNVEST”), representing about 1.04% of Aqua PA’s total debt  
18      portfolio. In addition to Aqua PA’s access to long-term debt, Aqua PA has its short-term  
19      credit facility of \$100 million and has access to equity capital as a subsidiary of Essential.

20           Aqua is a Class A wastewater utility in the Commonwealth, with total net utility  
21      plant assets of approximately \$497 million and annual revenues of approximately \$60  
22      million, as of December 31, 2022. Aqua, as a subsidiary of Aqua PA, has access to all of  
23      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 short-  
4 term credit funding will be converted to a mix of long-term debt and equity capital after  
5 Closing.

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 PA's  
10 corporate credit rating.

11

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

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

14 A. Under the provisions of Paragraph 7.04(a) of the APA, as of the day of Closing, Aqua will  
15 charge the same sanitary wastewater base rates as those previously charged by the GSA  
16 and Aqua shall apply its then-existing rules, regulations, fees, and charges as reflected in  
17 its Tariff, as amended from time to time.

18

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

20 A. A rate stabilization plan is defined in Section 1329(g) of the Code, 66 Pa.C.S. § 1329(g),  
21 as a plan that will hold rates constant or phase rates in over a period of time after the next  
22 base rate 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 GSA’s current rates. There is no  
7       language in Aqua’s proposed tariff requesting that rates be held constant or phased in over  
8       a period of time after the next base 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 the GSA’s customers at this**  
12       **time?**

13   A.    No. Following closing, Aqua intends to amend its Long-Term Infrastructure Improvement  
14       Plan (“LTIIP”) to include the GSA in the LTIIP and file the amended LTIIP with the PUC.  
15       The Company will include a request in that filing to initiate the DSIC for the GSA’s  
16       customers as permitted by Section 1329.

17

18   **Q.    Please explain how the Company will bill the GSA’s customers after closing.**

19   A.    Currently, the GSA bills end use customers on a monthly basis based on water usage.  
20       Metered water usage information is provided by the Municipal Authority of the Borough  
21       of Greenville – Greenville Water Authority (“GWA”), which provides water service to  
22       customers in Greenville and in the Contributing Municipalities. Pursuant to its agreements  
23       with the Contributing Municipalities, the Contributing Municipalities bill their own

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1 residents at established rates, then, subject to any allowed contractual withholding, the  
2 Contributing Municipalities remit payment to the GSA. Hempfield remits payment to the  
3 GSA on a quarterly basis, and West Salem remits payment on a bi-monthly basis. The  
4 Company will continue to bill the GSA customers on a monthly basis and to collect fees  
5 from the Contributing Municipalities on a quarterly and bi-monthly basis. A schedule of  
6 rates tariff page implementing rates for the GSA customers post-Closing is attached to the  
7 Application as Exhibit G.

8  
9 **VI. PUBLIC INTEREST**

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

11 A. I, along with the other witnesses, will discuss a number of reasons why the Proposed  
12 Transaction is in the public interest. The Commonwealth and the PUC have a long-  
13 standing record of support for consolidation of water/wastewater systems, because it  
14 provides the utility industry a better chance to realize the benefits of better management  
15 practices, economies of scale, and the resulting greater customer/environmental/economic  
16 benefits. The Commission has previously stated that “acquisitions of smaller systems by  
17 larger more viable systems will likely improve the overall long-term viability of the water  
18 and wastewater industry.”<sup>6</sup> Additionally, these types of acquisitions will also enhance the  
19 quality of ratepayers’ daily lives, promote community economic development, and provide  
20 environmental enhancements.”<sup>7</sup> Ultimately, these benefits inure to customers both existing

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<sup>6</sup> See 66 Pa. Code § 69.721(a) (“The Commission believes that further consolidation of water and wastewater systems within this Commonwealth may, with appropriate management, result in greater environmental and economic benefits to customers. The regionalization of water and wastewater systems through mergers and acquisitions will allow the water industry to institute better management practices and achieve greater economies of scale.”)

<sup>7</sup> *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 and acquired. The Proposed Transaction with the GSA is no exception to the principles  
2 noted by the PUC in its Policy Statement. The benefits are evident by Aqua PA's and  
3 Aqua's successful acquisition of numerous water and wastewater utilities in their over  
4 approximately 135 years of operation.

