

COMMONWEALTH OF PENNSYLVANIA



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April 26, 2024

Via Electronic Filing

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

Re: Pennsylvania Public Utility Commission
v.
Community Utilities of Pennsylvania, Inc.
Docket Nos. R-2023-3042804
R-2023-3042805

Dear Secretary Chiavetta:

Consistent with 52 Pa. Code Section 5.412a of the Commission's regulations, which requires the electronic submission of pre-served testimony, please note that the following pre-served testimony on behalf of the Office of Consumer Advocate ("OCA") were admitted into the record by order of the Presiding Officers in the proceeding, issued on April 18, 2024.

The Office of Consumer Advocate's Direct Testimony

- OCA Statement No. 1 – Direct Testimony of Nicholas A. DeMarco, including Exhibits NAD-A through NAD-C;
- OCA Statement No. 2 – Direct Testimony of Jennifer L. Rogers, including Appendix A, Schedules JLR-W-1 through JLR-W-12, Schedules JLR-WW-1 through JLR-WW-13, Exhibit JLR-B;
- OCA Statement No. 3 – Direct Testimony of Morgan N. DeAngelo, including Appendix A, Schedules MND-1 through MND-7;
- OCA Statement No. 4 – Direct Testimony of Jerome D. Mierzwa, including Schedules JDM-1 and JDM-2; and
- OCA Statement No. 5 – Direct Testimony of Terry L. Fought, including Exhibits TLF-1, TLF-W1, TLF-W2, TLF-W3, TLF-W4, TLF-W5, TLF-WW1, and TLF-WW2.

The Office of Consumer Advocate's Rebuttal Testimony

- OCA Statement No. 3R – Rebuttal Testimony of Morgan DeAngelo, including a Verification; and

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OCA Statement No. 4R – Rebuttal Testimony of Jerome D. Mierzwa, including Schedule JDM-3;

The Office of Consumer Advocate’s Surrebuttal Testimony

OCA Statement No. 1SR – Surrebuttal Testimony of Nicholas A. DeMarco;

OCA Statement No. 2SR – Surrebuttal Testimony of Jennifer Rogers, including Schedules JLR-W-1 to JLR-W-12, JLR-WW-1 to JLR-WW-13, Exhibit JLR-C;

OCA Statement No. 3SR – Surrebuttal Testimony of Morgan DeAngelo, including Schedules MND-1SR to MND-9SR;

OCA Statement No. 4SR – Surrebuttal Testimony of Jerome D. Mierzwa, including Schedule JDM-1R; and

OCA Statement No. 5SR – Surrebuttal Testimony of Terry L. Fought.

All testimony is accompanied by a witness verification. All parties and the presiding officers have been served previously with the testimony and copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Jacob D. Guthrie
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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission,	:	Docket Nos. R-2023-3042804 (water)
	:	R-2023-3042805 (wastewater)
Office of Consumer Advocate,	:	C-2023-3044737 (water)
	:	C-2023-3044738 (wastewater)
v.	:	
	:	
Community Utilities of Pennsylvania, Inc.	:	

DIRECT TESTIMONY
OF
Nicholas A. DeMarco

ON BEHALF OF
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

February 6, 2024

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1 **Introduction**

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

3 A. My name is Nicholas A. DeMarco. My business address is 555 Walnut Street, Forum
4 Place, 5th Floor, Harrisburg, Pennsylvania 17101. I am currently employed as a
5 Regulatory Analyst by the Pennsylvania Office of Consumer Advocate (OCA).

6 **Q. Please describe your educational background and qualifications to provide
7 testimony in this case.**

8 A. I have a Master's Degree in Political Science from Lehigh University and a Bachelor of
9 Arts in Political Science, with a concentration in Constitutional Law from Bloomsburg
10 University of Pennsylvania. I also attended Michigan State University's Institute of
11 Public Utilities online rate school program. I have attached my CV as OCA Exhibit
12 NAD-A.

13 **Q. Have you testified before the Public Utility Commission before?**

14 A. Yes, I testified as a policy witness in PAWC's proposed acquisition of the Brentwood
15 Borough wastewater system, at Docket No. A-2021-3024058.

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

17 A. I am testifying on behalf of the OCA.

18 **Purpose of Direct Testimony**

19 **Q. What is the purpose of your Direct Testimony in this proceeding?**

20 A. The purpose of my direct testimony will (1) introduce who will testify for the Office of
21 Consumer Advocate, (2) outline why CUPA's rate increase should not be granted as
22 requested, (3) and provide my recommendations regarding the state of Community

1 Utilities of Pennsylvania's (CUPA or Company) Low-Income Pilot Program (Program)
2 and the Company's Arrearage Management Program.

3 **Q. Who will be testifying on behalf of the Office of Consumer Advocate?**

4 A. In addition to my testimony, the OCA's case is supported by the following witnesses:

- 5 • Jennifer Rogers of Exeter and Associates (OCA Statement 2) presents her findings
6 with respect to CUPA's revenue requirement and its proposed rate increase.
- 7 • Morgan DeAngelo, Regulatory Analyst with the OCA, (OCA Statement 3)
8 presents her recommendations concerning the rate of return requested by CUPA.
- 9 • Jerome D. Mierzwa, Principal at Exeter, (OCA Statement 4) addresses the
10 Company's cost of service (COS) studies and rate design proposals.
- 11 • Terry Fought (OCA Statement 5) addresses the Company's quality of service.

12 **Q. Please summarize the Company's filing.**

13 A. CUPA is requesting a \$3,169,708, or 56%, increase in annual operating revenues, with a
14 \$1,470,360 increase in water revenues and a \$1,738,944 in wastewater revenues. This
15 revenue request, if granted, will increase residential customers' monthly rates by 58%-
16 69% for water customers, and 51-60% for wastewater customers, at the monthly usage
17 levels the Company relied upon in its notice. Actual bill increases might be significantly
18 more for customers who use more than 3,400 gallons per month. A significant portion of
19 the water rate increase to residential customers is from an increase in the monthly
20 customer charge, which will increase between 29% and 36%, depending on rate division.
21 Fixed charges for non-residential customers are decreasing under the Company's

1 proposal. Also included in the rate increase is CUPA's request to consolidate its rate
2 divisions, so there will be one each of water and wastewater.

3 The Company has requested a return on equity of 10.6%, which includes a 60-basis point
4 increase for a small size premium, and results in an overall rate of return of 7.92%.

5 The Company also proposes a merger cost tracking mechanism. This mechanism will
6 record all costs and benefits which CUPA experiences as a result of the merger of its
7 parent company, Corix Regulated Utilities (US) Inc. (CRUUS), with Southwest Merger
8 Acquisition Corp. (SWMAC), for the next five years. Should the benefits exceed the
9 costs of the merger, the Company is required under the 2022 Merger Settlement to flow
10 those costs through to its customers. If the costs exceed the benefits, then the Company is
11 not allowed to recover net costs from rates.

12 **Q. Please summarize the recommendations of the OCA's other witnesses.**

13 A. In her testimony, Ms. Rogers adjusted the water revenue requirement by (\$324,456) to
14 limit the water revenue requirement increase to no more than \$1,145,904. Ms. Rogers
15 adjusted the wastewater revenue requirement by (\$553,318) to limit the water revenue
16 requirement increase to no more than \$1,185,626. Ms. Rogers' adjustments were the
17 result of the Company's capitalization of expenses, inclusion of deferred expenses which
18 were not Commission-approved, and improper additions to rate base. These
19 recommendations are based, in part, on the reduced rate of return proposed by Ms.
20 DeAngelo.

21 Ms. DeAngelo, in her testimony, recommended that the Company's proposed return on
22 equity should be reduced by 221 basis points, to 8.39%, due to the Company's inclusion
23 of unnecessary adjustments to the results of its Discounted Cash Flow model. This yields

1 a weighted average cost of capital of 6.81%, using the Company's proposed capital
2 structure.

3 In his testimony, Mr. Mierzwa adjusted the proposed increases to fixed monthly customer
4 charges to water, availability, and wastewater customers. According to his testimony, the
5 customer charges should be no more than \$17.25 per month for all water customers,
6 \$35.34 per month for Penn Estates availability customers, \$26.15 per month for
7 Tamiment availability customers, and \$26.15 per month for all wastewater customers.
8 The Company's cost of service methodology included too many costs in fixed rates that
9 are more properly included in volumetric rates, unnecessarily driving up the customer
10 charge increases requested by the Company.

11 Finally, in his testimony, Mr. Fought recommended that the Company provide additional
12 information regarding steps it is taking to address pressure concerns, isolation valve
13 exercising, having workable hydrants for fire protection, consumer complaints raised in
14 this proceeding, and the quality of water provided to the Company's customers.

15 **Q. Based on the testimony provided by other OCA witnesses, what is your overall**
16 **recommendation?**

17 A. CUPA should only receive an increase in rates if it can be shown that it is just,
18 reasonable, and consistent with the Public Utility Code. As provided by Ms. Rogers'
19 testimony, the Company is currently requesting an excessive increase in rates that is
20 based more on its desire to reward investors than to ensure that customers can continue to
21 afford service. The testimony of Ms. Rogers and Ms. DeAngelo set the ceiling for what
22 the Company should receive. However, to receive a revenue target that is set at the annual
23 revenue increase calculated by OCA's witnesses, the Company bears the burden of proof

1 to show, that it is just and reasonable to provide it with additional rate revenue given all
2 of the concerns raised in this case, including the quality of service concerns raised at the
3 public input hearings and by OCA witness Fought as well as the affordability concerns
4 raised in my testimony. At present, due to the quality of service the Company delivers,
5 and the extent to which increased rates would be unaffordable for the Company's
6 customers.

7 **Q. What is your understanding of the purpose of this proceeding?**

8 A. As I understand it, the purpose of this case is to determine the "just and reasonable" rates
9 for CUPA under Chapter 13, and other provisions, of the Public Utility Code. In this
10 section of my testimony, I will address the regulatory compact and related legal and
11 policy concepts. This foundation is necessary because when put into proper context it is
12 evident that CUPA's specific claims and proposals as filed, would produce unjust and
13 unreasonable rates and, when taken together, would result in larger bills than necessary to
14 maintain service obligations and would substantially harm CUPA's customers.

15 **Q. What is the purpose of this section of your testimony?**

16 A. The purpose of this section of my testimony is to explain the regulatory compact and the
17 principles that underlie and support it.

18 **Q. What is the regulatory compact?**

19 A. The regulatory compact is a public policy concept that fundamentally recognizes that
20 public utility companies such as CUPA are natural monopolists, and that in return for the
21 public utility company being granted an exclusive franchise to operate in a specific
22 service territory without rival, the public utility company in turn has the duty to provide

1 service to all customers under certain governmental direction and oversight as to rates
2 and service quality, subject to due process constraints.

3 **Q. Is the regulatory compact unique to the Commonwealth of Pennsylvania?**

4 A. No. As a public policy concept, the regulatory compact is not unique to the
5 Commonwealth of Pennsylvania. It is the public policy concept that underlies the state
6 regulatory frameworks which exist across the country governing the rights and
7 responsibilities of public utility companies.

8 **Q. Please explain the state's authority to regulate public utilities.**

9 A. Foundationally, the state's authority to regulate public utilities stems from the state's
10 police powers, which is a term that refers to the broad governmental regulatory power to
11 enact laws to regulate behaviors to protect and improve the health, safety, and general
12 welfare of the state's citizenry.

13 **Q. Can you explain the Pennsylvania statutory framework?**

14 A. The Pennsylvania General Assembly has sought to protect consumers from the effects of
15 natural monopoly power by enacting the Public Utility Code and granting the
16 Commission comprehensive authority to oversee and regulate a public utility's service,
17 rates, certificates of public convenience (service territory, entry into the public utility
18 business, abandonment of utility service), and dealings with affiliated interests.

19 **Q. How does the regulatory compact work in the Pennsylvania statutory framework?**

20 A. The regulatory compact in Pennsylvania, as set forth in the Public Utility Code, permits
21 the Commission to grant a public utility company the legal privilege to exclusively serve
22 in a defined service area, and in turn, the public utility is obligated within that area to

1 provide consumers adequate, efficient, safe, and reasonable utility service and to maintain
2 adequate, efficient, safe, and reasonable utility facilities at rates that are just and
3 reasonable and not unreasonably discriminatory.

4 **Q. What statutory authority and discretion does the Commission have to enforce the**
5 **regulatory compact?**

6 A. To enforce a certificated public utility company's statutory responsibility, the General
7 Assembly has given the Commission latitude in establishing just and reasonable rates.

8 **Q. What type of Public Utility is CUPA?**

9 A. CUPA is an investor-owned utility. CUPA is a wholly-owned subsidiary of Corix
10 Regulated Utilities (US) Inc. (CRUUS), which is merging with SW Merger Acquisition
11 Corp. (SWMAC), pending regulatory approval.. The combined company, CRUUS, will
12 operate approximately 403 water and 328 wastewater utilities across 20 U.S. states and
13 two Canadian provinces, serving water and wastewater service to approximately 1.5
14 million people¹.

15 **Q. What is an investor-owned utility?**

16 A. An investor-owned utility is a private corporation which offers public utility service to
17 the public for profit. The "investor" can be a traditional investor, where shares are offered
18 publicly or privately for sale, or it can be a parent company that owns all the shares of the
19 subsidiary.

¹ *Application of Community Utilities of Pennsylvania Inc., for a Merger Of Equals Transaction*, Docket Nos. A-2022-3036744 (water) and A-2022-3036745 (wastewater) at ¶¶ 8 - 12 (Order Entered, September. 8, 2023); <https://www.corix.com/about-corix/about-us>.

1 **Q. Does CUPA’s small footprint in Pennsylvania, when compared to other investor-**
2 **owned utilities, reduce your expectations of the Company or of the Company’s**
3 **compliance with the regulatory compact?**

4 A. No. While companies like York Water, Pennsylvania-American Water Company, and
5 Aqua Pennsylvania might have more customers within the Commonwealth, CUPA should
6 not be held to a lesser standard than other PUC-regulated water and wastewater utilities
7 simply for that reason. Through CRUUS, both in its current form and after the closing of
8 the pending merger, CUPA has access to sufficient expertise and capital to provide the
9 same quality of service as a larger investor-owned utility at the same cost to ratepayers.
10 Furthermore, as a regulated public utility, CUPA is held to the same standard under the
11 Public Utility Code, Section 1501, as all other Pennsylvania public utilities in that it is
12 required to “furnish and maintain adequate, efficient, safe, and reasonable service and
13 facilities,²” water at the tap should be suitable for all household purposes³

² § 1501. **Character of service and facilities.**

Every public utility shall furnish and maintain adequate, efficient, safe, and reasonable service and facilities, and shall make all such repairs, changes, alterations, substitutions, extensions, and improvements in or to such service and facilities as shall be necessary or proper for the accommodation, convenience, and safety of its patrons, employees, and the public. Such service also shall be reasonably continuous and without unreasonable interruptions or delay. Such service and facilities shall be in conformity with the regulations and orders of the commission. Subject to the provisions of this part and the regulations or orders of the commission, every public utility may have reasonable rules and regulations governing the conditions under which it shall be required to render service. Any public utility service being furnished or rendered by a municipal corporation beyond its corporate limits shall be subject to regulation and control by the commission as to service and extensions, with the same force and in like manner as if such service were rendered by a public utility. The commission shall have sole and exclusive jurisdiction to promulgate rules and regulations for the allocation of natural or artificial gas supply by a public utility.

³ *Pa. PUC v. Lake Latonka Water Co.*, 71 Pa. PUC 507, 522 (1989)

1 **Q. Describe the CUPA service territory.**

2 A. CUPA serves water service to 3257 customers in 4 different Pennsylvania townships⁴ and
3 furnishes wastewater service to 3832 customers in 4 different Pennsylvania townships⁵.

4 **Q. Are you aware of a measure of income sufficiency in Pennsylvania that addresses
5 whether households have sufficient income to meet a survival budget?**

6 A. Yes. While the federal poverty level (FPL) is a well-known measure to many people it is
7 not a realistic measure to judge whether a household can afford basic life necessities.
8 Increasingly, an emphasis has been placed on measuring a household's self-sufficiency or
9 survival budget. One such measure of this has been calculated by the United Way using
10 their ALICE index. ALICE stands for Asset Limited, Income Constrained, and
11 Employed.⁶

12 **Q. Why is ALICE data relevant?**

13 A. The ALICE data is relevant because it shows the likely number of CUPA customers who
14 are living on a survival budget. Below is a breakdown by township served by CUPA of
15 the ALICE household survival budget for a family of 3 and a family of 4:

16 The household survival budget is meant to measure the minimum amount that a
17 household can earn and afford life's necessities with little to no government assistance.

⁴ CUPA's Water territory: Pocono Township, Monroe County, Stroud Township, Monroe County, Hanover Township, Northampton County, Lehman Township, Pike County

⁵ CUPA's Wastewater Territory: West Bradford Township, Chester County, Pocono Township, Monroe County, Stroud Township, Monroe County, Lehman Township, Pike County

⁶ More information can be found <https://unitedforalice.org/overview>.

1 Table 1: ALICE DATA⁷

SERVICE AREAS	Percentage of households Below ALICE at the County Level	# CUPA CUSTOMERS WATER	# CUPA CUSTOMERS WASTEWATER	ESTIMATED # CUPA CUSTOMERS Below ALICE
West Bradford Township, Chester County, Pennsylvania	24%	0	1600	384
Pocono Township, Monroe County, Pennsylvania	35%	45	45	16
Stroud Township, Monroe County, Pennsylvania	38%	1688	1643	641
Hanover Township, Northampton County, Pennsylvania	31%	980	0	304
Lehman Township, Pike County, Pennsylvania	46%	544	544	250
TOTAL				1595

2 **Q. What does this data show?**

3 A. It shows the likelihood that almost 1,600 households receiving water and/or wastewater
 4 service from CUPA live at or below the ALICE threshold for survival and self-
 5 sufficiency. This is critically important for judging whether the rate impact of the rate
 6 increase sought in this case is just and reasonable particularly in light of the quality-of-
 7 service concerns raised in the public input hearings and by the OCA’s other witnesses.
 8 Households who are living at or below the ALICE threshold already have difficulty
 9 paying for their essential utility service before the proposed increase. This should be

⁷ <https://unitedforalice.org/county-reports/pennsylvania>.

1 considered by the Commission in its analysis of whether the rates proposed are just and
2 reasonable. Additionally, looking at the ALICE data also serves as a check on
3 reasonableness of the breadth and depth of the Company's low income assistance
4 programs which, as outlined more fully below, need to be expanded to meet the ongoing
5 need of CUPA's economically vulnerable customers.

6 **Q. Does CUPA have quality-of-service issues?**

7 A. Yes. OCA witness Fought provides more details about service quality issues in his
8 testimony, but I want to add context to few additional areas that must be considered by
9 the Commission in its overall determination of whether CUPA is providing adequate,
10 safe, and reliable service. The areas that I will address are (1) CUPA's high Unaccounted
11 for Water (UFW); (2) the Public Input Hearing Testimony and; (3) the needs of its low-
12 income customers and CUPA's Low-Income Program as informed by the ALICE data.

13 **Unaccounted for Water**

14 **Q. What is UFW?**

15 A. UFW is the difference between the volume of water supplied to a network and the metered
16 consumption plus accounted for public use. Unaccounted for water is often measured as a
17 percentage. According to the PUC procedure, UFW is equal to "Total Water Delivered for
18 Distribution & Sale" minus "Total Sales" minus "Non-Revenue Usage and Allowance."
19 "Non-Revenue Usage and Allowance" includes "Main Flushing," "Blow-off Use,"
20 "Unavoidable Leakage," "Located & Repaired Breaks in Mains & Services" and "Other".

1 **Q. Why is UFW a concern?**

2 A. UFW is a concern because while the water lost on the way to a customer's meter may not
3 be directly billed to the customer, the transportation and treatment of that water is still
4 reflected in rates.

5 **Q. Has the PUC expressed a policy on the percentage of unaccounted for water that is
6 deems reasonable?**

7 A. Yes, the PUC has a policy statement that says: "Levels of unaccounted-for water should
8 be kept within reasonable amounts. Levels above 20% have been considered by the
9 Commission to be excessive." ⁸

10 **Q. What is CUPA's UFW?**

11 A. CUPA's year ending 7/31/23 shows a UFW of 24.76%. (Response to I&E-RB-2).

12 UFW by territory:

13 Westgate:

14 Pumpage from 1st to 31st operator read: 11.33% - Pumpage from City Bill: 9.98%

15 Penn Estates: 30.92%

16 Tamiment: 28.07%

17 **Q. Why is it important to reduce UFW?**

18 A. High UFW can indicate poor management and infrastructure. Rate increases caused by
19 these inefficiencies are unfair to customers. Controlling UFW increases the system's
20 sustainability and allows for a more accurate setting of rates. CUPA should be required to
21 reduce their UFW to under 20% before their next base rate case as customers are

⁸ 52 Pa. Code § 65.20(4).

1 currently paying an excessive amount for water they are not actually receiving. CUPA
2 must reduce their UFW below the recommended 20% to more accurately calculate the
3 costs to produce water that makes it to the customers' taps. On average, nearly a quarter
4 of the water that the Company is processing is being lost before customers have a chance
5 to use it. The customers should not held accountable in rates for the O&M expenses of
6 the water that is treated and transported but they cannot use.

7 The OCA requests that CUPA update the OCA quarterly on all progress made towards
8 lowering UFW. Per section G. paragraph 21 of the previous settlement, which states that
9 "CUPA will provide a breakdown of Lost and Unaccounted for Water (LUFW) by system
10 detailing all identified causes."

11 **Quality of Service and Affordability Concerns**

12 **Q. Please explain why water and wastewater affordability is important to this rate case.**

13 A. Water is an essential human need; it is the only utility that humans ingest and there is
14 simply no substitute. Furthermore, customers within CUPA – or any water utility service
15 territory – do not have a choice to have water from any other source as the nature of the
16 monopoly franchise is that competition is limited.

17 Outside of the obvious need for consumption, water is needed to cook and clean.

18 Wastewater services are also necessary to treat water for continued use by people and to
19 help maintain its use for the future. As water and wastewater service are both necessary
20 for life and a properly functioning society, it is important that all people can afford the
21 use of water and wastewater services.

1 **Q. Is CUPA providing the same level of affordability as the other investor-owned**
 2 **utilities at a similar cost to Pennsylvania ratepayers?**

3 A. No. As the rates are now, CUPA’s rates are comparable to those other investor-owned
 4 water and wastewater utilities. However, if the rates are approved as filed, CUPA will be
 5 the most expensive of the compared investor-owned water and, except for York
 6 Wastewater, at the top for wastewater utilities in Pennsylvania. The tables below show
 7 comparisons of the various investor owned water and wastewater utilities using a simple
 8 volumetric and customer charge only for residential rate zones comparing costs at 1000
 9 gallons.

10 Table 2 WATER RATES:

Company	Volumetric per 1000/gal	Monthly customer charge	Total
CUPA Current	\$12.88	\$17.25	\$30.13
CUPA Proposed	\$22.59	\$23.40	\$45.99
AQUA	\$13.05	\$20.51	\$33.56
PAWC	\$16.10	\$17.50	\$33.60
York	\$10.21	\$17.25	\$27.46
Veolia	\$9.05	\$14.50	\$23.55

11 Table 3 WASTEWATER:

Wastewater			
Company	Volumetric per 1000/gal	Monthly customer charge	Total
CUPA Current	\$13.98	\$26.51	\$40.49
CUPA Proposed	\$17.90	\$51.65	\$69.55
AQUA	\$11.81	\$48.20	\$60.01
PAWC	\$28.75	\$14.30	\$43.05
York ⁹	N/A	\$86.90	\$86.90
Veolia ¹⁰	N/A	\$ 25.00	\$25.00

⁹ First 4000 gal only pay the customer charge.
¹⁰ First 5000 gal only pay the customer charge.

1 **Q. Please describe the themes that arose from the Public Input Hearings held in this**
2 **case.**

3 A. There are several important themes that arose from the 6 public input hearings held in
4 this case. A number of customers were concerned about the quality of their water. Based
5 on the information shared by OCA, a significant number of testifying customers noted
6 their water having a metallic taste, an odor resembling chlorine, dirty filters, and
7 coloration. As a result, a number of customers have resorted to purchasing bottled water
8 as a substitute for the Company's drinking water.

9 **Q. Do you have any recommendations regarding the quality of water service?**

10 A. Yes. Many customers have concerns about the quality of their drinking water. The
11 Company should reach out to the customers that noted dissatisfaction with their water
12 quality at the public input hearing. I recommend that the Company send a copy of the
13 water quality testing report to the customer upon receipt of it by the Company. Taking
14 this step will allow customers to have reassurance, in writing, when a test report comes
15 back.

16 **Q. Do you have any additional concerns from the public input hearings at this time?**

17 Customers in the Westgate service territory are concerned with the water pressure they
18 are receiving, which decreases both with usage within the home as well as with usage by
19 neighboring homes. They also reported concerns regarding the ability of the Westgate
20 water system to provide adequate fire protection, following the total loss of a home in
21 January 2022, which witnesses described as being the result of the inability for fire
22 fighters to connect to the Westgate fire hydrants. Customers also voiced general concerns

1 over the affordability of rates, as the water they receive is purchased from Bethlehem's
2 municipal water authority, and they pay an excessive premium on the purchased water.

3 Customers in the Penn Estates service territory nearly universally reported that they did
4 not want to drink the Company's water. Specifically, the customers reported the water
5 smelling and tasting like chlorine. In addition, customers reported concerns of leaks in
6 the system, and that there were a substantial number of water tankers brought in to refill
7 the Company's water tower due to lost water, due to leaking mains. Customers, rightfully,
8 expressed that they did not want to pay for lost water.

9 Customers in the Tamiment area had similar concerns. At the public input hearings in
10 Tamiment on February 1, customers testified regarding a fire that burned a house down
11 due to a lack of timely fire response. Multiple customers also testified about their fear of
12 a lack of safety from fires given that there are no fire hydrants that can service them. The
13 lack of fire hydrants also increases the costs of insurance due to the risk a fire can present
14 to a homeowner if no fire hydrants are within reasonable proximity to fight fires.

15 Section 1501 of the Public Utility Code requires that every public utility shall make all
16 repairs/improvements necessary for the safety of the public. The lack of hydrants in the
17 Tamiment area represents a serious public safety concern and should be addressed by the
18 Company before they file their next base rate case. As in Westgate, the fire hydrants in
19 Tamiment do not provide sufficient water pressure for fire protection, which made
20 customers feel as if the risk of a fire was increased. Tamiment customers also said that
21 they do not receive adequate water pressure, and that their water smells and tastes of
22 chlorine.

1 I was also informed that customers expressed concerns regarding their grinder pumps at
2 the public input hearings. In Tamiment, customers testified that when CUPA took over
3 the system, they flushed the system without warning their customers, and that grinder
4 pumps were subsequently destroyed. Two customers testified that their grinder pump
5 was extensively damaged to the point that the first floor of their home was flooded with
6 sewage. The customers noted that they had approximately \$60,000 in damages as a
7 result. I was also informed that when customers contacted the Company about this issue,
8 they were informed that they needed to install a new grinder pump at the customer's
9 expense.

10 I was informed that there is a sewage smell coming from pump station #2 in Tamiment
11 and that multiple attempts to contact the Company to remedy this issue were ineffective.
12 I've also been informed that there is sediment building up in toilets and appliances that is
13 flaky and black/brown.

14 Additionally, I've been informed that customers have received boil water advisory
15 notices that inform the customer that they should have boiled their water in the past
16 couple of weeks, but that the problem has been fixed. While boil water advisories are
17 governed by DEP rather than Commission regulation, the Commission should require, as
18 a condition of any rate increase, that CUPA is complying with DEP requirements and that
19 customers be informed of the necessity to boil their water as soon as an issue is
20 discovered, not after the problem has been fixed. The company's current practice of
21 noticing customers of the need to boil water in the past, something that the customer
22 would be completely unaware of, is a public health concern that needs to be addressed by
23 the Company.

1 I was also informed that a Tamiment customer's shutoff valve was broken by a company
2 engineer and that the shutoff valve was never replaced by the company despite the
3 customers being told that the company would fix this problem. The Company should
4 address how they will remedy each of the issues raised at the public input hearing when
5 they file their rebuttal testimony. I specifically reserve the right to comment on their
6 proposed remedies in surrebuttal in this case. As rates are already high, the Company
7 should resolve these problems in a cost-effective manner with transparency for their
8 customers and without undue or excessive cost.

9 **Q. Is affordability for low-income residents your only concern?**

10 A. No. The rates customers are paying are already high and customers are expressing
11 frustration with the company's quality of service customer service. As a regulated public
12 utility, CUPA should be providing customers safe and reliable service under section 1501.
13 CUPA's customers are paying high rates for water that many refuse to use. Customers
14 currently have the perception that their water is unsafe as evidenced by testimony at the
15 public input hearing regarding water quality, including issues where people are seeing the
16 water killing their plants/gardens. This problem is compounded by a high fixed customer
17 charge, lack of adequate fire protection in part of the service area, and difficulties
18 contacting the company. The OCA is concerned about another large rate increase with
19 continuous systemic issues that affect customers quality of service under 1501.

20 The increases proposed in this case compound for all customers, including customers
21 below the ALICE threshold but not eligible for CUPA's low-income program. Customers
22 are paying high rates for water and wastewater service that many customers do not trust.
23 The remainder of my testimony will discuss CUPA's low-income program, which is

1 necessary for customers at federal poverty income guideline levels in order to afford
2 water and wastewater service given the unaffordability of rates. Based on the testimony
3 that was presented at the public input hearing, it is apparent that this program may not be
4 well understood. illustrates the need for the Company to improve their communication
5 with customers.

6 **Low-Income Program**

7 **Q. Please describe the Company's current Low-Income Program.**

8 A. CUPA's Low-Income Pilot Program was voluntarily proposed and amended in the 2021
9 Rate Case Settlement. Under this program, a customer whose annual income is below
10 100% of the federal poverty level for a household of their size would become eligible for
11 the lower volumetric rates (CUPA Statement No. 2 pg. 14:16-15:2). Customers enrolled
12 in the program pay a volumetric water usage charge of \$8.78 per 1,000 gal, which was a
13 35% decrease from normal rates for residential customers. For customers in the
14 Tamiment service territory the rate is \$7.44 per 1,000 gal which also represents the same
15 35% decrease compared to non-discounted rates for the service territory.).

16 Due to the agreed-upon provisions of the Merger Settlement, CUPA was obligated to
17 promote participation in its Low-Income Program within 30 days after the entry of the
18 order. To meet these requirements CUPA sent mailers to its customers regarding the low-
19 income program, provided information on its website related to its Low-Income Program,
20 and conducted training for its customer service team. The mailers were sent to customers

1 on October 5, 2023. The website was updated, and employee training took place on
2 October 6, 2023 (CUPA Statement No.6 pg 5-6 lns 10-7)¹¹).

3 **Q. Did CUPA agreed to propose an arrearage management program in their next rate**
4 **base case to accompany their low-income program?**

5 A. Yes. CUPA proposed an arrearage management program in the testimony of Mr.
6 Lubertozi statement 6 line 6.

7 **Q. Describe CUPA’s proposed Arrearage Management Program (AMP).**

8 A. Customers approved for CUPA’s low-income rate and with a past-due balance greater
9 than \$400 can participate in CUPA’s AMP. CUPA’s AMP allows eligible customers to
10 have a portion of their past-due balances forgiven after demonstrating an ability to cover
11 current bills. The specifics are:

12 - AMP customers will enroll in a 12-month Deferred Payment Arrangement (DPA).

13 A DPA allows customers to take their past-due balance and split their past-due
14 balance over 12 equal monthly payments.

15 - AMP customers who make timely payments and stay current with their monthly
16 water/wastewater bill, including the DPA portion of their bill, for six months will
17 have the remaining six monthly DPA payments forgiven.

18 - Customers can only participate in the AMP once every 12 months.

19 - If the customer defaults on the DPA, normal collections processes apply.

20 CUPA’s proposed AMP will only become effective if and when approved by the

¹¹ *Application of Community Utilities of Pennsylvania Inc., for a Merger Of Equals Transaction*, Docket Nos. A-2022-3036744 (water) and A-2022-3036745 (wastewater) (Order Entered, September. 8, 2023); <https://www.corix.com/about-corix/about-us>.

1 Commission. (CUPA Statement No. 6 pg. 6-7 In 20-15)

2 **Q. What is your analysis of CUPA’s Low-Income and Arrearage Management**
3 **Program?**

4 A. The OCA supports the existence and establishment of a low-income program agreed to in
5 Docket Nos. R-2021-3025206 (water) and R-2021-3025207 (wastewater) (2021 Rate
6 Case Settlement) and arrearage management program agreed to in the merger settlement
7 at Docket Nos. A-2022-3036744 (water) and A-2022-3036745 (wastewater) (Merger
8 Settlement). However, I have many concerns regarding the establishment, application and
9 management of the Low-Income Program and Arrearage Management Program. After
10 reading and analyzing information provided by the Company in their filing and through
11 discovery, I have determined that Company needs to focus on improving two main areas
12 of their Low-Income program: (1) the program’s accessibility, and (2) the total discount
13 and how that discount is applied. The Company’s Arrearage Management Program
14 should also be made more flexible and available to more customers.

15 **Q. Please describe the Company’s proposals and updates to the Company’s Low-**
16 **Income Program.**

17 A. The Company proposes to increase the income eligibility requirement from 100% to
18 200% of the Federal Poverty Level (Single: \$29,160, family of three \$49,720)¹². The
19 Company has also proposed a low-income volumetric rate design for its wastewater
20 residential customers and the introduction of the Arrearage Management Program
21 (“AMP”). These proposals are stipulations of the Merger Settlement and the 2021 Rate

¹² 2023 100% of poverty for an individual is \$14,580 for a family of three \$24,860 -
<https://www.healthcare.gov/glossary/federal-poverty-level-fpl/>

1 Case Settlement (CUPA Statement No. 2 pg. 15 ln 10-19 & CUPA Statement No. 6 pg. 6
 2 ln 11-19).

3 **Q. Who administers CUPA’s Low-Income Program?**

4 A. The Dollar Energy Fund (DEF) currently administers the program.¹³

5 **Q. What is Doller Energy Funds role as Administrator?**

6 A. As Administrator, DEF receives the applications and contacts customers who apply for
 7 CUPA’s low-income volumetric rate to determine whether the customer qualifies for the
 8 discounted rate. To contact customers, DEF uses one letter, one phone call, and two email
 9 inquiries to follow-up on a customer’s application. DEF considers customers qualified
 10 only after the customer has submitted documentation to verify their income, at which
 11 point DEF notifies CUPA that the customer is eligible to receive the discounted rate, and
 12 the Company’s billing department will then adjust the customer’s rates.¹⁴

13 **Q. Does the OCA have a concern with the current DEF process?**

14 A. Yes, the OCA believes that if DEF receives a complete application with all necessary
 15 documentation. DEF does not need to contact that customer as this would delay
 16 enrollment. Instead, DEF should pass that customer’s application and information
 17 directly to CUPA so that they can participate in the program as soon as possible.

¹³ *Pa. PUC v. Community. Utils. of Pa., Inc.*, Docket Nos. R-2021-3025206 and R-2021-3025207 (Compliance Filing – Low Income Quarterly Update for Fourth Quarter of 2022, Jan. 31, 2023).

¹⁴ CUPA Response to OCA Set 3-5(a).

1 **Concerns About the Program and Recommendations for Improvement**

2 **Enrollment**

3 **Q. How many customers has CUPA enrolled?**

4 A. As of January 12, 2024, the Company only has seven (7) customers signed up for its
5 Low-Income Program.¹⁵

6 **Q. How many customers applied for CUPA low-income program?**

7 A. 66 customers applied at time of application. (OCA Set 5. Question 14a)

8 **Q. How many CUPA customers received LIHWAP grants as of 1/2/24.**

9 A. CUPA received 57 LIHWAP on behalf of customers. (OCA Set 5 Question 8)

10 **Q. Are you concerned about the low number of households who have been enrolled in
11 the low-income program?**

12 A. Yes. There are far more customers than seven who need assistance to pay their water bill.
13 CUPA serves approximately 3,832 customers for water and or wastewater service. Of
14 those 3,832 customers, approximately 3,257 receive only water service from CUPA. Only
15 customers of CUPA water are currently eligible for the low-income program. Based on
16 information from the United States Census Bureau, there are approximately 11% of
17 households with an annual income below 100% of poverty level,¹⁶ and thus, it can be
18 estimated that approximately 350¹⁷ households could qualify for CUPA’s Low-Income
19 Program as it currently stands.

¹⁵ *Community Util. of Pa. v. Pa. P.U.C.*, Docket No. R-2021-3025206 (Quarterly Compliance Filing, Fourth Quarter of 2023, Jan. 24, 2024). Available at: <https://www.puc.pa.gov/pdocs/1813855.pdf>.

¹⁶ The FPL for a family of three was \$23,030 in 2022 and \$24,860 in 2023
<https://www.healthcare.gov/glossary/federal-poverty-level-fpl/>

¹⁷ 3257*.119=387

1 CUPA should be reaching out to all customers who received LIHWAP grants to see if the
2 qualify for the low-income program or the AMP.

3 **Q. How did you determine that approximately 11% of households could possibly be**
4 **eligible for CUPA's current low-income program?**

5 A. I used U.S Census Bureau data for each of the townships in which CUPA renders service
6 to part of its population. Below is a chart that shows a breakdown of households annual
7 net income in the townships which CUPA serves. Using the FPL income standard of a
8 household of three, as that is CUPA's average household size¹⁸.

¹⁸ [https://data.census.gov/advanced B25010](https://data.census.gov/advanced/B25010) charts for CUPA service area

1 Table 3:

2 Estimated percentage of households served by CUPA at annual net income less than 100% FPL¹⁹

HHs with Ann Income Less than \$10,000	HHs with Ann Income \$10,000 to \$14,999	HHs with Ann Income \$15,000 to \$19,999	HHs with Ann Income \$20,000 to \$24,999
4.6%	2.1%	2.1%	3.1%

3 I calculated 11% by summing the number of households at each tier above. Since the
 4 federal poverty level for a family of three in 2023 is \$24,860, households at the highest
 5 tier are just above that level. Thus, it is clear to me that there are significantly more
 6 households eligible for CUPA’s program than are enrolled in CUPA’s program. One of the
 7 root causes of this appears to be a lack to knowledge about the program.

8 **Q. Are you taking a position on whether CUPA’s actions meet their commitments to**
 9 **the 2021 Rate Settlement and Merger Settlement with regards to informing**
 10 **customers about their Low-Income Program or the implementation of that**
 11 **program?**

12 A. No. I am not a lawyer, and I am not taking a position on whether what CUPA is doing
 13 currently meets their legal commitments. My testimony concerns the fact that even
 14 assuming they are meeting their commitments, it is apparent that those actions are
 15 insufficient to ensure that a reasonable number of eligible households are enrolled in

¹⁹ https://data.census.gov/map?layer=VT_2022_040_00_PP_D1&loc=43.3751,-113.1138,z2.6270 Chart B19001 for West Bradford Township, Chester County, Pennsylvania, Pocono Township, Monroe County, Pennsylvania, Stroud Township, Monroe County, Pennsylvania, Hanover Township, Northampton County, Pennsylvania, Lehman Township, Pike County, Pennsylvania.

1 CUPA's low-income program. After all, the point of informing households of the
2 program is so that eligible households enroll.

3 **Q. What has the Company done to notify and educate its customers about the Low-**
4 **Income Program?**

5 A. Witness Lubertozi outlines in his testimony that additional training of CUPA's customer
6 service staff, along with the mailers, and the update to the Company website satisfy the
7 requirements of the final order (CUPA Statement No. 6 pg. 5-6 ln 10-7 & attachments C,
8 D, and E).

9 **Q. Describe Attachment C of CUPA Statement 6.**

10 A. Attachment C is a series of nine pages of black and white screen grabs, clipped pictures,
11 and hyperlinks from CUPA's website. The attachments range from how to pay bills, bill
12 assistance, lead service line replacement, and what you should and should not flush down
13 your toilet.

14 **Q. What is your analysis of the attachments C provided in CUPA Statement No. 6 by**
15 **Mr. Lubertozi?**

16 A. My analysis of Attachment C is that while it is start, it is insufficient to adequately
17 inform customers about the program and improvements are needed. Specifically,
18 improvements should be made regarding the low-income information page on CUPA's
19 website. For example, it is not at all clear how customers should navigate to get
20 information about CUPA's assistance programs. Page two of Attachment C shows only
21 an exclamation point, which I assume is supposed to represent the meaning

1 “information”²⁰. This same picture appears much smaller on the actual Low-Income
2 information page on their website. When the links on this page under the exclamation
3 mark are copied and pasted into a search bar, the links are broken and state the site cannot
4 be reached. Additionally, while the low-income information is on this page, the page’s
5 primary purpose appears to be about new information the company wants to convey as
6 opposed to a low income page or section of its website.

7 **Q. Do you have recommendations about changes that should be made?**

8 A. Yes. As a condition of any rate increase, CUPA should be required to create a separate
9 Low-Income section of its website that is clear, transparent, and accessible from its
10 homepage. This page should ensure that a customer can easily find all the information
11 they need to know about how to sign-up and if they qualify for the low-income program.
12 Additionally, there should be a link on the page that will allow the customer to apply
13 through DEF or any other administrator. A link to this page should be clearly represented
14 on the Company’s homepage without the need scroll down to find it.

15 **Q. Describe Attachment D of CUPA Statement 6.**

16 A. Attachment D is titled “Community Utilities of Pennsylvania, Inc. Low-Income Rate”.
17 The page is text heavy with the Low-Income Volumetric Rate Information chart at the
18 bottom. At the top there is a paragraph with a plain URL at the end to a link to sign-up
19 for the Low-Income Program.

²⁰ <https://www.myutility.us/home/2023/10/04/low-income-rate-available-for-qualifying-customers>.

1 **Q. What is your analysis of the attachments D provided in CUPA Statement No. 6 by**
2 **Mr. Lubertozi?**

3 A. The web page needs to be more user-friendly. While there is pertinent information on the
4 web page, it requires careful and through reading of several paragraphs before a person
5 can even see what they would need to click on to fill-out the application. This page could
6 be more user-friendly, for example, by changing the plain URL that takes the customer to
7 the application page to “application” or “click here to apply”.

8 **Q. What is your overall opinion of CUPA’s Low-Income information presented on their**
9 **website?**

10 A. The existence of CUPA’s Low-Income “page” is a good starting point.²¹ I use page in
11 quotations because it seems to be more of a blog/news page than a page dedicated to the
12 Low-Income program. For the Program to become more effective and reach more people,
13 I recommend that CUPA make changes to try and increase the visibility of their Low-
14 Income page. For example, CUPA could make the link to the low-income landing page
15 more obvious on their home page, instead of including any information on its low-income
16 program as a post under the “news” section. I also recommend that they make the
17 information they provide more accessible. The information should also be available in
18 print in Spanish. Customers should also be able to request a copy of the low-income
19 information in any language upon request. While generating more visibility and
20 accessibility to their Low-Income Program web page would be a good place to start,

²¹ <https://www.myutility.us/pennsylvania/news/detail?id=378055e5-8533-6283-8a44-ff0000903d3d&index=0>.

1 CUPA should undertake a number of strides to reach more customers, including, but not
 2 limited to, the recommendations included in my testimony.

3 **Q. Do you have any other recommendations on how CUPA can improve the outreach of**
 4 **their Low-Income program?**

5 A. Yes, CUPA should target its customers where they eat, play, and pray. CUPA should begin
 6 to contact Community Based Organizations (CBO's) in their service area. In addition
 7 CUPA should reach out to churches, libraries, community centers, and other places of
 8 common gathering to talk to their customers. CUPA should also make all low-income
 9 informational handouts available in both English and Spanish in these locations. This
 10 same information should be sent as bill inserts to all customers.

11 **Low-Income Rate**

12 **Q. What are CUPA's proposed Low-Income Rates in this proceeding?**

13 A. The company proposes to increase the income eligibility requirement from 100% to
 14 200% of the FPL and proposes to include wastewater customers. However, the company
 15 has chosen not to propose an increase in the dollar amount or percentage discount but
 16 will retain the 35% discount. (CUPA Statement No. 2 pg. 15 ln 3-19). At the Company's
 17 proposed increases:

18 - The new low-income volumetric rate for water customers would be \$14.68 per 1,000
 19 gallons.

20 - The pilot low-income rate for wastewater customers would be \$11.66 per 1,000 gallons.
 21 (CUPA Statement No. 7 pg. 15 ln 11-17 & pg. 23 ln 5-14)

1 **Q. What is the Company's current monthly water customer charge?**

2 A. \$17.25.

3 **Q. What is the Company's proposed monthly water customer charge?**

4 A. \$23.40

5 **Q. What is the Company's current monthly wastewater customer charge?**

6 A. \$26.15

7 **Q. What is the Company's proposed monthly wastewater customer charge?**

8 A. \$51.65

9 **Q. Does the Company currently have a discount for their monthly customer charge?**

10 A. No.

11 **Q. Is the Company proposing a discount to its monthly customer charge?**

12 A. No.

13 **Q. In your opinion, is a 35% volumetric discount rate for low-income CUPA customers**
14 **an acceptable discount rate given the proposed rate increase?**

15 A. No. Below is a chart showing the Bill to Income (BTI) ratio for the water and wastewater
16 service provided by CUPA when the 35% discount is applied to only the volumetric rate.
17 The charts show that household who are just over 100% of the 2023 FPL for a family of
18 three, (\$24,860) pay 5% of their gross income is paid towards their water bill and an
19 additional 5.6% of their gross income is paid towards their wastewater bill for a total of
20 10.6%. There is no accepted metric of affordability that says households should dedicate
21 a 10th of their income to water and wastewater service. The most widely accepted
22 guideline is that combined, households should not pay more than 2% of their income for

1 water service and more the 2.5% of their income for wastewater service for a combined
 2 amount of 4.5%²² Both the water and wastewater bills are twice as high as the maximum
 3 recommended bill-to-income ratio for customers at or below 50% of poverty.

4 Below are charts showing the FPL in comparison to the household income of 3 (the
 5 average for the CUPA territory) and the household’s bill to income ratio at current rates.

6 This chart shows with CUPA’s proposed 35% volumetric discount rate is applied at each
 7 level of poverty.

8 Table 5: Water Rates for three-person households: 35% discount to volumetric only

FPL	Income HH 3	Monthly ²³ Usage	Monthly discounted bill	BTI Ratio with discount
50%	\$12,430	5,475	\$103.79	10.00%
75%	\$18,645	5,475	\$103.79	6.70%
100%	\$24,860	5,475	\$103.79	5.00%
125%	\$31,075	5,475	\$103.79	4.00%
150%	\$37,290	5,475	\$103.79	3.30%
175%	\$43,505	5,475	\$103.79	2.90%
200%	\$49,720	5,475	\$103.79	2.50%

²² Guidance: Coordinating CSO Long-term Planning with Water Quality Standards Reviews.” pp. 31-32 (July 2001), available at https://www3.epa.gov/npdes/pubs/wqs_guide_final.pdf.)

²³ <https://www.epa.gov/watersense/understanding-your-water-bill#:~:text=The%20average%20American%20uses%20around,in%20a%2030%2Dday%20period>. – EPA estimates the average American uses around 82 gallons per day per person in the household. However, to be conservative the OCA estimated an average daily usage of 60 gallons per person per day. Monthly usage rates were calculated: 60 gallons per person per day in a three-person household, multiplied by 365 (days per year), divided by 12 (months).

1 Table 6: Wastewater Rates for three-person household: 35% discount to volumetric only

FPL	Income HH 3	Monthly Usage	Monthly discounted bill	BTI Ratio with discount
50%	\$12,430	5,475	\$115.35	11.10%
75%	\$18,645	5,475	\$115.35	7.40%
100%	\$24,860	5,475	\$115.35	5.60%
125%	\$31,075	5,475	\$115.35	4.50%
150%	\$37,290	5,475	\$115.35	3.70%
175%	\$43,505	5,475	\$115.35	3.20%
200%	\$49,720	5,475	\$115.35	2.80%

2 **Q. Do you have a recommendation about how to begin to address this concern?**

3 A. Yes. While the OCA’s primary recommendation is the bill discount levels need to be
 4 tiered to maximize affordability and applies equally to water and wastewater, at the very
 5 least, the same discount that is provided to the volumetric charge (35%) should be applied
 6 to the monthly customer charge as well.

7 **Q. What would the monthly water customer charge be with a 35% discount?**

8 A. \$15.21

9 **Q. What would the monthly wastewater customer charge be with a 35% discount?**

10 A. \$33.57

1 **Q. What would the BTI ratio be if the 35% discount was also applied to the proposed**
 2 **monthly customer charge and the volumetric rate for water and wastewater?**

3 A. Table 7: Water Rates: 35% discount to volumetric and monthly customer charge

FPL	Income HH 3	Monthly Usage	Monthly discounted bill	BTI Ratio with discount
50%	\$12,430	5,475	\$95.60	9.20%
75%	\$18,645	5,475	\$95.60	6.20%
100%	\$24,860	5,475	\$95.60	4.60%
125%	\$31,075	5,475	\$95.60	3.70%
150%	\$37,290	5,475	\$95.60	3.10%
175%	\$43,505	5,475	\$95.60	2.60%
200%	\$49,720	5,475	\$95.60	2.30%

4 Table 8: Wastewater Rates: 35% discount to volumetric and monthly customer charge

FPL	Income HH 3	Monthly Usage	Monthly discounted bill	BTI Ratio with discount
50%	\$12,430	5,475	\$97.27	9.40%
75%	\$18,645	5,475	\$97.27	6.30%
100%	\$24,860	5,475	\$97.27	4.70%
125%	\$31,075	5,475	\$97.27	3.80%
150%	\$37,290	5,475	\$97.27	3.10%
175%	\$43,505	5,475	\$97.27	2.70%
200%	\$49,720	5,475	\$97.27	2.30%

5
 6 **Q. What Bill Discount Rate does the OCA recommend?**

7 A. The OCA recommends a tiered bill discount rate to both the monthly customer charge
 8 and the volumetric rate that brings CUPA water and wastewater rates into alignment with
 9 the EPA affordability guidelines that suggest that combined water and wastewater bills
 10 should not exceed 4.5% of a household’s annual income. A 40% discount to those

1 between 200% and 175% of the FPL. A 60% discount for customers between 150%-
 2 100% of the FPL. An 80% discount for those below 100% of the FPL.

3 Table 9: WATER:

FPL	Annual Income HH 3	Monthly Usage	Bill Discount	Monthly discounted bill	BTI Ratio with discount
50%	\$12,430	5,475	80%	\$29.42	2.80%
75%	\$18,645	5,475	80%	\$29.42	1.90%
100%	\$24,860	5,475	60%	\$58.83	2.80%
125%	\$31,075	5,475	60%	\$58.83	2.30%
150%	\$37,290	5,475	60%	\$58.83	1.90%
175%	\$43,505	5,475	40%	\$88.25	2.40%
200%	\$49,720	5,475	40%	\$88.25	2.10%

4 Table 10: WASTEWATER:

FPL	Annual Income HH 3	Monthly Usage	Bill Discount	Monthly discounted bill	BTI Ratio with discount
50%	\$12,430	5,475	80%	\$29.93	2.90%
75%	\$18,645	5,475	80%	\$29.93	1.90%
100%	\$24,860	5,475	60%	\$59.86	2.90%
125%	\$31,075	5,475	60%	\$59.86	2.30%
150%	\$37,290	5,475	60%	\$59.86	1.90%
175%	\$43,505	5,475	40%	\$89.79	2.50%
200%	\$49,720	5,475	40%	\$89.79	2.20%

5

6 **Arrearage Management Program**

7 **Q. How many customers would qualify for the AMP under CUPA’s current proposal?**

8 A. As of 1/12/24 at least 94 CUPA customers would qualify for CUPA’s proposed arrearage
 9 program, if they were approved for the low-income rate. (CUPA Response to OCA Set 5,
 10 question 3 Attachment 3-7)

1 **Q. How many CUPA customers are in arrearage?**

2 A. At least 1741 customers in arrearage, owing \$1 or more. (CUPA Response OCA Set 5,
3 question 3 Attachment 3-7)

4 **Q. How many of the 1741 customers in arrearage owe less than the proposed \$400
5 threshold?**

6 A. 1646 customers could be under the threshold according to CUPA’s response (assuming
7 each arrearage²⁴ is an individual customer) to OCA’s set 5 interrogatories assuming the
8 ranges of \$1-\$100, \$100-\$200, \$300-\$400 provided in response to question 3 Set 5 run
9 from \$300-\$399 instead of \$400 exactly. If the \$300-\$400 range were to be eliminated,
10 1570 customers would not be eligible to participate in the arrearage program if they met
11 the low-income requirement.