5  
6 **Q. Please discuss the Company's track record of acquiring and improving wastewater  
7 systems in the Commonwealth.**

8 A. Aqua currently provides utility service to approximately 60,000 wastewater customers in  
9 the Commonwealth and has years of experience operating wastewater treatment and  
10 collection systems in a safe, reliable and efficient manner. Moreover, Aqua has the  
11 managerial, technical, and financial resources to continue to operate, maintain and improve  
12 the System.

13 Aqua and Aqua PA are essentially the compilation of smaller systems that have  
14 been acquired over the last 135 years and make both utilities what they are today. Aqua  
15 has acquired 15 wastewater systems over the past 10 years.<sup>8</sup> Many of these systems  
16 required significant investment to correct service and environmental issues. Other systems  
17 did not need substantial capital investment. The inherent diversification of systems and  
18 customers provides a foundation of stability in the day to day, month to month, and year to  
19 year operations of the utility, in that, they are all not requiring major capital investments at  
20 the same time. Thus, spreading the financial impacts over the long-term operations of the  
21 utility. I would submit that if Aqua were permitted to acquire only non-viable systems,

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<sup>8</sup> North Heidelberg Sewer Company (2023); 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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1 rather than a mix of viable and non-viable, this would have a significant impact on its  
2 existing customers' rates and service. Consolidation of both types of systems, viable and  
3 non-viable, is consistent with the Commission's policy statements regarding acquisitions.

4 The GSA System is in need of significant infrastructure investment as outlined in  
5 Greenville Statement No. 1, the Direct Testimony of Mr. Urey, and Aqua Statement No. 2,  
6 the Direct Testimony of Mr. Bubel. The GSA System also suffers from various operational  
7 and safety deficiencies as identified in Aqua Statement Nos. 1 and 4 – Direct Testimonies  
8 of Mr. Martin and Mr. Childers, respectively. The acquisition of the GSA System will  
9 continue to address the Commission's supported policy of acquiring troubled systems in  
10 the Commonwealth.

11  
12 **Q. Did the Commonwealth Court refer to the Commission's policy of**  
13 **consolidation/regionalization and Aqua's expertise in system operations and ability**  
14 **to raise capital in its opinion in *McCloskey v. Pa. P.U.C.* addressing Aqua's transaction**  
15 **with New Garden Township?**

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

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1 held were sufficient to meet the public benefit standard and substantial evidence to support  
2 the notion that there is a public benefit for the transaction.

3  
4 **Q. Does the Commonwealth Court’s recent reversal of the PUC’s approval of Aqua’s**  
5 **acquisition of the East Whiteland wastewater system<sup>9</sup> impact the standard of review**  
6 **for the approvals requested in connection with the Proposed Transaction?**

7 A. Again, I am not a lawyer. But, having reviewed the referenced decision, I understand that  
8 if the Pennsylvania Supreme Court does not grant the pending appeal, or if upon review  
9 the Commonwealth Court’s decision in *Cicero* is affirmed, then the standard applicable for  
10 approvals under Sections 1103(a) and 1329 of the Code, which follows the public benefits  
11 test set forth in *McCloskey*, may ultimately be viewed differently. The Commonwealth  
12 Court stated:

13 Thus, in every Section 1329 case, it must be shown that the  
14 affirmative public benefits that arise from and are specific to a  
15 transaction outweigh the harms of the transaction, such that approval  
16 of the transaction will “**affirmatively promote** the service,  
17 accommodation, convenience, or safety of the public in **some**  
18 **substantial way.**” *City of York*, 295 A.2d at 828 (quotation marks  
19 omitted) (emphasis added). And, as stated above, the benefits or  
20 potential benefits arising from the aspirational statements of Aqua  
21 and its technical, financial, and operational assistance are not  
22 substantial enough to outweigh the known harms of this proposed  
23 transaction, making this matter distinguishable from *City of York*  
24 and *Popowsky*.<sup>10</sup>

25 While this decision is pending appeal to the Pennsylvania Supreme Court, in this  
26 Application the Company has included an extensive list of affirmative public benefits  
27 which far outweigh any potential harms of an estimated future rate impact to customers.

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<sup>9</sup> *Cicero v. Pennsylvania Public Utility Commission*, 300 A.3d 1106 (Pa. Commw. Ct. 2023) (cited as “*Cicero*”).

<sup>10</sup> *Id.* at 1120 (emphasis in original).

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1   **Q.    Will the GSA’s customers benefit from the Proposed Transaction?**

2    A.    Yes, as mentioned in the Direct Testimonies of Mr. Urey, Mr. Martin and Mr. Bubel, Aqua  
3       will correct major operational and safety issues impacting the system.  The Proposed  
4       Transaction will not have any immediate impact on the rates of either the GSA’s customers  
5       or the existing customers of Aqua.  The Company is projecting that there will likely be less  
6       operating and maintenance costs under its ownership through reductions in costs for  
7       wastewater maintenance, as well as efficiencies in administrative and general costs, such  
8       as insurance, auditing and legal, and environmental, among others.  Specifically,  
9       referencing the GSA’s 2022 Financial Statements, Total Operating and Maintenance  
10      Expenses for the System were approximately \$1.160 Million, whereas the Company is  
11      projecting annual expenses of approximately \$0.996 Million, or an approximate 14%  
12      reduction.

13               There is also a general public benefit for the GSA customers in that Aqua is subject  
14      to the regulatory oversight of the PUC requiring it to provide safe, adequate and reliable  
15      service at just and reasonable rates.  The GSA is not subject to the PUC’s jurisdiction and  
16      thus, no such regulatory oversight currently exists for the GSA.  Similarly, there is a general  
17      public benefit to the residents of Greenville related to the increased tax revenues that Aqua  
18      will pay following the closing of the Proposed Transaction.  Having additional property  
19      subject to tax does provide a benefit as a result of the Proposed Transaction.  And, even  
20      with this additional operating expense, as I noted above, Aqua is still anticipating a savings  
21      in operational expenses from those currently incurred by the GSA to operate the System.

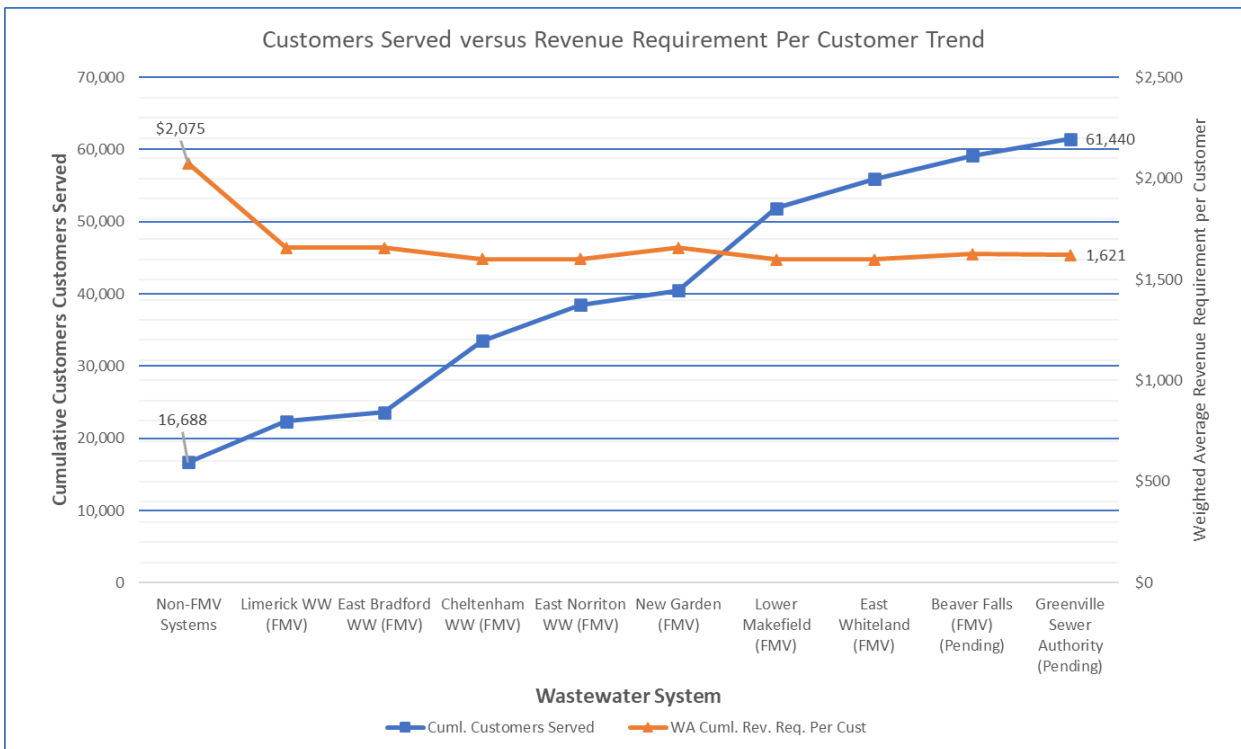
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1 **Q. Will Aqua’s existing customers benefit from the Proposed Transaction?**