12 Table 11: Customers in arrearage and total arrearages owed

Customer Count 31-Dec-23	\$1-100	\$100-200	\$200-300	\$300-400
	WATER	496	177	84	19
WASTEWATER	535	193	85	57
Amount 31-Dec-23	\$1-100	\$100-200	\$200-300	\$300-400
	WATER	\$ 26,275.79	\$ 24,886.26	\$ 20,717.03	$ 6,483.33
WASTEWATER	\$ 34,804.12	\$ 28,643.51	\$ 19,902.87	\$ 19,057.86

13 (CUPA Response OCA Set 5, question 3 Attachment 3-7)

²⁴ CUPA Response to OCA 5-3 Please provide, as of the most recent month available, the number of residential accounts in arrears, separated by water and wastewater (or combined water/wastewater if appropriate), in \$100 ranges. Separately provide the sum of dollars of arrears in each range.

1 **Q. How many customers with past-due balances greater than \$400 have been approved**
 2 **for the Company’s current low-income water rate?**

3 A. Four (CUPA Response to OCA Set 3, question 4 f).

4 **Q. How much money is CUPA owed in arrearages?**

5 A. \$301,978.73. (CUPA Response OCA Set 5, question 3 Attachment 3-7)

6 **Q. Of the \$301,978.73 owed how much is owed by potentially ineligible customers?**

7 A. \$180,770.77 to \$155,229.58.

8 **Q. How did you find this range?**

9 A. Using the table from CUPA Response OCA Set 5, question 3 Attachment 3-7, I added the
 10 total arrears from both water and wastewater at each range between 1-400 dollars. I then
 11 added those together to reach \$180,770,77. I used the same method to reach \$155,229.58
 12 but dropped the 300-400 arrearage range.

13 **Q. Do you have concerns about the requirement that arrears be paid off over 12**
 14 **months regardless of the balance or income level of the household?**

15 A. Yes, I take issue with the blanket 12-month timeline but not the 6 months of payment
 16 forgiveness.

17 **Q. Why do you have concerns about the blanket 12-month timeline for the arrearage**
 18 **payment program?**

19 A. I believe that CUPA should align their arrearage payment program to as they are required
 20 to per Section 56.97(b)²⁵ of the Commission’s regulations, CUPA’s payment

²⁵ 52 Pa. Code 56.97(b) The public utility shall exercise good faith and fair judgment in attempting to enter a reasonable payment arrangement or otherwise equitably resolve the matter. Factors to be taken into account when

1 arrangements should be based on a customer's ability to pay. This means that CUPA
2 should take into consideration both the amount owed and the customer's income level.
3 For each in-full payment a customer makes CUPA should credit an additional payment –
4 thereby effectively reducing the timing to 50% of the negotiated payment arrangement.

5 **Q. Do you have additional comments regarding CUPA's proposed AMP?**

6 A. Yes, I have additional areas of concern I would like to comment on:

7 1. If an AMP participant has not received the entire arrearage forgiveness the AMP calls
8 for at the six-month or half-way mark depending on that length of their payment
9 arrangement, the customer should not lose that forgiveness. Customers should get credit
10 for each in full payment. By way of example, for customers on a 12-month payment
11 arrangements they would receive arrearage forgiveness when they make 6 payments (i.e.,
12 they make up missed payments) even if not in the first 6 months. For 24 months payment
13 arrangements a customer would get forgiveness for 12 payments, etc.

14 2. The AMP should be indifferent to who pays or how a bill gets paid. For example, if the
15 customer receives a hardship grant which goes towards the bill and arrearage, this
16 payment should count towards the total bill.

17 3. The arrearage payments and forgiveness should be the total bill. Meaning that if a
18 customer is a combined water and wastewater customer, the customer should receive a
19 single payment arrangement for their arrears. Not a separate one for water and another for
20 wastewater.

attempting to enter into a reasonable payment arrangement include the size of the unpaid balance, the ability of the customer to pay, the payment history of the customer and the length of time over which the bill accumulated.

1 4. If a customer is able to make-up a payment, they should receive forgiveness for the
2 amount they were able to pay and make-up.

3 5. If a customer is late, they should not lose forgiveness. For example, if a customer who
4 is on Social Security receives their check on the first of the month, but their bill is due at
5 the end of the month, that customer could be chronically late.

6 6. Nonpayment or late payment of a Bill Discount Program payment or an AMP payment
7 agreement installment should not result in the removal a customer from the program:

8 a. If a program participant has service disconnected, they are not removed from
9 the program(s).

10 b. If a customer defaults on payments, and is disconnected, when they are
11 reconnected, the customer will be reinstated to the Bill Discount Program and/or
12 AMP without losing progress towards forgiveness.

13 c. The amount which a customer must pay to be reconnected is only the missed
14 discontinued bills.

15 7. If a customer contacts CUPA or DEF about having an issue with paying their bill or
16 signing up for either the AMP or the low-income program the customer should be
17 enrolled in both programs for which they qualify.

18 **Conclusion**

19 **Q. What is your conclusion regarding CUPA's requested rate increase?**

20 A. Prior to the Commission granting a rate increase, the company must take the following
21 steps:

1 - The Company must make adjustments the Company’s capitalization of expenses,
 2 inclusion of deferred expenses which were not Commission-approved, and improper
 3 additions to rate base.

4 - The Company’s proposed return on equity should be reduced by 221 basis points, to
 5 8.39%, due to the Company’s inclusion of unnecessary adjustments to the results of its
 6 Discounted Cash Flow model. This yields a weighted average cost of capital of 6.81%,
 7 using the Company’s proposed capital structure.

8 - The Company’s proposed return on equity should be reduced by 221 basis points, to
 9 8.39%, due to the Company’s inclusion of unnecessary adjustments to the results of its
 10 Discounted Cash Flow model. This yields a weighted average cost of capital of 6.81%,
 11 using the Company’s proposed capital structure.

12 - The Company’s cost of service methodology included too many costs in fixed rates that
 13 are more properly included in volumetric rates, unnecessarily driving up the customer
 14 charge.

15 - Increases requested by the that the Company provide additional information regarding
 16 steps it is taking to address pressure concerns, isolation valve exercising, having
 17 workable hydrants for fire protection, consumer complaints raised in this proceeding, and
 18 the quality of water provided to the Company’s customers.

19 **Q. What is your conclusion of CUPA’s low-income pilot program?**

20 A. Moving forward CUPA must make changes to the outreach and enrollment tactics it is
 21 using to make sure that its customers are aware of its program and know how to sign up.
 22 Even the best designed program means nothing if there are no participants. CUPA needs

1 to increase its total bill discount to come into line with EPA affordability standards no
2 matter the rate increase granted to the company. Finally, CUPA needs adjust its AMP
3 program. As it stands CUPA's program does not come into line with 59.67(b) of the
4 Public Utility code, it does not allow for customers to make affordable payments towards
5 their total arrears, and it does not target those customers who can most likely pay back
6 their arrears.

7 **Q. Does this conclude your testimony?**

8 A. Yes, but I reserve the right to modify it.

Exhibit NAD-A
Qualifications of Nicholas A. DeMarco

**Qualifications of
Nicholas A. DeMarco**

Education:

Lehigh University

Master's in Political Science, 2021

Bloomsburg University of Pennsylvania

B.A. Political Science with concentration in Constitutional Law, 2016

B.A. Eastern European Languages and Cultures, Russian, 2016

Relevant Positions:

Pennsylvania Office of Consumer Advocate, January 2023 to Present

Regulatory Analyst

Role Description:

I am currently employed by the Pennsylvania Office of Attorney General, Office of Consumer Advocate (OCA) as a Regulatory Analyst. In this position, my responsibilities include reviewing utility company filings with the Pennsylvania Public Utility Commission (Commission) and analyzing the financial, economic, rate of return, and policy issues that are relevant to the filings. Additionally, I am tasked with preparing recommendations for the OCA's involvement in utility filings with the PA PUC, writing testimony and presenting oral testimony on behalf of the OCA. As part of my role, I also assist in the policy matters regarding low-income issues and PJM.

Relevant Training:

Institute of Public Utilities at Michigan State University

IPU Accounting and Ratemaking Course 2023

Exhibit NAD-B
Company Responses to Interrogatories

Pa. PUC v. Community Utilities of Pennsylvania, Inc.
R-2023-3043804 (Water), R-2023-3042805 (Wastewater)

**COMMUNITY UTILITIES OF PENNSYLVANIA, INC. WATER DIVISIONS'
RESPONSES TO BUREAU OF INVESTIGATION AND ENFORCEMENT DATA
REQUESTS, SET RB NOS. 1-D THROUGH 15-D**

I&E-RB-2-D Provide a schedule that shows the percent of unaccounted-for-water (“UFW”), and how it was calculated for the years ended July 31, 2021-2023.

RESPONSE:

Please see attachment labelled **“Response to I&E-RB-2”**.

PROVIDED BY: David Clark

DATE: 12/19/2023

Community Utilities of Pennsylvania, Inc.
Response to I&E-RB-2
Unaccounted for Water
Water Operations

	Year Ending 7/31/2023	Year Ending 7/31/2022	Year Ending 7/31/2021
Water Produced/Purchased	194,375,695	198,906,628	218,170,115
Water Sold/Used/Lost	146,247,856	151,791,045	161,120,607
Unaccounted For Water	48,127,839	47,115,583	57,049,508
UFW %	24.76%	23.69%	26.15%

Water Production v. Water Sold

Pumpage from 1st to 31st Operator Read

Date	Subdivision	Operator Read	WATER USED OR LOST						Water Sold	Unaccounted For Water	Percent Unaccounted
			WWTP	Breaks/Leaks	Flushing	Softeners	Adjustments	Sold/Active			
Aug-20	WESTGATE	4,925,880			100,000			3,873,022	952,858	19.34%	
Sep-20	WESTGATE	5,087,660			250,000			4,815,003	272,657	0.45%	
Oct-20	WESTGATE	4,694,710			100,000			4,043,003	551,707	11.75%	
Nov-20	WESTGATE	4,300,030			100,000			3,666,003	534,027	12.42%	
Dec-20	WESTGATE	4,772,610			300,000			3,961,003	511,607	10.72%	
Jan-21	WESTGATE	4,894,730		100,000	250,000			3,400,004	1,144,726	23.36%	
Feb-21	WESTGATE	4,398,670			175,000			3,898,002	485,868	11.15%	
Mar-21	WESTGATE	4,588,300			150,000			3,766,004	672,296	14.65%	
Apr-21	WESTGATE	4,392,570			240,236			3,672,003	480,331	10.94%	
May-21	WESTGATE	5,477,840			150,000			5,164,005	163,835	2.99%	
Jun-21	WESTGATE	5,100,090			150,000			4,192,000	758,090	14.86%	
Jul-21	WESTGATE	5,202,270			150,000			3,996,000	1,054,270	20.27%	
		57,793,560		100,000	2,115,236			48,246,052	7,332,272	12.69%	

Pumpage from 1st to 31st Operator Read

Date	Subdivision	Operator Read	WATER USED OR LOST						Water Sold	Unaccounted For Water	Percent Unaccounted
			WWTP	Breaks/Leaks	Flushing	Softeners	Adjustments	Sold/Active			
Aug-21	WESTGATE	5,089,610			150,000			4,543,000	396,610	7.79%	
Sep-21	WESTGATE	4,486,560			30,000		50,000	4,038,000	368,560	8.21%	
Oct-21	WESTGATE	4,460,190			60,000			3,309,000	1,091,190	24.47%	
Nov-21	WESTGATE	4,207,060			35,000			3,484,000	688,060	16.35%	
Dec-21	WESTGATE	4,485,740			20,000			3,866,000	524,740	11.70%	
Jan-22	WESTGATE	4,493,700		75,000	35,000			3,634,000	824,700	18.35%	
Feb-22	WESTGATE	3,826,480			35,000			3,148,000	643,480	16.82%	
Mar-22	WESTGATE	4,198,200			55,000			3,550,000	593,200	14.13%	
Apr-22	WESTGATE	4,360,260			130,000			3,558,000	672,260	15.42%	
May-22	WESTGATE	4,624,930			35,000			4,223,000	366,930	7.93%	
Jun-22	WESTGATE	4,735,000			60,000			4,115,000	560,000	11.83%	
Jul-22	WESTGATE	5,809,020			300,000			4,742,000	767,020	13.20%	
		54,776,750		75,000	945,000		50,000	46,210,000	7,496,750	13.69%	

Pumpage from 1st to 31st Operator Read

Date	Subdivision	Operator Read	WATER USED OR LOST						Water Sold	Unaccounted For Water	Percent Unaccounted
			WWTP	Breaks/Leaks	Flushing	Softeners	Adjustments	Sold/Active			
Aug-22	WESTGATE	5,765,350		20,000	60,000			5,318,000	367,350	6.37%	
Sep-22	WESTGATE	4,513,810			35,000			3,227,000	1,251,810	27.73%	
Oct-22	WESTGATE	4,161,760			25,000			3,843,000	293,760	7.06%	
Nov-22	WESTGATE	3,986,500			4,000			3,654,000	326,500	8.24%	
Dec-22	WESTGATE	4,223,150			4,000			3,686,000	533,150	12.62%	
Jan-23	WESTGATE	4,093,740			4,000			3,307,000	782,740	19.12%	
Feb-23	WESTGATE	3,559,850			4,000			3,272,000	283,850	7.97%	
Mar-23	WESTGATE	3,975,570			7,000			3,379,000	598,570	14.06%	
Apr-23	WESTGATE	4,255,900			37,100			3,468,000	750,800	17.64%	
May-23	WESTGATE	5,249,060			1,000			5,011,000	237,060	4.52%	
Jun-23	WESTGATE	5,263,030			1,000			4,246,000	1,006,030	19.15%	
Jul-23	WESTGATE	5,370,650		1,509,240	1,000			4,092,000	-231,590	-4.31%	
		54,408,390		1,559,240	183,100			42,411,000	6,163,050	11.33%	

WATER USED OR LOST

Date	Subdivision	Water Purchased	WATER USED OR LOST						Water Sold	Total Water Sold	Unaccounted For Water	Percent Unaccounted
			WWTP	Main Breaks/Leaks	Flushing	Filters/ Softeners	Adjustments	Water Sold/Active				
Aug-20	WESTGATE	4,976,390			100,000				3,873,022	1,003,368	20.16%	
Sep-20	WESTGATE	5,090,480			250,000				4,815,003	25,477	0.50%	
Oct-20	WESTGATE	4,704,870			100,000				4,043,003	561,867	11.94%	
Nov-20	WESTGATE	4,326,870			100,000				3,666,003	560,667	12.96%	
Dec-20	WESTGATE	5,577,940			300,000				3,961,003	1,316,937	23.61%	
Jan-21	WESTGATE	4,018,980		100,000	250,000				3,400,004	268,076	8.67%	
Feb-21	WESTGATE	4,403,100			175,000				3,898,002	533,098	12.04%	
Mar-21	WESTGATE	4,569,900			150,000				3,766,004	653,896	14.31%	
Apr-21	WESTGATE	4,401,900			240,236				3,672,003	489,661	11.12%	
May-21	WESTGATE	5,492,880			150,000				5,164,005	178,875	3.26%	
Jun-21	WESTGATE	5,120,730			150,000				4,192,000	778,730	15.21%	
Jul-21	WESTGATE	5,179,550			150,000				3,996,000	1,033,550	19.95%	
		TOTAL		100,000	2,115,236				48,246,052	7,401,202	12.79%	

Pumpage from City Bill

Date	Subdivision	Water Purchased	WATER USED OR LOST						Water Sold	Total Water Sold	Unaccounted For Water	Percent Unaccounted
			WWTP	Main Breaks/Leaks	Flushing	Filters/ Softeners	Adjustments	Water Sold/Active				
Aug-21	WESTGATE	5,065,270			150,000				4,543,000	372,270	7.35%	
Sep-21	WESTGATE	4,490,750			30,000		50,000		4,038,000	372,750	8.30%	
Oct-21	WESTGATE	4,475,190			60,000				3,309,000	1,106,190	24.72%	
Nov-21	WESTGATE	4,194,390			35,000				3,484,000	675,390	16.10%	
Dec-21	WESTGATE	4,475,400			20,000				3,866,000	514,400	11.49%	
Jan-22	WESTGATE	4,434,230		75,000	35,000				3,634,000	765,230	17.26%	
Feb-22	WESTGATE	3,856,090			35,000				3,148,000	673,090	17.46%	
Mar-22	WESTGATE	4,197,500			55,000				3,550,000	592,500	14.12%	
Apr-22	WESTGATE	4,343,620			130,000				3,558,000	655,620	15.09%	
May-22	WESTGATE	4,674,870			35,000				4,223,000	416,870	8.92%	
Jun-22	WESTGATE	4,745,260			60,000				4,115,000	570,260	12.02%	
Jul-22	WESTGATE	5,782,880			300,000				4,742,000	740,880	12.81%	
		TOTAL		75,000	945,000		50,000		46,210,000	7,455,470	13.62%	

Pumpage from City Bill

Date	Subdivision	Water Purchased	WATER USED OR LOST						Water Sold	Total Water Sold	Unaccounted For Water	Percent Unaccounted
			WWTP	Main Breaks/Leaks	Flushing	Filters/ Softeners	Adjustments	Water Sold/Active				
Aug-22	WESTGATE	5,740,470		20,000	60,000				5,318,000	342,470	5.97%	
Sep-22	WESTGATE	4,533,480			35,000				3,227,000	1,271,480	28.05%	
Oct-22	WESTGATE	4,144,000			25,000				3,843,000	276,000	6.66%	
Nov-22	WESTGATE	3,994,450			4,000				3,654,000	336,450	8.42%	
Dec-22	WESTGATE	3,950,260			4,000				3,686,000	260,260	6.59%	
Jan-23	WESTGATE	4,379,830			4,000				3,307,000	1,068,830	24.40%	
Feb-23	WESTGATE	3,559,810			4,000				3,272,000	283,810	7.97%	
Mar-23	WESTGATE	3,974,640			7,000				3,379,000	558,640	14.06%	
Apr-23	WESTGATE	3,934,860			37,100				3,468,000	429,760	10.92%	
May-23	WESTGATE	5,491,180			1,000				5,011,000	479,180	8.73%	
Jun-23	WESTGATE	4,828,300			1,000				4,246,000	581,300	12.04%	
Jul-23	WESTGATE	5,064,040		1,509,240	1,000				4,092,000	-538,200	-10.83%	
		TOTAL		1,559,240	183,100				46,503,000	5,350,000	9.98%	

Water Production v. Water Sold

WATER USED OR LOST											
Date	Subdivision	Water Produced	WWTP	Main Breaks/Leaks	Flushing	Filters/ Softeners	CL17	Sewer Cleaning	Total Water Sold	Unaccounted For Water	Percent Unaccounted
Aug-20	PENN ESTATES	10,183,736	103,846	588,800			222,850		7,630,363	1,637,877	16.08%
Sep-20	PENN ESTATES	9,617,049	59,564		30,000		119,144		7,377,255	2,031,086	21.12%
Oct-20	PENN ESTATES	10,232,501	88,753	1,800,000	25,000		137,182		6,813,438	1,368,128	13.37%
Nov-20	PENN ESTATES	9,567,464	74,564		70,000		107,182		6,447,021	2,868,697	29.98%
Dec-20	PENN ESTATES	9,765,323	186,638	470,000			161,061		6,130,280	2,817,344	28.85%
Jan-21	PENN ESTATES	10,253,472	60,573	1,181,500	50,000		113,008		7,591,330	1,257,061	12.26%
Feb-21	PENN ESTATES	8,378,483	29,963	590,750			110,000		6,853,146	794,624	9.48%
Mar-21	PENN ESTATES	8,989,353	35,370	506,000	5,000		80,525		5,999,326	2,363,132	26.29%
Apr-21	PENN ESTATES	8,894,063	174,281	92,000			77,323		6,782,646	1,767,813	19.88%
May-21	PENN ESTATES	9,453,021	62,353	125,256	60,000		77,000		6,398,027	2,730,385	28.88%
Jun-21	PENN ESTATES	9,276,130	44,860	60,000	50,000		73,168		7,633,546	1,414,556	15.25%
Jul-21	PENN ESTATES	9,876,870	67,515	222,000	78,194		67,053		7,024,048	2,418,060	24.48%
	TOTAL	114,487,465	988,280	5,636,306	368,194		1,345,496		82,680,426	23,468,763	20.50%

WATER USED OR LOST											
Date	Subdivision	Water Produced	WWTP	Main Breaks/Leaks	Flushing	Filters/ Softeners	CL17	Sewer Cleaning	Total Water Sold	Unaccounted For Water	Percent Unaccounted
Aug-21	PENN ESTATES	10,486,759	112,774	200,000	550,000		70,000		7,577,360	1,976,625	18.85%
Sep-21	PENN ESTATES	9,612,258	59,074	523,840			54,796		6,828,330	2,146,218	22.33%
Oct-21	PENN ESTATES	9,216,168	79,782				51,342		6,783,590	2,301,454	24.97%
Nov-21	PENN ESTATES	8,431,076	59,681	1,800,500			42,984		6,212,658	315,253	3.74%
Dec-21	PENN ESTATES	7,769,403	36,967	50,000			48,897		5,675,267	1,958,272	25.20%
Jan-22	PENN ESTATES	8,697,034	40,045	850,000			41,958		7,751,534	13,497	0.16%
Feb-22	PENN ESTATES	8,444,172	42,167	58,000	2,000	3,077	41,634		6,910,574	1,386,720	16.42%
Mar-22	PENN ESTATES	9,000,972	39,946	20,000	62,000		49,914		5,690,445	3,138,667	34.87%
Apr-22	PENN ESTATES	9,013,897	62,402	1,338,197	20,000		54,003	75,596	6,182,143	1,281,556	14.22%
May-22	PENN ESTATES	8,383,955	39,129	354,168			51,836	2,502	5,948,872	1,987,448	23.71%
Jun-22	PENN ESTATES	8,048,734	120,954	70,000			51,534		6,389,578	1,416,668	17.60%
Jul-22	PENN ESTATES	9,139,574	24,033				52,619		7,126,187	1,936,735	21.19%
	TOTAL	106,244,002	716,954	5,264,705	634,000	3,077	611,517	78,098	79,076,538	19,859,113	18.69%

WATER USED OR LOST											
Date	Subdivision	Water Produced	WWTP	Main Breaks/Leaks	Flushing	Sampling	CL17	Sewer Cleaning/M	Total Water Sold	Unaccounted For Water	Percent Unaccounted
Aug-22	PENN ESTATES	9,621,937	13,585	45,000	500,000		47,289		7,189,520	1,826,543	18.98%
Sep-22	PENN ESTATES	8,620,872	13,068	74,500	5,000	11,301	52,000		6,716,727	1,748,276	20.28%
Oct-22	PENN ESTATES	9,503,625	44,747	50,000	15,000		52,657		5,425,361	3,915,860	41.20%
Nov-22	PENN ESTATES	9,790,875	22,674	80,000	5,000		62,366		5,874,552	3,746,283	38.26%
Dec-22	PENN ESTATES	10,800,460	74,874	105,000	11,000		65,227		5,637,623	4,906,736	45.43%
Jan-23	PENN ESTATES	10,955,961	17,236	1,200,000	5,000		59,079		6,265,262	3,409,384	31.12%
Feb-23	PENN ESTATES	8,650,385	22,137	800,000	15,000	792	53,000		6,078,637	1,680,819	19.43%
Mar-23	PENN ESTATES	8,456,106	48,623		10,000	1,150	46,733		5,249,484	3,100,116	36.66%
Apr-23	PENN ESTATES	8,591,875	24,243	200,000	180,081		59,001		6,150,309	1,978,241	23.02%
May-23	PENN ESTATES	9,367,352	21,585	50,000	5,000	1,930	52,289	58,018	5,698,203	3,480,327	37.15%
Jun-23	PENN ESTATES	9,466,579	5,012	600,000	60,000		52,915		7,838,639	910,013	9.61%
Jul-23	PENN ESTATES	10,497,580	33,643	50,000	20,000	150	74,488		5,671,016	4,648,283	44.28%
	TOTAL	114,323,607	341,427	3,254,500	831,081	15,323	677,044	58,018	73,795,333	35,350,881	30.92%

103,826,027

72,815,645

Water Production v. Water Sold

WATER USED OR LOST										
Date	Subdivision	Water Produced	WWTP	Main Breaks/Leaks	Flushing	Filters/ Softeners	Adjustments	Total Water Sold	Unaccounted For Water	Percent Unaccounted
Sep-20	Tamiment	12,178,850	15,300		200,000			5,332,239	6,631,311	54.45%
Dec-20	Tamiment	10,755,910	6,931					4,465,794	6,283,185	58.42%
Mar-21	Tamiment	11,804,400	8,341	400,100	97,000			4,540,183	6,758,776	57.26%
Jun-21	Tamiment	11,081,000	12,829	143,800	46,300			4,371,800	6,506,271	58.72%
	TOTAL	45,820,160	43,401	543,900	343,300	0	0	18,710,016	26,179,543	57.14%

WATER USED OR LOST										
Date	Subdivision	Water Produced	WWTP	Main Breaks/Leaks	Flushing	Filters/ Softeners	Adjustments	Total Water Sold	Unaccounted For Water	Percent Unaccounted
Sep-21	Tamiment	11,338,000	20,138	355,000	96,000			4,809,500	6,057,362	53.43%
Dec-21	Tamiment	8,797,613	4,574	25,000	13,500		3,000	3,994,039	4,757,500	54.08%
Mar-22	Tamiment	8,982,330	3,901	83,000	31,500			4,177,900	4,686,029	52.17%
Apr-22	Tamiment	2,951,963	2,165		79,020			1,433,500	1,437,278	48.69%
May-22	Tamiment	2,740,607	1,479					1,377,000	1,362,128	49.70%
Jun-22	Tamiment	3,116,643	910		42,830			1,572,200	1,500,703	48.15%
	TOTAL	37,927,156	33,167	463,000	262,850	0	3,000	17,364,139	19,801,000	52.21%

WATER USED OR LOST										
Date	Subdivision	Water Produced	WWTP	Main Breaks/Leaks	Flushing	Filters/ Softeners	Adjustments	Total Water Sold	Unaccounted For Water	Percent Unaccounted
Aug-22	Tamiment	3,134,587	4,465	183,800	25,000			1,701,100	1,220,222	38.93%
Sep-22	Tamiment	3,286,576	1,737	1,103,000	25,220			1,519,100	637,519	19.40%
Oct-22	Tamiment	1,736,716	4,154		1,038			1,173,800	557,724	32.11%
Nov-22	Tamiment	1,594,351	1,867					1,204,100	388,384	24.36%
Dec-22	Tamiment	2,083,496	1,418	7,500				1,164,800	909,778	43.67%
Jan-23	Tamiment	2,420,935	1,477					1,631,500	787,958	32.55%
Feb-23	Tamiment	2,189,478	2,693		2,000			1,580,800	603,985	27.59%
Mar-23	Tamiment	1,920,132	1,347				3,000	1,403,700	512,085	26.67%
Apr-23	Tamiment	2,016,155	2,872		48,072	21,600		1,380,200	563,411	27.94%
May-23	Tamiment	1,924,326	1,974	30,000	57,800	15,000		1,119,200	700,352	36.39%
Jun-23	Tamiment	1,944,251	1,867	22,500	141,300	21,600		1,826,800	-69,816	-3.59%
Jul-23	Tamiment	2,205,745	1,188	67,381		22,320		1,499,500	615,356	27.90%
	TOTAL	26,456,748	27,059	1,414,181	300,430	80,520	3,000	17,204,600	7,426,958	28.07%

Pa. PUC v. Community Utilities of Pennsylvania, Inc.
R-2023-3043804 (Water), R-2023-3042805 (Wastewater)

**Community Utilities of Pennsylvania, Inc.'s Responses to Office of Consumer Advocate
Interrogatories, Set 3**

4. Refer to CUPA Statement 6, pages 6-7, regarding the Company's proposed arrearage management program (AMP). Please answer the following:
- a. How will customers apply for enrollment in the AMP?
 - b. How does the Company propose noticing qualifying customers that they can apply for enrollment in the AMP?
 - c. Is there any cap to the AMP payments in addition to the monthly bill, or will customers be required to pay one twelfth of the amount in arrears, regardless of the amount?
 - d. Will customers who do not qualify for the low-income program be eligible for enrollment in the AMP?
 - e. What percentage of CUPA's customers have a past-due balance greater than \$400?
 - f. Of the Company's customers who have a past-due balance greater than \$400, how many are qualified to receive the Company's low-income rate?

RESPONSE:

- a. Customers who are approved for the low-income program who have past due balances greater than \$400 may contact CUPA to establish a Deferred Payment Arrangement (DPA) and AMP.
- b. CUPA will include details of the AMP in its website, social media, and other communications materials which support the low-income program.
- c. No cap on monthly installment payments is contemplated. The larger the monthly installments in the related DPA, the greater the potential benefit to the customer for payment forgiveness.
- d. No.
- e. The percentage of customers with past due balances greater than \$400 is 2.18%.
- f. Four customers with past-due balances greater than \$400 have been approved for the Company's current low-income water rate.

PROVIDED BY: Steve Lubertozzi

DATE: 12/27/2023

Pa. PUC v. Community Utilities of Pennsylvania, Inc.
R-2023-3043804 (Water), R-2023-3042805 (Wastewater)

**Community Utilities of Pennsylvania, Inc.’s Responses to Office of Consumer Advocate
Interrogatories, Set 3**

5. Refer to the Company’s Compliance Filing in its 2021 Base Rate Proceeding, the “Low-Income Quarterly Update for Third Quarter 2023.” In that filing, the Company provides that, of the nineteen unique applicants, only one has been qualified. Three were determined ineligible due to over-income. Please answer the following:
- a. How long does it take from the time that Dollar Energy Fund receives an application from a qualifying customer until the customer is determined eligible to receive the low-income reduced rate?
 - b. Of the fifteen customers who have not received a determination regarding their eligibility as of September 2023, how many had applications which were determined “pending”?
 - c. Of the fifteen customers who have not received a determination regarding their eligibility as of September 2023, how many were Dollar Energy Fund unable to approve due to an inability to communicate with the customer?

RESPONSE:

- a. An application is not considered complete until Dollar Energy Fund has received all eligibility documents from the customer to verify income. Once all documents have been received, they are verified same day. At that point, Dollar Energy Fund would notify CUPA of the customer’s eligibility. Once notified, CUPA submits a rate change request to its billing department to adjust the customer’s rate, which is typically done same day of request.
- b. These applications remain pending and have been unapproved at this point. Dollar Energy has not received a response from these customers to an email, phone call, or letter inquiry. Another outreach for these customers will be conducted in early 2024.
- c. Please see response to B above.

PROVIDED BY: Anthony Gray

DATE: 12/27/2023

Pa. PUC v. Community Utilities of Pennsylvania, Inc.
R-2023-3043804 (Water), R-2023-3042805 (Wastewater)

**Community Utilities of Pennsylvania, Inc.'s Responses to
Office of Consumer Advocate Interrogatories, Set 5**

1. Please provide the number of customers, disaggregated by township, served by CUPA with:
 - a. Water service
 - b. Wastewater service

RESPONSE:

- a. The Company provides water service to 980 customers within Hanover Township, 544 customers within Lehman Township, and 1,733 customers within the Stroud/Pocono Townships.
- b. The Company provides wastewater service to 1,600 customers within West Bradford Township, 544 customers within Lehman Township, and 1,688 customers within the Stroud/Pocono Townships.

PROVIDED BY: David Clark

DATE: 1/12/2024

SUPPLEMENTAL RESPONSE:

- a. The Company provides water service to approximately 1,688 customers in Stroud Township and 45 customers in Pocono Township.
- b. The Company provides water service to approximately 1,643 customers in Stroud Township and 45 customers in Pocono Township.

DATE: January 24, 2024

Pa. PUC v. Community Utilities of Pennsylvania, Inc.
R-2023-3043804 (Water), R-2023-3042805 (Wastewater)

**Community Utilities of Pennsylvania, Inc.’s Responses to
Office of Consumer Advocate Interrogatories, Set 5**

3. Please provide, as of the most recent month available, the number of residential accounts in arrears, separated by water and wastewater (or combined water/wastewater if appropriate), in \$100 ranges. Separately provide the sum of dollars of arrears in each range.

RESPONSE: Please refer to the respective tab on the attachment labeled **“Response to OCA Set 5 3-7”**.

PROVIDED BY: David Clark

DATE: 1/12/2024

Community Utilities of Pennsylvania Inc.
 Response to CCA Set 5-3
 Residential Areas

Count	1-100	100-200	200-300	300-400	400-500	500-600	600-700	700-800	800-900	900-1000	1000-1100	1100-1200	1200-1300	1300-1400	1500-1600	1700-1800	1800-1900	2000-2100	2100-2200	2200-2300	2800-2900	3200-3300	3600-3700	5000-5100	5100-5200	5300-5400	5600-5700	6100-6200	9000-9100	
31-Dec-23																														
WATER	496	177	84	19	9	5	1	3	2		1			1					1											1
WASTEWATER	535	193	85	57	14	13	9	5		4	2	4	3		2	2	2			1	1	1	1	3	1	1	1	1	1	
Amount																														
31-Dec-23																														
WATER	\$ 26,275.79	\$ 24,886.26	\$ 20,717.03	\$ 6,483.33	\$ 4,021.49	\$ 2,746.31	\$ 854.78	\$ 2,201.57	\$ 1,652.58		\$ 1,053.33		\$ 1,361.29		\$ 3,154.14	\$ 3,491.34	\$ 3,674.09		\$ 2,048.32											\$ 9,084.48
WASTEWATER	\$ 34,804.12	\$ 28,643.51	\$ 19,902.87	\$ 19,057.86	\$ 6,257.71	\$ 7,177.52	\$ 5,757.40	\$ 3,747.57		\$ 3,774.44	\$ 2,114.19	\$ 4,570.26	\$ 3,743.24							\$ 2,179.15	\$ 2,298.35	\$ 2,876.31	\$ 3,235.06	\$ 10,939.68	\$ 5,059.65	\$ 5,118.07	\$ 5,374.13	5642.2	6199.31	

Community Utilities of Pennsylvania Inc.
Response to OCA Set 5-4
Residential Arrears

	2023-01	2023-02	2023-03	2023-04	2023-05	2023-06	2023-07	2023-08	2023-09	2023-10	2023-11	2023-12
A.												
WATER	3,224	3,219	3,250	1,504	4,974	3,192	3,242	3,186	3,234	3,145	3,245	3,235
WASTEWATER	3,834	3,889	3,869	2,124	5,594	3,804	3,862	3,817	3,854	3,768	3,861	3,851
B.												
WATER	2,820	2,580	2,933	2,619	2,644	2,689	2,844	2,769	2,880	3,022	2,568	2,718
WASTEWATER	3,324	3,097	3,485	3,148	3,373	3,199	3,178	3,427	3,260	3,515	3,078	3,412
C.												
WATER	\$ 212,650.74	\$ 198,563.18	\$ 199,267.29	\$ 104,913.22	\$ 311,675.25	\$ 252,341.64	\$ 216,435.02	\$ 227,519.86	\$ 235,697.05	\$ 202,328.68	\$ 203,659.75	\$ 196,444.34
WASTEWATER	\$ 283,799.02	\$ 283,441.68	\$ 287,375.31	\$ 170,212.32	\$ 410,383.01	\$ 291,231.13	\$ 288,022.60	\$ 284,370.84	\$ 294,945.70	\$ 276,785.33	\$ 280,736.20	\$ 281,533.69
D.												
WATER	\$ 197,686.71	\$ 200,064.93	\$ 205,695.49	\$ 185,388.78	\$ 193,144.02	\$ 188,242.60	\$ 243,936.51	\$ 216,465.04	\$ 220,555.78	\$ 235,529.58	\$ 191,805.47	\$ 186,556.75
WASTEWATER	\$ 270,993.43	\$ 267,249.44	\$ 298,652.35	\$ 261,882.25	\$ 289,248.80	\$ 264,951.46	\$ 269,580.88	\$ 290,115.62	\$ 270,535.02	\$ 294,607.64	\$ 252,901.09	\$ 278,920.12
E.												
WATER	809	435	721	402	479	500	768	767	407	739	432	802
WASTEWATER	972	598	885	560	641	605	918	905	568	886	588	944
F.												
WATER	\$ 113,995.69	\$ 67,627.42	\$ 96,598.16	\$ 66,547.97	\$ 71,171.82	\$ 70,636.00	\$ 99,170.33	\$ 95,826.84	\$ 61,322.50	\$ 98,729.25	\$ 67,264.38	\$ 103,186.99
WASTEWATER	\$ 213,661.76	\$ 162,257.24	\$ 196,063.79	\$ 163,763.80	\$ 168,579.82	\$ 165,402.89	\$ 198,935.27	\$ 203,860.46	\$ 153,377.16	\$ 183,976.53	\$ 158,612.20	\$ 198,792.35

Community Utilities of Pennsylvania Inc.
Response to OCA Set 5-5&6
Aging Reports

5a - dollars

6

	A.	B.	C.	D.	E.	F.	
Amount	Current	1-30 Days	31-60 Days	61-90 Days	91+ Days	Total AR	Additive
2023-01	\$ 379,291.18	\$ 107,247.12	\$ 65,949.28	\$ 41,016.10	\$ 113,444.95	\$ 706,948.63	Yes
2023-02	\$ 472,894.93	\$ 72,089.64	\$ 36,834.71	\$ 19,208.19	\$ 101,752.12	\$ 702,779.59	Yes
2023-03	\$ 373,904.11	\$ 142,224.78	\$ 40,763.65	\$ 12,273.79	\$ 97,399.73	\$ 666,566.06	Yes
2023-04	\$ 236,655.83	\$ 44,773.10	\$ 64,394.20	\$ 28,233.70	\$ 92,910.77	\$ 466,967.60	Yes
2023-05	\$ 456,069.27	\$ 51,297.52	\$ 44,519.10	\$ 43,868.13	\$ 100,066.89	\$ 695,820.91	Yes
2023-06	\$ 501,640.19	\$ 68,088.78	\$ 29,883.39	\$ 21,916.22	\$ 116,150.50	\$ 737,679.08	Yes
2023-07	\$ 401,958.56	\$ 112,764.57	\$ 47,789.88	\$ 37,630.47	\$ 99,920.68	\$ 700,064.16	Yes
2023-08	\$ 403,981.78	\$ 119,457.60	\$ 43,770.63	\$ 27,749.42	\$ 108,709.65	\$ 703,669.08	Yes
2023-09	\$ 502,926.03	\$ 30,093.72	\$ 56,362.75	\$ 22,450.12	\$ 105,793.07	\$ 717,625.69	Yes
2023-10	\$ 375,922.67	\$ 113,755.73	\$ 49,513.09	\$ 23,689.40	\$ 95,747.56	\$ 658,628.45	Yes
2023-11	\$ 452,083.32	\$ 34,447.09	\$ 59,334.24	\$ 30,058.18	\$ 102,037.07	\$ 677,959.90	Yes
2023-12	\$ 378,726.31	\$ 118,618.63	\$ 53,540.54	\$ 23,076.62	\$ 106,743.55	\$ 680,705.65	Yes

5b - accounts

6

	A.	B.	C.	D.	E.	F.	
Count	Current	1-30 Days	31-60 Days	61-90 Days	91+ Days	Total AR	Additive
2023-01	6,420	1,590	948	622	383	6,449	No
2023-02	6,647	980	577	278	302	6,691	No
2023-03	6,374	1,562	510	206	233	6,407	No
2023-04	4,317	445	776	289	167	4,352	No
2023-05	6,551	633	661	410	161	6,584	No
2023-06	6,553	1,056	370	330	280	6,565	No
2023-07	6,592	1,501	764	474	219	6,599	No
2023-08	6,549	1,624	649	443	338	6,557	No
2023-09	6,535	313	773	331	262	6,547	No
2023-10	6,430	1,566	639	380	217	6,447	No
2023-11	6,438	416	819	354	257	6,447	No
2023-12	6,449	1,696	773	372	243	6,464	No

Community Utilities of Pennsylvania Inc.
Response to OCA Set 5-7
Payment Plans

	2023-01	2023-02	2023-03	2023-04	2023-05	2023-06	2023-07	2023-08	2023-09	2023-10	2023-11	2023-12
A.	23	22	23	10	25	20	9	18	18	23	18	16

	2023-01	2023-02	2023-03	2023-04	2023-05	2023-06	2023-07	2023-08	2023-09	2023-10	2023-11	2023-12
B.	174	177	186	174	179	180	174	176	176	183	180	175

	2023-01	2023-02	2023-03	2023-04	2023-05	2023-06	2023-07	2023-08	2023-09	2023-10	2023-11	2023-12
C.	17	8	13	15	15	15	14	12	15	14	12	18

	2023-01	2023-02	2023-03	2023-04	2023-05	2023-06	2023-07	2023-08	2023-09	2023-10	2023-11	2023-12
D.	1	7	1	7	5	4	2	2	3	2	9	3

Pa. PUC v. Community Utilities of Pennsylvania, Inc.
R-2023-3043804 (Water), R-2023-3042805 (Wastewater)

**Community Utilities of Pennsylvania, Inc.'s Responses to
Office of Consumer Advocate Interrogatories, Set 5**

8. Please provide by month for the most recent 24 months:
- a. The number of residential accounts receiving a LIHWAP grant;
 - b. The dollars of LIHWAP grants received;
 - c. The average LIHWAP grant received.

RESPONSE: As of 1/2/2024, CUPA has received 37 payments for LIHWAP, totaling \$47,238.48, or an average payment of \$1,276.72. Please note PA DHS has informed CUPA that supplemental payments are pending review.

Year	Month	Amount
2022	Feb	4,471.49
2022	Mar	4,463.27
2022	Apr	7,068.44
2022	May	5,251.74
2022	Jun	9,493.23
2022	Jul	3,132.81
2022	Aug	3,184.96
2022	Sep	1,456.06
2022	Oct	1,765.74
2022	Nov	927.29
2022	Dec	75.00
2023	Aug	2,085.48
2023	Sep	1,510.97
2024	Jan	2,352.00
Total		47,238.48

PROVIDED BY: Anthony Gray

DATE: 1/12/2024

SUPPLEMENTAL RESPONSE:

- a. CUPA received LIHWAP payments on behalf of 57 customers.

DATE: January 24, 2024

Pa. PUC v. Community Utilities of Pennsylvania, Inc.
R-2023-3043804 (Water), R-2023-3042805 (Wastewater)

**Community Utilities of Pennsylvania, Inc.’s Responses to
Office of Consumer Advocate Interrogatories, Set 5**

14. In an active Excel format, provide by month for each month in which CUPA has taken applications for its low-income discount:
- a. The number of bill discount applicants applying for the program that have arrears on their account at the time of the application;
 - b. A distribution of the arrears of the new applicants in ranges of \$100.

RESPONSE:

- a. The number of bill discount applicants with arrears on their accounts at time of application is 66.
- b. Please refer to the attachment labeled **“Response to OCA Set 5-14”** for the breakdown of low-income rate applicants in ranges of \$100.

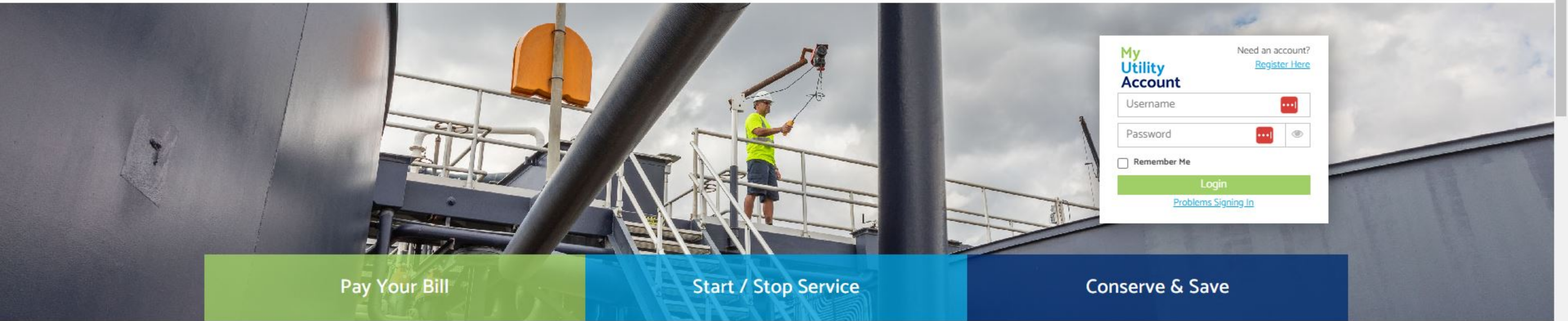
PROVIDED BY: David Clark

DATE: 1/12/2024

Community Utilities of Pennsylvania Inc.
 Response to OCA Set 5-14
 Low-Income Rate Applicant Arrears

\$ Range	Application Month												TOTALS
	2/28/2022	3/31/2022	5/31/2022	6/30/2022	8/31/2022	10/31/2022	12/31/2022	6/30/2023	7/31/2023	10/31/2023	11/30/2023	12/31/2023	
0-100	1	1	1	2	-	-	-	-	-	1	2	1	9
100-200	-	4	-	-	-	-	-	-	-	13	7	-	24
200-300	-	2	-	-	1	-	-	-	-	3	1	-	7
300-400	-	-	-	-	-	-	-	-	-	3	1	1	5
400-500	-	-	-	-	-	-	-	-	-	3	-	-	3
500-600	-	-	-	-	-	1	-	1	1	1	-	1	5
600-700	-	-	-	-	-	-	1	-	-	1	-	-	2
700-800	-	-	-	-	-	-	-	-	-	3	-	-	3
1000-1100	-	-	-	-	-	-	-	-	-	1	-	-	1
1300-1400	-	-	-	-	-	-	-	-	-	1	-	-	1
1400-1500	-	-	1	-	-	-	-	-	-	-	-	-	1
1500-1600	-	-	-	-	-	-	-	-	-	1	-	-	1
1700-1800	-	-	1	-	-	-	-	-	-	-	-	-	1
2100-2200	-	-	-	-	-	-	-	-	-	1	-	-	1
2700-2800	-	-	-	-	-	-	-	-	-	1	-	-	1
3200-3300	-	-	-	-	-	-	-	-	-	1	-	-	1

Exhibit NAD-C
Color Stills From Company Website – Navigation to Low-Income Page



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Password

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Support Healthy Hearts - Go Paperless!

Jan 31, 2024
[Community | Your Utility Services](#)

For every customer who makes the switch to Paperless Billing in February, we'll donate \$1 to the American Heart Association.



Notice of Public Input Hearings - Please Read

Jan 23, 2024
[Your Utility Services | Rates & Regulations](#)

The Pennsylvania PUC has scheduled six public input hearings to receive public testimony on Community



Cold Weather Safety

Jan 11, 2024
[Community | Health & Safety](#)

Due to extremely cold temperatures, take the following precautions to protect your home plumbing.

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My Utility Account

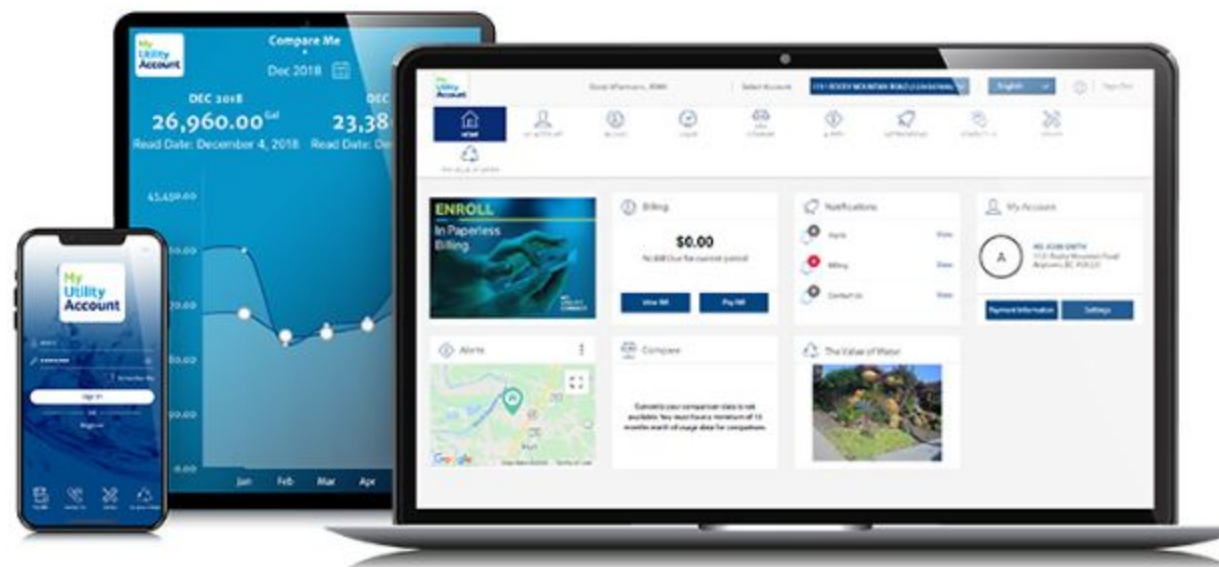
Our online self-service portal lets you manage your utility account **Anytime Anywhere!**

- Manage your account 24/7
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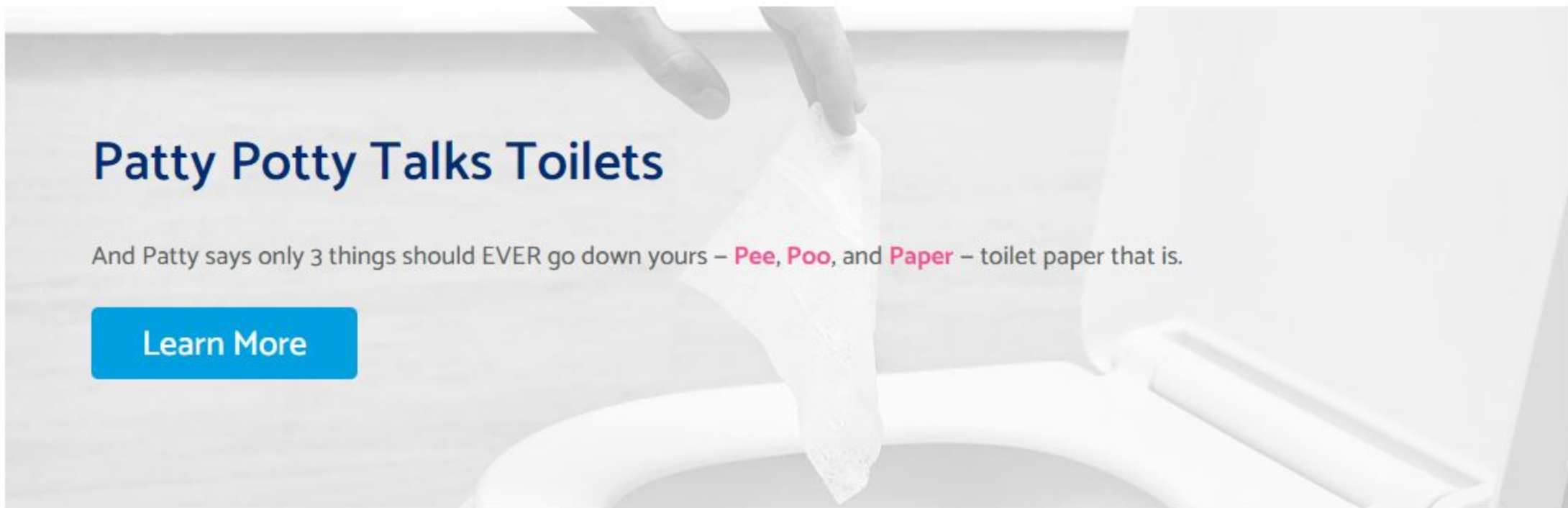
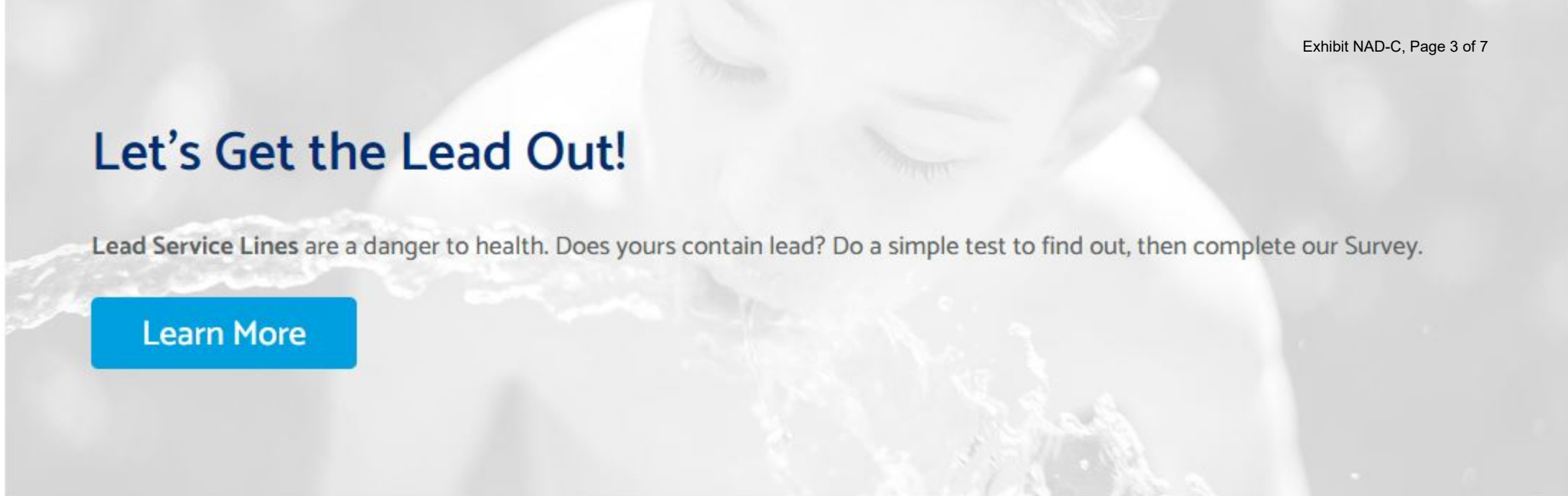
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Patty Potty Talks Toilets

And Patty says only 3 things should EVER go down yours – **Pee**, **Poo**, and **Paper** – toilet paper that is.