2 A. Yes. The acquisition of the System will be an approximate 4% increase in Aqua’s customer  
3 base. By virtue of the Company’s larger customer base, future infrastructure investments  
4 across the state will be shared at a lower incremental cost per customer for all of Aqua’s  
5 customers. This is demonstrated in the below chart (Figure 1) I have developed using  
6 revenue requirement data for Aqua’s legacy non-fair market value systems, all acquired  
7 prior to 2018, and also includes subsequent fair market value systems acquired, approved  
8 to be acquired, and including the pending Beaver Falls acquisition. Figure 1 shows the  
9 linear trend line of the combined weighted average revenue requirement per customer of  
10 Aqua’s legacy non-fair market value systems at \$2,075 annually, which is a declining trend  
11 and demonstrates economies of scale that have been realized from prudent acquisition  
12 growth including systems such as the GSA:

13 **Figure 1**



14

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1           The above chart is an example of the economies of scale realized by the Company  
2 as a result of acquisitions and demonstrates the provision of wastewater by Aqua to more  
3 customers at a lower overall cost per customer. Examples of the types of economies of  
4 scale that Aqua has recognized as a result of acquisitions include:

- 5           • Acquisition of supplies at a lower cost due to its purchase of those supplies in  
6           greater quantities due to its size and scale, such as chemicals, mains and materials;
- 7           • Acquisition of lower cost purchased power due to Aqua's ability to negotiate more  
8           favorable rates for things such as electricity, fuel, and natural gas required in the  
9           provision of services to customers;
- 10          • Flexibility and efficiency in the provision of emergency and operational equipment  
11          required for continued operation of facilities, such as deployment of mobile  
12          generators or use of specialized equipment for repairs, which municipal utilities  
13          frequently have to rent at a cost; and
- 14          • Reduced or eliminated reliance on outside professionals for  
15          design/engineering/construction needs, as Aqua or its parent, Essential, employs a  
16          large number of professionals capable of performing those tasks.

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

22

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

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

4 A. The current average monthly bill of a GSA residential customer is approximately \$23.09  
5 per month. As my calculations in Appendix A illustrate, the average bill would increase  
6 to approximately \$64.84 per month or a 180.85% increase, which assumes that one hundred  
7 percent of the revenue requirement deficiency is borne by the acquired customers of the  
8 GSA. While this quantification is one possible outcome, as the Commission noted in its  
9 FSIO “the Section 1329 valuation could have a highly unlikely rate effect of \$0. Equally  
10 unlikely is the full allocation of all costs – acquisition and perhaps others – to a rate division  
11 consisting of only the customers of the acquired municipal system. The more likely  
12 *outcome* is indeterminate; it will be found somewhere between possible extremes.”<sup>11</sup>

13  
14 **Q. Please restate what the full cost of service rate would be if GSA customers were given**  
15 **no allocation (either current Aqua wastewater customers or current water customers)**  
16 **by the Commission in a rate case that included the GSA system.**

17 A. At \$64.84 per month for an average customer bill, the underlying rates for the GSA would  
18 be covering 100% of the cost of service for the acquisition including the return on/of rate  
19 base and operating costs with zero allocation to other existing Aqua customers.

20

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<sup>11</sup> *Implementation of Section 1329 of the Public Utility Code*, Docket No. M-2016-2543193, FSIO at 32(emphasis original).

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

1 **Q. How does this full cost of service rate compare to other Aqua rate zones?**

2 A. The estimated GSA average bill of \$64.84 per month is approximately 27% lower than the  
3 weighted average of all Aqua's wastewater rate zones from its most recent rate case and  
4 approximately 32% lower than Aqua's wastewater rate zone 1 from its most recent rate  
5 case.

6  
7 **Q. Why do you think the current rates of GSA are so low?**

8 A. As is the case with many systems I have reviewed previously, the GSA system has  
9 accumulated a great deal of deferred maintenance, thus showing the signs of aging and lack  
10 of consistent ongoing investment. This is further supported by the observations referenced  
11 in the Direct Testimonies of Mr. Martin and Mr. Bubel.

12  
13 **Q. Do you believe that the potential estimated rate increase at full cost of service is  
14 outweighed by the benefits that were described in your Direct Testimony and the  
15 Direct Testimonies of Mr. Urey, Mr. Martin, and Mr. Bubel?**

16 A. Yes, the benefits outweigh the potential rate impacts. While the percentage increase at face  
17 value one could think is problematic, the fact is that the current average bill for the GSA  
18 customers today at their existing rates is quite low because of the accumulation of deferred  
19 maintenance. Any effort to improve the system would on a percentage basis, draw one's  
20 attention. However, considering the facts and circumstances of this acquisition, notably the  
21 full cost of service average monthly bill at \$64.84 per month that is significantly lower than  
22 the current rates of the Company. Further, considering the substantial improvements that  
23 will be made by the Company to the GSA system. Lastly, considering the benefits of the

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

1 proceeds the GSA and its customers will receive by virtue of this acquisition. The potential  
2 rate impacts are far outweighed by the benefits.

3 There is also more flexibility and opportunity to deal with rate impacts over a much  
4 larger customer base. This benefits both existing and acquired customers alike to the extent  
5 costs can be shared between systems over longer periods of time such that rate shock and  
6 affordability are mitigated.

7  
8 **Q. Is the impact on rates outweighed by other positive factors from the Proposed**  
9 **Transaction?**

10 A. Yes. While Appendix A shows there could be future increases in rates as a result of the  
11 Proposed Transaction, this is not unexpected, and the possibility of increased rates in  
12 transactions such as this one is noted by the Commonwealth Court in *McCloskey* and, most  
13 recently, in *Cicero*. However, the positive factors from the Proposed Transaction outweigh  
14 the possibility of increased rates. These types of transactions further a recognized  
15 legislative objective and are consistent with the Commission's  
16 consolidation/regionalization policy. The Company's Application demonstrates that there  
17 will be both tangible and intangible positive factors that are likely realized as a result of  
18 the Proposed Transaction, including operational, security, and capital improvements, as  
19 well as expense efficiencies and economies of scale.

20

1 **VII. SECTION 1329 FAIR MARKET VALUE CONSIDERATIONS**

2 **Q. Is Aqua proposing that its Application be evaluated utilizing the Fair Market Value**  
3 **provisions of Section 1329 of the Code?**

4 A. Yes. The Company’s Application has been prepared with this in mind. Specifically, the  
5 Company is requesting that the ratemaking rate base of the System be based on the lesser  
6 of the average of the Fair Market Value Appraisals included in the Application or the  
7 purchase price pursuant to Section 1329 of the Code.

8  
9 **Q. Has Aqua prepared its Application in compliance with the Commission’s Final**  
10 **Implementation Order and FSIO?**

11 A. Yes. Aqua has provided all required documentation with its Application in accordance  
12 with the PUC’s updated application Checklist including, but not limited to: the Engineering  
13 Assessment of Assets, responses to SDRs, supporting testimony, and two independent Fair  
14 Market Value appraisals.

15  
16 **Q. Please provide an overview of the valuation process.**

17 A. Following the execution of the APA, the Company and the GSA agreed to engage KLJ  
18 Engineers, Inc. (“KLH”) to complete the Engineer’s Assessment, which is attached to the  
19 Application as Exhibit D. Both parties engaged their respective UVEs to perform a Fair  
20 Market Value analysis of the System in accordance with the Uniform Standards of  
21 Professional Appraisal Practice (“USPAP”), utilizing the cost, market, and income  
22 approaches. Aqua engaged the services of Gannett Fleming Valuation and Rate  
23 Consultants, LLC (“Gannett”) and has attached to its Application their Fair Market Value

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1 Appraisal as Exhibit Q. The GSA engaged the services of ScottMadden, Inc.  
2 (“ScottMadden”) and their Fair Market Value Appraisal is attached to the Application as  
3 Exhibit R. Both firms have been pre-certified as authorized UVEs by the PUC and are on  
4 the list of qualified appraisers maintained by the PUC.

5

6 **Q. Please describe the conclusions of the two appraisals used to determine the Fair**  
7 **Market Value of the GSA’s assets.**

8 A. The two appraisals used the USPAP employing the cost, market, and income approaches  
9 to arrive at the Fair Market Value of the System. The GSA-sponsored appraisal performed  
10 by ScottMadden arrived at a System value of \$18,757,633. The Company sponsored  
11 appraisal performed by Gannett arrived at a System value of \$24,060,000. Therefore, the  
12 Fair Market Value as defined in Act 12 is the average of these two appraisals which is  
13 \$21,408,817.