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Patty Potty's DO NOT Flush List

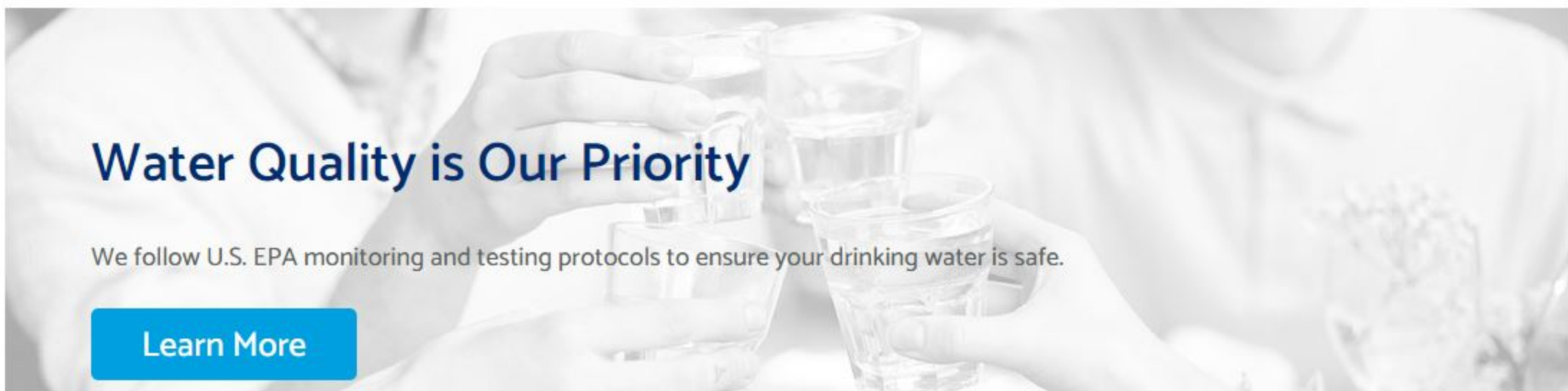
- Adult Wipes
- Baby Wipes
- Bandages
- Cigarettes
- Cotton Balls
- Cotton Swabs
- Dental Floss
- Diapers
- Facial Pads
- Facial Tissue
- Food Scraps
- Hair
- Household Garbage
- Kitty Litter
- Paper Towels
- Women's Hygiene Products



Water Quality is Our Priority

We follow U.S. EPA monitoring and testing protocols to ensure your drinking water is safe.

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Patty Potty Talks Toilets

And Patty says only 3 things should EVER go down yours – **Pee, Poo**, and **Paper** – toilet paper that is.

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Adult Wipes
Baby Wipes
Bandages
Cigarettes
Cotton Balls
Cotton Swabs
Dental Floss
Diapers

Facial Pads
Facial Tissue
Food Scraps
Hair
Household Garbage
Kitty Litter
Paper Towels
Women's Hygiene Products



Exhibit NAD-C, Page 4 of 7



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Oct 04, 2023

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Low-Income Volumetric Rate Information

Community Utilities of Pennsylvania, Inc (CUPA) has been approved to offer a reduced volumetric rate for residential water service to customers with incomes that fall below the federal poverty level. To qualify for these rates, customers can fill out the application form located at the following URL:

<https://tinyurl.com/CUPlapp>

CUPA understands the burden that customers experience in affording essential goods like housing, food, and clean water. **As your water service provider, we wish to be part of the solution to these challenges.** We are dedicated to ensuring our customers have safe, clean, and affordable water service. As part of our efforts to do just that, we have implemented a low-income rate for our residential customers who are at or below the federal poverty level, to ensure our entire community of customers has access to and can afford the services required to remain healthy

CUPA understands the burden that customers experience in affording essential goods like housing, food, and clean water. **As your water service provider, we wish to be part of the solution to these challenges.** We are dedicated to ensuring our customers have safe, clean, and affordable water service. As part of our efforts to do just that, we have implemented a low-income rate for our residential customers who are at or below the federal poverty level, to ensure our entire community of customers has access to and can afford the services required to remain healthy.

This low-income rate is available to residential customers on an application-only basis. Customers need to only apply once every 12 months to verify that they remain eligible for the lower rate.

To apply, CUPA has enlisted the help of a 3rd party (Dollar Energy Fund, Inc.) to verify our applicants' incomes on our behalf, ensuring your continued privacy. To check eligibility for our low-income rate before applying, please go to <https://aspe.hhs.gov/poverty-guidelines> and look for information about a family of your size.

For water service, if your income is at or below the applicable level, you will be eligible for the lower rate seen below on typical monthly water usage, up to 3,500 gallons per month. Should you use over the 3,500, any additional gallons will be charged at the regular residential rate.

PA PUC approved rates can be found in Community Utilities of Pennsylvania, Inc.'s tariffs located at the following URL:

<https://www.myutility.us/pennsylvania/regulatory/rates-tariffs>

Service Area	Residential Water Consumption Charge	
	Regular Rate (per 1k gallons)	Low-Income Rate (per 1k gallons)
Westgate	\$13.514	\$8.784
Penn Estates	\$13.514	\$8.784
Tamiment	\$11.452	\$7.444

Low Income Housing Water Assistance Program

The State Low Income Household Water Assistance Program (LIHWAP) can also help you pay arrears for your water and sewer bills. The program may also be able to help address tax liens due to water and sewer arrears.

To get more information and apply, go to links below.

<https://www.dhs.pa.gov/Services/Assistance/Pages/LIHWAP.aspx>

[Click here to view and download the LIHWAP Application.](#)

"Pennsylvania is pleased that the federal government is recognizing Pennsylvania's success in operating the first round of LIHWAP, and we are excited to distribute this assistance as soon as we are

for your water and sewer bills. The program may also be able to help address tax liens due to water and sewer arrears.

To get more information and apply, go to links below.

<https://www.dhs.pa.gov/Services/Assistance/Pages/LIHWAP.aspx>

[Click here to view and download the LIHWAP Application.](#)

“Pennsylvania is pleased that the federal government is recognizing Pennsylvania’s success in operating the first round of LIHWAP, and we are excited to distribute this assistance as soon as we are able,” Acting Department of Human Services Secretary Val Arkoosh said in a statement. “Access to clean drinking water and wastewater services is fundamental to our health and well-being, and we hope to work with local and private water services providers to further expand this program and ensure that this assistance is reaching the communities it is intended to help.”

Please contact Customer Service with any questions regarding these programs, as well as how to sign up for a bill payment plan.

Thank you for allowing us to serve you!



Manage Your Utility Account Anytime Anywhere!

Manage Your Account, pay your bill, receive notifications and more ...

Learn More & Register

Account Login



53000BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION


Pennsylvania Public Utility Commission :
v. : Docket Nos. R-2023-3042804 (Water)
Community Utilities of Pennsylvania, Inc. : R-2023-3042805 (Wastewater)
:

VERIFICATION

I, Nicholas A. DeMarco, hereby state that the facts set forth in my Direct Testimony, OCA Statement 1, are true and correct (or are true and correct to the best of my knowledge, information, and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Dated: February 6, 2024
*4878-9594-6659

Signature:


Nicholas A. DeMarco

Consultant Address: Office of Consumer Advocate
555 Walnut Street
5th Floor. Forum Place
Harrisburg, PA 17101-1923

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	)	Docket No. R-2023-3042804
	)	(Water)
v.	)	Docket No. R-2023-3042805
	)	(Wastewater)
Community Utilities of Pennsylvania Inc.)	

**DIRECT TESTIMONY
OF
JENNIFER L. ROGERS**

**ON BEHALF OF THE
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE**

February 6, 2023

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Schedules Accompanying Direct

Appendix A – Resume of Jennifer L. Rogers

Schedules JLR-W-1 Through JLR-W-12

Schedules JLR-WW-1 Through JLR-WW-13

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Jennifer L. Rogers. My business address is 10480 Little Patuxent Parkway,
4 Suite 300, Columbia, Maryland, 21044. I am the Lead Economist working with Exeter
5 Associates, Inc. (Exeter). Exeter is a consulting firm specializing in issues pertaining
6 to public utilities.

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
8 **QUALIFICATIONS.**

9 A. I received a Master of Arts degree in Economics from Northeastern University. I also
10 have a Bachelor of Arts degree in Economics with a minor in Environmental Studies
11 from St. Mary's College of Maryland.

12 I attended the 42nd Eastern National Association of Regulatory Utility
13 Commissioners ("NARUC") Utility Rate School. I have also completed the Institute of
14 Public Utilities Accounting and Ratemaking Course and the Advanced Course:
15 Regulatory Accounting and Auditing, as well as EUCI's Electric Cost-of-Service
16 Course.

17 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.**

18 A. I have been employed with Exeter since 2009, initially as a Research Assistant before
19 being promoted to Economist and then Senior Economist. I am now Lead Economist
20 for the firm. At Exeter, I review utility rate filings and provide analysis of revenue
21 requirement issues. I also evaluate and forecast power supply requirements, costs, and
22 renewable energy needs; provide bill and rate analysis; and review energy use,
23 scheduling, and scheduling deviation data for clients. In addition, I conduct utility

1 service assessments to identify areas for potential utility cost savings, providing
2 detailed analysis of supply contracts, energy use, and a review of billing practices.

3 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY**
4 **PROCEEDINGS ON UTILITY RATES?**

5 A. Yes. I have previously presented testimony before the Pennsylvania Public Utility
6 Commission; the Philadelphia Water, Sewer, and Storm Water Rate Board; the
7 Maryland Public Service Commission; the Public Utility Commission of Texas; the
8 Maine Public Utilities Commission; and the State Corporation Commission of the State
9 of Kansas. My resume is attached hereto as Appendix A.

10 **Q. ON WHOSE BEHALF ARE YOU APPEARING?**

11 A. I am presenting testimony on behalf of the Pennsylvania Office of Consumer Advocate
12 (“OCA”).

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
14 **PROCEEDING?**

15 A. Exeter has been retained by the OCA to assist in the evaluation of the general rate
16 increase filings submitted by Community Utilities of Pennsylvania, Inc. (“CUPA” or
17 “Company”) for water and for wastewater. I have been asked by the OCA to present
18 my findings with respect to CUPA’s revenue requirements and its proposed rate
19 increases. I calculate CUPA’s rate base, pro forma operating income under present
20 rates, and overall revenue deficiency for water and wastewater based upon my
21 recommended adjustments to the Company’s claims.

1 **II. SUMMARY AND RECOMMENDATIONS**

2 **Q. PLEASE SUMMARIZE THE RATE RELIEF REQUESTED BY CUPA**
3 **IN ITS FILING.**

4 A. On November 9, 2023, CUPA filed an application with the Pennsylvania Public Utility
5 Commission (“Commission”) to increase its base rates for water and wastewater.
6 CUPA is requesting an increase in water service revenue of \$1,470,360, an increase of
7 62 percent, and an increase in wastewater service revenue of \$1,738,944, which is an
8 increase of 51 percent.¹ The Company’s proposed rate increase is based upon the fully
9 projected future test year (“FPFTY”) ending July 31, 2025. The filing also includes a
10 presentation of the cost of service based on the future test year (“FTY”) ending July
11 31, 2024, and the historic test year (“HTY”) ending July 31, 2023.² The Company’s
12 requested rate increase reflects an overall rate of return (“ROR”) of 7.92%, with a return
13 on equity of 10.6%.³

14 **Q. PLEASE SUMMARIZE YOUR FINDINGS AND**
15 **RECOMMENDATIONS.**

16 A. I have separately calculated the revenue increases for water and wastewater. As shown
17 on Schedule JLR-W-1, I have determined that CUPA’s proposed revenue increase
18 should be reduced to reflect an increase of no more than \$1,161,538 for the FPFTY
19 for water. This is \$308,822 less than the Company’s requested increase of \$1,470,360.
20 For wastewater, as shown on Schedule JLR-WW-1, I have determined that CUPA’s
21 proposed revenue increase should be reduced to reflect an increase of no more than

¹ Direct Testimony of Nathaniel Spriggs, page 9 lines 20-21.

² Direct Testimony of Nathaniel Spriggs, page 10 lines 12-14

³ Direct Testimony of Nathaniel Spriggs, page 10 lines 16-17.

1 \$1,201,945 for the FPFTY, which is \$536,999 less than the Company's requested
2 increase of \$1,738,944.

3 These are the amounts by which revenues exceed those required to generate an
4 overall rate of return on rate base of 6.81%, which is per the recommendation detailed
5 in the Direct Testimony of Morgan DeAngelo, after accounting for the OCA's
6 adjustments to CUPA's claimed rate base and operating income.

7 **Q. WHAT PERIOD HAVE YOU USED IN MAKING YOUR**
8 **DETERMINATION OF CUPA'S REVENUE REQUIREMENT?**

9 A. I have determined my revenue requirement recommendations based on the fully
10 projected future test year ending July 31, 2025. This is the same period used by the
11 Company to develop its revenue requirement, as per page 2, lines 19-20 of the Direct
12 Testimony of Anthony Gray.

13 **Q. IN CONNECTION WITH THIS CASE, WHAT DOCUMENTS HAVE**
14 **YOU EXAMINED AND REVIEWED IN MAKING YOUR**
15 **RECOMMENDATIONS?**

16 A. I have reviewed CUPA's rate filing, testimony, and exhibits. I also reviewed the
17 Company's responses to data requests propounded by the OCA, the Bureau of
18 Investigation and Enforcement ("I&E"), and the Office of Small Business Advocate
19 ("OSBA"). I have reviewed the Settlement associated with Docket Nos. R-2021-
20 3025206 and R-2021-3025207, and the Settlement associated with Docket Nos. A-
21 2022-3036744 and A-2022-3036745.

22 **Q. HAVE YOU PREPARED SCHEDULES TO ACCOMPANY YOUR**
23 **TESTIMONY?**

1 A. Yes. For water, I have prepared Schedules JLR-W-1 through JLR-W-12. Schedule
2 JLR-W-1 provides a summary of the calculation of the increase in revenues after
3 reflecting the adjustments proposed by the OCA. Schedule JLR-W-2 provides my
4 recommended rate base. Schedule JLR-W-3 presents the summary of the cost of service
5 (revenues and operating expenses) adjustments. My adjustments to CUPA's claimed
6 rate base, revenues and operating expenses are presented on Schedules JLR-W-4
7 through JLR-W-12.

8 For wastewater, I have prepared Schedules JLR-WW-1 through JLR-WW-13.
9 These are similarly organized as the water schedules. Schedule JLR-WW-1 provides a
10 summary of the calculation of the increase in revenues after reflecting the adjustments
11 proposed by the OCA. Schedule JLR-WW-2 provides my recommended rate base.
12 Schedule JLR-WW-3 presents the summary of the cost of service (revenues and
13 operating expenses) adjustments. My adjustments to CUPA's claimed rate base,
14 revenues and operating expenses are presented on Schedules JLR-WW-4 through JLR-
15 WW-13.

16 **Q. PLEASE EXPLAIN HOW THE REMAINING SECTIONS OF YOUR**
17 **TESTIMONY ARE ORGANIZED.**

18 A. The discussion of my findings and recommendations related to rate base is presented
19 in the following section, Section III, and Section IV includes discussion of my findings
20 and recommendations related to operating income. In these sections, I address the
21 revenue requirement issues (rate base and operating income) that I identified in this
22 proceeding. Where I recommend an adjustment to a particular component of the rate
23 base, revenues, or expenses, I document and explain the reason for the adjustment and

1 note the related schedule in which the detailed calculations can be found. An outline of
2 the topics within the section is set forth in the Table of Contents of my testimony.

3 **III. RATE BASE ADJUSTMENTS**

4 **A. Deferred Charges**

5 **Q. PLEASE EXPLAIN THE DEFERRED CHARGES INCLUDED IN THE**
6 **RATE BASE.**

7 A. The Company has included deferred charges in rate base which are comprised mainly
8 of rate case expense, multi-year tank maintenance, and multi-year testing costs, as well
9 as costs related to the COVID-19 pandemic. The amount included in the FPPTY totals
10 \$499,071 for water, and \$422,322 for wastewater.

11 **Q. DO YOU AGREE WITH THE COMPANY'S PROPOSED INCLUSION**
12 **OF DEFERRED CHARGES IN RATE BASE?**

13 A. No, I do not. I have concerns with the inclusion of deferred charges in rate base. First,
14 I am concerned about the calculation of the total deferred charges. Per part A of
15 Company response to I&E-RE-17-D, there was an error in Schedule A related to
16 deferred charges, as an adjustment amount of \$(171,232) was not carried through to the
17 total proposed value for water, and \$(205,367) was not carried through for wastewater,
18 and which should have been removed from the Company's proposed rate base.

19 Second, deferred charges are generally expenses incurred in prior periods that
20 are recorded in a temporary asset account to be written off as expenses in the future.
21 Inclusion of deferred costs in rate base should be authorized by the Commission. The
22 Company has not sought Commission approval to include these deferred charges in
23 rate base, as per Company response to I&E-RE-17-D. Traditional ratemaking prohibits

1 the inclusion of prior period costs in the cost of service when determining future rates,
2 as it is retroactive ratemaking, which is not allowed. The Commission has the authority
3 to allow an exception, when the utility can justify why the deferral and future recovery
4 is necessary in a petition before the Commission. However, in this instance, the
5 Company has not sought approval of such an exception, so it should not include these
6 deferred charges in rate base.

7 Third, past Commission rulings have determined no return is allowed to be
8 earned on expenses, only on capital investments. Expenses are to be recovered without
9 profit. The deferred charges included here are not capital investments, but rather reflect
10 what the Company describes in I&E-RE-17-D as costs incurred through normal
11 operations. Including these charges in the rate base would allow the Company to
12 inappropriately earn a return on these expenses, which is not permitted.

13 **Q. WHAT ADJUSTMENT DO YOU RECOMMEND TO DEFERRED**
14 **CHARGES?**

15 A. I am recommending an adjustment of two parts to deferred charges. First, as explained
16 above, the Company's error overstated deferred charges by \$171,232 for water, and
17 \$205,367 for wastewater. Therefore, I first corrected the error, reducing the rate base
18 by \$171,231.91 for water, and \$205,366.69 for wastewater.

19 Secondly, as stated above, I recommend disallowing the inclusion of deferred
20 charges in rate base because the Company was not authorized to include them. I have
21 therefore adjusted rate base to remove the remaining deferred charges after application
22 of the correction, which further reduces rate base by \$327,839 for water and \$216,955
23 for wastewater.

1 The combined effect of these two adjustments results in a total reduction to rate
2 base of \$499,071 for water, and \$422,322 for wastewater, shown in Schedule JLR-W-
3 5 and JLR-WW-5, respectively.

4 **Q. ARE THERE ANY ACCUMULATED DEFERRED INCOME TAXES**
5 **IN RATE BASE RELATED TO THE DEFERRED CHARGES**
6 **INCLUDED IN RATE BASE?**

7 A. There are accumulated deferred income taxes related to the deferred charges. Note that
8 in the response to OCA 7.7, the Company stated “The pro-forma adjustments related
9 to ADIT in the FTY and FPFTY does not consider additions for deferred charges and
10 its impact on ADIT. The Company will make this adjustment as part of an overall
11 update to the case.” The Company replied to OCA Set 7.7, which requested this
12 information, on February 5, 2024. The Company’s response was due on January 24,
13 2024. Due to the late response, my testimony was in finalization at the time the
14 information was received, and there was no time to analyze the data provided in the
15 response. I will review the data and update my adjustment accordingly as needed.

16 **B. Plant in Service**

17 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO PLANT IN SERVICE.**

18 A. The Company has calculated the cost of service on a FPFTY ending July 31, 2025.
19 Company Exhibit D V-12 shows two wastewater projects have been included in the
20 cost of service which have ‘current projected plant in service’ dates that fall outside the
21 FPFTY. “UIP 2025 I&I” has a projected plant in service date October 31, 2025, and
22 “UIP Chestnut LS Conversion” has a projected plant in service date of December 31,
23 2025.

1 Projects which are not projected to be in service within the confines of the
2 FPPTY may not be included in rate base, consistent with Act 11 of 2012 which states
3 the Commission may permit facilities projected to be in service during the FPPTY to
4 be included in the rate base calculation. Including and earning a return on the costs of
5 projects set to be in service after the FPPTY ends is in violation of this law.

6 I therefore have made an adjustment to remove the net rate base additions value
7 from the rate base, reducing rate base by \$1,153,420 for wastewater, as shown in JLR-
8 WW-6.

9 **Q. IS THERE A CORRESPONDING EFFECT ON ACCUMULATED**
10 **DEPRECIATION AND DEPRECIATION EXPENSE?**

11 A. Yes. I have made a corresponding adjustment to remove the depreciation related to
12 these projects as well. This adjustment is shown in JLR-WW-6 and reduces
13 accumulated depreciation and depreciation expense by \$28,836.

14 **C. Oracle Fusion Asset**

15 **Q. PLEASE DESCRIBE THE ORACLE FUSION ASSET INCLUDED IN**
16 **RATE BASE.**

17 A. Per the Direct Testimony of Anthony Gray, page 9 lines 18-23, Oracle Fusion “is a full-
18 service cloud-based ERP system implemented in 2020 as upgrade to legacy JDE system
19 and other applications previously used by CRUUS. The new system brought the
20 Company’s accounting, human resource management, accounts payables/receivables,
21 and fixed ledgers functions under one platform.”

22 **Q. DO YOU AGREE WITH INCLUDING THE ORACLE FUSION ASSET**
23 **IN RATE BASE?**

1 A. No, I do not. I have concerns about which corporate entity or affiliate owns the Oracle
2 Fusion Asset, the accounting of the costs, and the cost recovery in rates.

3 The Oracle Fusion Asset is essentially software. It is a cloud computing system
4 which is a hosting arrangement that is a service contract. Because it is a service
5 contract, CUPA and its affiliates do not own a software license, so the cost related to
6 the service contract is expensed and there is no intangible asset (that can be included in
7 rate base) related to the service. However, for CUPA and its affiliates, costs incurred
8 to configure or add functionality to adapt the system for their use after installation is
9 capitalized. These capitalized costs form the basis of the Oracle Fusion Asset.

10 **Q. WHO OWNS THE ORACLE FUSION ASSET?**

11 A. I posed this question directly in response to OCA set 7.6.b. The Company did not
12 provide a direct answer. However, in OCA set 7.6.a, CUPA states that “The Oracle
13 Fusion system is a Software as a Service (“SaaS”) system implemented across the Corix
14 Group of Companies in 2020. Costs capitalized to the Non-Current Asset reflect
15 application development, such as 1) the design of the software, configuration, and
16 interfaces, 2) coding, 3) installation of hardware, 4) testing.”

17 Then, in response to OCA set 7.6.b, the Company explains that “the Fusion
18 system constitutes a cloud computing system, it cannot be classified as a fixed asset.
19 Corix Infrastructure Inc. (“CII”) has identified Fusion as meeting the criteria of a
20 hosting arrangement that is a service contract, as it does not own software licenses for
21 the product, and capitalizable costs must therefore be categorized as a non-plant asset
22 and amortized.”

23 In response to OCA set 7.6.c, the Company stated “[o]n the books, the Non-
24 Current Asset balance is proportioned between CRU US’s affiliates’ portion and the

1 rest of the CII affiliates' portion. The CRU US portion is allocated by ERC's to its
2 affiliates, including CUPA. The Asset balance cannot be flowed through the 2-tier
3 process on the books, as assets cannot be allocated across the U.S./Canada border. The
4 expense (amortization) amount each month flows into the Corporate and Shared
5 Services Costs and is allocated through the 2-tier cost allocation process to the
6 Corporate Allocation Expense (Account 691000) line item on CUPA's financials and
7 Schedule B-22 of the filing."

8 From the above quotes, particularly the quote from OCA set 7.6.c, it is clear
9 that the Oracle Fusion Asset is not owned by CUPA. Instead, it is owned either by CRU
10 US or CII, and CUPA receives its allocated share of the costs as an amortization
11 expense.

12 **Q. HOW ARE THE COSTS OF THE ORACLE FUSION ASSET**
13 **ACCOUNTED FOR IN THIS RATE CASE?**

14 A. The Company has included a calculation of the Oracle Fusion Asset in rate base and
15 calculated (and claimed) an annual depreciation expense on the Oracle Fusion Asset
16 based on the amount included in rate base. Also, in the response to OCA set 7.6.g, the
17 Company stated, "[p]lease see responses to Parts B and C above for details on the
18 amortizing of the Fusion asset. The amortization expense is therefore included in the
19 allocable expenses shown in Supplement to Schedule B-22, Account 691000. As a
20 result, CUPA notes that the pro-forma amounts for Depreciation Expense, Schedule B-
21 23, inadvertently also include consideration of the Fusion asset amortization expense
22 for CUPA." So, to be clear, the company has included a double recovery of the Oracle
23 Fusion Asset on the expense side of the cost of service.

1 **Q. HOW SHOULD THE COSTS OF THE ORACLE FUSION ASSET BE**
2 **ACCOUNTED FOR IN THIS RATE CASE?**

3 A. The only cost that should be included in the cost of service for the Oracle Fusion Asset
4 is its allocated share of the amortization expense as indicated in the response to OCA
5 set 7.6.g. The Oracle Fusion Asset should be removed from rate base and the related
6 depreciation expense should be removed from depreciation expense.

7 **Q. WHY SHOULD THE ORACLE FUSION ASSET AND THE RELATED**
8 **DEPRECIATION EXPENSE BE REMOVED FROM THE COST OF**
9 **SERVICE?**

10 A. These costs should be removed from the cost of service because there is already a
11 mechanism to share the cost of the asset, as explained in OCA set 7.6.c, through
12 allocation of shared corporate expenses. Moreover, the Oracle Fusion Asset is not
13 owned by CUPA. It is inappropriate to include the asset of an affiliate in rate base and
14 earn a return on the cost of that asset. The inclusion of the depreciation expense is also
15 duplicative of the asset recovery that is charged to CUPA as an amortization through
16 the corporate allocation of costs.

17 I am therefore recommending that the Oracle Fusion Asset be removed from
18 rate base. This adjustment reduces rate base by \$43,166 for water and \$51,771 for
19 wastewater, as shown in Schedule JLR-W-6 and Schedule JLR-WW-7, respectively.
20 Regarding depreciation expense, as the Company notes, the values were incorrectly
21 included as credits. Therefore, removing them increases depreciation expenses by
22 \$23,126 for water and \$27,737 for wastewater, as shown in Schedule JLR-W-8 and
23 Schedule JLR-WW-9, respectively.

1 **D. Allowance for Cash Working Capital**

2 **Q. HOW DO YOU DEFINE CASH WORKING CAPITAL?**

3 A. For ratemaking purposes, cash working capital is the investment that a utility needs to
4 have cash on hand to fund its day-to-day operations. Positive cash working capital
5 represents funds provided by investors that should be included in rate base so that the
6 utility earns a return on it. Negative cash working capital represents funds supplied by
7 ratepayers that should be recognized as a rate base offset to reflect funds advanced for
8 operations by ratepayers.

9 **Q. HOW DID THE COMPANY REFLECT CASH WORKING CAPITAL**
10 **IN ITS FILING?**

11 A. The Company's cash working capital allowance has been determined based upon the
12 results of a lead/lag study. A lead/lag study is an in-depth analysis that measures the
13 difference between the lapse of time when a company receives revenue for the
14 provision of service and the lapse of time when a company pays for the costs of
15 providing service. This difference is expressed as a number of days and is used to
16 calculate the level of investor-supplied funds advanced for operations, or the funds
17 advanced by customers for operations.

18 **Q. WHAT CHANGES HAVE YOU MADE TO THE ALLOWANCE FOR**
19 **CASH WORKING CAPITAL?**

20 A. I have made an adjustment to cash working capital to reduce rate base by \$8,501 for
21 water and by \$20,514 for wastewater, shown on Schedule JLR-W-4 and JLR-WW-4,
22 respectively. These adjustments result from including, in the lead/lag study, the
23 adjustments I recommend to operating expenses. The operating expenses (O&M
24 expenses and taxes) are the bases on which the lead/lag working capital is calculated.

1 Therefore, when deriving the allowance for cash working capital, any adjustment made
2 to operating expenses or taxes in the cost of service should also be incorporated in the
3 lead/lag study.

4
5 **IV. OPERATING INCOME ADJUSTMENTS**

6 **E. Deferred Maintenance Expense**

7 **Q. PLEASE EXPLAIN THE DEFERRED MAINTENANCE EXPENSE.**

8 A. The Company has included deferred maintenance expenses of \$49,175 for water and
9 \$79,356 for wastewater in the cost of service, comprised primarily of multi-year tank
10 maintenance, multi year testing costs, and expenses related to the COVID-19
11 pandemic. The Company states in response to I&E-RE-17-D that of the deferred
12 charges, only the portion of costs related to the COVID-19 pandemic of \$17,714 for
13 water and \$21,248 for wastewater are considered extraordinary.

14 **Q. DO YOU AGREE WITH THE DEFERRED MAINTENANCE
15 EXPENSE?**

16 No, I do not. As discussed in the Deferred Charges section of my Direct
17 Testimony, recovery of deferred costs is not permitted without prior Commission
18 approval. Traditional ratemaking prohibits the inclusion of prior period costs in the cost
19 of service when determining future rates, as it is retroactive ratemaking, which is not
20 allowed. The Commission has the authority to allow an exception, when the utility can
21 justify why the deferral and future recovery is necessary in a petition before the
22 Commission. Expenses related to the COVID-19 Regulatory Asset are discussed
23 separately in this section, below. The remaining non-COVID 19 portion of these
24 deferred costs have not been authorized for deferred recovery.

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**Q. PLEASE SUMMARIZE YOUR ADJUSTMENT RELATED TO THE
NON-COVID-19 PORTION OF DEFERRED MAINTENANCE
EXPENSE.**

A. For the reasons stated above, I am recommending recovery of the non-COVID portion of these deferred maintenance expenses be disallowed. This reduces O&M by \$31,461 for water, as shown in JLR-W-7, and by \$58,108 for wastewater, as shown in JLR-WW-8.

**Q. ARE YOU FAMILIAR WITH THE COMMISSION’S SECRETARIAL
LETTER DATED MAY 13, 2020 REGARDING COSTS RELATED TO
THE COVID-19 PANDEMIC?**

A. Yes, I am. In the Commission’s Secretarial Letter dated May 13, 2020, the Commission issued a directive to public utilities to account for prudently incurred incremental extraordinary, nonrecurring expenses related to COVID-19, and indicated that utilities were authorized to create regulatory assets for incremental COVID-related expenses. Additionally, utilities were instructed to track incremental uncollectibles resulting from the COVID-19 pandemic not currently embedded in existing rates.

The Company has included a COVID-related regulatory asset in the cost of service, seeking to recover both the accumulation of costs and uncollectibles pursuant to the Commission’s directive. The Company is proposing to recover these costs over a five-year period.

1 Q. DO YOU AGREE WITH THE RECOVERY OF THE COMPANY'S
 2 EXPENSES FOR THE REGULATORY ASSET RELATED TO THE
 3 COVID-19 PANDEMIC?

4 A. No, I do not. The Company has outlined the total costs for recovery as below, which
 5 the Company then seeks to recover over a period of five years:⁴
 6

Account Description	Accumulated COVID-19 Cost	Water	Wastewater
Cleaning Supplies	\$25	\$12	\$14
Other Materials and Supplies	\$422	\$201	\$241
Safety Supplies/Expense	\$216	\$98	\$118
Other Misc Expense	\$4,208	\$1,913	\$2,295
Foregone reconnect fees	\$218	\$99	\$119
Foregone Late Payment Charges ("LPCs")	\$80,413	\$36,560	\$43,853
Incremental Bad Debt	\$109,812	\$49,689	\$59,600
Total COVID-19 Cost	\$194,812	\$88,572	\$106,240

7 With the exception of the Forgone Late Payment Charges and Incremental Bad
 8 Debt, the remaining components do not appear to be of a magnitude in dollar value to
 9 qualify as extraordinary to the point where they impact the financial viability of the
 10 Company. Further, the Commission did not guarantee recovery of any cost that may
 11 have been deferred. I therefore recommend disallowance of the remaining elements,
 12 which reduces O&M expenses by \$465 for water and \$557 for wastewater, as shown
 13 in Schedule JLR-W-7 and JLR-WW-8, respectively.

⁴ Reference Supplement to Schedule A-10 & B-9.

1 The total adjustment to deferred maintenance expenses, comprised of the non-
2 COVID-19 portion and the adjustment to the COVID-19 related costs, reduces O&M
3 expenses by \$31,925 for water, as shown on Schedule JLR-W-7, and by \$58,665 for
4 wastewater, as shown on Schedule JLR-WW-8.

5 **F. Rate Case Expense**

6 **Q. DO YOU AGREE WITH THE COMPANY’S POSITION TO**
7 **AMORTIZE THE RATE CASE EXPENSE?**

8 A. No, I do not. Rate case expense should be normalized over a period of years to include
9 a reasonable amount in rates as an annual amount. My approach is consistent with the
10 Pennsylvania Public Utility Commission’s practice which, as explained in *A Guide to*
11 *Utility Ratemaking*, is to set a normalization period for prudently incurred rate case
12 expenses.⁵

13 **Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING TO THE RATE**
14 **CASE EXPENSE?**

15 A. I recommend that the rate case expense be normalized rather than amortized, consistent
16 with the Pennsylvania Public Utility Commission’s practice. I am recommending a
17 three-year normalization which is consistent with the period used by the Company for
18 its proposed amortization period. I have also separately recommended these costs be
19 removed from rate base in the Deferred Charges section of my testimony for the reasons
20 discussed in that section (i.e., the Company is not entitled to earn a return on expenses
21 and has not sought Commission approval to include as a deferred charge in rate base).
22 I am therefore not including a separate adjustment here for rate case expense to be

⁵ James H. Cawley and Norman J. Kennard, *A Guide to Utility Ratemaking* (2018 Edition), Pennsylvania Public Utility Commission, 1983, p. 112.

1 removed from rate base as this is already encompassed within the earlier adjustment.
2 The rate case expense component of that Deferred Charges adjustment, found in
3 Schedules JLR-W-5 and JLR-WW-5, reduces the rate base by \$125,439 for water, and
4 \$150,445 for wastewater.

5 **G. Maintenance and Repair Expenses**

6 **Q. PLEASE DESCRIBE THE COMPANY’S PROPOSED**
7 **MAINTENANCE AND REPAIR EXPENSES.**

8 A. The Company has calculated the FPFTY expense based on the average expense for the
9 years ending July 31, 2021, 2022, and 2023, and an inflation escalation first to the FTY
10 and then the FPFTY. The inflation escalation of 3.92% was calculated as the average
11 of the last 11 years of inflation data for water and sewerage maintenance in U.S. Cities,
12 from the United States Bureau of Labor Statistics (BLS).⁶

13 **Q. DO YOU AGREE WITH THE COMPANY’S PROPOSED**
14 **MAINTENANCE AND REPAIR EXPENSE?**

15 A. No, I do not. In response to I&E-RE-13-D, the Company has stated “In looking at the
16 data, the 11-year historic period was used as it best represented a normalized inflation
17 growth outlook versus most recent years.” This explanation is vague and without
18 quantitative support. It relies on a judgement call to select a time period for averaging
19 and does not provide support for why this specific period is likely to reflect inflation
20 for the period in which rates will be in effect, as opposed to other periods (e.g., 20
21 years, 10 years, 8 years).

22 Moreover, past inflation is not a good predictor of future inflation rates
23 regardless of the period selected. As the Company acknowledges in response to I&E-

⁶ Reference Direct Testimony of David Clark, page 3, lines 3-11; and Supplement to Schedule B-9, page 3.

1 RE-13D, recent years have been skewed by the market conditions in place at the time,
2 such as the COVID-19 pandemic and a period of abnormally high inflation starting in
3 2022. The same is true of all prior periods, where inflation is informed by the conditions
4 in place at that specific time [i.e., actions by the Federal Reserve, the world state, and
5 more]. It is unreasonable to equate an inflation rate from a period in the past – be it one
6 year ago or eleven – to the landscape that will be in place in 2025.

7 I disagree with the use of the 3.92 percent escalation for determining FPPTY
8 expenses, as the inflation adjustment is not actually known and certain and does not
9 reflect the true cost of expenses. Costs must be based on evidence supporting the
10 Company’s adjustments. Inflation adjustments are a method of increasing costs which
11 generally does not directly relate to actual costs expected to be incurred by the
12 Company in the period in which rates are to be set. I do not believe the determination
13 of expenses for the FPPTY was envisioned to be simply applying an inflation rate to
14 expenses.

15 **Q. WHAT IS YOUR RECOMMENDATION REGARDING**
16 **MAINTENANCE AND REPAIR EXPENSE?**

17 A. For the reasons stated above, I recommend removing the inflation adjustment from the
18 determination of the FTY and FPPTY expenses for Maintenance and Repair. This
19 adjustment reduces O&M expenses by \$14,667 for water, as shown in JLR-W-9, and
20 by \$46,041 for wastewater, as shown in JLR-WW-10.

21 **Q. IF THE COMMISSION DISAGREES WITH YOUR**
22 **RECOMMENDATION TO ELIMINATE THE INFLATION**
23 **ADJUSTMENT, IS 3.92 PERCENT A REASONABLE INFLATION**
24 **RATE?**

1 A. No, it is not. While I strongly recommend disallowing the inflation adjustment for all
2 the reasons discussed above, in the event the Commission disagrees with my
3 recommendation, a better measure of inflation for ratemaking purposes would be the
4 December 13, 2023 Federal Open Market Committee (“FOMC”) Core Personal
5 Consumption Expenditures (“PCE”) median inflation projections for Calendar Years
6 2024 and 2025 of 2.4% and 2.2%, respectively.⁷ The core PCE Price Index is an
7 economic indicator that measures inflation by tracking the changes in prices of goods
8 and services purchased by consumers in the United States, excluding food and energy
9 costs. I believe the use of the FOMC’s projected core PCE is more reasonable as this
10 is a forward-looking inflation measure. As previously discussed, past inflation is not a
11 good predictor of future inflation. Additionally, as discussed, the 3.92 percent relied on
12 an eleven-year period that was determined by Company judgement rather than any
13 particular basis for why it would reflect future inflation. Using the FOMC’s core PCE
14 median inflation projections would reduce O&M expense by \$6,140 for water and
15 \$19,273 for wastewater.

16 **H. Chemical Expenses**

17 **Q. PLEASE DESCRIBE THE COMPANY’S PROPOSED CHEMICAL**
18 **EXPENSES.**

19 A. The Company has based its forecasted Chemical expenses value on an analysis
20 completed by Operations, which includes estimated chemical costs per unit, by

⁷ Board of Governors of the Federal Reserve System, Federal Open Market Committee, “December 13, 2023: FOMC Projections materials, accessible version,” <https://www.federalreserve.gov/monetarypolicy/fomcproptabl20231213.htm>

1 chemical type, adjusted for forecasted inflation. The annual inflation factor the
2 Company has applied to future years reflects a 3.92% inflation rate.⁸

3 **Q. WHAT INFLATION DATA HAS THE COMPANY UTILIZED TO**
4 **PROJECT CHEMICALS EXPENSES?**

5 A. In the Direct Testimony of David Clark, page 3 lines 1-3, the Company states they have
6 applied the same inflation rate to Chemicals expenses as was calculated for the
7 Maintenance and Repair expenses. Mr. Clark states in his Direct Testimony that the
8 3.92 percent annual inflation factor was calculated as the average of the last 11 years
9 of inflation data from the US BLS Consumer Price Index (“CPI”). The backup
10 documentation provided for the calculation, however, shows that the historical data
11 used as the basis of the calculation is historical inflation data for water and sewerage
12 maintenance in U.S. Cities.⁹

13 **Q. DO YOU AGREE WITH THE COMPANY’S PROPOSED**
14 **CHEMICALS EXPENSE?**

15 A. No, I do not. As discussed above, the Company has utilized the inflation data specific
16 to water and sewerage maintenance in U.S. Cities to derive its proposed inflation value
17 applied to chemicals expenses in the FTY and FPFTY. Using a specific category of
18 inflation from one sector and applying it to an entirely different sector of the market,
19 rather than using a broader market indicator, is inappropriate. To do so assumes
20 inflation of chemicals expenses is uniquely tied to the market forces that impact
21 inflation for maintenance of water and sewer.

⁸ Reference Direct Testimony of David Clark, page 3, lines 19-23, and page 4, lines 1-8.

⁹ Supplement to Schedule B-9, page 3.

1 Further, as discussed in the Maintenance and Repair section of my testimony,
2 the Company's use of an eleven-year historical average of inflation data was
3 determined based on judgement rather than a quantitative method. In response to I&E-
4 RE-13-D, the Company has stated "In looking at the data, the 11-year historic period
5 was used as it best represented a normalized inflation growth outlook versus most
6 recent years." This explanation is vague, without quantitative support. It relies on a
7 judgement call to select a time period and does not provide support for why this average
8 is likely to reflect inflation for the period in which rates will be in effect.

9 Moreover, again as discussed in the Maintenance and Repair section of my
10 testimony, past inflation is not a good predictor of future inflation rates regardless.
11 Inflation at any point in time is informed by the conditions in place at that specific time
12 and it is therefore a poor reference point for inflation in the future.

13 Finally, as addressed in the Maintenance and Repair section of my Direct
14 Testimony, the inflation adjustment is not actually known and certain and does not
15 reflect the true cost of expenses, and I therefore disagree with the use of the 3.92 percent
16 escalation for determining Chemical expenses. Costs must be based on evidence
17 supporting the Company's adjustments. Inflation adjustments are a method of
18 increasing costs which generally does not directly relate to actual costs expected to be
19 incurred by the Company in the period in which rates are to be set. I do not believe the
20 determination of expenses for the FPFTY was envisioned to be simply applying a
21 speculative inflation rate to expenses.

22
23

1 **Q. WHAT IS YOUR RECOMMENDATION REGARDING CHEMICAL**
2 **EXPENSES?**

3 A. For the reasons stated above, I recommend removing the inflation portion of the
4 adjustment from the determination of the FTY and FPFTY expenses for Chemical
5 expenses. This adjustment reduces O&M expenses by \$3,612 for water, as shown in
6 JLR-W-10, and by \$17,337 for wastewater, as shown in JLR-WW-11.

7 **Q. IF THE COMMISSION DISAGREES WITH YOUR**
8 **RECOMMENDATION TO ELIMINATE THE INFLATION**
9 **ADJUSTMENT, IS 3.92 PERCENT A REASONABLE INFLATION**
10 **RATE?**

11 A. No, it is not. While I strongly recommend disallowing the inflation adjustment for all
12 the reasons discussed above, in the event the Commission disagrees with my
13 recommendation, a better measure of inflation for ratemaking purposes would be the
14 December 13, 2023 Federal Open Market Committee (“FOMC”) Core Personal
15 Consumption Expenditures (“PCE”) median inflation projections for Calendar Years
16 2024 and 2025 of 2.4% and 2.2%, respectively.¹⁰ As mentioned in the Maintenance
17 and Repair section of my testimony, the core PCE Price Index is an economic indicator
18 that measures inflation by tracking the changes in prices of goods and services
19 purchased by consumers in the United States, excluding food and energy costs.

20 I believe the use of the FOMC’s projected core PCE is more reasonable as this
21 is a broad market indicator, which will therefore reflect underlying trends in inflation
22 and better apply to Chemical expenses than the use of Water and Sewerage

¹⁰ Board of Governors of the Federal Reserve System, Federal Open Market Committee, “December 13, 2023: FOMC Projections materials, accessible version,” <https://www.federalreserve.gov/monetarypolicy/fomcproptabl20231213.htm>

1 Maintenance inflation data. It is also a forward-looking inflation measure. As
2 previously discussed, past inflation is not a good predictor of future inflation.
3 Additionally, the 3.92 percent relied on an eleven-year period that was determined by
4 Company judgement rather than any particular basis for why it would reflect future
5 inflation. Use of the FOMC's projected median core PCE inflation values would reduce
6 O&M expense by \$1,831 for water and \$8,615 for wastewater.

7 **I. Service Fees**

8 **Q. PLEASE EXPLAIN HOW SERVICE FEES ARE APPLIED TO**
9 **CUSTOMERS.**

10 A. The Company does not directly charge or collect convenience fees. First Billing
11 Services is used for those eCheck, credit, and debit card payments made online or over
12 the phone, and the following fees are directly applied by First Billing Services to
13 customers at the time of payment:¹¹

14 Residential:

- 15 ○ eCheck/credit/debit - \$0 - \$75 = \$1.99 fee
- 16 ○ eCheck/credit/debit - \$75.01 - \$5,000 = \$2.25 fee

17 Commercial:

- 18 ○ eCheck = \$2.25 fee
- 19 ○ credit/debit - \$1.00 - \$5,000 = 2.45% fee
- 20 ○ Automated Recurring Payments
- 21 ○ eCheck = \$0.99 fee

22 Automated Recurring Payments

- 23 ○ eCheck = \$0.99 fee

¹¹ Reference Company response to OCA Interrogatories Set 7.1.

1 o credit/debit = same as schedule above

2 **Q. ARE YOU PROPOSING A CHANGE TO THE WAY SERVICE FEES**
3 **ARE APPLIED TO CUSTOMERS?**

4 A. Yes, I am recommending the Company offer no-fee payment methods for all
5 customers. Under this methodology, customers would not be directly charged an
6 additional fee at the time of payment. Instead, these expenses would be recovered by
7 CUPA directly under the O&M expenses in the cost of service. A no-fee methodology
8 increases customer convenience for these common payment methods, easing the
9 process and removing a barrier to payment.

10 **Q. HAVE YOU INCLUDED AN ADJUSTMENT TO THE COST OF**
11 **SERVICE TO INCORPORATE THIS RECOMMENDATION?**

12 A. No, I have not. In response to OCA Set 7.3, in which the Company was asked to provide
13 the total service fees incurred, the Company simply replied “Please see response to
14 questions 1 and 2.” The Company’s response to question 1 states that the Company
15 uses First Billing Services and outlines the charges. CUPA’s response to question 2
16 states that “No service fees are included for recovery in this proceeding.” However,
17 while I understand that it is not the Company that imposes the charges, the Company’s
18 customers are being charged additional fees in order to pay their bills to CUPA. As
19 such, I recommend that these fees for bill payment not be permitted going forward.

20 In its rebuttal case, I recommend that the Company present a proposal to offer
21 customers the ability to pay their bills and fees for service at no additional cost.

22

1 **J. Low Income Household Water Assistance Program (“LIHWAP”)**

2 **Q. WHAT ADJUSTMENT HAVE YOU RECOMMENDED RELATED TO**
3 **THE LIHWAP?**

4 A. I have not recommended an adjustment related to LIHWAP as yet. In the 2021
5 Settlement associated with Docket Nos. R-2021-3025206 and R-2021-3025207, item
6 17 on page 11 of the Settlement states:

7 The Company will participate in the Low Income Household Water Assistance
8 Program (LIHWAP) providing a bill insert to all customers once the program
9 is available with information on how to register for the program, providing that
10 information when contacting customers about disconnection or arrearages, and
11 utilizing LIHWAP funds for its water and wastewater customers consistent with
12 the final PA Department of Human Services requirements. Funds received by
13 CUPA from PA LIHWAP will be included in the quarterly reports in Paragraph
14 7 above. In the next base rate case, all parties reserve the right to review and
15 address whether any of the PA LIHWAP funding received by CUPA should be
16 included in the regulatory asset or liability.

17 There is outstanding discovery related to LIHWAP to determine how the grant funds
18 have been accounted for by the Company. I will consider an adjustment as needed once
19 the Company has replied.

20 **K. Interest Synchronization**

21 **Q. PLEASE EXPLAIN YOUR INTEREST SYNCHRONIZATION**
22 **ADJUSTMENT.**

23 A. To determine the tax-deductible interest expense for ratemaking, I have multiplied the
24 OCA’s recommended rate base by the weighted cost of debt included in the capital

1 structure recommended by the Company. This procedure synchronizes the interest
2 expense deduction for tax purposes with the interest component of the return on rate
3 base to be recovered from ratepayers. For water, as shown in Schedule JLR-W-11, this
4 adjustment increases state and federal income taxes by \$1,153 and \$2,788, respectively.
5 For wastewater, as shown in Schedule JLR-WW-12, this adjustment increases state and
6 federal income taxes by \$3,390 and \$8,197, respectively.

7 **Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

8 A. Yes, it does. However, I reserve the right to update this testimony as needed if
9 additional relevant information is obtained.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission)	
	)	Docket No. R-2023-3042804
v.	)	(Water)
	)	Docket No. R-2023-3042805
Community Utilities of Pennsylvania Inc.	)	(Wastewater)

**SCHEDULES ACCOMPANYING THE
DIRECT TESTIMONY
OF
JENNIFER L. ROGERS**

**ON BEHALF OF THE
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE**

February 6, 2023

APPENDIX A – Resume of Jennifer L. Rogers

JENNIFER L. ROGERS

Ms. Rogers is the Lead Economist at Exeter Associates, Inc, with over a decade of experience in the energy industry. At Exeter, Ms. Rogers conducts reviews of utility rate filings and analysis of revenue requirement issues. She also evaluates and forecasts power supply requirements, costs, and renewable energy needs; provides bill and rate analysis; and reviews energy use, scheduling, and scheduling deviation data for clients. In addition, Ms. Rogers conducts utility service assessments to identify areas for potential utility cost savings, providing detailed analysis of supply contracts, energy use, and a review of billing practices.