14

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

17 A. According to Section 1329, the ratemaking rate base is the lesser of either the purchase  
18 price in the APA, which is \$18,000,000, or the Fair Market Value which is \$21,408,817.  
19 In this instance, since the purchase price is lower than the fair market value, the ratemaking  
20 rate base for the System is \$18,000,000.

21

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

2    A.    The UVE fees for the Company’s appraisal received as of the date of the Application  
3        totaled \$20,442. The Company’s UVE fees will be included in the transaction and closing  
4        costs of this Proposed Transaction as stated below. Based on the scope of work, the  
5        methods used as accepted industry practice, and that the UVEs’ fees were less than 5% of  
6        the fair market value benchmark noted in the Final Implementation Order and FSIO, I  
7        believe the fees are reasonable. Per the Final Implementation Order, FSIO, and Checklist,  
8        the contract engaging the Company’s UVE, Gannett, along with Gannett’s invoices are  
9        included as Exhibit S1. The contract engaging the GSA’s UVE, ScottMadden, along with  
10       ScottMadden’s invoices are included as Exhibit S2.

11  
12   **Q.    Please comment on the transaction and closing costs?**

13    A.    The Company anticipates that the transaction and closing costs will be approximately  
14        \$487,250 including the Company’s UVE fees. The exact closing costs will be determined  
15        at Closing.

16  
17   **VIII.   SECTION 507**

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

20    A.    Yes. Aqua is first asking for the Commission to approve the APA between the GSA and  
21        Aqua. As noted in the Application, the GSA accepts wastewater flow into its collection  
22        system from the Contributing Municipalities, which is treated at the GSA treatment plant,  
23        pursuant to certain agreements with the Contributing Municipalities. The Application also

AQUA PENNSYLVANIA WASTEWATER, INC.  
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1 includes six contracts that will be assigned from the GSA to Aqua or entered into at Closing  
2 to be approved under Section 507 in Exhibits F1, F2, F3, F4, F5, and F6.

3

4 **IX. CONCLUSION**

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

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

**Aqua Pennsylvania, Inc. - Wastewater  
Greenville Wastewater**

1.)	<b><u>Greenville Wastewater</u></b>	<b>2023</b>	
		<b>Year 1</b>	<b>Notes</b>
	Revenue	\$ 1,229,219	
	O&M	996,206	
	Depreciation	605,269	***3.09% Composite Depreciation Rate
	Taxes Other	43,628	
	Income Taxes	\$ (212,111)	*****21% Federal & 8.99% State
	<b>Operating Income</b>	<b>\$ (203,773)</b>	
	Rate Base at Fair Market Value	\$ 18,000,000	
	Capital Investments (Year 1)	\$ 1,588,000	
	Rate Base (Including Capital Investments less depreciation year 1)	\$ 18,982,731	
	Interest Expense ^	349,662	
	^ Includes Interest Expense synchronized with rate base		
	<b>Required Operating Income (Rate Base x Rate of Return)</b>	<b>\$ 1,373,780</b>	
	<b>Operating Income Deficiency</b>	<b>\$ 1,577,554</b>	
	Gross Revenue Conversion Factor	1.409220	
	<b>Revenue Deficiency (Excess) \$</b>	<b>\$ 2,223,000</b>	
	<b>Revenue Deficiency (Excess) %</b>	<b>180.85%</b>	
	<b>Increase applied to Acquired (Authority) customers 80% Cost of Service Increase %</b>	<b>\$ 1,532,556</b> <b>124.68%</b>	
	<b>Increase applied to Acquired (Authority) customers 100% Increase %</b>	<b>\$ 2,223,000</b> <b>180.85%</b>	
	<b>Increase applied to Acquired (Authority) customers 50% Increase %</b>	<b>\$ 1,111,500</b> <b>90.42%</b>	
	<b>Increase applied to Existing (Company Wastewater) customers 50% Increase %</b>	<b>\$ 1,111,500</b> <b>1.60%</b>	
	<b>Increase applied to Existing (Company Water) customers 20% - Cost of Service Increase %</b>	<b>\$ 690,444</b> <b>0.12%</b>	

	Avg. Usage / Kgal	Estimated Monthly Increase	Estimated Percentage Increase
Residential - 80% Cost of Service	2.91	\$28.78	124.68%
Commercial - 80% Cost of Service	11.07	\$69.53	124.68%
Industrial - 80% Cost of Service	12.58	\$76.79	124.68%
Public - 80% Cost of Service	11.23	\$65.54	124.68%
Bulk - 80% Cost of Service	3,123.90	\$26,992.61	124.68%
Residential - 100% Revenue Deficiency	2.91	\$41.75	180.85%
Commercial - 100% Revenue Deficiency	11.07	\$100.85	180.85%
Industrial - 100% Revenue Deficiency	12.58	\$111.38	180.85%
Public - 100% Revenue Deficiency	11.23	\$95.06	180.85%
Bulk - 80% Revenue Deficiency	3,123.90	\$39,153.27	180.85%
Residential - 50% Revenue Deficiency	2.91	\$20.88	90.42%
Commercial - 50% Revenue Deficiency	11.07	\$50.42	90.42%
Industrial - 50% Revenue Deficiency	12.58	\$55.69	90.42%
Public - 50% Revenue Deficiency	11.23	\$47.53	90.42%
Bulk - 80% Revenue Deficiency	3,123.90	\$19,576.63	90.42%
Impact Existing Customers (Company Wastewater) - Residential - 50%	4.00	\$1.35	1.60%
Impact Existing Customers (Company Wastewater) - Commercial - 50%	8.33	\$2.14	1.60%
Impact Existing Customers (Company Wastewater) - Industrial - 50%	1.50	\$0.73	1.60%
Impact Existing Customers (Company Wastewater) - Public - 50%	8.33	\$2.14	1.60%
Impact Existing Customers (Company Water) - Residential - 20% Cost of Service	4.00	\$0.09	0.12%
Impact Existing Customers (Company Water) - Commercial - 20% Cost of Service	33.38	\$0.55	0.12%
Impact Existing Customers (Company Water) - Industrial - 20% Cost of Service	200.15	\$2.64	0.12%
Impact Existing Customers (Company Water) - Public - 20% Cost of Service	33.38	\$0.55	0.12%

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

3.)	<b><u>Gross Revenue Conversion Factor</u></b>		2024
	Dollar of Revenue		1.0000
	Less: Gross Receipts (Revenue) Tax		0.00%
	Less: Reg Assessments		0.67%
	Less: Bad Debts		1.17%
	State Taxable Income		0.9815794
	State Income Tax		8.49%
			8.33%
	Federal Taxable Income		0.8982433
	Federal Tax Rate		21.00%
	Federal Income Tax		0.19
	Net Revenue Dollar		0.71
	Gross Revenue Conversion Factor		1.41
	EFT		27.71%

**Aqua Pennsylvania, Inc. - WasteWater  
Calculation of Greenville Wastewater - Present Revenues**

<i>Address Type</i>	<i>Service</i>	<i>Billed Dollars</i>	<i>Quarterly Minimum Charge - 500 gal.</i>	<i>Avg. Rate per Kgal*</i>	<i>Customers</i>	<i>EDUs</i>	<i>Total Usage</i>	<i>Average Usage</i>	<i>Average Monthly Bill</i>	<i>Average Quarterly Bill</i>
Residential	Wastewater	\$576,687	\$10.50	\$3.86	2,082	2,353	72,593,000			
<b>Domestic/Residential Total</b>		<b>\$576,687</b>			<b>2,082</b>	<b>2,353</b>	<b>72,593,000</b>	<b>2,906</b>	<b>\$ 23.09</b>	<b>\$ 69.26</b>
Commercial	Wastewater	\$122,571	\$10.50	\$3.89	183	221	24,340,000			
<b>Commercial Total</b>		<b>\$122,571</b>			<b>183</b>	<b>221</b>	<b>24,340,000</b>	<b>11,074</b>	<b>\$ 55.76</b>	<b>\$ 167.29</b>
Industrial	Wastewater	\$1,478	\$10.50	\$4.06	2	2	302,000			
<b>Industrial Total</b>		<b>\$1,478</b>			<b>2</b>	<b>2</b>	<b>302,000</b>	<b>12,583</b>	<b>\$ 61.59</b>	<b>\$ 184.77</b>
Public	Wastewater	\$8,884	\$10.50	\$3.74	14	14	1,898,000			
<b>Public Total</b>		<b>\$8,884</b>			<b>14</b>	<b>14</b>	<b>1,898,000</b>	<b>11,231</b>	<b>\$ 52.57</b>	<b>\$ 157.70</b>
Bulk	Wastewater	\$519,600	*Contract*	N/A	2	1,827	74,973,575			
<b>Bulk Total</b>		<b>\$519,600</b>			<b>2</b>	<b>1,827</b>	<b>74,973,575</b>	<b>3,123,899</b>	<b>\$ 21,650.00</b>	<b>\$ 64,950.00</b>
<b>Total Service Revenue</b>		<b>\$1,229,219</b>			<b>2,283</b>	<b>4,418</b>	<b>174,106,575</b>			