Education

B.A. (Economics) – Saint Mary’s College of Maryland, 2007

M.A. (Economics) – Northeastern University, Boston, MA, 2009

Previous Employment

2009-Current	Exeter Associates, Inc. Columbia, MD	
	<ul style="list-style-type: none">• Lead Economist• Senior Economist• Economist• Research Assistant	2023-Current 2018-2022 2011-2017 2009-2010

2007-2008 Economics Research and Teaching Assistant
Northeastern University
Boston, MA

Professional Experience

Ms. Rogers’ work at Exeter is primarily related to analysis of revenue requirement issues in utility rate filings, analysis power supply acquisition, bill and rate analysis and forecasting, and utility service assessment. Ms. Rogers provides support to the U.S. Department of Energy’s Northern California national laboratories, generating cost simulations and power procurement models to forecast future power supply requirements and costs. In addition, Ms. Rogers reviews and tracks the Laboratories’ billing, energy use, scheduling, and scheduling deviation data. Ms. Rogers works with the U.S. Air Force Civil Engineer Center to complete utility service assessments to identify areas for potential utility cost savings, providing detailed analysis of energy usage, supply contracts, and a review of billing practices. Ms. Rogers also assists clients in reviewing utility rate filings, providing analysis on revenue requirement issues. Ms. Rogers’ work at Exeter has also included assisting in studies of variable generation forecasting, feed-in tariffs for renewable energy generation, and transmission cost allocation methodologies.

As a Research Assistant at Northeastern University, Ms. Rogers worked in the fields of industrial organization and labor economics, while her studies focused on economic modeling and policy analysis. Ms. Rogers developed surveys to be used in a longitudinal labor economics study, tutored undergraduate economics students, and provided research on a variety of economics-related topics.

Expert Testimony

Before the State Corporation Commission of the State of Kansas; Docket No. 23-EKCE-775-RTS; Evergy Kansas Central, Inc., Evergy Kansas South, Inc. and Evergy Metro, Inc.; 2023; on behalf of the United States Department of Defense and all other Federal Executive Agencies. Testimony addressed revenue requirement issues.

Before the Pennsylvania Public Utility Commission, Docket No. R-2023-3040258, Columbia Water Company, 2023, on behalf of the Pennsylvania Office of Consumer Advocate. Testimony addressed revenue requirement issues.

Before the Maine Public Utilities Commission, Docket No. 2023-00065, Maine Water Company – Biddeford & Saco Division, 2023, on behalf of the Maine Office of the Public Advocate. Testimony addressed revenue requirement issues.

Before the Philadelphia Water, Sewer, and Storm Water Rate Board, Fiscal Years 2024-2025 Rate Proceeding, Philadelphia Water Department, 2023, on behalf of the Public Advocate. Testimony addressed revenue requirement issues.

Before the Pennsylvania Public Utility Commission, Docket No. R-2022-3032764, Leatherstocking Gas Company, LLC., 2022, on behalf of the Pennsylvania Office of Consumer Advocate. Testimony addressed revenue requirement issues.

Before the Public Utility Commission of Texas, Docket No. 53601, Oncor Electric Delivery Company LLC, 2022, on behalf of the United States Department of Defense and the Federal Executive Agencies. Testimony addressed revenue requirement issues.

Before the Maryland Public Service Commission, Case No. 9680, Columbia Gas of Maryland, Inc., 2022, on behalf of the Maryland Office of People's Counsel. Testimony addressed revenue requirement issues.

Before the Pennsylvania Public Utility Commission, Docket No. R-2015-2462723, United Water Pennsylvania, Inc., 2015, on behalf of the Pennsylvania Office of Consumer Advocate. Testimony addressed revenue requirement issues.

Publications and Consulting Reports

A Survey of Variable Generation Integration Charges, National Renewable Energy Laboratory, NREL Report No. NREL/TP-5500-57583, March 2013 (with Kevin Porter, Sari Fink, and Michael Buckley of Exeter Associates, and with B.-M. Hodge of NREL)

Survey of Variable Generation Forecasting in the West, National Renewable Energy Laboratory, NREL Report No. NREL/SR-5500-54457, April 2012 (with Kevin Porter).

Summary of Time Period-Based and Other Approximation Methods for Determining the Capacity Value of Wind and Solar in the United States, National Renewable Energy Laboratory, NREL Report No. NREL/SR-5500-54338, March 2012 (with Kevin Porter).

Long-Term Electricity Report for Maryland, prepared for the Maryland Department of Natural Resources Power Plant Research Program Pursuant to Executive Order 01.01.2010.16, December 2011, (with Steven Estomin, Kevin Porter, Christina Mudd, Emma Nicholson, Sari Fink, Michael Buckley, and Krista Ozarowski).

Alternative Energy Resource Market Assessment, National Association of Regulatory Utility Commissioners, A report for the Public Utility Commission of Ohio, September 2011 (with Kevin Porter of Exeter Associates, Inc., Ed Holt & Associates, Inc., and Sustainable Energy Advantage LLC)

Central Wind Power Forecasting Programs in North America by Regional Transmission Organizations and Electric Utilities: Revised Edition, National Renewable Energy Laboratory, NREL Report No. NREL/SR-5500-51263, March 2011 (with Kevin Porter).

A Survey of Transmission Cost Allocation Methodologies for Regional Transmission Organizations, National Renewable Energy Laboratory, NREL Report No. SR-5500-49880, February 2011 (with Kevin Porter, Sari Fink, and Christina Mudd).

The Relationship between Wind Generation and Balancing-Energy Market Prices in ERCOT: 2007–2009, National Renewable Energy Laboratory, NREL Report No. NREL/SR-5500-49415, November 2010 (with Kevin Porter and Emma Nicholson).

The Relevance of Generation Interconnection Procedures to Feed-in Tariffs in the United States, National Renewable Energy Laboratory, NREL Report No. NREL/SR-6A20-48987, October 2010 (with Kevin Porter and Sari Fink).

Transmission Cost Allocation Methodologies for Regional Transmission Organizations, National Renewable Energy Laboratory, NREL Report No. NREL/SR-550-48738, July 2010 (with Kevin Porter and Sari Fink).

Examples of Wind Energy Curtailment Practices, National Renewable Energy Laboratory, NREL Report No. NREL/SR-550-48737, July 2010 (with Kevin Porter and Sari Fink).

Status of Centralized Wind Power Forecasting in North America, National Renewable Energy Laboratory, NREL/SR-550-47853, April 2010 (with Kevin Porter).

“Bi-Monthly Transmission Updates,” of the National Wind Coordinating Collaborative, Prepared for National Renewable Energy Lab, August 2009 - June 2010 (with Kevin Porter).

“Maryland Power Plants and the Environment: A Review of the Impacts of Power Plants and Transmission Lines on Maryland’s Natural Resources, Maryland Power Plant Research Program, PPRP-CEIR-15,” January 2010 (with Steven Estomin, Christina Mudd, and Sari Fink of Exeter Associates, Inc. and contributing authors from Versar, Inc. and Environmental Resources Management).

“Wind Power and Electricity Markets,” Compiled for the Utility Wind Interest Group, August 2009 (with Kevin Porter and Sari Fink).

Community Utilities of Pennsylvania, Inc.

Cost of Service
For the Fully Projected Future Test Year Ending July 31, 2025

Line No.	Description	Company Amounts at Present Rates ^{1/}	OCA Adjustments	Amounts After OCA Adjustments	Pro Forma Change in Revenues	Amounts After Change in Revenues
1	<u>Operating Revenues</u>					
2	Service Revenues - Water	2,360,634		2,360,634	1,161,538	3,522,172
3	Service Revenues - Sewer	-		-		-
4	Miscellaneous Revenues	16,183		16,183	6,982	23,165
5	Uncollectible Accounts	(46,956)		(46,956)	(23,231)	(70,186)
6						
7	Total Operating Revenues	<u>\$ 2,329,862</u>	<u>\$ -</u>	<u>\$ 2,329,862</u>	<u>\$ 1,145,289</u>	<u>\$ 3,475,151</u>
8						
9	<u>Operating Revenue Deductions:</u>					
10	Maintenance Expenses	705,407	(50,204)	655,203	-	655,203
11	General Expenses	1,185,511		1,185,511		1,185,511
12	Depreciation	395,673	23,126	418,800	-	418,800
13	Total Operating Expenses	<u>2,286,591</u>	<u>(27,077)</u>	<u>2,259,514</u>	<u>-</u>	<u>2,259,514</u>
14						
15	Operating Income Before Taxes	<u>\$ 43,270</u>	<u>\$ 27,077</u>	<u>\$ 70,348</u>	<u>\$ 1,145,289</u>	<u>\$ 1,215,637</u>
16						
17	Amortization of PAA	(36,137)		(36,137)		(36,137)
18	Payroll Taxes	39,432		39,432		39,432
19	Franchise Tax	-		-		0
20	Gross Receipts Tax	-		-		0
21	Property Taxes	9,245		9,245		9,245
22	Special Assessments	-		-		0
23	Utility/Commission Tax	15,533		15,533	7,643	23,176
24	Other General Taxes	87		87		87
25	Amortization of ITC	-		-		0
26	Amortization of CIAC	(31,021)		(31,021)		(31,021)
27						0
28	State Income Tax	(27,702)	3,317	(24,385)	90,951	66,566
29	Federal Income Tax	(66,991)	8,021	(58,970)	219,945	160,975
30						
31	Subtotal	<u>\$ (97,554)</u>	<u>\$ 11,338</u>	<u>\$ (86,216)</u>	<u>\$ 310,896</u>	<u>\$ 232,323</u>
32						
33	Net Operating Income	<u>\$ 140,824</u>	<u></u>	<u>\$ 156,564</u>	<u></u>	<u>\$ 983,314</u>
34						
35	Rate Base	<u>\$ 14,993,742</u>	<u></u>	<u>\$ 14,443,004</u>	<u></u>	<u>\$ 14,443,004</u>
36						
37	Rate of Return	<u>0.94%</u>	<u></u>	<u>1.08%</u>	<u></u>	<u>6.81%</u>

Note:

^{1/} Company Schedule B, page 2.

Community Utilities of Pennsylvania, Inc.

Summary of Revenue Increase at OCA Rate of Return
For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount
1	Adjusted Rate Base	\$ 14,443,004 ^{1/}
2	Required Rate of Return	<u>6.81% ^{2/}</u>
3		
4	Net Operating Income Required	\$ 984,157
5	Net Operating Income at Present Rates	156,564 ^{3/}
6	Forfeited Discounts	<u>201 ^{4/}</u>
7		
8	Income Deficiency/(Surplus)	\$ 827,392
9	Revenue Multiplier	<u>1.403854</u>
10		
11	Required Change in Company Revenue	<u>\$ 1,161,538</u>
12		
13	Proposed Revenue Change	\$ 1,161,538
14	Less: Uncollectibles -2%	<u>\$ (23,231)</u>
15	Net Proposed Revenues	\$ 1,138,307
16	Less: State Income Tax @ 7.99% 7.99%	<u>\$ 90,951</u>
17		
18	Income Before Federal Taxes	\$ 1,047,356
19	Federal Income Tax @ 21.0% 21.00%	<u>219,945</u>
20		
21	Net Income (Surplus)/Deficiency	<u><u>827,412</u></u>

Note:

^{1/} Schedule JLR-W-2, Page 1

^{2/} Schedule JLR-W-12

^{3/} Schedule JLR-W-1, Page 1

^{4/} Company Schedule D-4

Community Utilities of Pennsylvania, Inc.

Summary of Rate Base
For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount per Company Filing	OCA Adjustments	Amount After OCA Adjustments
1	Gross Plant In Service	21,824,776		21,824,776
2	Accumulated Depreciation	(5,527,421)		(5,527,421)
3	Net Plant In Service	<u>\$ 16,297,355</u>	<u>\$ -</u>	<u>\$ 16,297,355</u>
4				
5	Cash Working Capital	\$ 401,124	\$ (8,501)	\$ 392,623
6	Contributions In Aid of Construction	\$ (1,158,374)		\$ (1,158,374)
7	Accumulated Deferred Income Taxes	(603,186)		\$ (603,186)
8	Customer Deposits	2,055		\$ 2,055
9	Inventory	2,483		\$ 2,483
10	Oracle Fusion Asset	\$ 43,166	\$ (43,166)	\$ -
11	Net Plant Acquisition Adjustment	(489,952)		\$ (489,952)
12	Deferred Charges	499,071	(499,071)	\$ -
13	Subtotal	<u>\$ (1,303,613)</u>	<u>\$ (550,738)</u>	<u>\$ (1,854,351)</u>
14				
15				
16	<u>Rate Base</u>	<u>\$ 14,993,742</u>	<u>\$ (550,738)</u>	<u>\$ 14,443,004</u>

Community Utilities of Pennsylvania, Inc.

Summary of Rate Base Adjustments
For the Twelve Months Ending July 31, 2025

<u>Line No.</u>	<u>Description</u>	<u>Source</u>	<u>Amount</u>
1	Rate Base per Company Filing	Schedule JLR-W-2, Page 1	<u>\$ 14,993,742</u>
2			
3	<u>OCA Adjustments:</u>		
4	Adjustment to Cash Working Capital	Schedule JLR-W- 4	(8,501)
5	Adjustment to Deferred Charges	Schedule JLR-W- 5	(499,071)
6	Adjustment to Oracle Fusion Asset	Schedule JLR-W- 6	<u>(43,166)</u>
7	Total Ratemaking Adjustments		\$ (550,738)
8			
9	Adjusted Rate Base per OCA		<u><u>\$ 14,443,004</u></u>

Community Utilities of Pennsylvania, Inc.Summary of Adjustments to Income Before Income Taxes
For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount	Source
1	Operating Income per Company	\$ 140,824	Schedule JLR-W- 1
2			
3	<u>OCA Adjustments:</u>		
4	Adjustment to Deferred Maintenance Expense	\$ 23,205	Schedule JLR-W- 7
5	Adjustment to Maintenance and Repair Expenses	\$ 10,661	Schedule JLR-W- 9
6	Adjustment to Chemicals Expense	\$ 2,625	Schedule JLR-W- 10
7	Adjustment to Depreciation Expense: Oracle Fusion Amortization	\$ (16,810)	Schedule JLR-W- 8
8	Interest Synchronization	(3,941)	Schedule JLR-W- 11
9	Total OCA Adjustments	15,739	
10			
11	Total OCA Adjustments	\$ 156,564	

Community Utilities of Pennsylvania, Inc.

Summary of Adjustments to Operating Income
For the Twelve Months Ending July 31, 2025

Line No.	Description	Operating Revenues	O&M Expenses	Depreciation	Taxes Other Than Income	State Income Taxes	Federal Income Taxes	Operating Income
1	Amount per Company	\$ 2,329,862	\$ 1,890,918	\$ 395,673	\$ (2,862)	\$ (27,702)	\$ (66,991)	\$ 140,824
2								
3	<u>OCA Adjustments:</u>							
4	Adjustment to Deferred Maintenance Expense		\$ (31,925)			2,551	6,169	\$ 23,205
5	Adjustment to Maintenance and Repair Expenses		\$ (14,667)			1,172	2,834	\$ 10,661
6	Adjustment to Chemicals Expense		(3,612)			289	698	\$ 2,625
7	Adjustment to Depreciation Expense: Oracle Fusion Amortization			23,126		(1,848)	(4,468)	\$ (16,810)
8	Interest Synchronization					1,153	2,788	\$ (3,941)
9								
10	Total OCA Adjustments	\$ -	\$ (50,204)	\$ 23,126	\$ -	\$ 3,317	\$ 8,021	\$ 15,739
11								
12	Total Adjusted Income Before Income Taxes	\$ 2,329,862	\$ 1,840,714	\$ 418,800	\$ (2,862)	\$ (24,385)	\$ (58,970)	\$ 156,564

Community Utilities of Pennsylvania, Inc.

Adjustment to Cash Working Capital
For the Twelve Months Ending July 31, 2025

Line No.	Description	Pro Forma Expense per Company ^{1/}	OCA Adjustments	Pro Forma Expense After OCA Adjustments	Daily Requirement	Revenue Lag Days ^{1/}	Expense Lead Days ^{1/}	Net Lag Days	Working Capital Requirement
1	OPERATING EXPENSES								
2	Purchased Power	\$ 39,569	\$ -	\$ 39,569	\$ 108	91.00	57.50	33.50	\$ 3,632
3	Purchased Water / Sewer	270,582	-	270,582	741	91.00	38.50	52.50	38,919
4	Maintenance and Repair	247,106	(46,592)	200,514	549	91.00	28.70	62.30	34,225
5	Maintenance Testing	39,509	-	39,509	108	91.00	12.60	78.40	8,486
6	Meter Reading	8,036	-	8,036	22	91.00	22.90	68.10	1,499
7	Chemicals	55,865	(3,612)	52,253	143	91.00	35.50	55.50	7,945
8	Transportation	30,928	-	30,928	85	91.00	22.90	68.10	5,770
9	Operating Exp. Charged to Plant	(26,207)	-	(26,207)	(72)	91.00	7.90	83.10	(5,967)
10	Outside Services - Other	40,020	-	40,020	110	91.00	58.00	33.00	3,618
11	Salaries and Wages	534,723	-	534,723	1,465	91.00	7.90	83.10	121,741
12	Office Supplies & Other Office Exp.	25,708	-	25,708	70	91.00	36.60	54.40	3,832
13	Pension & Other Benefits	104,541	-	104,541	286	91.00	18.40	72.60	20,794
14	Rent	2,592	-	2,592	7	91.00	(14.70)	105.70	751
15	Insurance	81,113	-	81,113	222	91.00	(118.00)	209.00	46,446
16	Office Utilities	20,491	-	20,491	56	91.00	(4.60)	95.60	5,367
17	Miscellaneous	11,982	-	11,982	33	91.00	1.40	89.60	2,941
18	Corporate Allocation (CAM)	352,455	-	352,455	966	91.00	18.40	72.60	70,105
19	Payroll Taxes	39,432	-	39,432	108	91.00	7.90	83.10	8,977
20	Property Taxes	9,245	-	9,245	25	91.00	(112.60)	203.60	5,157
21	Utility/Commission Tax	24,887	-	24,887	68	91.00	(106.00)	197.00	13,432
22	Total Operating Expense	1,912,577	(50,204)	1,862,373					
23									
24									
25	OCA Cash Working Capital Requirement								397,671
26	Company Cash Working Capital Requirement								<u>406,172</u> ^{1/}
27									
28	Adjustment to Cash Working Capital Requirement								<u>\$ (8,501)</u>

Note:

1/ CUPA Summary of Calculation of Cash Working Capital Requirements

Community Utilities of Pennsylvania, Inc.

Adjustment to Deferred Charges in Rate Base
For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount
1	Company Proposed Deferred Charges in Rate Base	499,071 ^{1/}
2	Correction to Company Proposed Deferred Charges in Rate Base	<u>\$ (171,232) ^{2/}</u>
3	Corrected Company Proposed Deferred Charges in Rate Base	327,839
4		
5	OCA Adjustment to Remove Deferred Charges from Rate Base	<u>(327,839)</u>
6		
7	Adjustment to Rate Base	\$ (499,071)

Note:

^{1/} Company Schedule A

^{2/} Company response to I&E-RE-17-D

Community Utilities of Pennsylvania, Inc.

Adjustment to Oracle Fusion Asset
For the Twelve Months Ending July 31, 2025

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Company Proposed Oracle Fusion Asset in Rate Base	43,166 ^{1/}
2		
3	Adjustment to Rate Base	<u>\$ (43,166)</u>

Note:

^{1/} Company Schedule A

Community Utilities of Pennsylvania, Inc.

Adjustment to Deferred Maintenance Expense
For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount
1	Company Proposed Deferred Maintenance Expense	\$ 49,175 ^{1/}
2	Company Proposed Portion Related to the COVID-19 Regulatory Asset	\$ 17,714 ^{2/}
3	Non-COVID Company Proposed Deferred Maintenance Expense	31,461
4		
5	Company Proposed COVID-19 Costs	
6	Cleaning Supplies	12 ^{3/}
7	Other Materials and Supplies	201 ^{3/}
8	Safety Supplies/Expense	98 ^{3/}
9	Other Misc Expense	1,913 ^{3/}
10	Foregone reconnect fees	99 ^{3/}
11	Foregone LPCs	36,560 ^{3/}
12	Incremental Bad Debt	49,689 ^{3/}
13		
14	Company Proposed Amortization Period (Years)	5 ^{3/}
15		
16	OCA Adjustment to Non-COVID Deferred Maintenance Expense	(31,461)
17	OCA Proposed Adjustment to Proposed COVID-19 Costs	(465)
18		
19		
20	Adjustment to O&M	<u>(31,925)</u>

Note:

^{1/} Company Schedule B-9

^{2/} Company response to OCA Set 7.5.

^{2/} Company Supplement to Schedule A-10 & B-9

Community Utilities of Pennsylvania, Inc.

Adjustment to Depreciation Expense
For the Twelve Months Ending July 31, 2025

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Company Proposed Oracle Fusion Asset Amortization	(23,126) ^{1/}
2		
3	Adjustment to Depreciation Expense	<u>\$ 23,126</u>

Note:

^{1/} Company Schedule B-23

Community Utilities of Pennsylvania, Inc.

Adjustment to Maintenance and Repair Expenses
For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount						
1	Company-Proposed Inflation Factor	3.92% ^{1/}						
2	OCA Recommended Inflation Factor	0%						
3								
4		3 Year Average ^{1/}	Company-Proposed 2024 Adjustment ^{1/}	Company-Proposed 2025 Adjustment ^{1/}	Company-Proposed 2025 Forecast ^{1/}	OCA Recommended	OCA Recommended	OCA Recommended
5	Shop Supplies and Tools	\$ 4,737	\$ 185.89	\$ 193.19	\$ 5,115.83	\$ -	\$ -	\$ 4,737
6	Repairs and Maintenance	29,712	1,166	1,212	32,090	-	-	29,712
7	Main Breaks	33,363	1,309	1,361	36,033	-	-	33,363
8	Valve Repair	1,236	49	50	1,335	-	-	1,236
9	Manhole Maint	-	-	-	-	-	-	-
10	Maintenance Electric Equip Repair	1,716	67	70	1,854	-	-	1,716
11	Permits	14,141	555	577	15,273	-	-	14,141
12	Sewer Rodding	-	-	-	-	-	-	-
13	Sewer Sludge Hauling	-	-	-	-	-	-	-
14	Excavation Restoration	8,376	329	342	9,046	-	-	8,376
15	Communication Expense	3,434	135	140	3,709	-	-	3,434
16	Equipment Rental	393	15	16	424	-	-	393
17	Uniforms	1,308	51	53	1,413	-	-	1,308
18	Weather/Hurricane/Fuel	3,971	156	162	4,288	-	-	3,971
19	Safety Supplies/Expense	10,250	402	418	11,071	-	-	10,250
20	Landscaping	6,747	265	275	7,287	-	-	6,747
21	Other Contracted Workers	-	-	-	-	-	-	-
22	Pump Station R&M	-	-	-	-	-	-	-
23	Other Plant and System Maintenance	49,741	1,952	2,029	53,722	-	-	49,741
24	Meter Supplies	2,775	109	113	2,997	-	-	2,775
25	Pipe, Plate, Gasket	218	9	9	235	-	-	218
26	Electrical Equip	485	19	20	524	-	-	485
27	Lighting Supplies	31	1	1	33	-	-	31
28	Plant Air System	-	-	-	-	-	-	-
29	Other Materials and Supplies	10,631	417	434	11,482	-	-	10,631
30								
31	Total	\$ 183,264	\$ 7,192	\$ 7,474	\$ 197,931	\$ -	\$ -	\$ 183,264
32								
33								
34	Adjustment to O&M Expenses							<u>\$ (14,667)</u>

Note:

^{1/} Company Supplement to Schedule B-9

Community Utilities of Pennsylvania, Inc.

Adjustment to Chemicals Expense
 For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount
1	Company-Proposed Inflation Factor	3.92% ^{1/}
2	OCA Recommended Inflation Factor	<u>0%</u>
3		
4	Per Books Chemicals Expense July 31, 2023	38,286 ^{2/}
5	Company Proposed 7/31/2024 Forecast	53,756 ^{2/}
6	Inflation Escalation Portion of Company Proposed Adjustment - FTY	1,503
7	Inflation Escalation Portion of Company Proposed Adjustment - FPFTY	2,110
8		
9	OCA Recommended Inflation Escalation Portion of Adjustment - FTY	-
10	OCA Recommended Inflation Escalation Portion of Adjustment - FPFTY	-
11		
12		
13	Adjustment to O&M	<u>(3,612)</u>

Note:

^{1/} Direct Testimony of David Clark, page 4, lines 1-3.

^{2/} Company Schedule B-12

Community Utilities of Pennsylvania, Inc.

Interest Synchronization Adjustment
 For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount
1	Adjusted Rate Base	\$ 14,443,004 ^{1/}
2	Weighted Cost of Debt	<u>2.62% ^{2/}</u>
3	Adjusted Interest Deduction	\$ 378,407
4	Interest Deduction Per Company	392,836 ^{3/}
5	Adjustment to Synchronize Interest Expense	\$ (14,429)
6	Effective State Income Tax Rate	<u>7.99%</u>
7	Adjustment to State Income Taxes	<u>\$ 1,153</u>
8	Federal Income Tax Base	\$ (13,276)
9	Federal Income Tax Rate	<u>21.00%</u>
10	Adjustment to Federal Income Taxes	<u>\$ 2,788</u>

Notes:

^{1/} Schedule JLR-2, Page 1.

^{2/} Schedule JLR-12

^{3/} Company Schedule B-27

Community Utilities of Pennsylvania, Inc.

Calculation of Rate of Return
For the Twelve Months Ending July 31, 2025

<u>Line No.</u>	<u>Description</u>	<u>Capitalization Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
1	Long-Term Debt	50.00%	5.24%	2.62%
2				
3	Total Debt	50.00%		2.62%
4				
5	Common Equity	50.00%	8.39%	4.19%
6				
7	Total	<u>100.00%</u>		<u>6.81%</u>

Source:
Direct Testimony of Morgan DeAngelo.

Community Utilities of Pennsylvania, Inc.

Cost of Service
For the Fully Projected Future Test Year Ending July 31, 2025

Line No.	Description	Company ^{1/} Amounts at Present Rates	OCA Adjustments	Amounts After OCA Adjustments	Pro Forma Change in Revenues	Amounts After Change in Revenues
1	<u>Operating Revenues</u>					
2	Service Revenues - Water	-		-		-
3	Service Revenues - Sewer	3,420,981		3,420,981	1,201,945	4,622,926
4	Miscellaneous Revenues	28,092		28,092	11,543	39,635
5	Uncollectible Accounts	(68,047)		(68,047)	(24,138)	(92,185)
6						
7	Total Operating Revenues	<u>\$ 3,381,026</u>	<u>\$ -</u>	<u>\$ 3,381,026</u>	<u>\$ 1,189,350</u>	<u>\$ 4,570,377</u>
8						
9	<u>Operating Revenue Deductions:</u>					
10	Maintenance Expenses	1,345,299	(122,082)	1,223,216	-	1,223,216
11	General Expenses	1,416,763		1,416,763		1,416,763
12	Depreciation	645,040	(1,099)	643,941	-	643,941
13	Total Operating Expenses	<u>3,407,101</u>	<u>(123,181)</u>	<u>3,283,920</u>	<u>-</u>	<u>3,283,920</u>
14						
15	Operating Income Before Taxes	<u>\$ (26,075)</u>	<u>\$ 123,181</u>	<u>\$ 97,107</u>	<u>\$ 1,189,350</u>	<u>\$ 1,286,457</u>
16						
17	Amortization of PAA	(58,550)		(58,550)		(58,550)
18	Payroll Taxes	47,292		47,292		47,292
19	Franchise Tax	-		-		0
20	Gross Receipts Tax	-		-		0
21	Property Taxes	27,195		27,195		27,195
22	Special Assessments	-		-		0
23	Utility/Commission Tax	22,510		22,510	7,909	30,419
24	Other General Taxes	3,085		3,085		3,085
25	Amortization of ITC	-		-		0
26	Amortization of CIAC	(86,762)		(86,762)		(86,762)
27				-		0
28	State Income Tax	(34,962)	13,232	(21,730)	94,107	72,377
29	Federal Income Tax	(84,547)	31,999	(52,548)	227,577	175,029
30						
31	Subtotal	<u>\$ (164,739)</u>	<u>\$ 45,231</u>	<u>\$ (119,508)</u>	<u>\$ 321,684</u>	<u>\$ 210,085</u>
32						
33	Net Operating Income	<u>\$ 138,664</u>	<u></u>	<u>\$ 216,615</u>	<u></u>	<u>\$ 1,076,372</u>
34						
35	Rate Base	<u>\$ 17,432,191</u>		<u>\$ 15,812,999</u>		<u>\$ 15,812,999</u>
36						
37	Rate of Return	<u>0.80%</u>		<u>1.37%</u>		<u>6.81%</u>

Note:

^{1/} Company Schedule B, page 3.

Community Utilities of Pennsylvania, Inc.

Summary of Revenue Increase at OCA Rate of Return
For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount
1	Adjusted Rate Base	\$ 15,812,999 ^{1/}
2	Required Rate of Return	<u>6.81% ^{2/}</u>
3		
4	Net Operating Income Required	\$ 1,077,510
5	Net Operating Income at Present Rates	216,615 ^{3/}
6	Forfeited Discounts	<u>4,772 ^{4/}</u>
7		
8	Income Deficiency/(Surplus)	\$ 856,123
9	Revenue Multiplier	<u>1.403939</u>
10		
11	Required Change in Company Revenue	<u><u>\$ 1,201,945</u></u>
12		
13	Proposed Revenue Change	\$ 1,201,945
14	Less: Uncollectibles -2%	<u>\$ (24,138)</u>
15	Net Proposed Revenues	\$ 1,177,807
16	Less: State Income Tax @ 7.99% 7.99%	<u>\$ 94,107</u>
17		
18	Income Before Federal Taxes	\$ 1,083,701
19	Federal Income Tax @ 21.0% 21.00%	<u>227,577</u>
20		
21	Net Income (Surplus)/Deficiency	<u><u>856,123</u></u>

Note:

- ^{1/} Schedule JLR-WW-2, Page 1
- ^{2/} Schedule JLR-WW-13
- ^{3/} Schedule JLR-WW-1, Page 1
- ^{4/} Company Schedule D-4

Community Utilities of Pennsylvania, Inc.

Summary of Rate Base
For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount per Company Filing	OCA Adjustments	Amount After OCA Adjustments
1	Gross Plant In Service	31,166,270	(1,153,420)	30,012,850
2	Accumulated Depreciation	(11,600,234)	28,836	(11,571,399)
3	Net Plant In Service	<u>\$ 19,566,036</u>	<u>\$ (1,124,585)</u>	<u>\$ 18,441,452</u>
4				
5	Cash Working Capital	\$ 570,351	\$ (20,514)	\$ 549,837
6	Contributions In Aid of Construction	\$ (1,550,925)		\$ (1,550,925)
7	Accumulated Deferred Income Taxes	(723,431)		\$ (723,431)
8	Customer Deposits	(5,434)		\$ (5,434)
9	Inventory	7,839		\$ 7,839
10	Oracle Fusion Asset	\$ 51,771	\$ (51,771)	\$ -
11	Net Plant Acquisition Adjustment	(906,339)		\$ (906,339)
12	Deferred Charges	422,322	(422,322)	\$ -
13	Subtotal	<u>\$ (2,133,845)</u>	<u>\$ (494,608)</u>	<u>\$ (2,628,453)</u>
14				
15				
16	<u>Rate Base</u>	<u>\$ 17,432,191</u>	<u>\$ (1,619,192)</u>	<u>\$ 15,812,999</u>

Community Utilities of Pennsylvania, Inc.

Summary of Rate Base Adjustments
For the Twelve Months Ending July 31, 2025

Line No.	Description	Source	Amount
1	Rate Base per Company Filing	Schedule JLR-WW-2, Page 1	\$ 17,432,191
2			
3	<u>OCA Adjustments:</u>		
4	Adjustment to Cash Working Capital	Schedule JLR-WW- 4	(20,514)
5	Adjustment to Deferred Charges	Schedule JLR-WW- 5	(422,322)
6	Adjustment to Plant In Service	Schedule JLR-WW- 6	(1,153,420)
7	Adjustment to Accumulated Depreciation	Schedule JLR-WW- 6	28,836
8	Adjustment to Oracle Fusion Asset	Schedule JLR-WW- 7	(51,771)
12	Total Ratemaking Adjustments		\$ (1,619,192)
13			
14	Adjusted Rate Base per OCA		\$ 15,812,999

Community Utilities of Pennsylvania, Inc.Summary of Adjustments to Income Before Income Taxes
For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount	Source
1	Operating Income per Company	\$ 138,664	Schedule JLR-WW- 1
2			
3	<u>OCA Adjustments:</u>		
4	Adjustment to Deferred Maintenance Expense	\$ 42,643	Schedule JLR-WW- 8
5	Adjustment to Maintenance and Repair Expenses	\$ 33,466	Schedule JLR-WW- 10
6	Adjustment to Chemicals Expense	\$ 12,631	Schedule JLR-WW- 11
7	Adjustment to Depreciation Expense: Oracle Fusion Amortization	\$ (20,162)	Schedule JLR-WW- 9
8	Adjustment to Depreciation Expense: Plant In Service Corresponding Adjustment	\$ 20,960	Schedule JLR-WW- 6
9	Interest Synchronization	(11,587)	Schedule JLR-WW- 12
10	Total OCA Adjustments	77,950	
11			
12	Total OCA Adjustments	\$ 216,615	

Community Utilities of Pennsylvania, Inc.

Summary of Adjustments to Operating Income
For the Twelve Months Ending July 31, 2025

Line No.	Description	Operating Revenues	O&M Expenses	Depreciation	Taxes Other Than Income	State Income Taxes	Federal Income Taxes	Operating Income
1	Amount per Company	\$ 3,381,026	\$ 2,762,061	\$ 645,040	\$ (45,230)	\$ (34,962)	\$ (84,547)	\$ 138,664
2								
3	<u>OCA Adjustments:</u>							
4	Adjustment to Deferred Maintenance Expense		\$ (58,665)			4,687.00	11,335.00	\$ 42,643
5	Adjustment to Maintenance and Repair Expenses		\$ (46,041)			3,679.00	8,896.00	\$ 33,466
6	Adjustment to Chemicals Expense		(17,377)			1,388.00	3,358.00	\$ 12,631
7	Adjustment to Depreciation Expense: Oracle Fusion Amortization			27,737		(2,216.00)	(5,359.00)	\$ (20,162)
8	Adjustment to Depreciation Expense: Plant In Service Corresponding Adjustment			(28,836)		2,304.00	5,572.00	\$ 20,960
9	Interest Synchronization					3,390.00	8,197.00	\$ (11,587)
10								
11	Total OCA Adjustments	\$ -	\$ (122,082)	\$ (1,099)	\$ -	\$ 13,232	\$ 31,999	\$ 77,950
12								
13	Total Adjusted Income Before Income Taxes	\$ 3,381,026	\$ 2,639,979	\$ 643,941	\$ (45,230)	\$ (21,730)	\$ (52,548)	\$ 216,615

Community Utilities of Pennsylvania, Inc.

Adjustment to Cash Working Capital
For the Twelve Months Ending July 31, 2025

Line No.	Description	Pro Forma Expense per Company ^{1/}	OCA Adjustments	Pro Forma Expense After OCA Adjustments	Daily Requirement	Revenue Lag Days ^{1/}	Expense Lead Days ^{1/}	Net Lag Days	Working Capital Requirement
1	OPERATING EXPENSES								
2	Purchased Power	\$ 227,308	\$ -	\$ 227,308	\$ 623	91.00	57.50	33.50	\$ 20,863
3	Purchased Water / Sewer	-	-	-	-	91.00	38.50	52.50	-
4	Maintenance and Repair	700,693	(104,706)	595,987	1,633	91.00	28.70	62.30	101,726
5	Maintenance Testing	89,352	-	89,352	245	91.00	12.60	78.40	19,192
6	Meter Reading	2,924	-	2,924	8	91.00	22.90	68.10	545
7	Chemicals	275,681	(17,377)	258,304	708	91.00	35.50	55.50	39,276
8	Transportation	41,893	-	41,893	115	91.00	22.90	68.10	7,816
9	Operating Exp. Charged to Plant	(31,508)	-	(31,508)	(86)	91.00	7.90	83.10	(7,173)
10	Outside Services - Other	38,956	-	38,956	107	91.00	58.00	33.00	3,522
11	Salaries and Wages	637,982	-	637,982	1,748	91.00	7.90	83.10	145,250
12	Office Supplies & Other Office Exp.	22,128	-	22,128	61	91.00	36.60	54.40	3,298
13	Pension & Other Benefits	125,144	-	125,144	343	91.00	18.40	72.60	24,892
14	Rent	3,107	-	3,107	9	91.00	(14.70)	105.70	900
15	Insurance	97,283	-	97,283	267	91.00	(118.00)	209.00	55,705
16	Office Utilities	32,390	-	32,390	89	91.00	(4.60)	95.60	8,484
17	Miscellaneous	13,718	-	13,718	38	91.00	1.40	89.60	3,367
18	Corporate Allocation (CAM)	422,759	-	422,759	1,158	91.00	18.40	72.60	84,088
19	Payroll Taxes	47,292	-	47,292	130	91.00	7.90	83.10	10,767
20	Property Taxes	27,195	-	27,195	75	91.00	(112.60)	203.60	15,169
21	Utility/Commission Tax	33,956	-	33,956	93	91.00	(106.00)	197.00	18,327
22	Total Operating Expense	2,808,252	(122,082)	2,686,169					
23									
24									
25	OCA Cash Working Capital Requirement								556,015
26	Company Cash Working Capital Requirement								<u>576,529</u> ^{1/}
27									
28	Adjustment to Cash Working Capital Requirement								<u>\$ (20,514)</u>

Note:

1/ CUPA Summary of Calculation of Cash Working Capital Requirements

Community Utilities of Pennsylvania, Inc.

Adjustment to Deferred Charges in Rate Base
For the Twelve Months Ending July 31, 2025

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Company Proposed Deferred Charges in Rate Base	422,322 ^{1/}
2	Correction to Company Proposed Deferred Charges in Rate Base	<u>\$ (205,367) ^{2/}</u>
3	Corrected Company Proposed Deferred Charges in Rate Base	216,955
4		
5	OCA Proposed Adjustment to Remove Deferred Charges from Rate Base	<u>(216,955)</u>
6		
7	Adjustment to Rate Base	\$ (422,322)

Note:

^{1/} Company Schedule A

^{2/} Company response to I&E-RE-17-D

Community Utilities of Pennsylvania, Inc.

Adjustment to Plant in Service
For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount
1	<u>UIP 2025 I&I</u>	
2	Net Rate Base Additions	\$ 344,541 ^{1/}
3	Annual Depreciation Expense	\$ 8,614 ^{1/}
4		
5	<u>UIP Chestnut LS Conversion</u>	
6	Net Rate Base Additions	\$ 808,879 ^{1/}
7	Annual Depreciation Expense	\$ 20,222 ^{1/}
8		
9	OCA Adjustment to Remove Projects from Plant in Service	(1,153,420)
10	OCA Corresponding Adjustment to Depreciation	28,836

Note:

^{1/} Supplement to Schedules A-1 & A-2 & A-5 & B-23 (Plant in Service & AD & ADIT)

Community Utilities of Pennsylvania, Inc.

Adjustment to Oracle Fusion Asset
For the Twelve Months Ending July 31, 2025

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Company Proposed Oracle Fusion Asset in Rate Base	51,771 ^{1/}
2		
3	Adjustment to Rate Base	<u>\$ (51,771)</u>

Note:

^{1/} Company Schedule A

Community Utilities of Pennsylvania, Inc.

Adjustment to Deferred Maintenance Expense
For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount
1	Company Proposed Deferred Maintenance Expense	\$ 79,356 ^{1/}
2	Company Proposed Portion Related to the COVID-19 Regulatory Asse	\$ 21,248 ^{2/}
3	Non-COVID Company Proposed Deferred Maintenance Expense	58,108
4		
5	Company Proposed COVID-19 Costs	
6	Cleaning Supplies	14 ^{3/}
7	Other Materials and Supplies	241 ^{3/}
8	Safety Supplies/Expense	118 ^{3/}
9	Other Misc Expense	2,295 ^{3/}
10	Foregone reconnect fees	119 ^{3/}
11	Foregone LPCs	43,853 ^{3/}
12	Incremental Bad Debt	59,600 ^{3/}
13		
14	Company Proposed Amortization Period (Years)	5 ^{3/}
15		
16	OCA Adjustment to Non-COVID Deferred Maintenance Expense	(58,108)
17	OCA Proposed Adjustment to Proposed COVID-19 Costs	(557)
18		
19		
20	Adjustment to O&M	<u>(58,665)</u>

Note:

^{1/} Company Schedule B-9

^{2/} Company response to OCA Set 7.5.

^{3/} Company Supplement to Schedule A-10 & B-9

Community Utilities of Pennsylvania, Inc.

Adjustment to Depreciation Expense
For the Twelve Months Ending July 31, 2025

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Company Proposed Oracle Fusion Asset Amortization	(27,737) ^{1/}
2		
3	Adjustment to Depreciation Expense	<u>\$ 27,737</u>

Note:

^{1/} Company Schedule B-23

Community Utilities of Pennsylvania, Inc.

Adjustment to Maintenance and Repair Expenses
For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount						
1	Company-Proposed Inflation Factor	3.92% ^{1/}						
2	OCA Recommended Inflation Factor	0%						
3								
4		3 Year Average ^{1/}	Company-Proposed 2024 Adjustment ^{1/}	Company-Proposed 2025 Adjustment ^{1/}	Company-Proposed 2025 Forecast ^{1/}	OCA Recommended	OCA Recommended	OCA Recommended
5	Shop Supplies and Tools	\$ 9,912	\$ 388.99	\$ 404.26	\$ 10,705.17	\$ -	\$ -	\$ 9,912
6	Repairs and Maintenance	29,672	1,164	1,210	32,047	-	-	29,672
7	Main Breaks	2,600	102	106	2,808	-	-	2,600
8	Valve Repair	-	-	-	-	-	-	-
9	Manhole Maint	1,108	43	45	1,196	-	-	1,108
10	Maintenance Electric Equip Repair	5,668	222	231	6,122	-	-	5,668
11	Permits	3,660	144	149	3,953	-	-	3,660
12	Sewer Rodding	13,617	534	555	14,707	-	-	13,617
13	Sewer Sludge Hauling	364,179	14,292	14,853	393,324	-	-	364,179
14	Excavation Restoration	786	31	32	849	-	-	786
15	Communication Expense	4,263	167	174	4,605	-	-	4,263
16	Equipment Rental	20,710	813	845	22,367	-	-	20,710
17	Uniforms	2,432	95	99	2,626	-	-	2,432
18	Weather/Hurricane/Fuel	51,854	2,035	2,115	56,004	-	-	51,854
19	Safety Supplies/Expense	8,645	339	353	9,337	-	-	8,645
20	Landscaping	2,609	102	106	2,818	-	-	2,609
21	Other Contracted Workers	1,278	50	52	1,381	-	-	1,278
22	Pump Station R&M	2,102	82	86	2,270	-	-	2,102
23	Other Plant and System Maintenance	32,230	1,265	1,314	34,809	-	-	32,230
24	Meter Supplies	-	-	-	-	-	-	-
25	Pipe, Plate, Gasket	235	9	10	254	-	-	235
26	Electrical Equip	1,926	76	79	2,080	-	-	1,926
27	Lighting Supplies	468	18	19	505	-	-	468
28	Plant Air System	1,737	68	71	1,876	-	-	1,737
29	Other Materials and Supplies	13,606	534	555	14,695	-	-	13,606
30								
31	Total	\$ 575,296	\$ 22,577	\$ 23,463	\$ 621,337	\$ -	\$ -	\$ 575,296
32								
33								
34	Adjustment to O&M Expenses							\$ (46,041)

Note:

^{1/} Company Supplement to Schedule B-9

Community Utilities of Pennsylvania, Inc.

Adjustment to Chemicals Expense
 For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount
1	Company-Proposed Inflation Factor	3.92% ^{1/}
2	OCA Recommended Inflation Factor	<u>0%</u>
3		
4	Per Books Chemicals Expense July 31, 2023	188,313 ^{2/}
5	Company Proposed 7/31/2024 Forecast	254,468 ^{2/}
6	Inflation Escalation Portion of Company Proposed Adjustment - FTY	7,390
7	Inflation Escalation Portion of Company Proposed Adjustment - FPFTY	9,987
8		
9	OCA Recommended Inflation Escalation Portion of Adjustment - FTY	-
10	OCA Recommended Inflation Escalation Portion of Adjustment - FPFTY	-
11		
12		
13	Adjustment to O&M	<u>(17,377)</u>

Note:

^{1/} Direct Testimony of David Clark, page 4, lines 1-3.

^{2/} Company Schedule B-12

Community Utilities of Pennsylvania, Inc.

Interest Synchronization Adjustment
For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount
1	Adjusted Rate Base	\$ 15,812,999 ^{1/}
2	Weighted Cost of Debt	<u>2.62% ^{2/}</u>
3	Adjusted Interest Deduction	\$ 414,301
4	Interest Deduction Per Company	456,723 ^{3/}
5	Adjustment to Synchronize Interest Expense	\$ (42,422)
6	Effective State Income Tax Rate	<u>7.99%</u>
7	Adjustment to State Income Taxes	<u>\$ 3,390</u>
8	Federal Income Tax Base	\$ (39,032)
9	Federal Income Tax Rate	<u>21.00%</u>
10	Adjustment to Federal Income Taxes	<u>\$ 8,197</u>

Notes:

^{1/} Schedule JLR-WW-2, Page 1.

^{2/} Schedule JLR-WW-13

^{3/} Company Schedule B-27

Community Utilities of Pennsylvania, Inc.

Calculation of Rate of Return
For the Twelve Months Ending July 31, 2025

<u>Line No.</u>	<u>Description</u>	<u>Capitalization Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
1	Long-Term Debt	50.00%	5.24%	2.62%
2				
3	Total Debt	50.00%		2.62%
4				
5	Common Equity	50.00%	8.39%	4.19%
6				
7	Total	<u>100.00%</u>		<u>6.81%</u>

Source:
Direct Testimony of Morgan DeAngelo.

Exhibit JLR-B
Company Responses to Interrogatories

Pa. PUC v. Community Utilities of Pennsylvania, Inc.
R-2023-3043804 (Water), R-2023-3042805 (Wastewater)

**COMMUNITY UTILITIES OF PENNSYLVANIA, INC. WATER AND
WASTEWATER DIVISIONS' RESPONSES TO BUREAU OF INVESTIGATION
AND ENFORCEMENT DATA REQUESTS, SET RE NOS. 1-D THROUGH 17-D**

I&E-RE-13-D Reference CUPA Statement No. 3, p. 3, concerning forecasted maintenance and repair expenses. Provide a detailed explanation with supporting documentation showing why it is appropriate to utilize an 11-year historic inflation factor to adjust maintenance and repair expenses.

RESPONSE: Please see excel service file labelled **“Supplement to Schedule B-9 (Plant Maint)”**. The historical inflation data is shown on the tab labelled **“BLS Data Series – July Actuals”**. That base historical data was then used to extrapolate the remaining months of 2023 to get a full year picture. In looking at the data, the 11-year historic period was used as it best represented a normalized inflation growth outlook versus most recent years. The most recent years would have been skewed by one or two factors, (1) the high inflation period we are currently going through which started in 2022, and (2) the COVID-19 pandemic.

PROVIDED BY: **David Clark**

DATE: 12/28/2023

Pa. PUC v. Community Utilities of Pennsylvania, Inc.
R-2023-3043804 (Water), R-2023-3042805 (Wastewater)

**COMMUNITY UTILITIES OF PENNSYLVANIA, INC. WATER AND
WASTEWATER DIVISIONS' RESPONSES TO BUREAU OF INVESTIGATION
AND ENFORCEMENT DATA REQUESTS, SET RE NOS. 1-D THROUGH 17-D**

I&E-RE-17-D Reference CUPA Schedules A and A-10, concerning deferred charges:

- A. Provide a detailed breakdown of the FPFTY claim of \$499,071 for Water shown in Schedule A (total rate base) similar to the breakdown provided in Schedule A-10 which shows a FTY breakdown of \$327,839, along with any other related supporting schedules.
- B. Provide a detailed breakdown of the FPFTY claim of \$422,322 for Wastewater shown in Schedule A (total rate base) similar to the breakdown provided in Schedule A-10 which shows a FTY breakdown of \$216,955, along with any other related supporting schedules.
- C. Explain in detail why any rate case expense amortizations are claimed in deferred charges (in rate base) in this proceeding for Water (a net of \$124,573) and/or Wastewater (a net of \$149,406) and why that is appropriate.
- D. Provide a detailed explanation of any items entitled "other" or that are otherwise unclearly identified in response to Parts A and B above.
- E. State whether CUPA sought Commission approval, for each item listed in response to Parts A and B above, to include the deferred charges in rate base. If so, provide each relevant docket number(s).

RESPONSE:

- A. Please see excel service files "Supplement to Schedules A-10 & B-9 (Deferred Charges)", Supplement to Schedules A-10 & B-16 (Rate Case Expense) and Supplement to Schedules A-10 & B-9 (COVID Regulatory Asset)". These three files make up the totality of the deferred charge adjustments. There is a variance from Schedule A to A-10 due to per books adjustments in the amount of \$(171,231.91) and (205,366.69) not picked up on Schedule A for water and sewer respectively. This has a corresponding effect to the forecast totals for the FTY and FPFTY.
- B. Please see response to question A.
- C. Please see response to question 8, item E.
- D. Please see response to question A.

Pa. PUC v. Community Utilities of Pennsylvania, Inc.
R-2023-3043804 (Water), R-2023-3042805 (Wastewater)

**COMMUNITY UTILITIES OF PENNSYLVANIA, INC. WATER AND
WASTEWATER DIVISIONS' RESPONSES TO BUREAU OF INVESTIGATION
AND ENFORCEMENT DATA REQUESTS, SET RE NOS. 1-D THROUGH 17-D**

- E. CUPA has not sought commission approval for the items listed in Part A and B. The deferred charges included for recovery in this proceeding primarily consists of rate case expense, multi-year tank maintenance, and multi-year testing costs. All these costs are incurred as a part of the normal operations in providing service and not extraordinary in nature which would require Commission approval. The cost related to the COVID-19 pandemic are the only extraordinary costs that have been included in deferred charges. CUPA through this proceeding is seeking Commission approval on the treatment of the COVID-19 costs, hence the inclusion.

PROVIDED BY: Anthony Gray

DATE: 12/28/2023

PA PUC v. Community Utilities of Pennsylvania, Inc.
R-2023-3043804 (Water), R-2023-3042805 (Wastewater)

**Community Utilities of Pennsylvania, Inc.'s Responses to
Office of Consumer Advocate Interrogatories, Set 7**

1. Please identify all service fees assessed to customers related to online and over the phone bill payment processing (or other forms of electronic funds transfer for bill payment). Please explain what the fees are and how they are recovered from customers.

RESPONSE: The Company uses First Billing Services (AKA Nuvei) for customer eCheck, credit and debit card payments made online or over the phone. The Company does not charge or collect the payment convenience fees. First Billing Services will direct charge the customer the following fees at the time the payment is made.

Residential

- o eCheck/credit/debit - \$0 - \$75 = \$1.99 fee
- o eCheck/credit/debit - \$75.01 - \$5,000 = \$2.25 fee

Commercial

eCheck = \$2.25 fee
credit/debit - \$1.00 - \$5,000 = 2.45% fee
Automated Recurring Payments
eCheck = \$0.99 fee

Automated Recurring Payments

- o eCheck = \$0.99 fee
- o credit/debit = same as schedule above

PROVIDED BY: Anthony Gray

DATE: 1/24/2024

**Community Utilities of Pennsylvania, Inc.'s Responses to
Office of Consumer Advocate Interrogatories, Set 7**

2. Are service fees related to online bill and over the phone bill payment processing (or other forms of electronic funds transfer for bill payment) included in the cost of service in this proceeding? Please identify those fees by type, how they are included in the cost of service, the basis or rates applied to derive the fee amount, and the dollar value included in the cost of service for each type identified.

RESPONSE: Please see response to question 1. No services fees are included for recovery in this proceeding.

PROVIDED BY: Anthony Gray

DATE: 1/24/2024

PA PUC v. Community Utilities of Pennsylvania, Inc.
R-2023-3043804 (Water), R-2023-3042805 (Wastewater)

**Community Utilities of Pennsylvania, Inc.'s Responses to
Office of Consumer Advocate Interrogatories, Set 7**

3. Please provide the total service fees incurred by the Company for online or over the phone bill payment (or other forms of electronic funds transfer for bill payment) by type for the years ended July 31, 2021, 2022, and 2023. If different, please provide the total service fees passed onto customers by type for the years ended July 31, 2021, 2022, and 2023. Please separate the data by those service fees the Utility charges to customers that are not included in the cost of service, and those included in the cost of service.

RESPONSE: Please see response to questions 1 and 2.

PROVIDED BY: Anthony Gray

DATE: 1/24/2024

PA PUC v. Community Utilities of Pennsylvania, Inc.
R-2023-3043804 (Water), R-2023-3042805 (Wastewater)

**Community Utilities of Pennsylvania, Inc.’s Responses to
Office of Consumer Advocate Interrogatories, Set 7**

5. Reference Schedule B-9, Line No. 12 and Line No. 54. Please provide a break down of the components of ‘Deferred Maintenance Expense’. If COVID-19 deferred charges are included in this line item, please provide a breakout of what portion of the total relates to COVID in the FPFTY.

RESPONSE: Please refer to the file labeled **“Supplement to Schedules A-10 & B-9”** and supporting work paper labeled **“Supplement to Schedules A-10 & B-9 COVID Regulatory Asset Recovery”**, both served on November 14, 2023, for the detailed breakdown of Deferred Maintenance Expense. COVID-19 related amounts in the FPFTY are \$17,714.45 (Water) and \$21,247.94 (Wastewater).

PROVIDED BY: David Clark

DATE: 1/24/2024

PA PUC v. Community Utilities of Pennsylvania, Inc.
R-2023-3043804 (Water), R-2023-3042805 (Wastewater)

**Community Utilities of Pennsylvania, Inc.’s Responses to
Office of Consumer Advocate Interrogatories, Set 7**

6. With regard to the Oracle Fusion Asset:
- a. What is the nature of this asset? Please fully describe cost components that form the total amount included in the cost of service.
 - b. Who (CUPA or a CUPA affiliate) owns the Oracle Fusion Asset?
 - c. How are costs associated with the Oracle Fusion Asset charged to CUPA and other CUPA affiliates?
 - d. Please provide the amount charged to CUPA’s annual operating expenses for the Oracle Fusion Asset for the years ended July 31, 2021, 2022, and 2023, separated by component (capital recovery and expense-related costs). Please provide in Excel format with formulae intact.
 - e. Assuming the asset is owned by an affiliate entity or shared, please explain why the asset is included in rate base as opposed to receiving a corporate allocated expense.
 - f. Are there any accumulated deferred income taxes related to the Oracle Fusion Asset?
 - g. Please explain how the Oracle Fusion Asset is being written off. In your response, identify the accounts used to write-off the Oracle Fusion Asset and show where it is reflected in the cost of service.

RESPONSE:

- a. The Oracle Fusion system is a Software as a Service (“SaaS”) system implemented across the Corix Group of Companies in 2020. Costs capitalized to the Non-Current Asset reflect application development, such as 1) the design of the software, configuration, and interfaces, 2) coding, 3) installation of hardware, 4) testing. The costs generally were incurred from the implementation consultant, Peloton, but also include capitalized internal labor and AFUDC. All Fusion costs other than for application development – selecting the software, training, maintenance, periodic updates, data conversion from legacy system – are expensed as incurred. Only costs subsequent to “go-live” that result in added functionality of the system are incrementally capitalized.
- b. As the Fusion system constitutes a cloud computing system, it cannot be classified as a fixed asset. Corix Infrastructure Inc. (“CII”) has identified Fusion as meeting the criteria of a hosting arrangement that is a service contract, as it does not own software licenses for the product, and capitalizable costs must therefore be categorized as a non-plant asset and amortized. This treatment is consistent with FASB EITF 17-A and FASB Subtopic 350-40-30-5. Please see attached accounting analysis from Grant Thornton for additional guidance, OCA 7-6 GrantThornton-Cloud Based Software.pdf.

PA PUC v. Community Utilities of Pennsylvania, Inc.
R-2023-3043804 (Water), R-2023-3042805 (Wastewater)

**Community Utilities of Pennsylvania, Inc.’s Responses to
Office of Consumer Advocate Interrogatories, Set 7**

- c. On the books, the Non-Current Asset balance is proportioned between CRU US’s affiliates’ portion and the rest of the CII affiliates’ portion. The CRU US portion is allocated by ERC’s to its affiliates, including CUPA. The Asset balance cannot be flowed through the 2-tier process on the books, as assets cannot be allocated across the U.S./Canada border. The expense (amortization) amount each month flows into the Corporate and Shared Services Costs and is allocated through the 2-tier cost allocation process to the Corporate Allocation Expense (Account 691000) line item on CUPA’s financials and Schedule B-22 of the filing.

For ratemaking/pro-forma purposes, CUPA took the entire Fusion net asset balance and flowed it through the 2-tier allocation process to determine CUPA’s portion. The associated amortization expense is included in the Corporate Allocation Expense (Account 691000).

- d. Due to several reconciliation, reclassification, and true-up entries as well as account mapping changes over the period requested, CUPA has prepared an analysis to approximate the allocated portions of the Fusion asset and amortization expense for this period. Please see attached, OCA 7-6d Fusion Cost Analysis.xlsx. To clarify, CUPA is providing both balance sheet (i.e., not “annual operating expenses”) and amortization expenses, allocated to CUPA, in this response for the period requested.
- e. As a service contract, per accounting standards noted in Part B above, FASB has ruled that the application development costs which are capitalized should be treated like those of internal-use software, which is widely considered a rate base item. The Fusion implementation (and later capitalized costs from functionality upgrades) represents costs incurred upfront to be amortized over the reasonably expected life of the service contract.

In addition, several CUPA affiliates have requested and been authorized to irate base treatment of their respective Fusion asset balances, including in contested cases such as Docket 2022-00147 with the Kentucky Public Service Commission and various settled dockets.

- f. There is no ADIT related to the Oracle Fusion Asset.
- g. Please see responses to Parts B and C above for details on the amortizing of the Fusion asset. The amortization expense is therefore included in the allocable expenses shown in Supplement to Schedule B-22, Account 691000. As a result, CUPA notes that the pro-forma amounts for Depreciation Expense, Schedule B-23, inadvertently also include consideration of the Fusion asset amortization expense for CUPA. Not only were line items 44 and 101 of Schedule 23 incorrectly stated in the filing – reflecting 2 years of amortization, and as a credit instead of debit –

PA PUC v. Community Utilities of Pennsylvania, Inc.
R-2023-3043804 (Water), R-2023-3042805 (Wastewater)

**Community Utilities of Pennsylvania, Inc.'s Responses to
Office of Consumer Advocate Interrogatories, Set 7**

there should be no line item on Schedule B-23 or elsewhere to reflect the amortization expense since it is already included in the Corporate Allocation Expense pro-forma amount in Schedule B-22.

PROVIDED BY: Anthony Gray

DATE: 1/24/2024

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
v.	:	Docket Nos. R-2023-3042804 (Water)
Community Utilities of Pennsylvania, Inc.	:	R-2023-3042805 (Wastewater)
	:	

DIRECT TESTIMONY
OF
MORGAN N. DEANGELO

ON BEHALF OF
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

February 6, 2024

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1 **Introduction**

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

3 **A.** My name is Morgan N. DeAngelo. My business address is 555 Walnut Street, 5th Floor,
4 Forum Place, Harrisburg, Pennsylvania 17101. I am currently employed as a Regulatory
5 Analyst by the Pennsylvania Office of Consumer Advocate (OCA).

6 **Q. Please describe your educational background and qualifications to provide**
7 **testimony in this case.**

8 **A.** I have a Master’s degree in Business Administration and a Bachelor of Business
9 Administration Degree, with a concentration in Finance and a minor in Accounting from
10 Wilkes University. My education background and qualifications are described in
11 Appendix A.

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

13 **A.** I am testifying on behalf of the OCA.

14 **Q. Have you previously testified before the Pennsylvania Public Utility Commission?**

15 **A.** Yes. I have provided written testimony in rate cases concerning rate case normalization,
16 cash working capital and operation and maintenance expenses, rate of return, the impact
17 the COVID-19 Pandemic has had on consumers in Pennsylvania, acquisition adjustments,
18 and various provisions to the utility’s tariff, as well as petitions for a smaller utility to be
19 acquired by a capable utility concerning adequate and reasonable service, and
20 applications regarding the acquisition of municipal utilities under fair market value,
21 concerning affirmative public benefits.

1 **Purpose of Direct Testimony**

2 **Q. What is the purpose of your direct testimony in this proceeding?**

3 **A.** The purpose of my direct testimony is to provide my recommendation for the appropriate
 4 overall rate of return to the Pennsylvania Public Utility Commission (Commission) for
 5 Community Utilities of Pennsylvania, Inc. (CUPA).

6 **Summary of Findings**

7 **Q. What was the recommendation of the Companies’ witness Matthew R. Howard**
 8 **regarding the rate of return and its components?**

9 **A.** In CUPA Statement No. 8, Mr. Howard first applied several costs of common equity
 10 models, specifically the Discounted Case Flow (DCF) model, the Capital Asset Pricing
 11 Model (CAPM), and the Risk Premium Model (RPM), to the market data of the Water
 12 Utility Proxy Group. He then added a 60 basis point size adjustment.

13 Mr. Howard recommended a rate of return (ROR) of 7.92%, based on a 10.6%
 14 return on equity (ROE) component that includes the 60-basis point size adjustment. This,
 15 along with the recommended capital structure can be found on page 3 of CUPA
 16 Statement No. 8 and is reproduced below:

17 **CUPA’s Recommended Capital Structure**

	<u>Percent Total Capital</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Long-Term Debt	50.00%	5.24%	2.62%
Common Equity	50.00%	10.60%	5.30%
Total	100.00%		7.92%

1 **Q. Do you agree with Mr. Howard’s recommended rates of return, including his**
2 **recommended return on equity?**

3 **A.** No. As outlined more fully below, adjustments are needed to CUPA’s proposed return on
4 equity to ensure that the returns generated are just and reasonable. The ROE calculated by
5 Mr. Howard would result in customers overpaying, at rates that are significantly in excess
6 of what is required to generate sufficient capital for CUPA. This would effectively be a
7 transfer of wealth from customers to the owners of CUPA that would be unjust and
8 unreasonable.

9 Furthermore, OCA witness DeMarco discusses customer service issues in more detail in
10 OCA Statement 1, but the focus on needs of customers to receive safe and reliable
11 drinking water at just and reasonable rates is imperative. While the need to attract capital
12 is important, the regulators must fairly balance the interests of all parties including, in
13 particular, the customers who have no choice but to receive water and wastewater service
14 from CUPA.¹

15 **Q. What are the standards that govern the calculation of the Rate of Return?**

16 **A.** The purpose of a rate of return analysis is to provide a recommendation of the fair rate of
17 return for CUPA. The standards for the fair rate of return are governed by the standards
18 established in the cases of *Hope* and *Bluefield*², which conclude that a fair rate of return
19 provides an opportunity for the utility to earn a return sufficient for financial integrity and
20 to attract capital under efficient management and that satisfies the comparable earnings

¹ For example, in *Market Street Railway Co. v. Railroad Commission*, 324 U.S. 548, 566 (1945) the Court refused to overturn a rate reduction for a failing street railway company noting that *Hope* recognized that “regulation does not assure that the regulated business make a profit”.

² *Bluefield Water Works and Improvement Company v. Public Service Commission of the State of West Virginia*, 262 U.S. (1923). *Federal Power Commission v. Hope Natural Gas Company*, 320 U.S. (1942).

1 standard. The United States Supreme Court reviewed the issue of fair rate of return
2 in *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 (1944)
3 (*Hope*). In *Hope*, the Court held that a fair rate of return “should be commensurate with
4 returns on investments in other enterprises having corresponding risks” while being
5 sufficient “to assure confidence in the financial integrity of the enterprise, so as to
6 maintain its credit and attract capital.” (*Hope* at 603). The Court also noted, however,
7 that:

8 The rate-making process under the Act, i.e., the fixing of ‘just and reasonable’
9 rates, involves a balancing of the investor and consumer interests . . . and does not
10 insure that the business shall produce revenues.”

11 The Supreme Court added that consumers are obliged to rely upon regulatory
12 commissions to protect them from excessive rates and charges. ((*See Permian Basin*
13 *Area Rate Case*, 390 U.S. 747, 794-95 (1968) (citing *Atlantic Refining Co. v. Public Serv.*
14 *Comm’n*, 360 U.S. 378, 388 (1981)). The Court also set forth the standards by which
15 public utilities are allowed to earn a return on capital investments. First, in *Bluefield*
16 *Water Works & Improvement Co. v. Public Service Commission of West Virginia*, the
17 Court held:

18 A public utility is entitled to such rates as will permit it to earn a return on
19 the value of the property which it employs for the convenience of the public.
20 . . . but it has no constitutional right to profits such as are realized or
21 anticipated in highly profitable enterprises or speculative ventures. The
22 return should be reasonably sufficient to assure confidence in the financial
23 soundness of the utility and should be adequate, under efficient and
24 economical management, to maintain and support its credit and enable it to
25 raise the money necessary for the proper discharge of its public duties.³

Bluefield Water Works & Improvement Co. v. Public Service Commission of West Virginia, 262 U.S. 679, 692-93 (1923).

1 Then, in *Federal Power Commission v. Hope Natural Gas Company*, the Court expanded
 2 on the guidelines set forth in *Bluefield* and stated:

3 From the investor or company point of view it is important that there be
 4 enough revenue not only for operating expenses but also for the capital costs
 5 of the business. These include service on the debt and dividends on the
 6 stock. By that standard the return to the equity owner should be
 7 commensurate with returns on investments in other enterprises having
 8 corresponding risks. That return, moreover, should be sufficient to assure
 9 confidence in the financial integrity of the enterprise, so as to maintain its
 10 credit and to attract capital.⁴

11 The cost of capital models I have employed in this case are designed to be in accordance
 12 with the foregoing legal standards.

13 **Q. What is your recommended capital structure and costs of debt and equity for**
 14 **ratemaking purposes?**

15 **A.** I accepted the proposed capital structure and cost of debt recommended by company
 16 witness Howard (CUPA Statement No. 8, p. 3, ln. 4-5). My return on equity estimate,
 17 using the DCF, is 8.39%, with an overall rate of return of 6.81% and can be found on
 18 Schedule MND-1.

19 **OCA Recommended Capital Structure**

	<u>Percent Total Capital</u>	<u>Cost Rate</u>	<u>Cost of Money</u>
Long Term Debt	50.00%	5.24%	2.62%
Common Equity	50.00%	8.39%	4.19%
Total	100.00%		6.81%

⁴ *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944) (emphasis added) (internal citations omitted).

1 By comparison, company witness Howard’s DCF calculations result in a DCF range of
 2 8.29% to 8.51%, which Mr. Howard utilizes the midpoint of 8.4% as his DCF. Despite
 3 the fact that Mr. Howard’s ultimate return on equity recommendation is 10.6% (over 200
 4 basis points higher than his DCF result), my recommendation is consistent with the
 5 median used by Mr. Howard for his DCF.

6 **Q. What models have you used to calculate the cost of equity?**

7 **A.** I calculated the cost rate of equity for ratemaking purposes using the constant growth
 8 Discounted Cash Flow Model, with the Capital Asset Pricing Model as a check on
 9 reasonableness for CUPA. All inputs were derived from a proxy group of seven water
 10 companies, including: American States Water Company (AWR), American Water Works
 11 (AWK), Essential Utilities, Inc. (WTRG), California Water Services Group (CWT),
 12 Middlesex Water Company (MSEX), SJW Group (SJW), and York Water Company
 13 (YORW).

14 **Q. Did Mr. Howard use all seven of these water companies in his proxy group?**

15 **A.** No. Mr. Howard omitted YORW from his proxy group. On page 8 of his direct
 16 testimony, he lists a group of criteria he followed to select companies for his proxy
 17 group. Despite excluding it, YORW appears to meet all his criteria.

	CUPA Criteria, St. 8, p. 8, ln. 10-25.	OCA Response
i.	The water utilities must be covered by Value Line Investment Survey’s (“Value Line”) Standard Edition (July 7, 2023).	YORW is covered by Value Line Investment Survey. ⁵
ii.	The water utilities must have a Value Line-reported Beta coefficient.	YORW has a Value Line-reported Beta coefficient. ⁶

⁵ <https://research.valueline.com/research#sec=company&sym=YORW>

⁶ <https://research.valueline.com/research#sec=company&sym=YORW>

iii.	The water utilities must have an earnings growth projection from at least one of the following sources: Zacks, Yahoo! Finance, or Value Line.	YORW has an earnings growth projection from all three of the sources. ⁷
iv.	Any water utility that recently cut or suspended dividend payments was excluded.	According to YORW's press release dated 1/30/2024, the dividend payable on 4/15/2024 to shareholders as of record date 2/29/2024, is the 613th consecutive dividend to be paid by YORW. ⁸
v.	Any water utility that is currently a party to a merger or significant transaction was excluded.	YORW is not a party to a merger or significant transaction.
vi.	Any water utility that did not derive either 60.00 percent or greater of operating income, or 60.00 percent or greater of total assets attributable to, regulated water utility operations in the most recent fiscal year.	YORW operating revenues in 2022 were \$60,060,805. Of this, \$55,695,610 or 93% was derived from the water system and \$4,365,195 or 7% was derived from the wastewater system. ⁹

1 **Q. Do you agree with this?**

2 **A.** No. In my opinion, YORW should be included in the proxy group due to its similar size
3 to CUPA. Having companies with comparable similarities in the proxy group allow for a
4 more reasonable projection as opposed to subjectively removing similar companies from
5 the proxy group. Reasonable arguments could be made for the inclusion or exclusion of a
6 particular company in a proxy group; however, the cost of equity results are influenced
7 far more by the underlying assumptions and inputs to the various financial models than
8 the composition of the proxy groups. By using the same utility proxy group, we can focus
9 on the primary factors driving the Company's excessive cost of equity estimate in this
10 case. MSEX should not be excluded as I discuss below.

⁷ <https://research.valueline.com/research#sec=company&sym=YORW>

⁸ <https://www.yorkwater.com/613th-consecutive-dividend/>

⁹ <https://www.puc.pa.gov/pdocs/1783943.pdf>, <https://www.puc.pa.gov/pdocs/1783944.pdf>

1 **Q. Does Mr. Howard use all the companies in the proxy group to calculate DCF?**

2 **A.** No. In addition to not using YORW in his proxy group, Mr. Howard also excludes
3 Middlesex (MSEX) from his DCF calculation, indicating it would be irrational and
4 illogical for an investor to invest in MSEX equity (CUPA St. 8, pages 13-14). According
5 to Mr. Howard, since MSEX's constant growth DCF result of 5.43% (a significantly
6 lower number than Mr. Howard's DCF midpoint of 8.4%) is close to the prospective
7 yield of 5.49% for Moody's A2-rated utility bonds, and as MSEX has an A rating from
8 Standard and Poor's which is the equivalent to an A2 rating from Moody's, "an investor
9 would be able to achieve a nearly equal return investing in marginal debt for MSEX
10 compared to that earned investing in MSEX equity." (CUPA St. 8, pages 13-14).
11 According to Mr. Howard, this violates financial principles of risk and return, and it
12 would be irrational and illogical for an investor to invest in MSEX equity when they
13 could earn an equal return with less risk.

14 **Q. Do you agree?**

15 **A.** No. Mr. Howard's determination that investing in MSEX equity is illogical is
16 unsupported, but he makes this judgment based on his analytical reasoning not based on
17 the facts of the actual market or its investors. MSEX has a market cap of \$1.012 billion
18 and an average daily volume of \$98,801¹⁰. Clearly, investors are buying and selling
19 MSEX equity to the tune of hundreds of thousands of dollars on a daily basis.
20 Disregarding the investors that buy MSEX as "irrational and illogical" due to a DCF
21 result indicating similar returns for Moody's utility bonds is unreasonable as investors are
22 still investing in MSEX. Additionally, as I stated earlier in regard to YORW being added

¹⁰ <https://finance.yahoo.com/quote/MSEX/>

1 into the proxy group, MSEX should be included in the DCF calculation, due to its similar
2 size to CUPA. Having companies with comparable similarities in the proxy group will
3 allow a more reasonable projection.

4 **Return on Equity**

5 **Discounted Cash Flow**

6 **Q. Please explain what process led you to your DCF recommendation?**

7 **A.** I used the constant Growth DCF Model, which is a model that maintains that the value of
8 a security is equal to the present value of the future cash flows it generates. There are
9 three primary inputs in the DCF Model: (1) stock price; (2) dividend; and (3) the long-
10 term growth rate. I chose the DCF Model in the interest of reasonableness, as it produces
11 the most precise estimates. It is also my understanding that the Commission has
12 historically relied on the result of the DCF model in establishing an ROE.

13 **Q. What inputs did you use for your DCF model?**

14 **A.** For the DCF, the common equity cost rate is explained as the dividend yield plus the
15 expected growth rate. I first calculated a dividend yield. To calculate dividend yields, I
16 used a method which estimated growth in earnings per share (EPS) of the proxy group.
17 These EPS growth rates were extracted from Value Line, Zack's Investment Research
18 and Yahoo! Finance. The most recent dividends of each utility, along with the 90-day
19 closing price of their respective stocks from August 23, 2023, to December 29, 2023,
20 were used to derive the dividend yield for my model. The dividend yields that I
21 calculated are found on Sch. MND-7 and are reproduced below.

	Date of Dividend	Dividend	Yearly Dividend	Price*	Yield
AWR	11/14/2023	0.43	1.72	80.80	2.13%
AWK	11/13/2023	0.7075	2.83	129.07	2.19%
WTRG	11/9/2023	0.3071	1.2284	35.40	3.47%
CWT	11/3/2023	0.26	1.04	49.98	2.08%
MSEX	11/15/2023	0.325	1.3	67.84	1.92%
SJW	11/3/2023	0.38	1.52	63.55	2.39%
YORW	12/28/2023	0.2108	0.8432	38.36	2.20%

1

2

I next estimated the growth rate by averaging the EPS from Value Line, Zack's Investment Research and Yahoo! Finance.

3

4

Then, the dividend yields were adjusted to accommodate growth, so they were multiplied by one half the estimated average growth rate for each individual company.

5

6

This is done so the dividend yield is not overstated. It is a reasonable assumption, given that the utilities in the proxy group increase their quarterly dividend at various times during the year.

7

8

9

Q. What were the results of your DCF analysis?

10

A. The results of my DCF analysis, which ultimately informed my conclusion on the appropriate ROE for CUPA are on Schedule MND-2 and are reproduced below.

11

Community Utilities of Pennsylvania, Inc. DCF Calculation using Analyst Forecasts							
	[1]	[2]	[3]	[4]	[5]	[6]	[7]
Proxy Group of Seven Water Companies	Average Dividend Yield (1)	Value Line Projected 5 Year Growth in EPS	Zack's 3-5 Year Projected Growth in EPS	Yahoo! Finance Projected 5 Year Growth in EPS	Average Projected 5 Year Growth in EPS(2)	Adjusted Dividend Yield (3)	Indicated Common Equity Cost Rate (4)
American States Water Company	2.05%	6.50%	6.30%	4.40%	5.73%	2.11%	7.84%
American Water Works Company, Inc.	2.08%	3.00%	7.76%	7.78%	6.18%	2.14%	8.32%
Essential Utilities, Inc.	3.25%	7.50%	5.60%	5.20%	6.10%	3.35%	9.45%
California Water Service Group	2.07%	6.50%	N/A	10.80%	8.65%	2.16%	10.81%
Middlesex Water Company	1.67%	5.00%	N/A	2.70%	3.85%	1.70%	5.55%
SJW Group	2.31%	8.00%	N/A	6.10%	7.05%	2.39%	9.44%
York Water Company	2.02%	6.50%	N/A	4.90%	5.70%	2.08%	7.78%
						Average	8.46%
						Median	8.32%
						Average of Mean and Median	8.39%

Using the seven water company proxy group, I calculated an indicated common equity cost rate for each company using the dividend yields and growth rates that I described above. As the table shows, I used the average of the mean and median equity cost rate for the proxy group to arrive at my recommended DCF-based return on equity of 8.39%.

Capital Asset Pricing Model

Q. What is the Capital Asset Pricing Model?

A. The Capital Asset Pricing Model describes the relationship between a security's investment risk and its market rate of return. Investors use this to identify the rate of return they should expect for security of similar risk. The model uses the market risk premium, risk free rate, and the financial metric Beta to calculate the return on an asset with respect to its risk. Generally, the CAPM is designed to measure the firm specific risk to determine the return needed to attract capital commensurate with the risk involved. The riskier the investment the higher the return. The safer the investment the lower the return.

1 **Q. Please define each of the components of the CAPM: market risk premium, risk free**
2 **rate, and the financial metric Beta.**

3 **A.** Market risk premium: The level of return investors expect to receive from holding a risky
4 market portfolio instead of risk-free assets.¹¹

5 Risk free rate: interest rate an investor can expect to earn on an investment that carries
6 zero risk.¹²

7 Beta: Represents the measurement of an investment security's volatility of returns
8 relative to the entire market.¹³

9 **Q. What inputs did you use in your CAPM model?**

10 **A.** To calculate the Risk-free rate, I used the 90-day average of yields on 30-year treasury
11 securities. Similarly, Mr. Howard also used the average of yields on 30-year treasury
12 securities, however, Mr. Howard's utilized a time period of only 30-days (CUPA St. 8,
13 p.16, ln. 19-20). I used a 90-day average so as not to give too much weight to any
14 particular day's rates.

15 I used 30-year treasury yields to represent the long-term nature of investment decisions,
16 found on Sch. MND-6. Mr. Howard also used a **projected** 30-year treasury yield based
17 on projections from Blue Chip Financial Forecasts for the six quarters ending with the
18 fourth quarter of 2024, and long-term projects for the periods 2025-2029 and 2030-2034
19 (CUPA St. 8, p. 16, ln. 20-24). I chose to only use the historical, 90-da average of yields

¹¹ <https://corporatefinanceinstitute.com/resources/knowledge/finance/market-risk-premium/>

¹² <https://corporatefinanceinstitute.com/resources/knowledge/finance/risk-free-rate/>

¹³ <https://corporatefinanceinstitute.com/resources/knowledge/valuation/what-is-beta-guide/>

1 to create a more accurate reflection of the current data as the further projections reach
 2 out, the less accurate they tend to be.

3 **Q. How did you calculate Beta for use in your CAPM analysis?**

4 **A.** Beta represents the sensitivity of a given security to movements in the overall market. A
 5 Beta works by taking the covariance of the returns on the specific stock and the market as
 6 a whole and dividing by the variance of the market. This provides a figure that attempts
 7 to represent the stock’s volatility in relation to the market. Generally, Betas that are less
 8 than 1.0 are less risky than the market as a whole – and thus require a lower ROE to
 9 attract capital – and Betas that are higher than 1.0 are riskier than the market as a whole –
 10 and thus require a higher ROE to attract capital. Mr. Howard used Beta coefficients
 11 provided by Value Line and Bloomberg Professional (CUPA Schedule MRH-3). I used
 12 Betas recently published by Value Line. The results can be found on Schedule MND-4.
 13 They are also presented below:

Community Utilities of Pennsylvania, Inc.		
Beta		
Stock	Ticker	Beta
American States Water Company	AWR	0.70
American Water Works Company, Inc.	AWK	0.95
Essential Utilites, Inc.	WTRG	1.00
California Water Service Group	CWT	0.75
Middlesex Water Company	MSEX	0.75
SJW Group	SJW	0.85
York Water Company	YORW	0.80
Average		0.83

14
 15 As I stated above, Betas that are less than 1.0 are less risky than the market as a whole.
 16 The Betas used for six out of the seven proxy utilities are less than 1.0. Ultimately
 17 showing that utility stocks are less risky than the average stock in the market.

1 **Q. How did you calculate the market risk premium?**

2 **A.** The market risk premium is the difference between the expected return on a market
 3 portfolio and the risk-free rate. In order to evaluate, I first calculated the historical market
 4 risk premium of the S&P 500 using the closing price of each year from 1977-2022. I used
 5 a geometric mean of the yearly returns of the S&P 500 to do this, with the resulting return
 6 being 11.11%. Using a geometric mean is more useful when analyzing growth rates over
 7 time. It gives equal weights to each value which better represents results of the data set.

8 The risk-free rate is a theoretical rate of return of an investment with zero risk. To
 9 calculate the risk-free rate of the historical CAPM I used 30-year treasury returns, and
 10 again calculated the geometric mean, leading to a 6.25% historical risk-free rate. This
 11 resulted in a Market Risk Premium of 4.86%.¹⁴ I then used analyst forecasts of the
 12 Market Risk Premium for the next 10 years. The analysts and firms utilized were Duff &
 13 Phelps, Schwab and Vanguard and their individual forecasts can be found on Schedule
 14 MND-5 or presented below.

<u>Forecasted Market Risk Premiums</u>	
Duff & Phelps Report (Kroll) (1)	5.5%
Schwab (2)	6.3%
Vanguard (3)	5.6%
Average	5.8%
Highest	6.3%

15

¹⁴ 11.11% - 6.25% = 4.86%

1 In my CAPM analysis, I chose to use a Market Risk Premium of 6.3%. I chose this
2 because it is the highest number out of the results. A higher Market Risk Premium used
3 in the CAPM will result in a higher cost of equity estimate. Even when choosing the
4 highest value, I still arrived at a CAPM result that is much lower than the company's
5 CAPM result.

6 **Q. What were the results of your CAPM analysis?**

7 **A.** The result of my CAPM analysis is 9.76% and can be found in Sch. MND-3.

8 **Q. What purpose does the CAPM serve in your analysis?**

9 **A.** The Commission has historically used the DCF method as the primary determinant of
10 estimating cost of equity. I utilized the CAPM, however, to serve as a check on
11 reasonableness of my DCF calculation. Despite my DCF calculation result being 137
12 basis points lower than my CAPM result, I believe it is appropriate to use the DCF.

13 For the purpose of my CAPM calculation, I chose the highest risk premium out of the
14 range. Choosing the highest risk premium significantly affects the result. While a higher
15 risk premium can lead to a higher expected return on equity, it also means taking on more
16 risk.

17 The CAPM and DCF methods are two different mathematical formulas used to project
18 potential gains, or losses, for a company. Both use inputs and assumptions, where the
19 CAPM directly measures risk and acts as a benchmark to determine the reasonableness of
20 an expected return, and the DCF directly considers the time value of money, providing an
21 intrinsic value of the company, allowing for a more precise evaluation.

1 **Q. Mr. Howard also relied on an alternative form for CAPM, known as the empirical**
2 **CAPM (ECAPM). Did you rely on this alternative?**

3 **A.** No. I did not employ an ECAPM analysis, as I do not believe calculating ECAPM is
4 necessary for cost of capital purposes. The ECAPM attempts to correct the CAPM's
5 inability to accurately predict the cost of capital but does so through an additional factor
6 that corrects none of the underlying problems of the model. I would also note that Mr.
7 Howard's ECAPM result is higher than his CAPM result by 0.71%. I did not rely on
8 CAPM for my return on equity recommendations, but rather used it as a check on the
9 DCF analysis.

10 **Size Adjustment**

11 **Q. What size adjustment has Mr. Howard proposed?**

12 **A.** Mr. Howard added 60 basis points to his calculated cost of common equity of 10%. He
13 argues that the 60 basis point adjustment is to account for CUPA's smaller size, relative
14 to the utilities in each of the proxy groups. After applying the 0.60% size adjustments to
15 the cost of common equity, Mr. Howard recommended a cost of common equity of
16 10.60%.

17 **Q. Do you agree with Mr. Howard's size adjustment?**

18 **A.** No. Mr. Howard's proposed size adjustment is unnecessary, and his 10.60% cost of
19 common equity is unreasonable.

20 Importantly, CUPA is a wholly owned subsidiary of a much larger parent company,
21 Corix Regulated Utilities (US) Inc. (CRUUS), which is merging with SW Merger

1 Acquisition Corp. (SWMAC), pending regulatory approval of the merger in California.¹⁵
 2 The combined company, CRUUS, will operate approximately 403 water and 328
 3 wastewater utilities across 20 U.S. states and two Canadian provinces. (*Application of*
 4 *Community Utilities of Pennsylvania Inc., for a Merger Of Equals Transaction*, Docket
 5 Nos. A-2022-3036744 (water) and A-2022-3036745 (wastewater) at ¶¶ 8 - 12 Order
 6 entered September 8, 2023. CUPA is one utility operating under a very large,
 7 multinational corporation that specializes in utility services. Arguing that CUPA is a
 8 small utility and that ratepayers are required to pay for an inflated return on equity due to
 9 CUPA’s size ignores the reality that CUPA is part of a very large corporation. In
 10 comparison to other companies within the used proxy group, CUPA and its large
 11 corporate owner should not be looked at as “small”. For example, AWR serves over
 12 1,000,000 people in ten states through its subsidiaries.¹⁶ CUPA’s current corporate
 13 owner, the Corix Group of Companies’ US operations provide services to close to
 14 1,000,000 customers, making it “one of the largest privately owned water and wastewater
 15 utilities in the country”.¹⁷

16 Moreover, a “size effect” situation was created in a 1981 study conducted by Banz, which
 17 found that “in the 1936 – 1975 period, the common stock of small firms has, on average,
 18 higher risk-adjusted returns than the common stock of large firms.”¹⁸ However, after
 19 1983, U.S. small-cap stocks actually underperformed relative to large-cap stocks, or in
 20 other words, the size effect essentially reversed. The “size effect” is an artificial inflation

¹⁵ As explained by Mr. DeMarco (OCA Statement 1), the proposed merger has already received approvals from 16 jurisdictions.

¹⁶ <https://americanstateswatercompany.gcs-web.com/>

¹⁷ <https://www.corix.com/corix-companies/corix-group-united-states>

¹⁸ Rolf W. Banz, The Relationship Between Return and Market Value of Common Stocks 3-18 (Journal of Financial Economics 9 (1981))

1 of the cost of equity with a size premium that bears no relation to reality. Additionally, it
2 is important to understand that size is a diversifiable risk and investors are surely taking
3 this into account when making decisions. Dr. Aswath Damodaran has studied equity risk
4 premiums extensively, and in doing so has found that the “small cap premium” (size
5 premium) exists only historically and is extremely volatile.¹⁹ The Commission should
6 reject the notion that CUPA’s size should have an increased effect on its cost of equity
7 estimate and reject Mr. Howard’s 60 basis point adjustment.

8 OCA witness DeMarco discusses quality service issues in more detail in OCA Statement
9 1, but the focus on needs of customers to receive safe and reliable drinking water at just
10 and reasonable rates is imperative. While the need to attract capital is important, the
11 regulators must fairly balance the interests of all parties.²⁰

12 **Conclusion**

13 **Q. Please summarize your recommendations.**

14 **A.** I recommend an ROE of 8.39%. In calculating the final rate of return for ratemaking
15 purposes, my recommended rate of return is 6.81%. I also recommend that the
16 Commission reject Mr. Howard’s size adjustment to his cost of common equity as it is
17 unreasonable and inappropriate for this system.

¹⁹ Aswath Damodaran, Equity Risk Premiums (ERP): Determinates, Estimation and Implications – The 2018 Edition (paper updated, March 2018) page 44.

²⁰ For example, in *Market Street Railway Co. v. Railroad Commission*, 324 U.S. 548, 566 (1945) the Court refused to overturn a rate reduction for a failing street railway company noting that Hope recognized that “regulation does not assure that the regulated business make a profit.”

1 **Q. Does that conclude your direct testimony?**

2 **A.** Yes, it does. However, I reserve the right to modify or supplement my testimony if

3 necessary.

Appendix A

Qualifications of Morgan N. DeAngelo

**QUALIFICATIONS OF
MORGAN N. DEANGELO**

Education:

2020 M.B.A., Wilkes University

2018 B.B.A. concentration in Finance, minor in Accounting, Wilkes University

Positions:

June 2020 – Present Regulatory Analyst, Pennsylvania Office of Consumer Advocate

2018 – 2020 Graduate Assistant, Office of Student Development,
Wilkes University

Experience:

I am currently employed by the Pennsylvania Office of Attorney General, Office of Consumer Advocate (OCA) as a Regulatory Analyst. In this position, my responsibilities include reviewing utility company filings with the Pennsylvania Public Utility Commission (Commission) and analyzing the financial, economic, rate of return, and policy issues that are relevant to the filings. Additionally, I am tasked with preparing recommendations for the OCA's involvement in utility filings with the PA PUC, writing testimony and presenting oral testimony on behalf of the OCA.

Relevant Training:

IPU Regulatory Studies - Intermediate Course, August 2020

IPU Accounting and Ratemaking Course, February 2021

Previous Cases where testimony was submitted:

- Petition of Twin Lakes Utilities, Inc., P-2020-3020914
- Application of Pennsylvania American Water Company, A-2020-3019634
- PaPUC v. UGI Utilities, Inc. – Electric Division, R-2021-3023618
- PaPUC v. Pittsburgh Water and Sewer Authority, R-2021-3024773, R-2021,3024774, R-2021-3024779
- PaPUC v. Aqua Pennsylvania, Inc., Aqua Pennsylvania Wastewater, Inc., R-2021-3027285, R-2021-3027186
- PaPUC v. City of Lancaster – Water Department, R-2021-3026682
- Application of Aqua Pennsylvania Wastewater, Inc., A-2021-3027268
- PaPUC v. Borough of Ambler – Water, R-2022-3031704
- PaPUC v. Citizens' Electric Company of Lewisburg, PA, R-2022-3032369, C-2022-3032529
- PaPUC v. Valley Energy, R-2022-3032300, C-2022-3032533
- PaPUC v. Pennsylvania American Water Company, R-2022-3031672, C-2022-3032485, R-2022-3031673, C-2022-3032487
- PaPUC v. The York Water Company, R-2022-3031340, C-2022-3032868, C-2022-3032902, R-2022-3032806, C-2022-3032869, C-2022-3033016
- Application of Aqua Pennsylvania, Inc., A-2022-3034143
- PaPUC, Bureau of Investigation and Enforcement v. Planet Energy (Pennsylvania) Corporation d/b/a RiteRate Energy d/b/a Value Plus Energy, C-2023-3041126

Appendix B

Sch. MND-1
Sch. MND-2
Sch. MND-3
Sch. MND-4
Sch. MND-5
Sch. MND-6
Sch. MND-7

Community Utilities of Pennsylvania, Inc. Rate of Return

	<u>Percent Total</u> <u>Capital</u>	<u>Cost Rate</u>	<u>Cost of Money</u>
Long Term Debt	50.00%	5.24%	2.62%
Common Equity	50.00%	8.39%	4.19%
Total	100.00%		6.81%

Community Utilities of Pennsylvania, Inc.
DCF Calculation using Analyst Forecasts

	[1]	[2]	[3]	[4]	[5]	[6]	[7]
Proxy Group of Seven Water Companies	Average Dividend Yield (1)	Value Line Projected 5 Year Growth in EPS	Zack's 3-5 Year Projected Growth in EPS	Yahoo! Finance Projected 5 Year Growth in EPS	Average Projected 5 Year Growth in EPS(2)	Adjusted Dividend Yield (3)	Indicated Common Equity Cost Rate (4)
American States Water Company	2.05%	6.50%	6.30%	4.40%	5.73%	2.11%	7.84%
American Water Works Company, Inc.	2.08%	3.00%	7.76%	7.78%	6.18%	2.14%	8.32%
Essential Utilities, Inc.	3.25%	7.50%	5.60%	5.20%	6.10%	3.35%	9.45%
California Water Service Group	2.07%	6.50%	N/A	10.80%	8.65%	2.16%	10.81%
Middlesex Water Company	1.67%	5.00%	N/A	2.70%	3.85%	1.70%	5.55%
SJW Group	2.31%	8.00%	N/A	6.10%	7.05%	2.39%	9.44%
York Water Company	2.02%	6.50%	N/A	4.90%	5.70%	2.08%	7.78%
						Average	8.46%
						Median	8.32%
						Average of Mean and Median	8.39%

N/A= Not Available

Notes:

(1) Most recent dividend divided by the 90 day average price ended 12/29/2023.

(2) Average of columns 2 through 4

(3) This reflects a growth rate component equal to one-half the conclusion of growth rate x column 1 to reflect the periodic payment of dividends (Gordon Model) as opposed to the continuous payment.

Thus, for American States Water Company, $2.05\% \times (1 + (1/2 \times 5.73\%)) = 2.11\%$.

(4) Column 5 + Column 6.

Source of Information:

www.valueline.com Downloaded on 2/1/2024

www.zacks.com Downloaded on 2/1/2024

www.yahoo.com Downloaded on 2/1/2024

Community Utilities of Pennsylvania, Inc. Calculation of CAPM
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CAPM (4)	=	Rf (1)	+	Beta (2)	*	Risk Premium (3)
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9.76%	=	4.54%	+	0.83	*	6.30%
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- (1) From MND-6, Average Return on 30 Year Treasury Rate
- (2) From MND-4, Average beta
- (3) From MND-5, Equity Risk Premium Exhibit
- (4) = (1) + (2) * (3)

Community Utilities of Pennsylvania, Inc. Beta

Stock	Ticker	Beta
American States Water Company	AWR	0.70
American Water Works Company, Inc.	AWK	0.95
Essential Utilites, Inc.	WTRG	1.00
California Water Service Group	CWT	0.75
Middlesex Water Company	MSEX	0.75
SJW Group	SJW	0.85
York Water Company	YORW	0.80
Average		0.83

Data pulled on 2/1/2024 from Value Line

<u>Forecasted Market Risk Premiums</u>	
Duff & Phelps Report (Kroll) (1)	5.5%
Schwab (2)	6.3%
Vanguard (3)	5.6%
Average	5.8%
Highest	6.3%

(1) <https://www.kroll.com/en/insights/publications/cost-of-capital/recommended-us-equity-risk-premium-and-corresponding-risk-free-rates>

(2) <https://www.schwab.com/learn/story/schwabs-long-term-capital-market-expectations>

(3) <https://advisors.vanguard.com/insights/article/series/market-perspectives#projected-returns>

Risk Free Rate

Date	30 Year	Date	30 Year	Date	30 Year
1/1/2024	4.04%	11/17/2023	4.59%	10/6/2023	4.97%
12/29/2023	4.04%	11/16/2023	4.62%	10/5/2023	4.89%
12/28/2023	4.00%	11/15/2023	4.70%	10/4/2023	4.86%
12/27/2023	3.96%	11/14/2023	4.63%	10/3/2023	4.93%
12/26/2023	4.05%	11/13/2023	4.76%	10/2/2023	4.79%
12/22/2023	4.05%	11/10/2023	4.76%	9/29/2023	4.70%
12/21/2023	4.03%	11/9/2023	4.77%	9/28/2023	4.70%
12/20/2023	3.99%	11/8/2023	4.62%	9/27/2023	4.72%
12/19/2023	4.04%	11/7/2023	4.73%	9/26/2023	4.68%
12/18/2023	4.05%	11/6/2023	4.81%	9/25/2023	4.65%
12/15/2023	4.01%	11/3/2023	4.70%	9/22/2023	4.53%
12/14/2023	4.04%	11/2/2023	4.81%	9/21/2023	4.58%
12/13/2023	4.18%	11/1/2023	4.93%	9/20/2023	4.45%
12/12/2023	4.31%	10/31/2023	5.10%	9/19/2023	4.43%
12/11/2023	4.33%	10/30/2023	5.05%	9/18/2023	4.39%
12/8/2023	4.31%	10/27/2023	5.02%	9/15/2023	4.42%
12/7/2023	4.26%	10/26/2023	4.99%	9/14/2023	4.39%
12/6/2023	4.21%	10/25/2023	5.09%	9/13/2023	4.34%
12/5/2023	4.30%	10/24/2023	4.94%	9/12/2023	4.35%
12/4/2023	4.41%	10/23/2023	5.00%	9/11/2023	4.38%
12/1/2023	4.39%	10/20/2023	5.09%	9/8/2023	4.34%
11/30/2023	4.50%	10/19/2023	5.11%	9/7/2023	4.34%
11/29/2023	4.44%	10/18/2023	4.99%	9/6/2023	4.36%
11/28/2023	4.51%	10/17/2023	4.93%	9/5/2023	4.37%
11/27/2023	4.54%	10/16/2023	4.85%	9/1/2023	4.30%
11/24/2023	4.60%	10/13/2023	4.77%	8/31/2023	4.21%
11/23/2023	4.54%	10/12/2023	4.86%	8/30/2023	4.23%
11/22/2023	4.54%	10/11/2023	4.70%	8/29/2023	4.23%
11/21/2023	4.56%	10/10/2023	4.83%	8/28/2023	4.28%
11/20/2023	4.57%	10/9/2023	4.97%	8/25/2023	4.29%
			Average		4.54%

*Data pulled on 1/2/2024 from Market Watch

Dividend Yield

	Date of Dividend	Dividend	Yearly Dividend	Price*	Yield
AWR	11/14/2023	0.43	1.72	80.80	2.13%
AWK	11/13/2023	0.7075	2.83	129.07	2.19%
WTRG	11/9/2023	0.3071	1.2284	35.40	3.47%
CWT	11/3/2023	0.26	1.04	49.98	2.08%
MSEX	11/15/2023	0.325	1.3	67.84	1.92%
SJW	11/3/2023	0.38	1.52	63.55	2.39%
YORW	12/28/2023	0.2108	0.8432	38.36	2.20%

*Average price of 90 day period from 8/23/23 through 12/29/23
Data pulled on 1/2/2024 from Nasdaq

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
v. : Docket Nos. R-2023-3042804 (Water)
Community Utilities of Pennsylvania, Inc. : R-2023-3042805 (Wastewater)
:

VERIFICATION

I, Morgan N. DeAngelo, hereby state that the facts set forth in my Direct Testimony, OCA Statement 3, are true and correct (or are true and correct to the best of my knowledge, information, and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Dated: February 6, 2024
*4888-4274-5507

Signature: Morgan N. DeAngelo
Morgan N. DeAngelo

Consultant Address: Office of Consumer Advocate
555 Walnut Street
5th Floor. Forum Place
Harrisburg, PA 17101-1923

BEFORE
THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	Docket Nos.	R-2023-3042804 (Water)
v.	)		R-2023-3042805 (Wastewater)
Community Utilities of Pennsylvania, Inc.)		
)		

DIRECT TESTIMONY

OF

JEROME D. MIERZWA

ON BEHALF OF
THE PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

FEBRUARY 6, 2024

EXETER

ASSOCIATES, INC.

10480 Little Patuxent Parkway, Suite 300
Columbia, Maryland 21044

1 **I. INTRODUCTION**

2 Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS
3 ADDRESS?

4 A. My name is Jerome D. Mierzwa. I am a Principal and Vice President of Exeter
5 Associates, Inc. (“Exeter”). My business address is 10480 Little Patuxent Parkway,
6 Suite 300, Columbia, Maryland 21044. Exeter specializes in providing public
7 utility-related consulting services.

8 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
9 EXPERIENCE.

10 A. I graduated from Canisius College in Buffalo, New York in 1981 with a Bachelor of
11 Science Degree in Marketing.¹ In 1985, I received a Master’s Degree in Business
12 Administration with a concentration in finance, also from Canisius College. In July
13 1986, I joined National Fuel Gas Distribution Corporation (“NFGD”) as a Management
14 Trainee in the Research and Statistical Services (“RSS”) Department. I was promoted
15 to Supervisor RSS in January 1987. While employed with NFGD, I conducted various
16 financial and statistical analyses related to the company's market research activity and
17 state regulatory affairs. In April 1987, as part of a corporate reorganization, I was
18 transferred to National Fuel Gas Supply Corporation's (“NFG Supply's”) rate
19 department where my responsibilities included cost-of-service and rate design analysis,
20 expense and revenue requirement forecasting, and activities related to federal
21 regulation. I was also responsible for preparing NFG Supply's Federal Energy
22 Regulatory Commission (“FERC”) Purchased Gas Adjustment (“PGA”) filings and
23 developing interstate pipeline and spot market supply gas price projections. These

¹ Effective August 1, 2023, Canisius College became Canisius University.

1 forecasts were utilized for internal planning purposes as well as in NFGD's
2 Pennsylvania Section 1307(f) purchased gas cost proceedings.

3 In April 1990, I accepted a position as a Utility Analyst with Exeter. In
4 December 1992, I was promoted to Senior Regulatory Analyst. Effective April 1996,
5 I became a Principal of Exeter. Since joining Exeter, I have specialized in evaluating
6 the gas purchasing practices and policies of natural gas utilities, utility class cost-of-
7 service and rate design analyses, sales and rate forecasting, performance-based
8 incentive regulation, revenue requirement analysis, the unbundling of utility services,
9 and the evaluation of customer choice natural gas transportation programs.

10 Q. HAVE YOU PREVIOUSLY TESTIFIED ON UTILITY RATES IN
11 REGULATORY PROCEEDINGS?

12 A. Yes. I have provided testimony on more than 450 occasions in proceedings before the
13 FERC, utility regulatory commissions in Arkansas, Connecticut, Delaware, Georgia,
14 Illinois, Indiana, Louisiana, Maine, Massachusetts, Montana, Nevada, New Hampshire,
15 New Jersey, Ohio, Rhode Island, South Carolina, Texas, and Virginia, as well as before
16 the Pennsylvania Public Utility Commission ("PaPUC" or "the Commission").

17 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

18 A. On November 9, 2023, Community Utilities of Pennsylvania, Inc. ("CUPA" or "the
19 Company") filed an application requesting to increase its rates for water service by
20 \$1,470,360, or 62.92%, and its rates for wastewater service by \$1,738,944, or 50.83%.
21 Exeter was retained by the Pennsylvania Office of Consumer Advocate ("OCA") to
22 review the reasonableness of the requested increases, as well as the water and
23 wastewater cost-of-service ("COS") studies and rate design proposals included in the
24 Company's application. My testimony addresses the Company's COS studies and rate

1 design proposals. My colleague, Ms. Jennifer L. Rogers (OCA Statement 2), addresses
2 the reasonableness of the Company's requested increases.

3 Q. PLEASE IDENTIFY THE SERVICE TERRITORIES SERVED BY CUPA
4 AND THE SERVICES PROVIDED IN EACH TERRITORY.

5 A. CUPA provides water service in three service territories: Westgate, Penn Estates, and
6 Tamiment. Currently, the rates of the Westgate and Penn Estates service territories are
7 consolidated, and the customers in those service territories are assessed the same rates
8 for water service. Customers in the Tamiment service territory are currently assessed a
9 separate set of rates. CUPA provides wastewater service in three service territories:
10 Utilities, Inc. of Pennsylvania, Penn Estates, and Tamiment. In the Utilities, Inc. of
11 Pennsylvania service territory, water service is provided by Aqua Pennsylvania.
12 Currently, the rates for the Utilities, Inc. of Pennsylvania and Penn Estates service
13 territories are consolidated, and the Tamiment service territory is assessed a separate
14 set of rates. A summary of CUPA's present and proposed rates for water service is
15 presented in CUPA EX SAM-2, page 20, and a summary of CUPA's present and
16 proposed rates for wastewater service is presented in CUPA EX SAM-3, page 14.

17 Q. PLEASE SUMMARIZE YOUR CONCLUSIONS AND
18 RECOMMENDATIONS.

19 A. I have reached the following conclusions:

- 20 • The existing consolidated water service monthly customer charges for the
21 Westgate and Penn Estates service territories should be maintained and adopted
22 for the Tamiment service territory;
- 23 • The existing Penn Estates water service availability charge should be increased
24 1.5 times the system average increase authorized by the Commission in this
25 proceeding and the existing Tamiment water service availability charge should
26 be increased 2.0 times the system average increase;

- 1 • CUPA’s proposal to increase the income eligibility requirement for its water
2 service Residential Low-Income Program should be approved. Mr. Nicholas
3 DeMarco (OCA Statement 1) provides additional recommendations regarding
4 CUPA’s Low-Income program;
- 5 • The current Tamiment fixed monthly wastewater charge should be maintained
6 and applied to customers in the Utilities, Inc. of Pennsylvania, and Penn Estates
7 service territories; and
- 8 • CUPA’s proposed wastewater service Residential Low-Income Program should
9 be approved as a pilot program. Mr. DeMarco (OCA Statement 1) addresses
10 other recommendations regarding the proposed pilot program.

11 Q. HOW IS THE REMAINDER OF YOUR TESTIMONY ORGANIZED?

12 A. Including this introductory section, my testimony is divided into three sections. In the
13 following section, I address CUPA’s water COS study and rate design proposals. In
14 the final section of my testimony I address CUPA’s wastewater COS study and rate
15 design proposals.