**Aqua Pennsylvania, Inc. - WasteWater**  
**Calculation of Greenville Wastewater - Operating and Maintenance Expenses**

	<b>2023</b>
	<u>Year 1</u>
<u>OPERATING AND MAINTENANCE EXPENSES:</u>	
O&M Labor Exp Reg	\$ 305,412
O&M Labor Exp OT	6,592
O&M Employee Benefits	142,057
O&M Sludge Removal	60,000
O&M Purchased Power	76,000
O&M Chemicals	52,250
O&M Mgmt Fees	117,150
O&M Cust Ops ACO (@ \$10.00 per customer)	23,430
O&M OS Engineering	5,000
O&M OS Lab Testing	20,000
O&M Transportation	18,000
O&M OS Maintenance	130,250
O&M Supplies	9,225
O&M OS Other	30,840
 Total O&M Expenses =>	 <u><u>\$ 996,206</u></u>

**Aqua Pennsylvania, Inc. - WasteWater**  
**Calculation of Greenville 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%	\$ 24,433
Property Taxes / (Purta)	0.890%	\$ 10,940
Regulatory Assessments	0.672%	\$ 8,255
Total		<u>\$ 43,628</u>

**Assessment Rates**

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



**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</u>	<u>New</u>	<u>Avg. Consumption</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Metered</u>	<u>Metered &amp; Unmetered</u>
	<u>Rate Zone</u>	<u>Rate Zone</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 Mountan Lakes, Deertield Knoll, 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 - Honeycroft 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**

Current Rate Zone / Division	Current Rate Zone	New Rate Zone	Avg. Consumption	Present Rates	Proposed Rates	\$ Change	% Change	Metered	Metered & Unmetered
								Number of Bills	Number of Bills
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, Deerfield Knoll, Laurel Lakes, Links at Gettysburg, Stony Creek, Thornhurst, and Willistown Woods	3	3	39,400	\$ 399.95	\$ 539.89	\$ 139.95	34.99%	1,476	3,425
RZ 5 - East Bradford (Brandywine), Little Washington, Greens at Penn Oaks, Sage Hill and Plumsock	5	5	39,400	\$ 785.65	\$ 982.83	\$ 197.18	25.10%	42	42
RZ 6 - Masthope	6	6	39,400	\$ 82.99	\$ 165.27	\$ 82.28	99.14%	96	108
RZ 8 - East Bradford	8	8	44,500	\$ 335.21	\$ 569.71	\$ 234.49	69.95%	416	416
RZ 5 - Avon Grove School District	5	5	Flat	\$ 8,695.31	\$ 10,925.36	\$ 2,230.05	25.65%	12	12
RZ 4 - Honeycroft Village, Lake Harmony, New Daleville, Peddlers View, Tobyhanna Township, Twin Hills	4	4	Unmetered (Per EDU)	\$ 105.00	\$ 133.35	\$ 28.35	27.00%	1,559	7,427

<b>Weighted Average COMMERCIAL Bill (Metered &amp; Unmetered) =&gt;</b>	<b>\$ 134.14</b>
<b>Weighted Average COMMERCIAL Consumption (Metered) =&gt;</b>	<b>8,328.23</b>

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 &amp; 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

<b>Weighted Average INDUSTRIAL Bill (Meterd &amp; Unmetered) =&gt;</b>	<b>\$ 45.82</b>
<b>Weighted Average INDUSTRIAL Consumption (Meterd &amp; Unmetered) =&gt;</b>	<b>1,495.00</b>

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	2	2*	5/8"	4,000	\$ 42.70	\$ 57.33	\$ 14.63	34.26%	25,628	828,948	3,235
Oakland Beach, CS Water (Masthope), Eagle Rock	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
<b>Weighted Average Consumption =&gt;</b>				<b>33,382</b>	<b>Weighted Average Bill =&gt; \$</b>		<b>446.76</b>		

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
<b>Weighted Average Consumption =&gt;</b>				<b>200,150</b>	<b>Weighted Average Bill =&gt; \$</b>		<b>2,150.27</b>		

Where applicable, present rates includes DSIC at 7.50%.