16 **II. WATER COST ALLOCATION AND RATE DESIGN**

17 Q. WHAT IS THE OBJECTIVE OF A COST OF SERVICE STUDY?

18 A. Generally, a COS study is conducted to assist a utility or Commission in determining
19 the level of costs properly recoverable from each of the various classes of customers to
20 which the utility provides service. Allocation of recoverable costs to each class of
21 service is generally based on cost causation principles.

22 Q. WHAT ARE THE PRIMARY COS STUDY METHODOLOGIES
23 UTILIZED FOR WATER UTILITIES?

24 A. The two most commonly used and widely recognized methods of allocating costs to
25 customer classes for water utilities are the base-extra capacity method and the
26 commodity-demand method. Both methods are set forth in the American Water Works

1 Association's ("AWWA") Manual, M1, *Principles of Water Rates, Fees, and Charges*
2 ("AWWA M1 Manual").

3 Q. WHAT METHODOLOGY HAS THE COMPANY UTILIZED FOR ITS
4 WATER COS STUDY?

5 A. CUPA has utilized the base-extra capacity method in preparing its water COS study.
6 Under the base-extra capacity method, investment and costs are first classified into four
7 primary functional cost categories: base or average capacity, extra capacity, customer,
8 and fire protection. Once investment and costs are classified to these functional
9 categories, they are allocated to the various customer classes. The COS study presented
10 by CUPA is sponsored by witness Scott A. Miller, a partner in the firm Baker Tilly
11 Municipal Advisors, LLC.

12 Q. PLEASE DESCRIBE IN GREATER DETAIL THE FOUR PRIMARY
13 FUNCTIONAL COST CATEGORIES AND HOW THEY ARE
14 GENERALLY ALLOCATED TO THE VARIOUS CUSTOMER CLASSES
15 UNDER THE BASE-EXTRA CAPACITY METHOD.

16 A. **Base Costs** are costs that tend to vary with the quantity of water used, plus costs
17 associated with supplying, treating, pumping, and distributing water to customers under
18 average load conditions. Base costs are allocated to customer classes on the basis of
19 average daily usage.

20 **Extra Capacity Costs** are costs associated with meeting usage requirements in
21 excess of average usage. This includes operating and capital costs for additional plant
22 and system capacity beyond that required for average usage. Extra capacity costs in the
23 Company's study have been subdivided into costs necessary to meet maximum day
24 extra demand and maximum hour extra demand. Extra capacity costs are allocated to

1 customer class on the basis of each class's maximum day and maximum hour usage in
2 excess of average usage.

3 **Customer Costs** are costs associated with serving customers regardless of their
4 usage or demand characteristics. Customer costs include the operating costs related to
5 meters and services, meter reading costs, and billing and collection costs. Customer
6 costs are allocated on the basis of the capital cost of meters and services and the number
7 of customer bills.

8 **Fire Protection Costs** are costs associated with providing the facilities to meet
9 the potential peak demand of fire protection service. The extra capacity costs assigned
10 to fire protection are typically allocated to Fire Protection on the basis of the total
11 relative demands of hydrants and fire service lines. In accordance with Section 1328 of
12 the Public Utility Code, public fire costs exceeding 25% of the public fire cost of
13 service were recategorized as customer costs in the Company's COS study, and
14 reallocated to other customer classifications.

15 Q. PLEASE IDENTIFY THE WATER CUSTOMER CLASSES THAT ARE
16 TYPICALLY INCLUDED IN A WATER COS STUDY AND IDENTIFY
17 THE CUSTOMER CLASSES INCLUDED IN CUPA'S COS STUDY.

18 A. The customer classes typically included in a water COS study are the Residential,
19 Commercial, and Industrial customer classes that purchase retail water service, and the
20 Private and Public Fire Protection classes. The COS study presented by CUPA includes
21 two customer classes: a retail customer class which includes all retail customers that
22 purchase water service from CUPA, and a Direct Public Fire Protection class. CUPA
23 does not serve any retail Industrial customers, and the number of retail Commercial
24 customers served by CUPA is relatively small.²

² CUPA provides water service to approximately 9,400 Residential customers and 100 Commercial customers.

1 Q. DID YOUR REVIEW OF CUPA'S WATER COS STUDY REVEAL ANY
2 CONCERNS?

3 A. While I generally found the Company's water COS study to be reasonable, my review
4 identified several concerns with the functionalization of certain costs. I will discuss
5 these concerns later in this section of my testimony.

6 Q. PLEASE DESCRIBE CUPA'S WATER RATE DESIGN PROPOSALS IN
7 THIS PROCEEDING.

8 A. As previously explained, CUPA provides water service in three service territories:
9 Westgate, Penn Estates, and Tamiment. The rates for the Westgate and Penn Estates
10 service territories are consolidated in that the same rates are currently applicable to
11 customers in both service territories.³ The rates for the Tamiment service territory
12 differ from those of the consolidated rates applicable to customers in the Westgate and
13 Penn Estates service territories. In this proceeding CUPA is proposing to consolidate
14 the Tamiment rates with the rates for Westgate and Penn Estates, which would result
15 in the same rates for all three service territories. CUPA's current rates for water service
16 consist of a fixed customer charge which varies based on meter size and a volumetric
17 usage charge. In addition to these rates, CUPA assesses a fixed availability charge to
18 customers in the Penn Estates and Tamiment service territories that own lots without
19 buildings where water service is available. CUPA EX SAM-2, page 20, sponsored by
20 CUPA witness Mr. Miller, identifies CUPA's existing and proposed rates for water
21 service. As indicated in CUPA EX SAM-2, and discussed in the Direct Testimony of
22 CUPA witness Mr. Anthony Gray on pages 14 - 15, the Company offers a Low-Income

³ Rate consolidation occurred over two rate cases following the 2015 merger of the systems into Community Utilities of Pennsylvania, Inc. Docket No. R-2016-2538660, Settlement ¶14(b) (Westgate and Penn Estates fixed customer charges for water service were set at the same rate); Docket Nos. R-2019-3008947, R-2019-3008948, Settlement ¶C.24-25 (both fixed and volumetric water and wastewater rates were unitized).

1 Residential volumetric usage charge, and is proposing to increase the eligibility
2 requirements for that charge.

3 Q. WHAT ARE SOME OF THE PRINCIPLES OF A SOUND RATE DESIGN?

4 A. A sound rate design should:

- 5 • Utilize class cost-of-service study results as a guide;
- 6 • Provide stability and predictability of the rates themselves, with a minimum of
7 unexpected changes that are seriously adverse to ratepayers or the utility
8 (gradualism);
- 9 • Yield the total revenue requirement; and
- 10 • Provide for simplicity, certainty, convenience of payment, understandability,
11 public acceptability, and feasibility of application, and reflect fairness in the
12 apportionment of the total cost of service among the various customer
13 classes.⁴

14 Q. DO YOU OPPOSE CUPA'S PROPOSAL TO CONSOLIDATE THE RATES
15 FOR RETAIL WATER SERVICE OF THE TAMIMENT SERVICE
16 TERRITORY WITH THE RATES FOR THE WESTGATE AND PENN
17 ESTATES SERVICE TERRITORIES?

18 A. No. While the OCA has calculated a much lower increase based on adjustments to rate
19 base and expenses as set forth by Ms. Rogers and a lower cost of capital as set forth by
20 Ms. Morgan DeAngelo (OCA Statement 3), the general proportions of the increase as
21 calculated by the rate consolidation would be in alignment with generally accepted
22 principles. Under CUPA's consolidation proposal, based on the Company's proposed
23 revenue requirement, an average Residential customer using 3,000 gallons per month
24 in the consolidated Westgate/Penn Estates service territories would experience a rate
25 increase of 57.76%, and an average Residential customer in the Tamiment service

⁴ Principles of Public Utility Rates, Second Edition, James C. Bonbright, Albert L. Danielsen, David R. Kamerschen; Public Utility Reports, Inc. 1988, pages 383-384.

1 territory using 3,000 gallons per month would experience a rate increase of 73.52%.
2 The overall average water rate increase requested by the Company is 62.92%. While
3 there is no hard and fast rule with respect to applying the concept of gradualism,
4 typically an increase of 1.5 to 2.0 times the system average increase is considered
5 consistent with the concept of gradualism. Under CUPA's consolidation proposal, the
6 average Residential customer in the Tamiment service territory would experience an
7 increase that is 1.2 times the system average increase.

8 As noted above, the OCA has calculated a lower increase based on adjustments
9 to rate base and expenses as set forth by Ms. Rogers and a lower cost of capital as set
10 forth by Ms. DeAngelo. Based on the OCA's revenue requirement, the increase in
11 water rates would be approximately 49%.

12 Q. PLEASE IDENTIFY CUPA'S CURRENT MONTHLY CUSTOMER
13 CHARGES AND CUPA'S PROPOSAL TO INCREASE THOSE
14 CHARGES.

15 A. As shown on CUPA EX SAM-2, page 20, the current monthly charge for a Residential
16 or Commercial customer with a 5/8-inch meter in the currently consolidated Westgate
17 and Penn Estates service territories is \$17.25. The monthly charge is higher for larger
18 sized meters in these service territories. The current monthly customer charge for a
19 Residential customer with a 5/8-inch meter in the Tamiment service territory is \$18.18,
20 the monthly charge for a Commercial customer with a 1-inch to 2-inch meter is
21 \$121.25, and the monthly charge for a Commercial customer with a 6-inch meter is
22 \$158.41. In this proceeding CUPA is proposing to consolidate the monthly customer
23 charges for all three of its service territories. The proposed charge for a customer with
24 a 5/8-inch meter is \$23.40. The proposed charges increase proportionately based on
25 meter size.

1 Q. SHOULD CUPA'S PROPOSED INCREASES IN THE CUSTOMER
2 CHARGES BE APPROVED?

3 A. No. Customer charges should be based on the direct costs associated with the addition
4 or subtraction of a customer. CUPA proposed consolidated monthly customer charges
5 are based on the results of the Company's water COS study and are developed on
6 CUPA EX SAM-2, page 12. The costs reflected in CUPA's customer charge
7 calculation includes costs that are not direct customer costs.

8 In addition, as previously discussed public fire costs exceeding 25% of the
9 public fire cost of service were recategorized as customer costs and were included in
10 CUPA's customer charge calculations. This is shown on CUPA EX SAM-2, page 12,
11 and results in an increase of \$2.63 in CUPA's calculated customer charges. It is a
12 common industry practice to recover public fire protection costs which are not
13 recovered from public fire customers through customer charges to retail customers. As
14 subsequently explained later in this section of my testimony, CUPA's cost of service
15 study significantly overstates the cost of providing public fire protection service and,
16 therefore, the \$2.63 public fire protection component of CUPA's customer charges is
17 overstated.

18 Q. WHAT COSTS ARE INCLUDED IN CUPA'S CUSTOMER CHARGE
19 CALCULATION THAT ARE NOT DIRECT CUSTOMER COSTS?

20 A. CUPA is a wholly owned subsidiary of Corix Regulated Utilities (US) Inc.
21 ("CRUUS"). CRUUS is an Illinois Corporation that owns more than 60 water and
22 wastewater utilities operating in 16 states. CRUUS provides its subsidiaries like CUPA
23 a number of corporate services, and the subsidiaries are allocated the costs associated
24 with those services. Corporate service costs are allocated to each subsidiary pursuant
25 to a Cost Allocation Manual. Under the Cost Allocation Manual, corporate services

1 costs are allocated based on a combination of a subsidiary's gross revenue, number of
2 employees, and gross property, plant, and equipment. As shown on CUPA EX SAM-
3 2, page 8, CUPA's revenue requirement claim in this proceeding includes a general and
4 administrative corporate services cost allocation of \$352,455, and the entire amount
5 has been assigned to the billing and collecting function, and included in the calculation
6 of customer charges presented on CUPA EX SAM-2, page 12. The allocation of 100%
7 of the allocated general and administrative corporate services results in an increase of
8 \$8.35 in CUPA's calculated customer charges.

9 It is unreasonable to include 100% of allocated general and administrative
10 corporate services costs in a customer charge calculation. For example, as just
11 explained a portion of the corporate services costs allocated to CUPA is assigned based
12 on gross property plant, and equipment. As shown on CUPA EX SAM-2, page 5,
13 CUPA's gross property, plant, and equipment is assigned to the base, extra capacity,
14 customer meters and services, and direct fire protection cost functions. CUPA has
15 unreasonably assigned all general and administrative corporate services costs to the
16 customer meters and services cost function when those corporate services costs are
17 assigned to CUPA based on additional cost functions. To address this inconsistency, I
18 recommend that corporate services costs be assigned to all cost functions based on
19 allocation factor 7 (total operations and maintenance expense excluding purchased
20 power) which has been utilized to assign several other general and administrative
21 expenses to the various functional cost categories.

22 In addition to the concern related to the allocation of corporate services costs,
23 as shown on CUPA EX SAM-2, page 10, CUPA has assigned 100% of uncollectible
24 expense to the billing and collection function and as a result, 100% of these costs are
25 included in the Company's customer charge calculation. This assignment results in an

1 increase of \$1.80 in CUPA's calculated customer charges. Uncollectible expenses do
2 not vary directly with the addition or subtraction of a customer and, therefore, should
3 be excluded from the customer charge calculation.

4 Q. WHAT IS THE BASIS FOR YOUR CLAIM THAT CUPA'S COST OF
5 SERVICE STUDY SIGNIFICANTLY OVERSTATES THE COST OF
6 PROVIDING PUBLIC FIRE PROTECTION SERVICE?

7 A. Currently, public fire hydrants in the Westgate service territory are used to provide
8 public fire protection service, and the Town of Westgate is assessed public hydrant
9 charges by CUPA. There are 76 public hydrants in Westgate. There are 205 hydrants
10 in Penn Estates and 95 in Tamiment. The hydrants in Penn Estates are not used to
11 provide public fire protection service and serve maintenance purposes only for flushing
12 and water quality control. While CUPA's hydrant investment in Tamiment is not
13 included in CUPA's water cost of service study, the hydrants investment in Penn
14 Estates is included in the study and was assigned to public fire protection service.
15 Because the hydrants in Penn Estates are not used to provide public fire protection
16 service, CUPA's cost of service study significantly overstates the cost of providing
17 public fire protection service. The OCA has discussed this issue with the Company,
18 and the Company has indicated it will make the appropriate adjustments to the cost of
19 providing public fire protection service for Penn Estates hydrant investment in its
20 rebuttal testimony. I will address the Company's adjustments on this issue in my
21 surrebuttal.

1 Q. HAVE YOU REVISED CUPA CUSTOMER CHARGE CALCULATION
2 TO ADDRESS YOUR CONCERNS RELATED TO THE INCLUSION OF
3 CORPORATE SERVICES COSTS AND UNCOLLECTIBLE EXPENSE,
4 AND THE OVERSTATEMENT OF PUBLIC FIRE PROTECTION COSTS
5 IN THAT CALCULATION?

6 A. Yes. Schedule JDM-1 presents a revised customer charge calculation that addresses my
7 concerns. As shown on Schedule JDM-1, addressing these concerns reduces the
8 customer charge for a customer with a 5/8-inch meter from \$23.40 to \$13.05. This is
9 significantly less than CUPA's current charges for a 5/8-inch meter. The calculation
10 presented on Schedule JDM-1 is based on CUPA's initial revenue requirement claim
11 in this proceeding, and the charges would be further reduced based on the revenue
12 requirement approved by the Commission in this proceeding. I would note that on
13 Schedule JDM-1, the over recovery of the public fire protection cost of service has been
14 eliminated as I don't find it would be reasonable to assess Penn Estates and Tamiment
15 customers public fire protection costs when CUPA does not provide these customers
16 with public fire protection service.

17 Q. WHAT IS YOUR RECOMMENDATION WITH RESPECT TO THE
18 WATER CUSTOMER CHARGES THAT SHOULD BE ADOPTED IN
19 THIS PROCEEDING?

20 A. I recommend that the current customer charge for the consolidated Westgate and Penn
21 Estates service territories be maintained and adopted for the Tamiment service territory.
22 This would result in a customer charge of \$17.25 for a 5/8-inch meter for all customers.

1 Q. WHAT IS AN AVAILABILITY CHARGE AND PLEASE DESCRIBE
2 CUPA'S CURRENT AND PROPOSED AVAILABILITY CHARGES?

3 A. An availability charge is a charge assessed to a property owner of a vacant property
4 that a water utility has extended its facilities to serve, but has not yet connected to the
5 water utility's system to take service. The charge only applies until the property is
6 connected for service. As shown on CUPA EX SAM-2, page 20, the current availability
7 charge for the Penn Estates service territory is \$18.81, and the availability charge for
8 the Tamiment service territory is \$9.31. CUPA is proposing to increase the availability
9 charge in both service territories to \$45.60. As explained by CUPA witness Mr. Miller
10 on page 16 of his direct testimony, the proposed availability charge has been set equal
11 to 45% of the bill of an average customer.

12 Q. DO YOU AGREE WITH THE AVAILABILITY CHARGES PROPOSED
13 BY CUPA?

14 A. No. The current Penn Estates availability charge is \$18.18, and the current Tamiment
15 availability charge is \$9.31. CUPA is proposing to consolidate and increase both
16 availability charges to \$45.60. For the Penn Estates service territory this represents an
17 increase of 250%, and for the Tamiment service territory, this represents an increase of
18 nearly 500%. To provide for gradualism, based on CUPA's requested increase, I
19 recommend that the Penn Estates availability charge be increased 1.5 times the system
20 average increase of 62.92%, and the Tamiment availability charge be increased 2.0
21 times the system average increase. This results in a Penn Estates availability charge of
22 \$35.34 and a Tamiment availability charge of \$21.03. Again, these proposed rates are
23 calculated assuming the Company receives its full revenue requirement request. If the
24 Commission grants an increase less than requested by CUPA, they should be scaled

1 back to represent no more than 1.5 times the system average increase allowed by the
2 Commission.

3 Q. HOW SHOULD CUPA'S WATER RATES BE ADJUSTED TO REFLECT
4 THE INCREASE AUTHORIZED BY THE COMMISSION IN THIS
5 PROCEEDING?

6 A. I am recommending that the existing consolidated Westgate/Penn Estates monthly
7 customer charges be maintained and adopted for the Tamiment service territory. I have
8 also proposed specific availability charges of 1.5 times the system average increase
9 authorized by the Commission. The Company has proposed a \$22.59 per 1,000 gallon
10 volumetric usage charge which would apply to all water customers except those
11 customers that qualify for CUPA's subsequently discussed low-income program, and
12 a \$14.68 per 1,000 gallon volumetric usage charge for those customers that qualify for
13 the Company's low-income program. To the extent that adoption of my monthly
14 customer charge and availability charge recommendations do not provide for the
15 recovery of the water rate increase authorized by the Commission in this proceeding, I
16 recommend that the Company's proposed volumetric usage charges be proportionately
17 adjusted to recover the remaining increase authorized by the Commission in this
18 proceeding, if any.

19 Q. PLEASE DESCRIBE CUPA'S CURRENT RESIDENTIAL LOW-INCOME
20 PROGRAM FOR WATER SERVICE.

21 A. Currently, Residential customers in the consolidated Westgate and Penn Estates service
22 territory that meet certain eligibility requirements receive a 35% discount on their
23 volumetric water usage charge. In the Tamiment service territory, Residential
24 customers that meet the same eligibility requirements receive a 35% discount on their
25 volumetric water usage charge. To be eligible for the discount, the annual income of a

1 customer is currently required to be less than 100% of the Federal Poverty Level
2 (“FPL”) for a household of their size.

3 Q. IS THE COMPANY PROPOSING ANY MODIFICATIONS TO ITS
4 RESIDENTIAL LOW-INCOME PROGRAM?

5 A. Yes. The Company is proposing to increase the income eligibility requirement from
6 100% to 200% of the FPL.

7 Q. SHOULD CUPA’S PROPOSED MODIFICATION TO ITS RESIDENTIAL
8 LOW-INCOME PROGRAM BE APPROVED?

A. Yes. CUPA’s proposed modification to its Residential Low-Income program should
be approved subject to the modifications suggested by Mr. DeMarco.

9

10 **III. WASTEWATER COST OF SERVICE AND RATE DESIGN**

11 Q. BRIEFLY DESCRIBE THE WASTEWATER COS STUDY PREPARED BY
12 CUPA.

13 A. The wastewater COS study prepared by CUPA is based on the U.S. Environmental
14 Protection Agency’s (“EPA”) User Charge System. As explained by Mr. Miller who
15 also sponsors this COS study, the User Charge System was originally developed and
16 required by the EPA for wastewater projects receiving federal grant funding during the
17 construction grants program of the 1980s.

18 Q. DID YOUR REVIEW OF THE WASTEWATER COS STUDY REVEAL
19 ANY CONCERNS?

20 A. My review of the wastewater COS study prepared by CUPA revealed one concern.
21 That concern relates to the allocation of the collection system to the billing and
22 collection function. This concern is subsequently discussed in my testimony addressing
23 CUPA’s proposed rate design.

1 Q. PLEASE DESCRIBE CUPA'S WASTEWATER RATE DESIGN
2 PROPOSALS IN THIS PROCEEDING.

3 A. In this proceeding, CUPA is proposing to consolidate the rates for all three wastewater
4 service territories and charge all customers, except schools and availability customers,
5 the same monthly customer charge and a volumetric usage charge based on water
6 usage. Schools would continue to be assessed a fixed per student charge and the same
7 fixed charge would be applicable to all availability customers. All customers in the
8 consolidated Utilities, Inc. of Pennsylvania, and Penn Estates service territories, except
9 schools and availability customers, are currently assessed the same fixed monthly rate
10 for wastewater service. They are not assessed a volumetric usage charge. The current
11 fixed monthly customer charge for all customers in these two service territories is
12 \$74.73. With rate consolidation, these customers will now also be assessed a volumetric
13 usage charge. As a result, the Company is proposing to reduce the fixed monthly
14 customer charge for these two service territories to \$51.65.

15 Wastewater customers in the Tamiment service territory are currently assessed
16 a fixed monthly customer charge and a volumetric usage charge. The current fixed
17 monthly customer charge for Tamiment customers is \$26.15, and with consolidation,
18 the Company is proposing to increase the fixed monthly customer charge to \$51.65, or
19 by nearly 100%. The usage charge is currently \$13.98, and the Company is proposing
20 to increase it to \$17.90. The reduction of the customer charge with the increase in the
21 usage charge would result in a 50.55% increase for the typical residential customer
22 using 3,400 gallons per month.

23 Availability customers in the Tamiment service territory are currently assessed
24 a fixed monthly availability charge of \$20.22 per month for wastewater, in addition to
25 the availability fee for water, as discussed above. CUPA EX SAM-3, page 14,

1 sponsored by CUPA witness Mr. Miller, identifies CUPA’s existing and proposed rates
2 for wastewater service.

3 Q. IS CUPA’S WASTEWATER RATE DESIGN REASONABLE?

4 A. No. With the exclusion of the charges for schools and availability customers, under the
5 Company’s proposed rate design for wastewater service, 100% of collection system
6 costs have been included in the calculation of the proposed \$51.65 fixed monthly
7 customer charge. As explained on page 20, lines 10 - 14, of his Direct Testimony, Mr.
8 Miller states:

9 “Collection system costs relate to the maintenance and
10 operation of the interceptor and collector mains and lift
11 stations that transport the wastewater to the treatment plant.
12 These costs can vary both by the volume of flow and the
13 number and size of customers connected to the system. For
14 that reason, these costs are sometimes recovered through
15 both a volumetric flow charge and a fixed monthly charge”.

16 On page 19, lines 18 - 22 of his Direct Testimony, Mr. Miller notes that there
17 are several different accepted methodologies to conducting wastewater cost of service
18 studies. These methodologies include the procedures identified by the Water
19 Environmental Federation in its *Manual of Practice No. 27, Financing and Charges*
20 *for Wastewater System*, (“WEF Manual No. 27”). Page 99 of the WEF Manual No. 27
21 indicates that the wastewater utility industry uses two basic cost allocation approaches:

- 22 • The design – basis cost allocation methodology; and
- 23 • The functional cost allocation methodology.

24 In the examples of these two methods presented in WEF Manual No. 27, only 10% of
25 collection system costs are assigned and allocated to the billing and collection function
26 cost component, not 100% as proposed by the Company. Consistent with these

1 examples, I recommend that 10% of collection system costs be assigned and allocated
2 to the billing and collection function cost component.

3 As shown on Schedule JDM-2, assigning 10% rather than 100% of collection
4 system costs to the billing and collection function reduces CUPA's calculated fixed
5 monthly customer charge to \$11.55, which is less than half of the current Tamiment
6 fixed monthly customer charge. Therefore, I recommend that the current Tamiment
7 fixed monthly customer charge of \$26.15 be maintained and applied to all customers.
8 Any resulting revenue reduction should then be recovered by increasing volumetric
9 usage charges.

10 Q. MR. MILLER CLAIMS TO HAVE BASED HIS WASTEWATER COS
11 STUDY ON THE EPA USER CHARGE SYSTEM. DID YOU REQUEST
12 INFORMATION FROM THE COMPANY IN AN ATTEMPT TO
13 DETERMINE HOW COLLECTION COSTS ARE ALLOCATED UNDER
14 THE EPA USER CHARGE SYSTEM?

15 A. Yes. In discovery request OCA 11-1, the Company was requested to "identify and
16 provide a copy of all documents relied upon by Mr. Miller in preparing his cost-of-
17 service study testimony and exhibits based on the U.S. EPA User Charge System." In
18 response to OCA 11-1, Mr. Miller indicated that his workpapers were previously
19 produced, and there were no additional documents responsive to this request. I found
20 no documents produced by Mr. Miller which provided details on conducting a cost-of-
21 service study utilizing the EPA User Charge System.

1 Q. HOW SHOULD CUPA'S RATES FOR WASTEWATER SERVICE BE
2 ADJUSTED TO REFLECT THE INCREASE AUTHORIZED BY THE
3 COMMISSION IN THIS PROCEEDING?

4 A. I am recommending that the current Tamiment monthly customers charges be
5 maintained and adopted for the Utilities, Inc. of Pennsylvania, and Penn Estates service
6 territories. I recommend no changes to the proposed availability charges as the
7 Company has proposed a rate decrease for the Penn Estates service territory, and a
8 modest 12% increase for the Tamiment service territory. I also recommend no change
9 to the fixed per student school charges as CUPA has proposed a slight decrease to the
10 charge. To the extent that my recommended monthly customer charge and the
11 Company's proposed availability and school charges do not recover the revenue
12 requirement authorized by the Commission in this proceeding, I recommend that
13 volumetric usage charges be proportionately adjusted to recover the revenue
14 requirement authorized by the Commission in this proceeding.

15 Q. IN THIS PROCEEDING, CUPA IS PROPOSING A RESIDENTIAL LOW-
16 INCOME PROGRAM FOR WASTEWATER SERVICE SIMILAR TO ITS
17 PROPOSED PROGRAM FOR WATER SERVICE. SHOULD CUPA'S
18 WASTEWATER PROGRAM BE APPROVED?

19 A. The Residential Low-Income wastewater program proposed by CUPA should be
20 approved in this proceeding as a pilot program subject to the changes identified by Mr.
21 DeMarco (OCA Statement 1).

22 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

23 A. Yes, it does.

COMMUNITY UTILITIES OF PENNSYLVANIA, INC.
CONSOLIDATED WATER SERVICES

CALCULATION OF PROPOSED MONTHLY BASE CHARGES

Meter Size	5/8 inch Equivalency Factor	Meter Cost Per Equiv. Unit (1)	Fire Protection (2)	Cost Per Unit	Billing Cost Per Unit (3)	Total	Rounded (Use)
5/8 inch meter	1.0	\$9,7981	\$0.0000	\$9,7981	\$3,2359	\$13,0340	\$13.05
1 inch meter	2.5	9,7981	0.0000	24,4953	3,2359	27,7312	27.75
1 1/2 inch meter	5.0	9,7981	0.0000	48,9905	3,2359	52,2264	52.25
2 inch meter	8.0	9,7981	0.0000	78,3848	3,2359	81,6207	81.60
6 inch meter	50.0	9,7981	0.0000	489,9050	3,2359	493,1409	493.15

(1) Calculated as follows:

	Meters & Services
Annual charge per equivalent meter (page 11)	\$117,5775
Divided by 12 months	12
Monthly charge per equivalent meter	<u>\$9,7981</u>

(2) Calculated as follows:

	Fire Protection
Remaining fire protection costs to be recovered (page 13)	\$106,720
Divided by equivalent meters	<u>3,387</u>
Subtotal	31,5087
Divided by 12 months	<u>12</u>
Monthly charge per equivalent meter	<u>\$2,6257</u>

(3) See page 11.

(See Accountants' Special Purpose Report)

**COMMUNITY UTILITIES OF PENNSYLVANIA, INC.
CONSOLIDATED WASTEWATER SERVICES**

CALCULATION OF PROPOSED MONTHLY FIXED CHARGE

Meter Size	5/8 inch Equivalency Factor	Collection Cost Per Equiv. Unit (1)	Treatment Cost Per Unit (2)	Meter Cost Per Unit	Billing Cost Per Bill (3)	Total	Rounded (Use)
Residential	1.00	\$4.4560	\$0.0000	\$4.4560	\$7.0817	\$11.5377	\$11.55
Commercial	1.00	4.4560	0.0000	4.4560	7.0817	11.5377	11.55
All Other Flow			17.9412			17.9412	17.90
Low-Income Flow			11.6600			11.6600	11.60
School (unmetered)	12.50	4.4560	17.9412	279.9650	7.0817	287.0467	287.00
Availability Fee (unmetered)	0.25	4.4560	17.9412	5.5993	7.0817	12.6810	12.70

(1) Calculated as follows:

	Collection System	
Total cost of service to be recovered through rates and charges (page 9)	\$207,634	10.0%
Divided by number of equivalent meters (page 3)	3,883	
Divided by 12 months	12	
Monthly charge per equivalent meter	\$4.4560	

	Treatment and Disposal	
	All Other Flow	Low-Income Flow
(2) Calculated as follows:		
Total cost of service to be recovered through rates and charges (page 9)	\$2,547,352	\$188,239
Divided by flow (in 1,000s) (page 2)	141,983	16,144
Charge per 1,000 gallons	\$17.9412	\$11.6600

(3) Calculated as follows:

	Billing and Collecting
Total cost of service to be recovered through rates and charges (page 9)	\$347,997
Divided by number of bills annually (page 3)	49,140
Billing cost per bill	\$7.0817

(See Accountants' Special Purpose Report)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
v. : Docket Nos. R-2023-3042804 (Water)
Community Utilities of Pennsylvania, Inc. : R-2023-3042805 (Wastewater)
:

VERIFICATION

I, Jerome D. Mierzwa, hereby state that the facts set forth in my Direct Testimony, OCA Statement 4, are true and correct (or are true and correct to the best of my knowledge, information, and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Dated: February 6, 2024
*4855-0643-8819

Signature: 
Jerome D. Mierzwa

Consultant Address: Exeter Associates, Inc.
10480 Little Patuxent Parkway,
Suite 300
Columbia, MD 21044-3575

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EXHIBITS

EXHIBIT TLF-1	VITA
EXHIBIT TLF-W1	UNACCOUTED FOR WATER
EXHIBIT TLF-W2	ISOLATION VALVES
EXHIBIT TLF-W3	FIRE HYDRANTS AND PRESSURES
EXHIBIT TLF-W4	FIRE FLOWS LESS THAN MINIMUM
EXHIBIT TLF-W5	SUMMARY OF COMPLAINT LOGS
EXHIBIT TLF-WW1	GRINDER PUMPS
EXHIBIT TLF-WW2	PENN ESTATES CO&A

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

2 A. Terry L. Fought, 780 Cardinal Drive, Harrisburg, Pennsylvania, 17111.

3

4 **Q BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am a self-employed consulting engineer retained by the Office of Consumer
6 Advocate (OCA) for the purposes of providing testimony in this proceeding.

7

8 **Q. PLEASE DESCRIBE YOUR BACKGROUND AND QUALIFICATIONS.**

9 A. Exhibit TLF-1, which is attached to this testimony, describes my educational
10 background and applicable experience.

11

12 **Q. WHAT ISSUES HAVE YOU BEEN ASKED TO INVESTIGATE REGARDING THE**
13 **COMMUNITY UTILITIES OF PENNSYLVANIA, INC. (CUPA OR COMPANY)**
14 **RATE CASE?**

15 A. The OCA requested that I investigate issues related to the quality of service
16 provided by CUPA.

17

18 **Q. WHAT DID YOUR INVESTIGATION CONSIST OF?**

19 My investigation included: (1) reviewing applicable portions of CUPA's Filing and
20 the Direct Testimony of CUPA witnesses Nathaniel Spriggs, CUPA Statement
21 No.1; Anthony Gray, CUPA Statement No. 2; Emily Long, CUPA Statement No. 4;
22 and Amber Capwen, CUPA Statement No.5; (2) reviewing CUPA's responses to
23 the Interrogatories regarding quality of service issues; (3) reviewing applicable

1 DEP Permits and correspondence; and (4) reviewing CUPA's Customer Complaint
2 Logs, Formal and Informal Customer Complaints to the PUC and information I
3 received from the OCA regarding the Public Input Hearings on January 30,
4 January 31, and February 1.

5
6 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

7 A. I will address CUPA water service and wastewater service, in that order.
8

9 **WATER SERVICE**

10 **Q. WHAT QUALITY OF SERVICE ISSUES ARE INCLUDED IN YOUR**
11 **TESTIMONY?**

12 A. Unaccounted for Water (UFW), Exercising Isolation Valves, Fire Hydrants, Low
13 and High Pressures, and Customer Complaints.
14

15 **Q. BRIEFLY DESCRIBE THE COMPANY'S WATER FACILITIES.**

16 A. CUPA serves water customers in Stroud and Pocono Townships in Monroe
17 County, a portion of Hanover Township in Northampton County, and portions of
18 Lehman Township in Pike County. CUPA serves approximately 3,257 water
19 customers across its service areas.¹

20 CUPA has three separate water systems – Penn Estates, Utilities Inc., Westgate
21 (UIW or Westgate) and Tamiment.
22

¹ Filing, XI, Exhibit A

1 **Penn Estates System.** The Penn Estates system serves a residential subdivision
2 located in Monroe County, Pennsylvania. As of December 2022, there were
3 approximately 1,727 residential and seven commercial connections served by the
4 water company². Water is supplied by seven (7) deep wells.³ During 2021 and
5 2022, the average daily water production of the Penn Estates system varied
6 between 0.299 million gallons per day (“mgd”) and 0.303 mgd.⁴

7 The distribution system consists of approximately 158,400 feet of 6-inch and 8-
8 inch PVC water mains along with six water storage tanks which hold a total of
9 approximately 648,000 gallons.⁵ Customer service connections are primarily
10 copper, and all are metered with new Sensus automated meters. There are 202
11 hydrants⁶ located within the water distribution system, along with 142 isolation
12 valves.⁷ CUPA Statement No.4, Exhibit EAL-2 lists a total of 342 isolation and
13 hydrant valves in the Penn Estates system.

14
15 **UIW System (Westgate).** The water supply source for the UIW system is from
16 the City of Bethlehem through two metered bulk water interconnections and a
17 separate connection for Westgate customer Patient First. As of December 2022,
18 there were approximately 962 residential and 23 commercial connections served
19 by the water company⁸. The water distribution system consists of approximately
20 15 miles of water main⁶ ranging from four-inches to ten-inches in diameter. The
21 piping is a mixture of ductile iron, some galvanized and PVC. Service connections
22 are primarily copper and are metered with Sensus touch-read systems.
23 Distribution storage is provided by the Bethlehem system. CUPA Statement No.4,
24 Exhibit EAL-2 lists a total of 254 isolation and hydrant valves in the Westgate
25 system.

²2022 Chapter 110 Reports attached to CUPA’s 2022 Annual Report to the PUC after p. 65 (2022 Ch. 110 Reports).

³ 2022 Chapter 110 Report.

⁴ CUPA Statement 4, Exhibit EAL-1

⁵ Docket Nos. R-2021-3025206 (water), OCA Statement 4.

⁶ Docket Nos. R-2021-3025206 (water), OCA Statement 4.

⁷ Docket Nos. R-2021-3025206 (water), OCA Statement 4.

⁸ 2022 Ch. 110 Reports.

1 **CUPA at Tamiment System (Tamiment).** The Tamiment system serves a
2 community located in Lehman Township, Pike County, Pennsylvania. As of
3 December 2022, there were approximately 507 residential and four commercial
4 connections served by the water company.⁹ Water is supplied by two (2) wells.
5 Well No. 1 and Well No. 2 (abandoned) are housed in separate buildings and have
6 a separate feed to Tank No. 1 (125,000 gallon elevated tank). As Well No. 2 is
7 abandoned, the Company currently utilizes Well No. 1 and Well No. 3. Well No. 1
8 water is treated with sodium hydroxide and sodium hypochlorite. Well No. 3 is
9 housed in a separate building, treated with sodium hydroxide and sodium
10 hypochlorite and maintains the water level in Tank No. 3 (350,000 gallon tank).
11 CUPA acquired this system on June 25, 2019 and on September 20, 2020 has
12 been issued a DEP Construction Permit to construct a new treatment building for
13 Well No. 1 and replace the existing facilities to treat Well No. 1 water. The
14 proposed facilities will by-pass Tank No. 1 and connect directly into the distribution
15 system. The existing Well No.1 and Well No. 2 buildings will be demolished.¹⁰
16 New Well 1R will be brought on-line upon receipts of all permits with the remaining
17 items expected to be completed in 2025.¹¹

18

19 **UNACCOUNTED FOR WATER (UFW)**

20 **Q. WHAT IS MEANT BY THE TERM “UNACCOUNTED FOR WATER”?**

21 A. There are several different procedures for calculating Unaccounted for Water. The
22 PUC Method is shown on Section 500 of the PUC Annual Report Form for Public
23 Water Utilities. According to the PUC procedure, UFW is equal to “Total Water
24 Delivered for Distribution & Sale” minus “Total Sales” minus “Non-Revenue Usage
25 and Allowance.” “Non-Revenue Usage and Allowance” includes “Main Flushing,”

⁹ 2020 Ch. 110 Reports.

¹⁰ PWS Construction Permit 5220511.

¹¹ CUPA Statement No. 5, pp. 8-9.

1 “Blow-off Use,” “Unavoidable Leakage,” “Located & Repaired Breaks in Mains &
2 Services” and “Other”.

3
4 **Q. WHY IS UFW IMPORTANT?**

5 A. Calculating the amount of UFW is a method of estimating the amount of non-
6 revenue water in a water distribution system due to leaks and inaccurate meter
7 readings. Reducing the non-revenue water saves money in chemical and power
8 costs and provides for important water conservation in areas that have limited
9 water supply sources. The accuracy of the UFW estimate depends on reliable
10 estimates of unavoidable non-metered water uses such as flushing the distribution
11 system, firefighting, normal pipe leakage, repaired main breaks, etc. Keeping track
12 of UFW gives a water utility an indication of the extent of unknown leaks in the
13 distribution system so that informed decisions can be made on the necessity of
14 finding and repairing leaks. The Water Audit methodology established by the
15 International Water Association (IWA) and the American Water Works Association
16 (AWWA) is generally becoming a more accepted method of identifying the
17 amounts of wasted water – Non-Revenue Water (NRW). Both the PUC and
18 AWWA Methods, if properly utilized, provide water utilities with information needed
19 to improve operational efficiency. According to 52 Pa. Code § 65.20(4), “Levels of
20 unaccounted-for water should be kept within reasonable amounts. Levels of UFW
21 above 20% have been considered by the Commission to be excessive.” The
22 Commission has not set similar standards for levels of NRW.

1 **Q. HAS CUPA PROVIDED INFORMATION ON HOW IT CALCULATES UFW?**

2 A. Yes. In Exhibit EAL-1¹² included in CUPA Statement No. 4, the CUPA estimated
3 the UFW for each of its three systems as:

4 Penn Estates: 2021 = 19.38% & 2022 = 25.04%

5 Westgate: 2021 = 13.80% & 2022 = 13.17%

6 Tamiment: 2021 = 55.97% & 2022 = 44.19%.

7 CUPA also submitted PUC Form 500 that estimates that all three systems have a
8 UFW = 24.8% for 2022.

9 Copies of CUPA's UFW submittals are attached as Exhibit TLF-W1.

10

11 **Q. DO YOU HAVE ANY COMMENTS ON THE UFW INFORMATION PROVIDED**
12 **BY CUPA?**

13 A. Yes. CUPA submitted UFW information on each system in Exhibit EAL-1 that
14 generally follows the PUC Form 500 method using gallons/year units instead of
15 gallons/day. In future rate cases CUPA should submit an individual PUC Form
16 500 for each of its systems as other utilities that have multiple systems have
17 agreed to do. This will be used for comparison with future submittals to determine
18 progress in reducing UFW, especially in the Tamiment system. CUPA also was
19 required to provide a breakdown of lost and unaccounted for water by system
20 dealing all identified causes in the previous base rate case settlement. CUPA
21 should continue providing this data in future rate cases as well. Mr. DeMarco also
22 addresses UFW in OCA St. 1.

¹² Note that CUPA did not elect to reduce UFW by deducting unavoidable leakage per mile of main included on PUC Form 500.

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PRESSURE SURVEYS

Q. WHAT ARE THE PUC’S REQUIREMENTS FOR WATER PRESSURE?

A. As shown below, 52 Pa. Code § 65.6 requires normal operating pressures of not less than 25 psig¹³ nor more than 125 psig at the water main.

§ 65.6. Pressures.

(a) *Variations in pressure.* The utility shall maintain normal operating pressures of not less than 25 p.s.i.g. nor more than 125 p.s.i.g. at the main, except that during periods of peak seasonal loads the pressures at the time of hourly maximum demand may be not less than 20 p.s.i.g. nor more than 150 p.s.i.g. and that during periods of hourly minimum demand the pressure may be not more than 150 p.s.i.g. A utility may undertake to furnish a service which does not comply with the foregoing specifications where compliance with such specifications would prevent it from furnishing adequate service to any customer or where called for by good engineering practices. The authority of the Commission to require service improvements incorporating standards other than those set forth in this subsection when, after investigation, it determines that such improvements are necessary is not hereby restricted.

(b) *Pressure gauges.* Within 2 years after the effective date of this section, each utility shall obtain one or more recording pressure gauges for each separately operated pressure zone for the purpose of making pressure surveys as required by this section. These gauges shall be able to record the pressure experienced on the zones and shall be able to record a continuous 24-hour test. Each utility serving 1,000 or more customers or 1,000 or more customers in any separately operated zone of a multi-zone utility shall maintain one or more of these recording pressure gauges in service at some representative point or points in each of the pressure zones of the utility.

(c) *Telemetry.* An utility may make the pressure surveys required by this section by means of telemetered information electronically transferred to printed copy instead of using recording pressure gauges.

(d) *Pressure surveys.* At regular intervals, but not less than once each year, each utility shall make a survey of pressures in its distribution system of sufficient magnitude to indicate the pressures maintained at representative points on its system. The surveys should be made at or near periods of maximum and minimum usage. Records of these surveys shall show the date and time of beginning and end of the test and the location at which the test was made. Records of these pressure surveys shall be maintained by the utility for a period of at least three years and shall be made available to representatives, agents, or employees of the Commission upon request.

Notes of Decisions

Adequate Pressure

The 25 p.s.i.g. minimum expressed in subsection (a) is not intended to restrict the authority of the PUC to order improvements where service is inadequate; therefore, the PUC has the power to order needed

¹³ "pounds per square inch gauge," or gage. PSIG units are relative to atmospheric pressure. The air surrounding Earth exerts pressure on all objects on the surface of the planet. At sea level, this pressure is 14.7 pounds for every square inch column of air.

1 improvements notwithstanding that the pressure in a utility's main meets the standard of the regulation.
2 *Barone v. Pennsylvania Public Utility Commission*, 485 A.2d 519 (Pa. Cmwlth. 1984).
3

4 **Q. WHAT ARE DEP'S REQUIREMENTS FOR SYSTEM PRESSURES?**

5 A. According to DEP's Public Water Supply Manual, Part II, Community System
6 Design Standards:

7 1. Pressure

8 All water mains, including those not designed to provide fire protection, shall be
9 sized after a hydraulic analysis based on flow demands and pressure
10 requirements. The pipe system and its appurtenances shall be designed to
11 maintain a minimum pressure of 20 pounds per square inch, gauge (psig) at
12 ground level at all points in the distribution system under all conditions of flow. The
13 normal working pressure in the distribution system should be approximately 60
14 psig.¹⁴
15

16 **Q. WHAT ARE THE DIFFERENCES BETWEEN THE PUC AND DEP PRESSURE
17 REQUIREMENTS?**

18 A. The PUC has a maximum and minimum pressure criterion while DEP has a
19 minimum and normal working pressure criterion. The PUC has a minimum
20 criterion of 25 psi at the main while DEP's minimum criteria is 20 psi at ground
21 level. Assuming the main is buried 4.5 feet below ground, DEP minimum criteria
22 is equivalent to 22 psi at the main.

23 Instead of having a pressure survey requirement for all water systems, DEP
24 imposes a pressure survey requirement on specific systems with known pressure
25 problems.

¹⁴ Public Water Supply Manual, Part II, Community System Design Standards, May 6, 2006, p. 186-187.

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Q. WHAT ARE THE REPRESENTATIVE POINTS ON THE SYSTEM WHERE PRESSURE SURVEYS SHOULD BE CONDUCTED?

A. In general, the representative points are highest and lowest ground elevations of the distribution system in each pressure zone.

Q. WHAT DID CUPA PROVIDE REGARDING PRESSURES IN ITS WATER SYSTEM?

A. In the last base rate case (Docket No. R-2021-3025206 (water)) the following locations of low and high pressure were noted in the Penn Estates system:

Low Pressure: 5 to 10 psi at Hydrant 145; 5 to 15 psi at Hydrant 143; 20 psi to 40 psi at Hydrant 181.

High Pressure: 126 to 138 psi at Hydrant 81; 134 psi at Hydrant 124; 136 psi at Hydrant 125; 138 psi at Hydrant 123; 128 psi at Hydrant 71; 134 psi at Hydrant 51; 130 psi at Hydrant 70.

There were no pressure problems noted in the Westgate and Tamiment systems by the Company.

For the current case, CUPA stated in their filing in Appendix A that “Westgate - Water distribution PSI meets 52 Pa. Code, § 65.6(a) and 65.6(d). Penn Estates - Water distribution PSI exceeds 125 PSI in the lower elevations and does not meet 25 PSI in the higher elevations of the community. Penn Estates is in compliance with 52 Pa. Code, § 65.6(d). Tamiment - Water distribution PSI meets 52 Pa. Code, § 65.6(a). Tamiment will be in full compliance of required annual pressure surveys

1 with the 2023-2025 hydrant contract per 52 Pa. Code, § 65.6(d).” CUPA was also
2 asked to provide details on any water pressure problems lasting longer than 5
3 days. CUPA stated: “Penn Estate's water distribution PSI exceeds 125 PSI in the
4 lower elevations and does not meet 25 PSI in the higher elevations of the
5 community during normal operations.” The Company also provided pressure
6 surveys in Exhibit D IX-2. CUPA was also asked to describe any action taken on
7 a temporary basis and long-term solutions to address water pressure problems.
8 CUPA responded “Per the 2021 Rate Case Settlement, a study was conducted by
9 GHD to assess the system pressure. The study showed that normal operating
10 pressure could not be decreased below 125 PSI without adversely impacting some
11 customers. The study made multiple recommendations on how to address system
12 PSI, with certain benefits and disadvantages. A capital project is slated for 2024 to
13 address Penn Estate's system pressure.”

14
15 **Q. DO YOU HAVE ANY CONCERNS ABOUT THE PRESSURE SURVEY DATA**
16 **SHOWING LOW PRESSURES?**

17 A. Yes. Some of the reported pressures are extremely low and could indicate that
18 nearby areas may be subject to negative pressures during periods of high
19 demands, flushing, fires, etc. Negative pressures will allow contaminated ground
20 water to enter the water mains at pipe joints and unrepaired leaks. Even very low
21 pressures are a problem because they impair customers’ ability to use the water
22 for daily needs, like cleaning.

23

1 **Q. DO YOU HAVE ANY CONCERNS ABOUT THE PRESSURE SURVEY DATA**
2 **SHOWING HIGH PRESSURES IN THE PENN ESTATES SYSTEM?**

3 A. Yes. High pressures can cause damage to customer service lines and also the
4 inside plumbing if the pressure reducing valve installed inside the building fails.
5 Also, higher pressure results in larger volumes of unavoidable pipeline leakage
6 and leakage during pipeline and service line breaks.

7
8 **Q. HAS CUPA TAKEN ANY STEPS TO ADJUST THE LOW AND HIGH**
9 **PRESSURES?**

10 A. CUPA has completed an Engineering Study for the Penn Estates system to comply
11 with PUC minimum pressure requirements and increase pressures so that it is
12 suitable for all household pressures.¹⁵ CUPA also completed a Hydraulic Analysis
13 on how to address system low and high pressures and intends to implement its
14 recommendations during 2024.¹⁶

15
16 **Q. DO YOU HAVE ANY COMMENTS ABOUT CUPA IMPLEMENTING PROJECTS**
17 **TO ADJUST SYSTEM PRESSURES?**

18 A. Yes. Before the filing of their next base rate case, CUPA should inform the OCA
19 and other parties of what it proposes to implement.

20

21 **ISOLATION VALVES**

¹⁵ CUPA Statement No. 4, p. 5.

¹⁶ CUPA Statement No. 4, p. 8.

1 **Q. WHAT ARE ISOLATION VALVES?**

2 A. Isolation valves are installed on water mains so that the water can be shut off in
3 sections of the distribution system in case of a water main break or for main repairs
4 and replacements. Isolation valves are also used to isolate unsafe water and to
5 separate different pressure zones. It should be noted that CUPA has also included
6 valves that isolate fire hydrants from the distribution system in its listing of valves
7 to exercise.

8 **Q. WHAT DOES IT MEAN TO EXERCISE ISOLATION VALVES?**

9 A. According to AWWA, “Each valve should be operated through a full cycle and
10 returned to its normal position on a schedule that is designed to prevent a buildup
11 of tuberculation [rust formation in pipes as a result of corrosion] or other deposits
12 that could render the valve inoperable or prevent a tight shutoff.”

13 Exercising an isolation valve requires some effort even for a well-maintained valve
14 because the number of turns to fully open or close an isolation valve can vary from
15 12 turns for a 3-inch valve; and for larger valves the number of turns equal 3 times
16 the valve size plus 2 (i.e. 38 turns for a 12-inch valve, 110 turns for a 36-inch valve,
17 etc.).

18 **Q. WHY IS IT IMPORTANT TO EXERCISE ISOLATION VALVES?**

19 A. It is important to exercise isolation valves to prevent the valves from seizing up
20 and getting stuck from corrosion or other deposits adjacent to the valve. An
21 isolation valve that cannot be fully closed will increase the water loss during a water

1 main break and increase the number of customers affected while the utility finds
2 working valves to isolate a main break.

3 **Q. WHAT HAPPENS IF AN ISOLATION VALVE BECOMES INOPERABLE DUE TO**
4 **LACK OF BEING EXERCISED?**

5 A. The valve has to be either repaired or replaced. Because isolation valves are
6 generally located underneath pavement, they can be very expensive to repair or
7 replace. Even repairing the valve requires that the valve be exposed so that
8 interior parts can be removed and replaced.

9 **Q. HOW OFTEN SHOULD AN ISOLATION VALVE BE EXERCISED?**

10 A. PUC auditors have recently encouraged water utilities to exercise critical valves
11 on a one-to three-year cycle and the remaining non-critical valves on a seven- to
12 ten-year cycle since AWWA's distribution valve exercising recommended
13 guidelines can be resource intensive. "Although not aligned with AWWA
14 standards, a one- to three-year schedule for critical valves provides the company
15 with a balance between resource management and appropriate maintenance."¹⁷

16 **Q. DO YOU AGREE WITH THE PUC AUDITORS' SCHEDULE?**

17 A. Yes, with the understanding if the utility's records do not indicate that all of the
18 system's the isolation valves have been exercised within the past ten years, then
19 all those unexercised valves should be exercised within the next five years on a

¹⁷ PAPUC PW&S Company Management & Operations Audit, March 2032, pp. 60,

1 parallel schedule until all the valves have been exercised and are operable. Once
2 all of the utility's isolation valves have been exercised within ten years and are
3 operable, the PUC Auditors' schedule is reasonable and agreeable.

4 Previously, for those utilities that did not have records showing that all their
5 isolation valves have been regularly exercised, I recommended that they should
6 exercise all their isolation valves within 5-years and then set a schedule based on
7 their local experience.

8 **Q. WHAT INFORMATION DID CWC PROVIDE REGARDING EXERCISING**
9 **ISOLATION VALVES?**

10 A. According CUPA Statement No. 4, page 6, CUPA exercises 50% of its distribution
11 and hydrant valves on a rotating schedule annually. Zone 1 valves are exercised
12 on odd years and Zone 2 valves are exercised on even years. CUPA Statement
13 No. 4, Exhibit EAL-2 contains Westgate, Penn Estates and Tamiment isolation and
14 hydrant valve inspection reports. See Exhibit TLF-W2 for a copy of the inspection
15 reports. It can be noted from Exhibit TLF-W2 that there are 342, 254, and 114
16 isolation and hydrant valves in the Penn Estates, Westgate, and Tamiment
17 systems, respectively.

18 **Q. IS CUPA'S VALVE EXERCISING SCHEULE ACCEPTABLE?**

19 A. Yes.

1 **Q. SHOULD CUPA PROVIDE ADDITION INFORMATION REGARDING**
2 **ISOLATION VALVES?**

3 A. Yes. A summary report should be submitted to the parties annually that identifies
4 the valves that need to be located, uncovered, repaired and/or replaced with an
5 approximate date for doing so.

6

7 **FIRE HYDRANTS**

8 **Q. WHAT INFORMATION DID CUPA PROVIDE REGARDING FIRE HYDRANTS?**

9 A. In the Filing, as a response to 53.53, Exhibit D, IX-2, CUPA submitted a listing of
10 fire hydrants in each system and pressure readings taken annually at various
11 hydants. See Exhibit TLF-3W.

12 In response to OCA Set 9-12, CUPA submitted a list of seven fire hydrants in the
13 Westgate system and 15 hydrants in the Penn Estates system that are not capable
14 of providing the minimum fire flow of 500 gallons/minute at 20 pounds/square inch
15 for a 2-hour duration. See Exhibit TLF-4W. CUPA is not providing fire protection
16 in the Tamiment system until additional improvements are made to the system.

17

18 **Q. DO YOU HAVE ANY COMMENTS CONCERNING CUPA'S FIRE HYDRANTS?**

19 A. Yes, the fire hydrants that cannot provide the minimum fire flow should be painted
20 black or otherwise identified to be used only as blow-off valves. Mr. DeMarco (OCA
21 Statement 1) addresses issues related to the fire hydrants in CUPA's service
22 territories.

23

1 **WASTEWATER SERVICE**

2 **Q. WHAT QUALITY OF SERVICE ISSUES ARE INCLUDED IN YOUR**
3 **TESTIMONY?**

4 A. I address my review of the Customer Complaint Log Formal Complaints filed with
5 the PUC and the information I received from OCA regarding the Public Input
6 Hearing.

7
8 **Q. BRIEFLY DESCRIBE THE COMPANY'S WASTEWATER FACILITIES.**

9 A. The Company has three separate wastewater systems – Penn Estates, Utilities
10 Inc., Tamiment and Broad Run.

11 **Penn Estates Wastewater System.** The Penn Estates wastewater system
12 serves a residential subdivision located in Monroe County, Pennsylvania. As of
13 December 2022, there were approximately 1,727 residential and seven
14 commercial connections served by the Company.¹⁸

15 The collection systems consist of 151,200 feet of 8, 10, and 15-inch gravity mains,
16 590 manholes and 1,733 customer connections. The conveyance consists of three
17 lift stations, 4,313 feet of 4-inch force main and 2,131 feet force main from
18 customer pumps. The wastewater treatment plant has a permitted capacity of 0.56
19 million gallons per day (MGD) and consists of five equalization tanks, an aeration
20 tank, two clarifiers, four rapid sand/denitrification filters, a chlorine contact tank,
21 and a post/air de-chlorination tank prior to discharge to an unnamed tributary of
22 Broadhead Creek.¹⁹

23
24 **Tamiment Wastewater System (Tamiment).** The Tamiment system serves a
25 resort community located in Lehman Township, Pike County, Pennsylvania. As of
26 December 2022, there were approximately 507 residential and four commercial
27 connections served by the wastewater company²⁰.

¹⁸ DEP Chapter 110 Reports for Penn Estates for the Calendar Year 2022.

¹⁹ 2022 PUC Annual Report, Attachments after p. 63.

²⁰ DEP Chapter 110 Reports for Tamiment Resort for the Calendar Year 2022.

1 The collection and conveyance systems consist of 10,000 feet of 4 and 8-inch
2 gravity mains, 50,000 feet of 2, 4 and 6-inch low pressure main, 40 manholes and
3 three lift stations serving 511 customer connections. The wastewater treatment
4 plant has a permitted capacity of 0.25 million gallons per day (MGD) and consists
5 of two equalization tanks, five aeration tanks, five clarifiers, rapid mix tank, slow
6 mix flocculation chamber, tray settler, sand filter and a chlorine contact tank. The
7 WWTP has two discharge points. A submersible pump station conveys effluent to
8 below First Pond for discharge to an unnamed tributary of Little Bushkill Creek. A
9 second pumping station discharges to the First Pond from where it is discharged
10 to a spray irrigation lagoon.²¹

11 12 **Broad Run Wastewater System (Broad Run).**

13 The Broad Run wastewater system serves several residential subdivisions located
14 just south of Downingtown in Chester County, Pennsylvania.²²

15 The collection and conveyance systems consist of 103,746 feet of gravity sewer
16 (4, 8, 10, 15 & 18-inch), three pumping stations, 5,280 feet of force main, 505
17 manholes serving 1,607 residential and four commercial customer connections.
18 The wastewater treatment plant has a permitted capacity of 0.40 million gallons
19 per day (MGD) and consists of a fine screen, two equalization tanks, three
20 aeration/clarifier tanks, a chlorine contact/post-aeration tank prior to discharge to
21 the East Branch of Brandywine Creek.²³

22 23 **Q. WHAT IS A LOW-PRESSURE SEWER SYSTEM?**

24 A. A low-pressure sewer system consists of grinder pumps, basins, piping, valves
25 and controls that grind and pump residential and municipal wastewater through
26 small diameter pipe following the contour of ground at a depth below frost levels
27 to a wastewater treatment plant, pump station or gravity sewer line. See Exhibit
28 TLF-WW1 for a publication by the City of Augusta, Georgia regarding the purpose

²¹ 2022 PUC Annual Report, Attachments after p. 63.

²² Location of address per Microsoft Maps.

²³ 2022 PUC Annual Report, Attachments after p. 63.

1 and use of grinder pumps.²⁴ The example is for a grinder pump discharging to a
2 gravity sewer but it is also applicable to discharging to a low pressure sewer
3 system.

4
5 **Q. WHO OWNS THE GRINDER PUMPS?**

6 A. Typically, the customers own the grinder pumps, which are needed to pump their
7 sewage into a low pressure sewer or a gravity sewer that is at higher in elevation
8 than the house plumbing.

9
10 **Q. HAS CUPA RECEIVED ANY NOTICE OF VIOLATIONS (NOV) FROM THE**
11 **PENNSYLVANIA DEPARTMENT OF ENVIRONMENTAL PROTECTION (DEP)**
12 **REGARDING THEIR WASTEWATER SYSTEMS?**

13 A. Yes. The Company received two NOVs concerning the Penn Estates System.
14 The first was dated April 10, 2019 by DEP in regard to 16 monthly effluent
15 violations that occurred between August 2014 and December 2018. The second
16 one was dated September 11, 2019 in regard to an additional effluent violation
17 during June 2019 and seven Sanitary Sewer Overflows (SSO) that occurred
18 between March 22, 2019 and May 20, 2019.

19
20 **Q. DID DEP TAKE FURTHER ACTION REGARDING THE PENN ESTATES NOVs?**

21 A. Yes. DEP and the Company entered into a Consent Order and Agreement
22 (CO&A) dated October 22, 2020.²⁵ See Exhibit TLF-WW2.

23

²⁴ <https://www.augustaga.gov/DocumentCenter/View/6505/Grinder-Pump-FAQ?bidId>

²⁵ CUPAWW Statement No. 1, pp. 19-20.

1 **Q. WHAT CORRECTIVE ACTIONS DID THE COMPANY AGREE TO TAKE IN**
2 **ACCORDANCE WITH THE CO&A?**

3 A. The Company agreed to do the following:²⁶

- 4 a. Penn Estates will install and render operational a new facility generator of
5 sufficient capacity and an automated transfer switch capable of
6 maintaining waste water treatment plant operational capability if primary
7 energy source is interrupted. As of the date of this Consent Order and
8 Agreement, Penn Estates has completed this Corrective Action measure.
- 9 b. On, or before January 31, 2021, Penn Estates shall submit a conditional
10 assessment report (Manhole Report) and phased manhole rehabilitation
11 plan (Manhole Plan) containing an implementation schedule which will be
12 submitted to the Department for review and acceptance, and which
13 schedule is to be an additional term of this Consent Order and
14 Agreement. The Manhole Report shall include an evaluation of 100% of
15 the manholes contained in the collection system with the Manhole Plan
16 addressing manholes from highest to lowest priority.
- 17 c. On, or before January 31, 2021, Penn Estates shall submit a conditional
18 assessment report (Gravity Report) and phased gravity collection main
19 rehabilitation plan (Gravity Plan) containing an implementation schedule
20 which will be submitted to the Department for review and acceptance, and
21 which schedule is to be an additional term of this Consent Order and
22 Agreement. The Gravity Report shall include an evaluation of 100% of the
23 gravity collection system including inspection reports, mapping and
24 condition rating with the Gravity Plan addressing defects from highest to
25 lowest priority.
- 26 d. On, or before January 31, 2021, Penn Estates shall submit a conditional
27 assessment report (Structure Report) and phased wastewater treatment
28 plant structure rehabilitation plan (Structure Plan) containing an
29 implementation schedule which will be submitted to the Department for
30 review and acceptance, and which schedule is to be an additional term of
31 this Consent Order and Agreement. The Structure Report shall include an
32 evaluation of all treatment units comprising the wastewater treatment plant
33 with the Structure Plan addressing treatment units from highest to lowest
34 risk of failure.
- 35 e. On, or before December 31, 2021, Penn Estates shall install a
36 wastewater treatment plant SCADA system, or similar, capable of
37 monitoring and controlling operational data and functions such as, poly-
38 aluminum chloride, chlorination, methanol, sodium bisulfate feed rates
39 and/or concentrations, to ensure the plant effluent maintains compliance.
40 As of the date of this Consent Order and Agreement, Penn Estates has

²⁶ CO&A dated October 22, 2020, pp. 6-7, Attached as Exhibit TLF-1.

1 installed the SCADA system at its WWTP, but rendering the SCADA
2 system operational will require Penn Estates to obtain a permit for the
3 installation of a new upgraded methanol pump and sodium bisulfate pump
4 that is SCADA compatible. Penn Estates submitted an application for a
5 permit for the new SCADA-compatible methanol pump and sodium
6 bisulfate pump to the Department on June 29, 2020, and that permit
7 application is under for review by the Department and awaiting approval.

- 8 f. Penn Estates shall submit written progress reports to the Department on
9 a semi-annual basis that document its progress on the completion of the
10 corrective actions in Paragraphs 3.a-e. The reports are due on or before
11 the fifteenth (15th) day of the month following the end of each semi-annual
12 calendar period, i.e., July 15 and January 15. The first progress report is
13 due on or before January 15, 2021.

14
15 **Q. WHAT IS CUPA PLANNING TO DO TO REDUCE THE NUMBER OF EFFLUENT**
16 **VIOLATIONS BY THE PENN ESTATES SYSTEM?**

17 A. CUPA cooperated with PA DEP in performing the 2023 PEUI Pilot Test/Results
18 project to improve the performance of Penn Estates Wastewater Treatment
19 Plant.²⁷

20 The results of the Pilot Study was positive with the Treatment Plant operating more
21 efficiently and all parameters falling within the permitted ranges. CUPA expects to
22 modify the Treatment Plant by May of 2025.²⁸

23
24 **Q. HAS ANY OTHER OF THE COMPANY WASTEWATER SYSTEMS RECEIVED**
25 **NOVs FROM DEP?**

26 A. Yes, the Tamiment system received a NOV dated May 20, 2020 in regard to 18
27 monthly effluent violations that occurred between August 2019 and January 2020.

28

²⁷ CUPA Statement 5, p. 17.

²⁸ CUPA Statement 5, p. 19.

1 **Q. DID DEP TAKE FURTHER ACTION REGARDING THE NOV RELATED TO THE**
2 **TAMIMENT SYSTEM?**

3 A. Not that I am aware of.
4

5 **CUSTOMER COMPLAINTS REGARDING THE WATER AND WASTEWATER**
6 **SYSTEMS**
7

8 **Q. WHAT ARE THE COMMISSION'S REGULATIONS REGARDING**
9 **COMPLAINTS?**

10 A. See 52 Pa. Code § 65.3. Complaints, shown below:

11 (a) *Investigations.* A public utility shall make a full and prompt investigation of complaints made
12 by the Commission or by others, including customers, relating to service or facilities.

13 (b) *Records of complaints.* A public utility shall preserve for a period of at least 5 years, written
14 service complaints showing the name and address of the complainant, the date and character of the
15 complaint and the final disposition of the complaint.

16 **Authority**

17 The provisions of this § 65.3 issued under the Public Utility Code, 66 Pa. C.S. § § 317, 501, 504,
18 506, 1301, 1304, 1501, 1502, 1503, 1504, 1507, 1508, 1701, 1702 and 1704.

19 **Source**

20 The provisions of this § 65.3 adopted March 25, 1946; amended August 15, 1980, effective
21 August 16, 1980, 10 Pa.B. 3356. Immediately preceding text appears at serial page (21014).
22

23 **Q. WHAT COMPLAINTS ARE YOU GOING TO ADDRESS?**

24 A. The complaints listed in CUPA's Customer Complaint Logs for the period August
25 1, 2023 through January 21, 2024, Formal and Informal Complaints filed with the
26 PUC, and testimony by witnesses at the Public Input Hearing, related to water and
27 wastewater service.
28

1 **Q. DID CUPA SUBMIT COMPLAINT LOGS FOR ITS WATER AND WASTEWATER**
2 **SYSTEMS?**

3 A. Yes.

4

5 **Q. DID YOU PREPARE A SUMMARY OF THE COMPANY'S COMPLAINT LOGS?**

6 A. Yes. See Exhibit TLF-W5 for a summary of the Complaint Logs.²⁹

7 **Q. WHAT DID YOUR REVIEW OF THE COMPANY'S CUSTOMER COMPLAINT**
8 **LOGS CONSIST OF?**

9 A. The Company submitted a customer complaint/call log for each water and
10 wastewater system on a live Excel spreadsheet which I sorted in a manner to
11 determine if there were several complaints regarding the same issue that occurred
12 around the same place and time.

13

14 **Q. DID YOU NOTICE SOME COMPLAINTS IN THAT LOG THAT THE COMPANY**
15 **SHOULD ADDRESS?**

16 A. No. CUPA addressed several dirty water complaints occurring around the same
17 time that were explained by a main break and hydrant flushing.

18

²⁹ I note that the Complaint Logs were marked confidential to protect customers' identifying information. My testimony and exhibits based on this response only present aggregate, non-specific customer information and are not confidential.

1 **Q. ARE YOU AWARE OF OTHER CUSTOMER COMPLAINTS THAN CUPA'S**
2 **COMPLAINT LOGS?**

3 A. Yes. During the rate case, more customers have submitted Formal and Informal
4 Complaints and letters to the PUC and have testified at public input hearings
5 (PIHs).

6 In their Rebuttal Testimony, CUPA should respond to the customer complaints
7 regarding quality of service contained in Formal and Informal Complaints and PIH
8 testimony that have occurred during this rate case.

9 **Q. WHAT SHOULD CUPA DO CONCERNING THE CUSTOMER COMPLAINTS**
10 **RAISED AT THE PUBLIC INPUT HEARING AND IN FORMAL COMPLAINTS?**

11 A. Customers raised issues about the quality of water they receive from the
12 Company. The Company must ensure that it provides drinking water to customers
13 that is suitable for household purposes, including drinking, cleaning, and cooking.
14 The Company needs to provide additional information about the issues raised by
15 these customers, explain what may have caused the issues, and how it intends to
16 address the complaints. Mr. DeMarco will further address issues raised at the
17 Public Input Hearing in OCA St. 1.

18 **Q. DOES THIS COMPLETE YOUR WRITTEN DIRECT TESTIMONY?**

19 A. Yes, at this time. I reserve the right to supplement this testimony either in writing
20 or orally if additional relevant information is received.

Appendix A

Exhibits of Terry L. Fought

EXHIBIT TLF-1 VITA
EXHIBIT TLF-W1 UNACCOUNTED FOR WATER
EXHIBIT TLF-W2 ISOLATION VALVES
EXHIBIT TLF-W3 FIRE HYDRANTS AND PRESSURES
EXHIBIT TLF-W4 FIRE FLOWS LESS THAN MINIMUM
EXHIBIT TLF-W5 SUMMARY OF COMPLAINT LOGS
EXHIBIT TLF-WW1 GRINDER PUMPS
EXHIBIT TLF-WW2 PENN ESTATES CO&A

BACKGROUND AND QUALIFICATIONS

TERRY L. FOUGHT, P.E.

Education

Cleveland State University, Cleveland, Ohio, Bachelor of Civil Engineering, 1967

Professional Registrations

Professional Engineer, Pennsylvania, PE-023343-E, 1975

Professional Engineer, New Jersey, GE 25392, 1978 (Inactive)

Professional Engineer, Virginia, 10850, 1979 (Inactive)

Professional Land Surveyor, Pennsylvania, SU-000194-A, 1980 (Inactive)

Employment

From March 1983 to date, I have been a self-employed consulting engineer engaged in providing consulting engineering services to water and wastewater utilities, both private and municipal.

From May 1969 to March 1983, I was employed by E. H. Bourquard & Associates, Inc. as a project engineer to water and wastewater clients. At the time I left the firm I was a vice-president.

From 1962 to 1969, I was employed by the State of Ohio, Department of Highways and the Geauga County Ohio Sanitary Engineers Office as an engineer's assistant to assistant sanitary engineer with breaks in employment to attend college and 1½ years active duty military service.

Experience

I have prepared studies related to and designed water supply, treatment, transmission, distribution and storage facilities. I have provided services to the following private and municipal water suppliers: Amber Hill Mobile Home Park, Brockway Borough Municipal Authority, Dallas Water Company, Eastern Gas and Water Investment Company, Haddonfield Hills Development, Halifax Borough, Langhorne Spring Water Company, Mifflintown Municipal Authority, Neshaminy Water Resources Authority, Newberry Water Company, Pleasant View Mobil Home Park, H. B. Reese Candy Company, Shavertown Water Company, Smethport Water Company, Tunkhannock Water Company, and Watts Business Center.

I have prepared studies related to and designed wastewater collection and interceptor sewers, pumping stations and force mains, and treatment plants. I have provided services to the following private and municipal sewerage utilities: Brockway Glass Company, Central Dauphin School District, Clean Waste Technologies, Inc., Dauphin Borough, Dauphin Borough Municipal Authority, Halifax Area School District, Halifax Municipal Authority, Mercersburg Borough, Middle Paxton Township, Newberry Sewer Company, Newberry Township Municipal Authority, Park-away Park Family Campground, Reading Township Municipal Authority, Reynoldsville Borough, Saint Thomas Township, and Watts Business Center.

I have prepared over 100 stormwater management and drainage plans for land development and subdivision plans in Cumberland, Dauphin, and York Counties. Most of these plans included the design of storm sewer collection systems.

List of Public Utility cases which I have testified or provided substantial assistance:

NEW JERSEY BUREAU OF PUBLIC UTILITIES

<u>Docket Number</u>	<u>Company Name</u>
7712-1140	City of Trenton
787-847	Hackensack Water Company
814-119	City of Trenton
8310-862	City of Trenton

PENNSYLVANIA PUBLIC UTILITY COMMISSION

<u>Docket Number</u>	<u>Company Name</u>
C-2010-2175673	Pennsylvania-American Water Company
C-2011-2259004	Endsley v PAWC
C-2012-2332951	Tschachler v UGI
C-2014-2447138	Hidden Valley Utility Services - Water
C-2014-2447169	Hidden Valley Utility Services - Wastewater
C-2018-2644592	Winola Water Company
C-2020-3022354	McKercher v Borough of Hanover
F-2011-2280415	Lynette Lugo Lopez v PGW
F-2012-2311590	Belinda Lyles v Aqua
F-2012-2330753	Scott v PGW
I-840377	Pennsylvania Gas and Water Company
I-00050109	PAWC High Fluoride Incident
I-00072313	WP Water & Sewer Co.
I-2009-2109324	Clean Treatment Sewer Company
I-2016-2526085	Delaware Sewer Company
P-2008-2075142	Pennsylvania-American Water Company
P-2014-2404341	Delaware Sewer Company
P-2017-2584953	Aqua Pennsylvania, Inc.
P-2017-2594725	Newtown Artesian Water Company
P-2017-2585707	Pennsylvania-American Water Company
P-2017-2589724	Suez Water Pennsylvania, Inc.
P-2020-3020914	Twin Lakes Utilities, Inc.
R-00850174	Philadelphia Suburban Water Company
R-00932785	Meadows Water Company
R-00963708 (Sewer)	Wynnewood Water & Sewer Corporation
R-00963709 (Water)	Wynnewood Water & Sewer Corporation
R-00984257	Consumers Pa. Water Company
R-00984334	National Utilities, Inc.
R-00984375	City of Bethlehem
R-00994672	Superior Water Company
R-00005031	Penn Estates Utilities, Inc.
R-00005050	Emporium Water Company
R-00005212 (Sewer)	Pennsylvania-American Water Company
R-00005997	Jackson Sewer Corporation
R-00027982 (Sewer)	Pennsylvania-American Water Company
R-00049862	City of Lancaster – Sewer Fund
R-00050607	Glendale Yearound Sewer Co.
R-00050659	Wonderview Water Co.
R-00050673	Pocono Water Co.
R-00050678	Mesco, Inc.

PENNSYLVANIA PUBLIC UTILITY COMMISSION (Continued)

<u>Docket Number</u>	<u>Company Name</u>
R-00050814	Marietta Gravity Water Co.
R-00051030	Aqua Pennsylvania, Inc.
R-00051167	City of Lancaster – Water Fund
R-00061297	Emporium Water Co.
R-00061492	Reynolds Disposal Co.
R-00061496	Columbia Water Co.
R-00061617	Allied Utilities Services
R-00061618	Imperial Point Water Co.
R-00061625	Phoenixville Sewer Fund
R-00061645	Eaton Water Co.
R-00062017	Borough of Ambler Water Department
R-00072074 (Sewer)	Aqua PA, Little Washington Division
R-00072075 (Sewer)	Aqua PA, Chesterdale/Williamstown Division
R-00072351	Village Water Company
R-00072491	Clarendon Water Company
R-00072492	City of Bethlehem, Bureau of Water
R-00072493 (Water)	Total Environmental Solutions, Inc., Treasure Lake
R-00072711	Aqua PA
R-2008-2020729	Blue Knob Water Company
R-2008-2020873	Warwick Drainage Company
R-2008-2020885	Warwick Water Works, Inc.
R-2008-2032689	PAWC Coatesville Wastewater Operations
R-2008-2039261	Superior Water Company
R-2008-2045157	Columbia Water Company
R-2008-2047291	Rock Spring Water Company
R-2008-2079310	AQUA, PA
R-2008-2081738	Little Washington Wastewater Company
R-09-2097323	Pennsylvania-American Water Company
R-2009-2102464	Reynoldsville Water Company
R-2009-2103937	PA Utility Company, Inc (Water)
R-2009-2103980	PA Utility Company, Inc (Sewer)
R-2009-2105601	Fryburg Water Company
R-2009-2110093	Birch Acres Water Company
R-2009-2115743	Lake Spangerberg Water Company
R-2009-2116908	Hanover Borough Water
R-2009-2117289	Utilities Inc, Westgate (Water)
R-2009-2117532	Penn Estates Utilities Inc (Water)
R-2009-2117750	Newtown Artesian Water Company
R-2009-2121928	Clean Treatment Sewage Company
R-2009-2122887	United Water Pennsylvania, Inc
R-2009-2132019	AQUA, PA
R-2010-2157062	Tri-Valley Water Supply Company, Inc
R-2010-2166208	Pennsylvania American Water Company (Wastewater)
R-2010-2171339	Reynolds Disposal Company
R-2010-2171918	TESI, Treasure Lake, Water Division
R-2010-2171924	TESI, Treasure Lake, Sewer Division
R-2010-2174643	City of Lock Haven
R-2010-2179103	City of Lancaster Water Department
R-2010-2191376	Superior Water Company
R-2010-2194499	Dear Haven Water Company
R-2010-2194577	Dear Haven Sewer Company

PENNSYLVANIA PUBLIC UTILITY COMMISSION (Continued)

<u>Docket Number</u>	<u>Company Name</u>
R-2010-2207833	Little Washington Waste Water, Masthope Division
R-2010-2207853	Little Washington Waste Water, SE Consolidated Division
R-2011-2218562	CMV Sewage Company, Inc.
R-2011-2232243	Pennsylvania-American Water Company
R-2011-2232985	United Water Company
R-2011-2244756	City of Bethlehem- Bureau of Water
R-2011-2246415	Twin Lakes Utilities, Inc.
R-2011-2248531	Wonderview Sanitary Facilities
R-2011-2248937	Fairview Sanitation Company
R-2011-2251181	Borough of Quakertown, Water
R-2011-2255159	Penn Estates Utility Inc - Water
R-2012-2286118	Audubon Water Company
R-2012-2330887	North Heidelberg Sewer Company
R-2012-2310366	City of Lancaster Sewer Fund
R-2012-2311725	Borough of Hanover - Sewer
R-2012-2315536	Imperial Point Water Company
R-2012-2336662	Rock Springs Water Company
R-2013-2350509	City of DuBois, Bureau of Water
R-2013-2355276	Pennsylvania-American Water Company
R-2013-2360798	Columbia Water Company
R-2013-2370455	Penn Estates Utilities, Inc. - Sewer Division
R-2013-2367108	Fryburg Water Company
R-2013-2367125	Cooperstown Water Company
R-2013-2390244	City of Bethlehem – Bureau of Water
R-2014-2400003	Borough of Ambler – Water Department
R-2014-2420204	Pocono Waterworks Company, Inc. (Water)
R-2014-2420211	Pocono Waterworks Company, Inc. (Sewer)
R-2014-2402324	Emporium Water Company
R-2014-2430945	Plumer Water Company
R-2014-2428304	Borough of Hanover Water Department
R-2014-2410003	City of Lancaster-Bureau of Water
R-2014-2427035	Venango Water Company
R-2014-2427189	B E Rhodes Sewer Company
R-2014-2447138	Hidden Valley Utilities Services - Water
R-2014-2447169	Hidden Valley Utilities Services – Sewer
R-2014-2452705	Delaware Sewer Company
R-2015-2462723	United Water Pennsylvania
R-2015-2470184	Borough of Schuylkill Haven Water Department
R-2015-2479962	Corner Water Supply
R-2015-2506337	Twin Lakes Utilities, Inc.
R-2016-2538600	Community Utilities of Pennsylvania, Inc.
R-2016-2554150	City of DuBois – Bureau of Water
R-2017-2595853	Pennsylvania-American Water Company
R-2017-2598203	Columbia Water Company
R-2017-2631441	Reynolds Water Company
R-2018-3000022	York Water Company
R-2018-3000834	Suez Water Company
R-2018-3002645 (Water)	Pittsburgh Water & Sewer Authority
R-2018-3002645 (Sewer)	Pittsburgh Water & Sewer Authority
R-2018-3001306 (Water)	Hidden Valley Utility Services
R-2018-3001307 (Sewer)	Hidden Valley Utility Services

PENNSYLVANIA PUBLIC UTILITY COMMISSION (Continued)

<u>Docket Number</u>	<u>Company Name</u>
R-2019-3008947 (Water)	Community Utilities of PA
R-2019-3008948 (Sewer)	Community Utilities of PA
R-2019-3010955	City of Lancaster Sewer Fund
R-2019-3010958	Twin Lakes Utilities, Inc.
R-2020-3017951	Pittsburgh Water and Sewer Authority
R-2020-3017970	Pittsburgh Water and Sewer Authority
R-2020-3019369	Pennsylvania-American Water Company
R-2020-3020256	City of Bethlehem
R-2020-3020917	Audubon Water Company
R-2020-3026116	Hanover Borough Water Department
R-2021-3024773	Pittsburgh Water and Sewer Authority (W)
R-2020-3024774	Pittsburgh Water and Sewer Authority (WW)
R-2020-3024779	Pittsburgh Water and Sewer Authority (SW)
R-2021-3025206	Community Utilities of Pennsylvania, Inc. (W)
R-2021-3025207	Community Utilities of Pennsylvania, Inc. (WW)
R-2021-3026682	City of Lancaster Water Department
R-2021-3027385	Aqua Water Company (W) (WW)
R-2022-3031672&73	PAWC (W) (WW)
R-2022-3031340	York Water Company (W) (WW)
R-2022-3031734	Borough of Ambler (W)

Exhibit EAL-1

Westgate

DATE: 2021

Pumpage from 1st to 31st Operator Read

Date	Subdivision	Operator Read							Unaccounted	Percent
			Breaks/Leaks	Flushing	Softeners	Adjustments	Sold/Active	Water Sold	For Water	Unaccounted
Jan	WESTGATE	4,894,730	100,000	250,000				3,400,004	1,144,726	23.39%
Feb	WESTGATE	4,358,870		175,000				3,698,002	485,868	11.15%
Mar	WESTGATE	4,588,300		150,000				3,766,004	672,296	14.65%
Apr	WESTGATE	4,392,570		240,236				3,672,003	480,331	10.94%
May	WESTGATE	5,477,840		150,000				5,164,005	163,835	2.99%
Jun	WESTGATE	5,100,090		150,000				4,192,000	758,090	14.85%
July	WESTGATE	5,200,270		150,000				3,996,000	1,054,270	20.27%
Aug	WESTGATE	5,089,610		150,000				4,543,000	396,610	7.79%
Sept	WESTGATE	4,486,560		30,000		50,000		4,038,000	368,560	8.21%
Oct	WESTGATE	4,460,190		60,000				3,309,000	1,091,190	24.47%
Nov	WESTGATE	4,207,060		35,000				3,494,000	688,060	16.35%
Dec	WESTGATE	4,485,740	75,000	20,000				3,866,000	524,740	11.70%
		56,741,830	175,000	1,560,236		50,000		47,126,018	7,828,576	13.80%

DATE: 2022

REGIO Mid-Atlantic

Pumpage from 1st to 31st Operator Read

Date	Subdivision	Operator Read							Unaccounted	Percent
			Breaks/Leaks	Flushing	Softeners	Adjustments	Sold/Active	Water Sold	For Water	Unaccounted
Jan	WESTGATE	4,493,700		35,000				3,634,000	824,700	18.35%
Feb	WESTGATE	3,826,480		35,000				3,148,000	643,480	16.82%
Mar	WESTGATE	4,198,200		55,000				3,550,000	593,200	14.13%
Apr	WESTGATE	4,360,260		130,000				3,558,000	672,260	15.42%
May	WESTGATE	4,624,930		35,000				4,223,000	366,930	7.93%
Jun	WESTGATE	4,735,000		60,000				4,115,000	560,000	11.83%
July	WESTGATE	5,809,020		300,000				4,742,000	767,020	13.20%
Aug	WESTGATE	5,755,350	20,000	60,000				5,318,000	367,350	6.37%
Sept	WESTGATE	4,513,810		35,000				3,227,000	1,251,810	27.73%
Oct	WESTGATE	4,161,760		25,000				3,843,000	293,760	7.06%
Nov	WESTGATE	3,986,500		4,000				3,654,000	328,500	8.24%
Dec	WESTGATE	4,223,150		4,000				3,686,000	533,150	12.62%
		54,698,160	20,000	778,000				46,698,000	7,202,160	13.17%

DATE: 2023

REGIO Mid-Atlantic

Pumpage from 1st to 31st Operator Read

Date	Subdivision	Operator Read					Unaccounted	Percent	
			Breaks/Leaks	Flushing	Adjustments	Water Sold	For Water	Unaccounted	
Jan	WESTGATE	4,093,740		4,000			3,307,000	782,740	19.12%
Feb	WESTGATE	3,559,850		4,000			3,272,000	283,850	7.97%
Mar	WESTGATE	3,975,570	30,000	7,000			3,379,000	559,570	14.08%
Apr	WESTGATE	4,255,900		37,100			3,468,000	750,800	17.64%
May	WESTGATE	5,249,080		1,000			5,011,000	237,080	4.52%
Jun	WESTGATE	5,253,030		1,000			4,246,000	1,006,030	19.15%
July	WESTGATE	5,370,650	1,509,240	1,000			4,092,000	-231,590	-4.31%
Aug	WESTGATE								
Sept	WESTGATE								
Oct	WESTGATE								
Nov	WESTGATE								
Dec	WESTGATE								
		31,757,820	1,539,240	55,100			26,775,000	3,388,480	10.67%

Penn Estates

DATE: 2021

REGIC Mid-Atlantic

Date	Subdivision	WATER USED OR LOST									
		Water Produced	WWTP	Main Breaks/Leaks	Flushing	Filters/Softeners	CL17	Sewer Cleaning	Total Water Sold	Unaccounted For Water	Percent Unaccounted
Jan	PENN ESTATES	10,253,472	60,573	1,181,500	50,000			113,008	7,591,330	1,257,061	12.26%
Feb	PENN ESTATES	8,378,483	29,963	590,750				110,000	6,853,146	794,624	9.48%
Mar	PENN ESTATES	8,989,353	35,370	506,000	5,000			80,525	5,999,326	2,363,132	26.29%
Apr	PENN ESTATES	8,894,063	174,281	92,000				77,323	6,782,646	1,767,813	19.88%
May	PENN ESTATES	9,453,021	62,353	125,256	60,000			77,000	6,398,027	2,730,385	28.88%
Jun	PENN ESTATES	9,276,130	44,860	60,000	50,000			73,168	7,633,546	1,414,556	15.25%
July	PENN ESTATES	9,876,870	67,515	222,000	78,194			67,053	7,024,048	2,418,060	24.48%
Aug	PENN ESTATES	10,486,759	112,774	200,000	550,000			70,000	7,577,360	1,976,625	18.85%
Sept	PENN ESTATES	9,612,258	59,074	523,840				54,796	6,828,330	2,146,218	22.33%
Oct	PENN ESTATES	9,216,168	79,782					51,342	6,783,590	2,301,454	24.97%
Nov	PENN ESTATES	8,431,076	59,681	1,800,500				42,984	6,212,658	315,253	3.74%
Dec	PENN ESTATES	7,769,403	36,967	50,000				48,897	5,675,267	1,958,272	25.20%
TOTAL		110,637,056	823,193	5,351,846	.793,194			866,096	81,359,274	21,443,453	19.38%

DATE: 2022

REGIC Mid-Atlantic

Date	Subdivision	WATER USED OR LOST									
		Water Produced	WWTP	Main Breaks/Leaks	Flushing	Sampling	CL17	Sewer cleaning/Misc	Total Water Sold	Unaccounted For Water	Percent Unaccounted
Jan	PENN ESTATES	8,697,034	40,045	850,000				41,958	7,751,534	13,497	0.16%
Feb	PENN ESTATES	8,444,172	42,167	58,000	2,000	3,077	41,634		6,910,574	1,386,720	16.42%
Mar	PENN ESTATES	9,000,972	39,946	20,000	62,000		49,914		5,690,445	3,138,667	34.87%
Apr	PENN ESTATES	9,013,897	62,402	1,338,197	20,000		54,003	75,596	6,182,143	1,281,556	14.22%
May	PENN ESTATES	8,383,955	39,129	354,168			51,836	2,502	5,948,872	1,987,448	23.71%
Jun	PENN ESTATES	8,048,734	120,954	70,000			51,534		6,389,578	1,416,668	17.60%
July	PENN ESTATES	9,139,574	24,033				52,619		7,126,187	1,936,735	21.19%
Aug	PENN ESTATES	9,621,937	13,585	45,000	500,000		47,289		7,189,520	1,826,543	18.98%
Sept	PENN ESTATES	8,620,872	13,068	74,500	5,000	11,301	52,000		6,716,727	1,748,276	20.28%
Oct	PENN ESTATES	9,503,625	44,747	50,000	15,000		52,657		5,425,361	3,915,860	41.20%
Nov	PENN ESTATES	9,796,875	22,674	80,000	5,000		62,366		5,874,552	3,746,283	38.26%
Dec	PENN ESTATES	10,800,460	74,874	105,000	11,000		65,227		5,637,623	4,006,736	45.43%
TOTAL		109,066,107	537,624	3,044,865	620,000	14,378	623,037	78,098	76,843,116	27,304,989	25.04%

DATE 2023

REGIC Mid-Atlantic

Date	Subdivision	WATER USED OR LOST									
		Water Produced	WWTP	Main Breaks/Leaks	Flushing	Sampling	CL17	Sewer Cleaning/Misc	Total Water Sold	Unaccounted For Water	Percent Unaccounted
Jan	PENN ESTATES	10,955,961	17,236	1,200,000	5,000		59,079		6,265,262	3,409,384	31.12%
Feb	PENN ESTATES	8,650,385	22,137	800,000	15,000	792	53,000		6,078,637	1,680,819	19.43%
Mar	PENN ESTATES	8,456,106	48,623		10,000	1,150	46,733		5,249,484	3,100,116	36.66%
Apr	PENN ESTATES	8,591,875	24,243	200,000	180,081		59,001		6,150,309	1,978,241	23.02%
May	PENN ESTATES	9,367,352	21,585	50,000	5,000	1,930	52,289	58,018	5,698,203	3,480,327	37.15%
Jun	PENN ESTATES	9,466,579	5,012	600,000	60,000		52,915		7,838,639	910,013	9.61%
July	PENN ESTATES	10,497,580	33,643	50,000	20,000	150	74,488		5,671,016	4,648,283	44.28%
Aug	PENN ESTATES										
Sept	PENN ESTATES										
Oct	PENN ESTATES										
Nov	PENN ESTATES										
Dec	PENN ESTATES										
TOTAL		65,985,838	172,479	2,900,000	295,081	4,022	397,505	58,018	42,951,550	19,207,183	29.11%

Tamiment

DATE: 2021

REGIO: Mid-Atlantic

Date	Subdivision	Water Produced	WATER USED OR LOST					Total Water Sold	Unaccounted For Water	Percent Unaccounted
			WWTP	Main Breaks/Leaks	Flushing	Filters/ Softeners	Adjustments			
Mar	Tamiment	11,804,400	8,341	400,100	97,000			4,540,183	6,758,776	57.26%
June	Tamiment	11,081,000	12,829	143,800	46,300			4,371,800	6,506,271	58.72%
Sept	Tamiment	11,338,000	20,138	355,000	96,000			4,809,500	6,057,362	53.43%
Dec	Tamiment	8,797,613	4,574	25,000	13,500		3,000	3,994,039	4,757,500	54.08%
TOTAL		43,021,013	45,882	923,900	252,800	0	3,000	17,715,522	24,079,909	55.97%

	Pumped	WWTP	Leaks	Flushing	Adjustments
Jan	3,906,400	4,588	150,000		
Feb	3,715,000	1,467			
Mar	4,183,000	2,286	250,100	97,000	
Apr	3,622,000	1,817	143,800	3,300	
May	3,667,000	6,393			
Jun	3,792,000	4,619		43,000	
Jul	3,907,000	3,320		36,000	
Aug	3,797,000	2,589	5,000	25,000	
Sept	3,634,000	14,229	350,000	35,000	
Oct	3,023,000	1,640	25,000	2,500	
Nov	2,971,627	1,540		6,000	
Dec	2,802,986	1,394		5,000	3,000
Total	43,021,013	45,882	923,900	252,800	3,000

DATE: 2022

REGIO: Mid-Atlantic

Date	Subdivision	Water Produced	WATER USED OR LOST					Total Water Sold	Unaccounted For Water	Percent Unaccounted
			WWTP	Main Breaks/Leaks	Flushing	Filters/ Softeners	Adjustments			
Mar	Tamiment	8,982,330	3,901	83,000	31,500			4,177,900	4,686,029	52.17%
Apr	Tamiment	2,951,963	2,165		79,020			1,433,500	1,437,278	48.69%
May	Tamiment	2,740,607	1,479					1,377,000	1,362,128	49.70%
June	Tamiment	3,116,643	910		42,830			1,572,200	1,500,703	48.15%
July	Tamiment	3,528,240	2,205	154,500	14,500			1,406,200	1,950,835	55.29%
Aug	Tamiment	3,134,587	4,465	183,800	25,000			1,701,100	1,220,222	38.93%
Sept	Tamiment	3,286,576	1,737	1,103,000	25,220			1,519,100	637,519	19.40%
Oct	Tamiment	1,736,716	4,154		1,038			1,173,800	557,724	32.11%
Nov	Tamiment	1,594,351	1,667					1,204,100	388,384	24.36%
Dec	Tamiment	2,083,496	1,418	7,500				1,164,800	909,778	43.67%
TOTAL		33,155,509	24,301	1,531,800	219,108	0	0	16,729,700	14,650,600	44.19%

	Pumped	WWTP	Leaks	Flushing
Jan	3,783,389	1,378	35,000	2,500
Feb	2,474,823	813		
Mar	2,724,116	1,710	48,000	29,000
Apr				
May				
Jun				

DATE: 2023

REGIO Mid-Atlantic

Date	Subdivision	Water Produced	WATER USED OR LOST					Total Water Sold	Unaccounted For Water	Percent Unaccounted
			WWTP	Main Breaks/Leaks	Flushing	CL17s	Adjustments			
Jan	Tamiment	2,420,935	1,477					1,631,500	787,958	32.55%
Feb	Tamiment	2,189,478	2,693			2,000		1,580,800	603,985	27.59%
Mar	Tamiment	1,920,132	1,347				3,000	1,403,700	512,085	26.67%
Apr	Tamiment	2,016,155	2,872		48,072	21,600		1,380,200	563,411	27.94%
May	Tamiment	1,924,326	1,974	30,000	57,800	15,000		1,119,200	700,352	36.39%
June	Tamiment	1,944,251	1,867	22,500	141,300	21,600		1,826,800	-69,816	-3.59%
July	Tamiment	2,205,745	1,188	67,381		22,320		1,499,500	615,356	27.90%
Aug	Tamiment									
Sept	Tamiment									
Oct	Tamiment								0	0.00%
Nov	Tamiment								0	0.00%
Dec	Tamiment								0	0.00%
	TOTAL	14,621,022	13,418	119,881	249,172	80,520	3,000	10,441,700	3,713,331	25.40%

Community Utilities of Pennsylvania Inc.
(Company Name)

For the Year Ended December 31, 2022

500. WATER DELIVERED INTO SYSTEM DURING YEAR

Every estimated value shall be supported by such detailed information as will permit a ready identification, analysis, & verification of all relevant facts. The Company shall be prepared to furnish to the Commission this detailed information.

Line No.	Description (a)	(Gallons) (b)	(gpd) (c)
1	Water Delivered for Distribution & Sale:		
2	Water Obtained from Company Sources	142,221,616	389,648
3	Water Obtained from Other Independent Utilities	54,397,150	149,033
4	Total Water Delivered	196,618,766	538,682
5	Metered Sales:		
6	Residential	138,214,347	378,669
7	Commercial	2,056,469	5,634
8	Industrial		
9	Public		
10	Other Water Utilities		
11	Private Fire Protection		
12	Public Fire Protection		
13	Other Metered Sales Identify _____		
14	Total Metered Sales	140,270,816	384,304
15	Unmetered Sales:	NONE	NONE
16	Residential		
17	Commercial		
18	Industrial		
19	Private Fire Protection		
20	Public Fire Protection		
21	Other Unmetered Sales Identify _____		
21	Total Unmetered Sales	-	-
22	Total Sales	140,270,816	384,304
23	Non-Revenue Usage Allowances:		
24	Authorized Unmetered Usage:		
25	Main Flushing	1,617,108	4,430
26	Blow-off Use	0	0
27	Others: Identify _____	715,513	1,960
28	Unauthorized Use	0	0
29	Unavoidable Leakage _____ gpd/mile of main	0	0
30	Adjustments:	0	0
31	Located & Repaired Breaks in Mains & Services	4,596,665	12,594
32	Others Identify _PEUI WWTP _____	561,925	1,540
33	Total Allowances & Adjustments	7,491,211	20,524
34	Unaccounted-for-Water	48,856,739	
35	Percentage Unaccounted-for-Water	24.8%	

Community Utilities of Pennsylvania, Inc.
Response to 53.53 Exhibit D IX-2
Hydrant PSI - Westgate
Water Operations

2013

Hydrant Number	Address	PSI
56	2755 Whitewood Road	56
23	1424 Westgate Road	58
42	1030 Bridle Path	70
18	818 Blair Road	72
14	364 Kevin Drive	71

2014

Hydrant Number	Address	PSI
21	1425 Statten Avenue	58
55	1225 Stonewood Drive	58
41	2655 Woodside Road	68
46	855 Yorkshire Road	74
9	609 Blair Road	71
15	414 Kevin Drive	72

2015

Hydrant Number	Address	PSI
7	1029 Blair Road	70
36	430 Bridle Path Woods	80

2016

Hydrant Number	Address	PSI
56	2755 Whitewood Drive	52
Unknown	2400 Statten Road	56
8	939 Blair Road	72
14	364 Kevin Drive	72
39	980 Bridle Path	80
	56 TOA	75

Community Utilities of Pennsylvania, Inc.
Response to 53.53 Exhibit D IX-2
Hydrant PSI - Westgate
Water Operations

2019		
Hydrant Number	Address	PSI
30	234 Wedgewood Road	75

2021		
Hydrant Number	Address	PSI
13	End of Kevin Drive	80
12	396 Timothy Drive	78
14	364 Kevin Drive	70
9	609 Kevin Drive	82
10	Across from 527 Timothy Drive	92
11	446 Timothy Drive	90
16	464 Kevin Drive	80
15	414 Kevin Drive	
17	524 Kevin Drive	84
7	1029 Blair Road	78
18	818 Kenwick Circle	78
8	939 Blair Road	74
20	718 Kenwick Circle	86
19	3071 Kenwick Circle	76
60	975 Wedgewood Road	80
22	801 Wedgewood Road	75
31	556 Angelo Drive	73
24	Wedgewood Road at Macada Road	84
59	440 Wedgewood Road	78
27	102 Wedgewood Road	76
47	701 Yorkshire Road	66
28	162 Wedgewood Road	80
46	855 Yorkshire Road	70
30	234 Wedgewood Road	84
29	122 Cross Creek Court	84
32	483 Sugar Maple Court	84
33	440 Sugar Maple Court	86
36	Across from 440 Bridle Path Road	80
34	2825 Cross Creek Road	82
38	Across from 560 Bridle Path Road	88
63	Across from 1029 Declaration Drive	78
64	Across from 1009 Declaration Drive	80
65	2612 Pioneer Road	78
66	1015 Honor Drive	78
67	2631 Centennial Drive	76
75	Across from 2615 Union Court	76
68	2610 Centennial Drive	74
69	1016 Resolution Drive	76
70	1034 Resolution Drive	72
73	2621 Ambassador Drive	76
76	2610 Victory Way	76
71	1052 Resolution Drive	66
72	Across from 1132 Resolution Drive	76
74	2634 Ambassador Drive	72
42	1030 Bridle Path Road	78
39	980 Bridle Path Road	78
37	2775 Saddlebrook Lane	78
21	1403 Statten Avenue	76
2	2465 Jacksonville Road	74
55	1225 Stonewood Drive	78
44	1020 Sunset View Drive	80
45	1115 Yorkshire Road	80
5	1175 Macada Road	60
41	2655 Woodside Road	76
40	Westgate Drive at Jacksonville Road	70
43	2480 Rosewood Drive	64
23	1424 Westgate Drive	74
58	1452 Roselawn Drive	78
57	2701 Winston Road	82
56	2755 Whitewood Drive	64
25	395 Macada Road	86
26	274 Hidden Hill Drive	86
3	2465 Jacksonville Road	74
4	2700 Jacksonville Road	
48	Blair Road at Clara Drive	72
49	Across from 1199 Blair Road	70
51	1255 Ciara Drive	72
52	1360 Ciara Drive	62
50	1285 Tyler Way	72
54	Across from 1565 Ciara Drive	76
53	1460 Ciara Drive	70
77	1204 Alyssa Place	69
6	Jacksonville Road	70
78	Behind 2710 Schoenersville Road	72

2022		
Hydrant Number	Address	PSI
13	End of Kevin Drive	
12	396 Timothy Drive	
14	364 Kevin Drive	
9	609 Kevin Drive	
10	Across from 527 Timothy Drive	
11	446 Timothy Drive	
16	464 Kevin Drive	
15	414 Kevin Drive	
17	524 Kevin Drive	
7	1029 Blair Road	
18	818 Kenwick Circle	
8	939 Blair Road	
20	718 Kenwick Circle	
19	3071 Kenwick Circle	
60	975 Wedgewood Road	
22	801 Wedgewood Road	
31	556 Angelo Drive	
24	Wedgewood Road at Macada Road	
59	440 Wedgewood Road	
27	102 Wedgewood Road	
47	701 Yorkshire Road	
28	162 Wedgewood Road	
46	855 Yorkshire Road	
30	234 Wedgewood Road	84
29	122 Cross Creek Court	
32	483 Sugar Maple Court	
33	440 Sugar Maple Court	
36	Across from 440 Bridle Path Road	
34	2825 Cross Creek Road	
38	Across from 560 Bridle Path Road	
63	Across from 1029 Declaration Drive	
64	Across from 1009 Declaration Drive	
65	2612 Pioneer Road	
66	1015 Honor Drive	
67	2631 Centennial Drive	
75	Across from 2615 Union Court	
68	2610 Centennial Drive	
69	1016 Resolution Drive	
70	1034 Resolution Drive	
73	2621 Ambassador Drive	
76	2610 Victory Way	
71	1052 Resolution Drive	
72	Across from 1132 Resolution Drive	
74	2634 Ambassador Drive	
42	1030 Bridle Path Road	
39	980 Bridle Path Road	
37	2775 Saddlebrook Lane	
21	1403 Statten Avenue	
2	2465 Jacksonville Road	
55	1225 Stonewood Drive	
44	1020 Sunset View Drive	
45	1115 Yorkshire Road	
5	1175 Macada Road	
41	2655 Woodside Road	
40	Westgate Drive at Jacksonville Road	
43	2480 Rosewood Drive	
23	1424 Westgate Drive	
58	1452 Roselawn Drive	
57	2701 Winston Road	
56	2755 Whitewood Drive	
25	395 Macada Road	
26	274 Hidden Hill Drive	
3	2465 Jacksonville Road	
4	2700 Jacksonville Road	
48	Blair Road at Clara Drive	
49	Across from 1199 Blair Road	
51	1255 Ciara Drive	
52	1360 Ciara Drive	
50	1285 Tyler Way	
54	Across from 1565 Ciara Drive	
53	1460 Ciara Drive	
77	1204 Alyssa Place	
6	Jacksonville Road	
78	Behind 2710 Schoenersville Road	
1	2361 Jacksonville Road	70
61	2330 Schoenersville Road	74

2023		
Hydrant Number	Address	PSI
13	End of Kevin Drive	
12	396 Timothy Drive	
14	364 Kevin Drive	
9	609 Kevin Drive	
10	Across from 527 Timothy Drive	
11	446 Timothy Drive	
16	464 Kevin Drive	
15	414 Kevin Drive	
17	524 Kevin Drive	
7	1029 Blair Road	
18	818 Kenwick Circle	
8	939 Blair Road	
20	718 Kenwick Circle	
19	3071 Kenwick Circle	
60	975 Wedgewood Road	
22	801 Wedgewood Road	
31	556 Angelo Drive	
24	Wedgewood Road at Macada Road	
59	440 Wedgewood Road	
27	102 Wedgewood Road	72
47	701 Yorkshire Road	
28	162 Wedgewood Road	86
46	855 Yorkshire Road	
30	234 Wedgewood Road	
29	122 Cross Creek Court	90
32	483 Sugar Maple Court	88
33	440 Sugar Maple Court	
36	Across from 440 Bridle Path Road	84
34	2825 Cross Creek Road	80
38	Across from 560 Bridle Path Road	82
63	Across from 1029 Declaration Drive	78
64	Across from 1009 Declaration Drive	86
65	2612 Pioneer Road	78
66	1015 Honor Drive	80
67	2631 Centennial Drive	78
75	Across from 2615 Union Court	82
68	2610 Centennial Drive	84
69	1016 Resolution Drive	72
70	1034 Resolution Drive	74
73	2621 Ambassador Drive	80
76	2610 Victory Way	76
71	1052 Resolution Drive	64
72	Across from 1132 Resolution Drive	76
74	2634 Ambassador Drive	72
42	1030 Bridle Path Road	86
39	980 Bridle Path Road	78
37	2775 Saddlebrook Lane	
21	1403 Statten Avenue	
2	2465 Jacksonville Road	
55	1225 Stonewood Drive	
44	1020 Sunset View Drive	
45	1115 Yorkshire Road	
5	1175 Macada Road	
41	2655 Woodside Road	
40	Westgate Drive at Jacksonville Road	
43	2480 Rosewood Drive	
23	1424 Westgate Drive	
58	1452 Roselawn Drive	
57	2701 Winston Road	
56	2755 Whitewood Drive	
25	395 Macada Road	
26	274 Hidden Hill Drive	
3	2465 Jacksonville Road	
4	2700 Jacksonville Road	
48	Blair Road at Clara Drive	
49	Across from 1199 Blair Road	
51	1255 Ciara Drive	
52	1360 Ciara Drive	
50	1285 Tyler Way	
54	Across from 1565 Ciara Drive	
53	1460 Ciara Drive	
77	1204 Alyssa Place	
6	Jacksonville Road	
78	Behind 2710 Schoenersville Road	
61	2330 Schoenersville Road	
83	2725 Woodside Road	
79	Corner of Rosewood Road and Westgate Drive	
995	Macada Road	
80	795 Macada Road	
81	500 Macada Road	
82	2880 Jacksonville Road	

Community Utilities of Pennsylvania, Inc.
Response to 53.53 Exhibit D IX-2
Hydrant PSI - Penn Estates
Water Operations

2013		
Hydrant Number	Address	PSI
74	334 Hyland Dr	61
178	1147 Belaire Dr	63
119	1252 Kensington Dr	51
116	319 Juniper Ct	58
113	8230 Woodchuck Ct	32
159	1428 Melrose Terr	59
103	139 Sandlewood Dr	66
94	101 Bayberry Ct	64
82	2055 Candlewood Dr	88
128	140 Clover Lane	86

2014		
Hydrant Number	Address	PSI
unknown	161 Hyland Dr	73
31	304 Penn Estates Dr	100
161	315 Hyland Dr	56
145	354 Clicko Lane	80
173	3242 Stonehedge Dr	75
unknown	570 Hallet Rd	136
125	354 Overlook Dr	139
23	314 Greenbriar Dr	115
48	110 Pasquin Dr	126
17	156 Locust Dr	95
19	126 Locust Dr	89
15	1247 Hunters Woods Dr	76
13	1124 Hunters Woods Dr	72

2015		
Hydrant Number	Address	PSI
138	104 Hyland Dr	74
200	118 Hyland Dr	64
87	4269 Woodacres Dr	69
177	4235 Woodacres Dr	69
113	8230 Woodchuck Ct	22
184	139 Summertown Cr	19
145	355 Clicko Ln	10
133	336 Clicko Ln	16
142	412 Deborah Dr	19
137	6250 Blue Beech Dr	44

2016		
Hydrant Number	Address	PSI
194	6119 Brentwood Ter	63
182	1124 Belaire Dr	68
62	431 Hyland Dr	71
118	1271 Kensington Dr	52
110	1223 Brentwood Dr	56
106	1301 Brentwood Dr	58
91	2095 Candlewood Dr	72
95	128 Bayberry Ct	69
42	215 Garden Ter	77
59	6247 Willowick Ter	98
56	265 Spicebush Dr	109
50	312 Ash Ter	112

2019		
Hydrant Number	Address	PSI
17	End of Locust	90
183	106 Reston	90
201	4257 Wood Acres	63
107	1266 Sandlewood	64
32	5303 Delia	65
81	Landsdale Drive	66
197	end of Fairfax	67
181	Stonehenge	68
145	end of Clicko	69
114	woodchuck	70

2020		
Hydrant Number	Address	PSI
142	425 Deborah Drive	
141	448 Deborah Drive	
49	314 Spicebush Drive	
186	1307 Dellwood Court	52
198	447 Lakeside Drive	
197	3117 Fairfax Terrace	
159	1428 Melrose Terrace	48
145	354 Clicko Lane	10
35	Julian Terrace at Noble Lane	76
17	164 Locust Drive	84
185	215 Summertown Circle	22
184	137 Summertown Circle	23
143	406 Deborah Drive	20
113	8230 Woodchuck Court	22
133	344 Clicko Lane	12
64	482 Hyland Drive	42
107	Across from 1265 Brentwood Drive	44
156	1306 Burnside Terrace	63
158	1418 Melrose Terrace	58
72	120 Starview Drive	42
163	208 Warren Court	32
151	7180 Glenwood Drive	42
137	6247 Blue Beech Drive	44
5	3321 Greenbriar Drive	74
10	1105 Hunters Wood Drive	72
19	126 Locust Drive	74
115	141 Runnymede Drive	38
18	150 Locust Drive	82
149	1910 Exeter Terrace	50
75	1411 Sunbright Terrace	42
27	8212 Pine Grove Terrace	66
162	7122 Glenwood Drive	40
146	304 Clicko Lane	44
147	7168 Glenwood Drive	38
175	6136 Wales Court	34
114	8208 Woodchuck Court	30
172	4136 Sycamore Lane	38
57	242 Spicebush Drive	94
55	167 Pasquin Drive	106
48	Across from 110 Pasquin Drive	102
42	215 Garden Terrace	88
40	221 Mercedes Court	86
6	123 Glade Terrace	72
9	118 Brewster Way	76
13	1125 Hunters Wood Drive	60
12	1147 Hunters Wood Drive	72
67	246 Julian Terrace	78
37	275 Julian Terrace	80
14	1171 Hunters Wood Drive	74
15	1125 Hunters Wood Drive	74
11	1191 Hunters Wood Drive	76

2021		
Hydrant Number	Address	PSI
17	End of Locust	92
183	106 Reston	88
201	4257 Wood Acres	38
32	5303 Delia	90
81	Landsdale Drive	138
197	end of Fairfax	94
181	Stonehenge	20
145	end of Clicko	5
114	woodchuck	28
143	Deborah	5
145	Clicko	5
187	Summertown	26
154	Sandlewood	84

2023		
Hydrant Number	Address	PSI
197	3117 Fairfax Terrace	106
195	4113 Ashwood Lane	80
196	Across from 235 Hyland Drive	96
126	192 Hyland Drive	80
89	138 Hyland Drive	68
200	118 Hyland Drive	68
176	7123 Oakland Terrace	70
138	Across from 291 Hyland Drive	82
194	6119 Berwood Terrace	66
86	5117 Sunbury Drive	80
190	Across from 259 Hyland Drive	82
31	Crickit Drive at Penn Estates Drive	102
3	104 Somerset Drive	100
47	2211 Marcel Court	98
34	3214 Foxdale Terrace	90
32	5303 Delia Terrace	98
16	5343 Delia Terrace	96
33	4216 Kenwood Terrace	88
26	1205 Brentwood Drive	92
161	314 Hyland Drive	70
182	1125 Belaire Drive	72
160	1905 Jennifer Drive	64
149	1910 Exeter Terrace	58
74	334 Hyland Drive	62
140	1321 Dellwood Court	70
75	1411 Sunbright Terrace	40
29	7132 Pine Grove Terrace	
27	8212 Pine Grove Terrace	70
62	445 Hyland Drive	62
61	2505 Norwood Drive	60
178	1147 Belaire Drive	66
66	1718 Winona Terrace	68
65	1607 Academy Drive	70
64	482 Hyland Drive	44
30	201 Somerset Drive	74
73	1316 Sterling Drive	76
22	105 Ledgewood Drive	60
108	126 Ledgewood Drive	54
25	1317 Brentwood Drive	60
106	1300 Brentwood Drive	50
109	1236 Brentwood Drive	60
107	Across from 1265 Brentwood Drive	40
105	277 Somerset Drive	
104	299 Somerset Drive	66
101	214 Leland Court	66
103	127 Sandlewood Drive	80
156	1306 Burnside Terrace	68
155	1320 Burnside Terrace	60
159	1428 Melrose Terrace	48
158	1418 Melrose Terrace	60
150	118 Mayfield Court	54

Community Utilities of Pennsylvania, Inc.
Response to 53.53 Exhibit D IX-2
Hydrant PSI - Penn Estates
Water Operations
Community Utilities of Pennsylvania, Inc.
Response to 53.53 Exhibit D IX-2
Hydrant PSI - Penn Estates
Water Operations

2020		
Hydrant Number	Address	PSI
20	108 Brewster Wsy	76
89	138 Hyland Drive	60
200	118 Hyland Drive	82
176	7123 Oakland Terrace	66
140	1321 Dellwood Court	58
29	7132 Pine Grove Terrace	78
66	1718 Winona Terrace	56
106	1300 Brentwood Drive	48
105	277 Somerset Drive	48
150	118 Mayfield Court	52
191	116 Grouse Court	71
187	200 Summertown Circle	48
189	318 Robinwood Terrace	51
181	3358 Stonehenge Drive	40
192	329 Robinwood Terrace	34
164	3330 Stonehenge Drive	40
204	4128 Rosewood Terrace	34
118	1271 Kensington Drive	53
77	Before 1164 Kensington Drive	66
39	140 Sundew Drive	
50	322 Ash Terrace	92
44	139 Pasquin Drive	109
28	1180 Woodland Drive	78
41	115 Diane Court	76
1	3269 Greenbriar Drive	88
36	218 Julian Terrace	79
126	192 Hyland Drive	76
194	6119 Bernwood Terrace	64
74	334 Hyland Drive	60
62	445 Hyland Drive	56
61	2505 Norwood Drive	54
73	1316 Sterling Drive	68
22	105 Ledgewood Drive	54
108	126 Ledgewood Drive	50
25	1317 Brentwood Drive	54
109	1236 Brentwood Drive	56
104	299 Somerset Drive	59
101	214 Leland Court	66
155	1320 Burnside Terrace	62
154	217 Sandlewood Drive	64
153	1109 Oak Field Terrace	64
87	4277 Woodacres Drive	70
201	4257 Woodacres Drive	62
139	476 Deborah Drive	52
203	4107 Rosewood Terrace	56
174	6116 Wales Court	46
116	318 Juniper Court	40
205	Across from 1312 Kensington Drive	58
117	Kensington Drive at Runnymede Drive	56
111	1229 Kensington Drive	58
100	137 Reston Drive	82
59	6245 Willowicke Terrace	100
53	316 Fernwood Drive	100
21	129 Sundew Court	80
38	3245 Greenbriar Drive	86
56	266 Spicebush Drive	108
60	215 Spicebush Drive	99
52	1156 Woodland Drive	81
8	1223 Woodland Drive	70
4	3291 Greenbriar Drive	84
58	3151 Greenbriar Drive	102
152	253 Sandlewood Drive	64
148	389 Hyland Drive	50
195	4113 Ashwood Lane	78
86	5117 Sunbury Drive	74
47	2211 Marcel Court	90
161	314 Hyland Drive	65
160	1905 Jennifer Drive	62
178	1147 Belaire Drive	67
65	1607 Academy Drive	68
177	4237 Woodacres Drive	68

2023		
Hydrant Number	Address	PSI
154	217 Sandlewood Drive	68
153	1109 Oak Field Terrace	62
72	120 Starview Drive	46
87	4277 Woodacres Drive	66
201	4257 Woodacres Drive	64
169	4217 Woodacres Drive	70
191	116 Grouse Court	64
177	4237 Woodacres Drive	68
187	200 Summertown Circle	50
185	215 Summertown Circle	26
184	137 Summertown Circle	24
189	318 Robinwood Terrace	52
181	3358 Stonehenge Drive	40
192	329 Robinwood Terrace	48
163	208 Warren Court	34
162	7122 Glenwood Drive	44
145	354 Clicko Lane	12
142	425 Deborah Drive	30
143	406 Deborah Drive	24
146	304 Clicko Lane	42
164	3330 Stonehenge Drive	42
165	Across from 5115 Lake Drive	60
166	Across from 5133 Lake Drive	64
147	7168 Glenwood Drive	42
151	7180 Glenwood Drive	42
141	448 Deborah Drive	60
139	476 Deborah Drive	64
167	5154 Lake Drive	74
168	Across from 519 Lakeside Drive	86
137	6247 Blue Beech Drive	46
180	3298 Stonehenge Drive	72
179	508 Lakeside Drive	74
193	420 Lakeside Drive	60
203	4107 Rosewood Terrace	60
204	4128 Rosewood Terrace	36
174	6116 Wales Court	46
175	6136 Wales Court	36
94	100 Bayberry Court	74
95	129 Bayberry Court	70
116	318 Juniper Court	44
113	8230 Woodchuck Court	22
114	8208 Woodchuck Court	32
205	Across from 1312 Kensington Drive	74
117	Kensington Drive at Runnymede Drive	48
120	1197 Kensington Drive	66
111	1229 Kensington Drive	64
112	110 Runnymede Drive	50
119	1247 Kensington Drive	60
118	1271 Kensington Drive	54
77	Before 1164 Kensington Drive	64
79	1130 Kensington Drive	74
78	1152 Kensington Drive	74
172	4136 Sycamore Lane	40
171	4117 Sycamore Lane	52
134	571 Lakeside Drive	96
135	2106 Sunset Terrace	88
133	640 Lakeside Drive	120
131	4105 Trillium Terrace	90
130	3420 Crestwood Drive	120
93	215 Overlook Drive	76
77	2326 Burntwood Drive	90
121	2306 Burntwood Drive	112
122	Overlook Drive at Candlewood Drive	130
92	237 Overlook Drive	88
91	2095 Candlewood Drive	82
83	3221 Woodchip Lane	84
84	Across from 1116 Summit Terrace	102
85	1139 Summit Terrace	100
81	2106 Lansdale Drive	130
127	123 Clover Lane	130
128	140 Clover Lane	120

Community Utilities of Pennsylvania, Inc.
Response to 53.53 Exhibit D IX-2
Hydrant PSI - Penn Estates
Water Operations
Community Utilities of Pennsylvania, Inc.
Response to 53.53 Exhibit D IX-2
Hydrant PSI - Penn Estates
Water Operations

2020		
165	Across from 5115 Lake Drive	58
166	Across from 5133 Lake Drive	60
167	5154 Lake Drive	72
179	508 Lakeside Drive	72
193	420 Lakeside Drive	57
94	100 Bayberry Court	84
95	129 Bayberry Court	68
112	110 Runnymede Drive	48
119	1247 Kensington Drive	54
79	1130 Kensington Drive	74
171	4117 Sycamore Lane	60
91	2095 Candlewood Drive	66
83	3221 Woodchip Lane	82
85	1139 Summit Terrace	96
51	477 Somerset Drive	134
88	155 Riverbend Terrace	78
54	Pasquin Drive at Spicebush Drive	112
43	205 Cedar Crest Court	93
7	6224 Willowicke Terrace	105
157	1402 Melrose Terrace	66
136	6215 Blue Beech Drive	62
199	459 Lakeside Drive	64
202	487 Lakeside Drive	64
196	Across from 235 Hyland Drive	90
138	Across from 291 Hyland Drive	76
190	Across from 259 Hyland Drive	80
16	5343 Della Terrace	95
33	4216 Kenwood Terrace	80
182	1125 Belaire Drive	66
30	201 Somerset Drive	69
103	127 Sandlewood Drive	72
169	4217 Woodacres Drive	70
120	1197 Kensington Drive	60
78	1152 Kensington Drive	70
93	215 Overlook Drive	72
77	2326 Burntwood Drive	86
84	Across from 1116 Summit Terrace	110
125	355 Overlook Drive	136
70	457 Somerset Drive	130
183	106 Reston Drive	88
45	5107 Quail Lane	82
98	133 Riverbend Terrace	84
23	Greenbriar Drive at Sundew Drive	100
24	347 Fernwood Drive	94
90	2077 Candlewood Drive	90
102	203 Leland Court	72
173	3248 Stonehenge Drive	74
31	Cricket Drive at Penn Estates Drive	100
3	104 Somerset Drive	96
34	3214 Foxdale Terrace	90
32	5303 Della Terrace	92
180	3298 Stonehenge Drive	70
134	571 Lakeside Drive	96
131	4105 Trillium Terrace	86
92	237 Overlook Drive	78
82	2057 Candlewood Drive	104
170	3212 Stonehenge Drive	70
135	2106 Sunset Terrace	106
133	640 Lakeside Drive	118
121	2306 Burntwood Drive	104
81	2106 Lansdale Drive	126
123	Before 319 Overlook Drive	138
132	Across from 629 Lakeside Drive	104
26	1205 Brentwood Drive	88
168	Across from 519 Lakeside Drive	82
130	3420 Crestwood Drive	117
80	1112 Kensington Drive	90
68	409 Somerset Drive	108
127	123 Clover Lane	120

2023		
129	Across from 2028 Candlewood Drive	126
123	Before 319 Overlook Drive	138
124	Before 339 Overlook Drive	142
125	355 Overlook Drive	132
80	1112 Kensington Drive	94
71	5114 Red Bud Terrace	140
51	477 Somerset Drive	138
70	457 Somerset Drive	136
69	435 Somerset Drive	
68	409 Somerset Drive	112
183	106 Reston Drive	90
45	5107 Quail Lane	82
97	376 Somerset Drive	110
98	133 Riverbend Terrace	90
88	155 Riverbend Terrace	77
100	137 Reston Drive	78
54	Pasquin Drive at Spicebush Drive	120
59	6245 Willowicke Terrace	100
23	Greenbriar Drive at Sundew Drive	106
53	316 Fernwood Drive	100
21	129 Sundew Court	100
39	140 Sundew Drive	94
38	3245 Greenbriar Drive	
49	314 Spicebush Drive	130
50	322 Ash Terrace	98
57	242 Spicebush Drive	
56	266 Spicebush Drive	108
55	167 Pasquin Drive	108
48	Across from 110 Pasquin Drive	126
44	139 Pasquin Drive	114
60	215 Spicebush Drive	110
28	1180 Woodland Drive	80
41	115 Diane Court	88
42	215 Garden Terrace	94
24	347 Fernwood Drive	102
52	1156 Woodland Drive	94
43	205 Cedar Crest Court	100
40	221 Mercedes Court	94
8	1223 Woodland Drive	80
5	3321 Greenbriar Drive	83
10	1105 Hunters Wood Drive	72
4	3291 Greenbriar Drive	90
6	123 Glade Terrace	94
9	118 Brevster Way	84
1	3269 Greenbriar Drive	102
13	1125 Hunters Wood Drive	80
12	1147 Hunters Wood Drive	74
67	246 Julian Terrace	92
37	275 Julian Terrace	84
36	218 Julian Terrace	94
35	Julian Terrace at Noble Lane	80
14	1171 Hunters Wood Drive	82
15	1215 Hunters Wood Drive	80
11	1191 Hunters Wood Drive	82
19	126 Locust Drive	88
17	164 Locust Drive	90
7	6224 Willowicke Terrace	110
58	3151 Greenbriar Drive	114
82	2057 Candlewood Drive	112
90	2077 Candlewood Drive	92
152	253 Sandlewood Drive	70
157	1402 Melrose Terrace	74
102	203 Leland Court	74
148	389 Hyland Drive	60
186	1307 Dellwood Court	56
198	447 Lakeside Drive	66
115	141 Runnymede Drive	34
133	344 Clicko Lane	18
136	6215 Blue Beech Drive	66

Community Utilities of Pennsylvania, Inc.
Response to 53.53 Exhibit D IX-2
Hydrant PSI - Penn Estates
Water Operations

129	Across from 2028 Candlewood Drive	122
124	Before 339 Overlook Drive	134
71	5114 Red Bud Terrace	128
69	435 Somerset Drive	80
97	376 Somerset Drive	104
76	453 Penn Estates Drive	120
122	Overlook Drive at Candlewood Drive	124
128	140 Clover Lane	118

170	3212 Stonehenge Drive	70
173	3248 Stonehenge Drive	74
199	459 Lakeside Drive	
202	487 Lakeside Drive	64
132	Across from 629 Lakeside Drive	108
20	108 Brewster Way	78
18	150 Locust Drive	94
76	453 Penn Estates Drive	
110	Across from 1219 Brentwood Drive	66
63	465 Hyland Drive	48
188	109 Summerton Circle	52

Community Utilities of Pennsylvania, Inc.
Response to 53.53 Exhibit D IX-2
Hydrant PSI - Tamiment
Water Operations

2020

Hydrant Number	Address	PSI
1	Tamiment Golf Course near Club House	61
2	Tamiment Golf Course near Club House	
3	Lake Drive across from The Chalet	52
4	Building 113 Condor Drive	48
5	Building 125 Condor Drive	48
6	126 Blue Heron Road	50
7	130 Blue Heron Road	64
8	Tamiment Lake Drive at Blue Heron Road	48
9	Tamiment Lake Road at Falcon Crest Circle	50
10	1027 Falcon Crest Circle	60
11	1044 Falcon Crest Circle	58
12	1065 Bald Eagle Court	34
13	1057 Bald Eagle Court	40
14	Tamiment Lake Drive	62
15	441 Underhill Drive	54
16	103 Rivendell Drive	43
17	Rivendell Drive at Water Tower	21
18	241 Rivendell Drive	18
19	271 Oakenshield Drive	
20	117 Oakenshield Drive	28
21	Oakenshield Drive at Swartsburo Drive	58
22	103 Swartsburo Drive	
23	216 Swartsburo Drive	
24	101 Withywindle Way	44
25	215 Withywindle Way	42
26	215 Thistlebrook Court	
27	217 Old Took Drive	40
28	103 Old Took Drive	40
29	101 Oakenshield Drive	
30	Across from 2121 Wilderland Road	
31	1004 Woody End Way	46
32	Woody End Way at Lonely Mountain Lane	52
33	Woody End Way at Kili Way	40
34	1106 Long Lake Road on Woody End Way	44
35	1104 Woody End Way	58
36	Woody End Way at Gollum Lane	46
37	602 Carrock Way on Woody End Way	36
38	605 Bombur Lane on Woody End Way	42
39	End of Bombur Lane	
40	500 Bombur Lane	
41	614 Carrock Way	
42	500 Carrock Way	
43	616 Gandolf Road	
44	510 Gandolf Road	40
45	500 Gandolf Road	
46	104 Thorin Way on Balin Lane	44
47	End of Balin Lane	
48	106 Thorin Way	
49	103 Gollum Lane	
50	212 Gollum Lane	
51	610 Bofur Way	
52	Before 1008 Long Lake Road	46
53	1002 Long Lake Road	
54	1110 Long Lake Road	
55	500 Galion Drive	
56	611 Galion Drive	
57	502 Kili Way	
58	612 Kili Way	
59	502 Dwalin Way	
60	608 Dwalin Way	
61	609 Dwalin Way	
62	End of Lonely Mountain Lane	
63	314 Underhill Drive	48
64	Across from 5123 Hemlock Lane	46
65	Across from 5141 Hemlock Lane	56
66	Bindale Road at Mirkwood Road	38
67	212 Tomnoddy Drive	
68	100 Tomnoddy Drive	
69	102 Ravenhill Road	
70	231 Ravenhill Road	54
71	222 Bindale Road	
72	Arkenstone Drive at Hobbit Drive	44
73	Arkenstone Drive at Brandyshire Drive	54
74	225 Brandyshire Drive	
75	227 Hobbit Drive	
76	Cedar Crest Drive	62
77	Cedar Crest Drive	58
78	Cedar Crest Drive at Elrond Drive	64
79	Elrond Drive	
80	End of Maple Way	
81	Oakenshield Road	62
82	Oakenshield Road	60
83	Cherry Hill Road at Woody End Way	38
84	Cherry Hill Road at Birchwood Drive	42
85	Birchwood Drive	46
86	Birchwood Drive	48
87	Birchwood Court	
88	Woody End Way	40
89	Woody End Way	48
90	Elrond Drive	37
91	Elrond Drive	42
92	Elrond Drive	44
93	End of Cherry Hill Road	

2023

Hydrant Number	Address	PSI
1	Tamiment Golf Course near Club House	60
2	Tamiment Golf Course near Club House	
3	Lake Drive across from The Chalet	50
4	Building 113 Condor Drive	58
5	Building 125 Condor Drive	44
6	126 Blue Heron Road	62
7	130 Blue Heron Road	64
8	Tamiment Lake Drive at Blue Heron Road	56
9	Tamiment Lake Road at Falcon Crest Circle	50
10	1027 Falcon Crest Circle	62
11	1044 Falcon Crest Circle	52
12	1065 Bald Eagle Court	40
13	1057 Bald Eagle Court	40
14	Tamiment Lake Drive	66
15	441 Underhill Drive	56
16	103 Rivendell Drive	52
17	Rivendell Drive at Water Tower	24
18	241 Rivendell Drive	22
19	271 Oakenshield Drive	30
20	117 Oakenshield Drive	38
21	Oakenshield Drive at Swartsburo Drive (down in ditch)	58
22	103 Swartsburo Drive	
23	216 Swartsburo Drive	
24	101 Withywindle Way	50
25	215 Withywindle Way	54
26	215 Thistlebrook Court	
27	217 Old Took Drive	42
28	103 Old Took Drive	50
29	101 Oakenshield Drive	
30	Across from 2121 Wilderland Road	34
31	1004 Woody End Way	50
32	Woody End Way at Lonely Mountain Lane	56
33	Woody End Way at Kili Way	48
34	1106 Long Lake Road on Woody End Way	50
35	1104 Woody End Way	56
36	Woody End Way at Gollum Lane	46
37	602 Carrock Way on Woody End Way	46
38	605 Bombur Lane on Woody End Way	44
39	End of Bombur Lane	
40	500 Bombur Lane	
41	614 Carrock Way	
42	500 Carrock Way	
43	616 Gandolf Road	
44	510 Gandolf Road	60
45	500 Gandolf Road	
46	104 Thorin Way on Balin Lane	52
47	End of Balin Lane	
48	106 Thorin Way	
49	103 Gollum Lane	
50	212 Gollum Lane	
51	610 Bofur Way	
52	1008 Long Lake Road	46
53	1002 Long Lake Road	
54	1110 Long Lake Road	
55	500 Galion Drive	
56	611 Galion Drive	
57	502 Kili Way	
58	612 Kili Way	
59	502 Dwalin Way	
60	608 Dwalin Way	
61	609 Dwalin Way	
62	End of Lonely Mountain Lane	
63	314 Underhill Drive	52
64	Across from 5123 Hemlock Lane	42
65	Across from 5141 Hemlock Lane	64
66	Bindale Road at Mirkwood Road	46
67	212 Tomnoddy Drive	
68	100 Tomnoddy Drive	
69	103 Ravenhill Road	
70	231 Ravenhill Road	52
71	222 Bindale Road	
72	Arkenstone Drive at Hobbit Drive	52
73	Arkenstone Drive at Brandyshire Drive	62
74	225 Brandyshire Drive	
75	227 Hobbit Drive	
76	Cedar Crest Drive	
77	Cedar Crest Drive	
78	Cedar Crest Drive at Elrond Drive	
79	Elrond Drive	
80	End of Maple Way	
81	Oakenshield Road	
82	Oakenshield Road	
83	Cherry Hill Road at Woody End Way	
84	Cherry Hill Road at Birchwood Drive	
85	Birchwood Drive	
86	Birchwood Drive	
87	Birchwood Court	
88	Woody End Way	
89	Woody End Way	
90	Elrond Drive	
91	Elrond Drive	
92	Elrond Drive	
93	End of Cherry Hill Road	
94	Across from Thistlebrook Court at Oakenshield Dr	40
95	Mirkwood Road at Rivendell Road	52

**Community Utilities of Pennsylvania, Inc. Water Division's
Responses to Office of Consumer Advocate Interrogatories, Set 9**

12. For each of the Company's water systems, identify every public fire hydrant that is not capable of delivering 500 gpm fire flow at 20 psig residual pressure for a 2-hour duration.

RESPONSE:

Westgate:

1450 STONEWOOD DR (60)
2710 SCHOENERSVILLE RD (74)
2701 WINSTON RD (59)
1424 WESTGATE DR (57)
2475 WINSTON RD (48)
2386 JACKSONVILLE RD (49)
2330 SCHOENERSVILLE RD (72)

Penn Estates:

164 LOCUST DR (17)
204 JULIAN TER (35)
314 SPICEBUSH DR (49)
1428 MELROSE TER (159)
8230 WOODCHUCK CT (113)
1307 DELWOOD CT (186)
3114 FAIRFAX TER (197)
447 LAKESIDE DR (198)
160 SUMMERTON CIR (185)
137 SUMMERTON CIR (184)
354 CLICKO LN (145)
340 CLICKO LN (133)
406 DEBORAH DR (143)
419 DEBORAH DR (142)
448 DEBORAH DR (141)

PROVIDED BY: Emily Ann Long

DATE: 1.29.24

CUPA CUSTOMER COMPLAINT LOGS SUMMARY
(August 1, 2023 thru January 21, 2024)

Water Systems	Penn Estates	Westgate	Tamiment
Complaint Issue			
High Bill	22	1	
Service On/Off	13		3
Customer Leak	12	5	2
CUPA Leak			2
Lead Inquiry	2	4	2
Customer PRV	7		
Dirty Water	3		
CUPA Main Break	11		
Flushing		2	
Taste & Odor	1		
Low Pressure	3		
Booster Pump	2		
Customer Service Line	1		
No Water			
CUPA Replaced Valve			3
CUPA Restoration	2	1	
Meter	2	1	1
Meter Test	1		
Meter Audit		1	
Meter Install	1		
Drainage	1		1
Not CUPA	1		1
Sump Pump	1		
Total Water	82	14	13
Wastewater Systems			
P Sewer Backup	1		
C Sewer Backup	1		
Grinder Pump	2		2
MH Cover	1		
Total Wastewater	5	0	2

Grinder Pump- Frequently Asked Questions

1.-What is a grinder pump?

A grinder pump is a pumping unit consisting of a pump and small pipe from the unit to the sewer system. Installed outside of your home, grinder pumps are used to discharge wastewater from your home to the sewer system in the street or right-of-way.

2.-When is a grinder pump installed instead of a traditional sewer lateral?

A grinder pump is needed when conventional gravity sewers and/or laterals cannot be used to service an area or property, often due to the topography of the area. Typically, they are needed when a home is lower than the street and/or further away from the sewers. They are also required when a low pressure sewer system is constructed instead of a gravity sewer system.

3.-Why does my property need a grinder pump when my neighbor's property can be served by gravity sewers?

Your home may either sit lower than your neighbor's, or further away from the gravity sewer in the street and could not be served by a gravity sewer/lateral. Each home is evaluated on an individual basis.

4.-Who is responsible for the grinder pump?

Most grinder pumps are installed on private property and therefore are the responsibility of the property owner. The same is true for the private sewer service line on the home or business owner's property. Augusta Utilities' responsibility for sewer service begins after the property line in the public right-of-way. Therefore the resident is responsible for the cost of the electricity needed to operate the grinder pump which will be included in your electricity bill.

5.-How much does it cost to operate a grinder pump?

With the SSCP, the plumber will install the grinder pump and connect electricity to the device. The cost for electricity to operate the grinder pump is similar to that of a 40-watt light bulb, which is about \$15 to \$20 per year.

6.-What can I do to protect my grinder pump?

A properly maintained grinder pump should be able to handle wastewater from the kitchen, bathroom, laundry, etc. However, some chemicals and substances can adversely impact a grinder pump and may cause safety hazards. Please check the labels on all chemicals before using / disposing. Also, never pour the following items down drains or flush down toilets:

- Grease (a byproduct of cooking that comes from meat fats, oils, shortening, butter, margarine, food scraps, sauces and dairy products);
- Explosive or flammable material;
- Kitty Litter;
- Aquarium gravel;
- Strong Chemicals or toxic, caustic or poisonous substances;
- Degreasing solvents;
- Diapers, feminine products, or cloth of any kind;
- Fuel or lubricating oil, paint thinner or antifreeze;
- Plastic objects; and
- Seafood Shells

*****These items can damage the grinder pump and its controls, cause blockages and backups and may create unsafe conditions in your lines and tank.**

7.-Does a grinder pump need regular maintenance or need to be pumped out, like my septic system?

Septic systems need to be pumped because they are tanks and need to periodically have the contents removed.

Grinder pumps do not need to be pumped out because they pump out the wastewater once the contents reach a certain level. Grinder pumps average eight years between service calls, so minimal regular maintenance is required when operated under normal conditions.

*****In addition to following the tips provided in question #6, please follow the manufacturer's recommended maintenance guidelines.**

8.-What happens during a power failure?

If the power goes out, the grinder pump will not work. However, the pump unit does have storage capacity. During power outages, the two largest producers of wastewater (dishwater and washing machine) are not in use; therefore, your water usage decreases. Because the length of the power outage cannot be planned, you should conserve water to the best of your ability.

***** Remember that your grinder pump is powered by electricity. In the event of a power outage, your pump will not work unless it is powered by a generator.**

9.-What should I do with my pump when I go on vacation?

If you plan on being away for several days, replace the wastewater in the tank with clean water to help minimize odors.

To do this,

- Run an inside faucet for about 10 minutes - long enough for the grinder pump to start working (you may need to go outside near the pump and listen to verify it has started).
- After the pump starts, turn the inside faucet off.
- The pump will run until the tank is empty and shut off automatically.
- This process will cleanse the pump and keep it filled with a minimum amount of clean water. Remember to always leave the power to the pump on.

10.-Grinder Pump Illustrations-

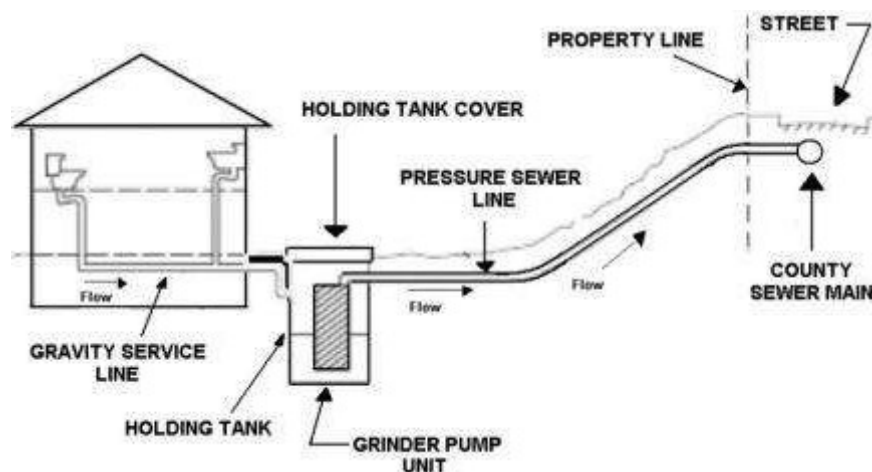




Photo above-Grinder pump station with fiberglass tank and stainless steel lid installed outside a home



Photo above-Grinder pump station with HDPE tank being installed

**COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION**

In The Matter Of:

Penn Estates Utilities Inc.	:	Violations of The Clean Streams Law
570 Hallet Road	:	and
East Stroudsburg, PA 18304	:	NPDES Permit No. PA0060283
	:	Stroud Township, Monroe County

CONSENT ORDER AND AGREEMENT

This Consent Order and Agreement is entered into this 22nd day of October 2020, by and between the Commonwealth of Pennsylvania, Department of Environmental Protection ("Department") and Penn Estates Utilities Inc. ("Penn Estates").

The Department has found and determined the following:

- A. The Department is the agency with the duty and authority to administer and enforce The Clean Streams Law, Act of June 22, 1937, P.L. 1987, as amended, 35 P.S. § 691.1 et seq. ("Clean Streams Law"); Section 1917-A of the Administrative Code of 1929, Act of April 9, 1929, P.L. 177, as amended, 71 P.S. § 510-17 ("Administrative Code") and the rules and regulations promulgated thereunder.
- B. Penn Estates is a "person" as defined in Section 1 of The Clean Streams Law, 35 P.S. § 691.1. Penn Estates maintains a mailing address of 570 Hallet Road, East Stroudsburg, Pennsylvania 18304.
- C. Penn Estates owns and operates the Penn Estates Wastewater Treatment Plant ("WWTP") located in Stroud Township, Monroe County, Pennsylvania.
- D. On August 27, 2012, the Department reissued National Pollutant Discharge Elimination System Permit No. PA0060283 ("NPDES Permit") to Penn Estates, which authorized a discharge of treated sewage to Unnamed Tributary #04929 to Brodhead Creek in accordance with the effluent limitations, monitoring and reporting requirements, and other conditions set forth in the NPDES Permit. The effective date of the NPDES Permit was September 1, 2012.
- E. Penn Estates is required by the NPDES Permit and Sections 201 and 202 of The Clean Streams Law, 35 P.S. §§ 691.201 and 691.202, to fully comply with the effluent limits set forth in the NPDES Permit.
- F. The NPDES Permit requires that effluent discharged from Penn Estates meets identified concentration criteria for certain parameters on a routine basis. Penn Estates exceeded the NPDES Permit's effluent limitations as reported by Penn Estates' monthly Discharge Monitoring Reports ("DMRs"), as follows:

<u>Monitoring Period</u>	<u>Parameter</u>	<u>Permit Limit</u>	<u>Reported Value</u>
October 2016	CBOD ₅ <i>Average Monthly</i>	10.0 mg/L	11.5 mg/L
May 2017	Total Residual Chlorine <i>Instantaneous Max</i>	0.01 mg/L	0.02 mg/L
June 2017	Total Residual Chlorine <i>Instantaneous Max</i>	0.01 mg/L	0.02 mg/L
July 2017	Total Residual Chlorine <i>Instantaneous Max</i>	0.01 mg/L	0.02 mg/L
July 2017	Total Phosphorus <i>Average Monthly</i>	2.0 mg/L	3.1 mg/L
August 2017	Total Residual Chlorine <i>Instantaneous Max</i>	0.01 mg/L	0.02 mg/L
September 2017	Dissolved Oxygen <i>Minimum</i>	7.0 mg/L	6.5 mg/L
December 2017	CBOD ₅ <i>Average Monthly</i>	10.0 mg/L	10.7 mg/L
March 2018	NO ₂ +NO ₃ <i>Average Monthly</i>	13.0 mg/L	<13.9 mg/L
April 2018	Total Suspended Solids <i>Average Monthly</i>	10.0 mg/L	<16.7 mg/L
April 2018	Total Suspended Solids <i>Average Monthly Loading</i>	46.7 lbs/day	<61.8 lbs/day
December 2018	NO ₂ +NO ₃ <i>Average Monthly</i>	13.0 mg/L	15.2 mg/L

G. Section 92a.47(c) of the Department’s Regulations, 25 Pa. Code § 92a.47(c), prohibits discharges from a Sanitary Sewer Overflow (“SSO”). Failure to prevent the occurrence of an SSO constitutes unlawful conduct under Section 611 of The Clean Streams Law, 35 P.S. § 691.611.

H. Penn Estates failed to prevent the occurrences of SSOs as reported by Penn Estates’ written notifications submitted to the Department, as follows:

<u>Date of Incident</u>	<u>Location</u>	<u>Volume (gallons)</u>	<u>Suspected Cause</u>
December 16, 2017	314 Overlook Drive Manhole 120	150-200	Blockage of collection between Manhole 121-122
December 21, 2018	WWTP: Equalization (“EQ”) Tank	200	Excessive Rainfall

I. Penn Estates’ SSOs noted in Paragraph H, constitute violations of Section 92a.47(c) of the Department’s Regulations, 25 Pa. Code § 92a.47(c), and Section 611 of The Clean Streams Law, 35 P.S. § 691.611.

J. Part A.III.C(1). of the NPDES Permit states, in relevant part, the permittee shall give notice to the Department as soon as possible of any planned physical alterations or additions to the permitted facility. A permit may be required for these situations prior to implementing the planned changes. A permit application, or other written submission to the Department, can be used to satisfy the notification requirements.

K. On December 24, 2018, the Department received Penn Estates’ December 21, 2018 SSO report, which noted an installation of a second 10 HP pump in EQ tank 5 to replace an existing 7.5 HP pump. The Department was not notified of this change prior to the installation of the new pump.

L. Penn Estates’ failure to notify the Department prior to planned physical alterations or additions to the WWTP constitutes a violation of Part A.III.C(1) of the NPDES Permit.

M. Parts A.I.A., A.I.B. and A.I.C. of the NPDES Permit requires that Penn Estates sample in accordance with the sample frequency set forth in the NPDES Permit. Failure to do so constitutes unlawful conduct under Section 611 of The Clean Streams Law, 35 P.S. § 691.611.

N. Penn Estates failed to sample in accordance with the required sample frequency as reported by Penn Estates’ monthly DMRs, as follows:

<u>Monitoring Period</u>	<u>Parameter</u>	<u>Required Frequency</u>	<u>Reported Frequency</u>
December 2017	Total Organic Carbon	1/month	0/month
February 2019	pH	1/day	25/28 days
	Dissolved Oxygen	1/day	24/28 days
	Total Residual Chlorine	1/day	22/28 days
March 2019	Total Residual Chlorine	1/day	29/31 days

O. On April 10, 2019, the Department sent a Notice of Violation (“NOV”) notifying Penn Estates of its effluent violations noted in Paragraph F, SSO violations noted in Paragraph I, and failure to notify the Department prior to the replacement of the 7.5 HP pump noted in Paragraph L. Said NOV requested a written response within 15 days of receipt indicating the cause of the noncompliance and corrective actions taken to ensure future compliance. In addition, the Department requested Penn Estates contact the Department to discuss a permit determination evaluation regarding the EQ tank pumps.

P. On May 6, 2019, a representative of Penn Estates contacted the Department to discuss a permit determination evaluation regarding the influent EQ tank pump, as requested in the Department’s April 10, 2019 NOV.

Q. On May 15, 2019, a representative of Penn Estates sent an e-mail correspondence to the Department with information regarding the influent EQ tank pump.

R. On May 17, 2019, the Department sent an e-mail correspondence notifying Penn Estates that a Water Quality Management (“WQM”) Part II Permit application would need to be submitted to address the changes made to the influent EQ pumps.

S. Penn Estates again failed to prevent the occurrences of SSOs as reported by Penn Estates’ written notifications submitted to the Department, as follows:

<u>Date of Incident</u>	<u>Location</u>	<u>Volume (gallons)</u>	<u>Suspected Cause</u>
March 22, 2019	WWTP: EQ Tank and pipe	5,000	Hydraulic Overload
March 23, 2019	WWTP: EQ Tank	1,260	Hydraulic Overload
April 20, 2019	WWTP: EQ Tank	300,000	Hydraulic Overload
April 22, 2019	WWTP: EQ Tank	2,340	Hydraulic Overload
May 5, 2019	WWTP: EQ Tank	16,200	Hydraulic Overload
May 12, 2019	WWTP: EQ Tank	32,600	Hydraulic Overload
May 20, 2019	WWTP: EQ Tank	24,000	Hydraulic Overload

T. Penn Estates' SSOs noted in Paragraph S, constitute violations of Section 92a.47(c) of the Department's Regulations, 25 Pa. Code § 92a.47(c), and Section 611 of The Clean Streams Law, 25 P.S. § 691.611.

U. On June 7, 2019, Penn Estates sent a correspondence notifying the Department of a potential discharge pipe discovered by the operator following the March 22, 2019 SSO at the WWTP. The pipe was located on EQ basin 4 and was underground between EQ basin 4 and EQ basin 5. Attached to the correspondence was a site plan dated September 15, 1998, which showed the pipe labeled as an 8" Extended Aeration Effluent. Penn Estates noted that around April 11, 2019 said pipe was removed by an environmental contractor.

V. Penn Estates again exceeded the NPDES Permit's effluent limitations as reported by Penn Estates' monthly DMR, as follows:

<u>Monitoring Period</u>	<u>Parameter</u>	<u>Permit Limit</u>	<u>Reported Value</u>
June 2019	Total Residual Chlorine <i>Instantaneous Max</i>	0.01 mg/L	0.037 mg/L

W. On August 28, 2019, the Department received a WQM Part II Permit application from Penn Estates for the removal of the existing 7.5 HP transfer pump and its replacement with a 10 HP transfer pump in EQ Basin 4 noted in Paragraph K.

X. On September 11, 2019, the Department sent an NOV notifying Penn Estates of its SSOs, violations noted in Paragraph T, and an effluent violation noted in Paragraph V. Said NOV requested Penn Estates along with anyone else deemed necessary attend an enforcement conference at the Department's Northeast Regional Office on November 6, 2019.

Y. Penn Estates again exceeded the NPDES Permit's effluent limitations as reported by Penn Estates' monthly DMRs, as follows:

<u>Monitoring Period</u>	<u>Parameter</u>	<u>Permit Limit</u>	<u>Reported Value</u>
August 2019	Dissolved Oxygen <i>Instantaneous Max</i>	7.0 mg/L	6.77 mg/L
August 2019	Total Phosphorus <i>Average Monthly</i>	2.0 mg/L	2.5 mg/L
September 2019	Fecal Coliform <i>Instantaneous Max</i>	1,000/100 mL	2,700/100 mL
September 2019	NO ₂ +NO ₃ <i>Average Monthly</i>	13.0 mg/L	16.44 mg/L

September 2019	Total Phosphorus <i>Average Monthly</i>	2.0 mg/L	2.49 mg/L
October 2019	NO ₂ +NO ₃ <i>Average Monthly</i>	13.0 mg/L	16.0 mg/L

Z. On October 8, 2019, the Department issued WQM Permit 4598410 to Penn Estates for the replacement and upgrade to the EQ basin transfer pumps.

AA. Penn Estates’ NPDES Permit requires that quarterly DMRs for the reporting of Total Dissolved Solids (“TDS”) be properly completed and received by the Department within 28 days from the end of each monitoring period. Failure to do so constitutes unlawful conduct under Section 611 of The Clean Streams Law, 35 P.S. § 691.611.

BB. Penn Estates’ failed to submit a quarterly DMR for the reporting of TDS in a timely manner. Specifically, the following DMR was received by the Department later than the requirements of the NPDES Permit:

<u>Monitoring Period</u>	<u>Due Date</u>	<u>Date Received</u>
July 2019 – September 2019	October 28, 2019	October 30, 2019

CC. On November 6, 2019, representatives of Penn Estates met with the Department to discuss the violations noted in Paragraphs F, I, L, N, T, V, Y, BB and GG, the discovered potential discharge pipe noted in Paragraph U, and Penn Estates’ intended actions to return to compliance. The Department requested Penn Estates submit to the Department a schedule of compliance, a high flow management plan, a response to the 2019 effluent exceedances, a summary and report of the smoke testing, and if available, documentation regarding the discovered discharge pipe by February 28, 2020.

DD. On November 6, 2019, Penn Estates hand-delivered a written response to the Department’s April 10, 2019 NOV. Said response acknowledged the effluent violations noted in Paragraph F and provided suspected causes and corrective actions taken. The response also acknowledged the SSOs described in Paragraph H. The response further noted at the time the 7.5 HP transfer pumps were replaced, Penn Estates did not realize the installation of the replacement pumps was a violation of Part A.III.C(1) of the NPDES Permit, described in Paragraph K.

EE. On February 3, 2020, the Department received from Penn Estates the following documents as requested during the November 6, 2019 enforcement conference:

- Schedule of Compliance;
- WWTP Yard Piping Memorandum;
- WWTP Yard Pipe Drawings;
- Smoke Testing Summary and Report;
- High Flow Management Plan and;
- 2019 Effluent Exceedance Memorandum.

FF. Penn Estates again failed to prevent the occurrences of SSOs as reported by Penn Estates’ written notifications submitted to the Department, as follows:

<u>Date of Incident</u>	<u>Location</u>	<u>Volume (gallons)</u>	<u>Suspected Cause</u>
January 26, 2020	WWTP: EQ Tank	10,000	Hydraulic Overload

April 13, 2020	WWTP: EQ Tank	15,000	Hydraulic Overload
April 24, 2020	WWTP: EQ Tank	3,000	Hydraulic Overload
April 27, 2020	WWTP: EQ Tank	5,000	Hydraulic Overload
August 4, 2020	WWT: EQ Tank	7,000 gallons	Hurricane Isaias – Hydraulic Overload

GG. Penn Estates' SSOs noted in Paragraph FF, constitute violations of Section 92a.47(c) of the Department's Regulations, 25 Pa. Code § 92a.47(c), and Section 611 of The Clean Streams Law, 35 P.S. § 691.611.

HH. The violations described in Paragraphs F, I, L, N, T, V, Y, BB, and GG constitute unlawful conduct under Section 611 of The Clean Streams Law, 35 P.S. § 691.611; a statutory nuisance under Section 601 of The Clean Streams Law, 35 P.S. § 691.601; and subject Penn Estates to civil penalty liability under Section 605 of The Clean Streams Law, 35 P.S. § 691.605.

After full and complete negotiation of all matters set forth in this Consent Order and Agreement and upon mutual exchange of covenants contained herein, the parties desiring to avoid litigation and intending to be legally bound, it is hereby ORDERED by the Department and AGREED to by Penn Estates as follows:

1. Authority. This Consent Order and Agreement is an Order of the Department authorized and issued pursuant to Section 5 of The Clean Streams Law, 35 P.S. § 691.5, and Section 1917-A of the Administrative Code, 71 P.S. § 510-17.

2. Findings.

a. Penn Estates agrees that the findings in Paragraphs A through GG are true and correct and, in any matter or proceeding involving Penn Estates and the Department, Penn Estates shall not challenge the accuracy or validity of these findings.

b. The parties do not authorize any other persons to use the findings in this Consent Order and Agreement in any matter or proceeding.

3. Corrective Action.

a. Penn Estates will install and render operational a new facility generator of sufficient capacity and an automated transfer switch capable of maintaining waste water treatment plant operational capability if primary energy source is interrupted. As of the date of this Consent Order and Agreement, Penn Estates has completed this Corrective Action measure.

b. On, or before January 31, 2021, Penn Estates shall submit a conditional assessment report (Manhole Report) and phased manhole rehabilitation plan (Manhole Plan) containing an implementation schedule which will be submitted to the Department for review and acceptance, and which schedule is to be an additional term of this Consent Order and Agreement. The Manhole Report shall include an evaluation of 100% of the manholes contained in the collection system with the Manhole Plan addressing manholes from highest to lowest priority.

c. On, or before January 31, 2021, Penn Estates shall submit a conditional assessment report (Gravity Report) and phased gravity collection main rehabilitation plan (Gravity Plan) containing an implementation schedule which will be submitted to the Department for review and

acceptance, and which schedule is to be an additional term of this Consent Order and Agreement. The Gravity Report shall include an evaluation of 100% of the gravity collection system including inspection reports, mapping and condition rating with the Gravity Plan addressing defects from highest to lowest priority.

d. On, or before January 31, 2021, Penn Estates shall submit a conditional assessment report (Structure Report) and phased wastewater treatment plant structure rehabilitation plan (Structure Plan) containing an implementation schedule which will be submitted to the Department for review and acceptance, and which schedule is to be an additional term of this Consent Order and Agreement. The Structure Report shall include an evaluation of all treatment units comprising the wastewater treatment plant with the Structure Plan addressing treatment units from highest to lowest risk of failure.

e. On, or before December 31, 2021, Penn Estates shall install a wastewater treatment plant SCADA system, or similar, capable of monitoring and controlling operational data and functions such as, poly-aluminum chloride, chlorination, methanol, sodium bisulfate feed rates and/or concentrations, to ensure the plant effluent maintains compliance. As of the date of this Consent Order and Agreement, Penn Estates has installed the SCADA system at its WWTP, but rendering the SCADA system operational will require Penn Estates to obtain a permit for the installation of a new upgraded methanol pump and sodium bisulfate pump that is SCADA compatible. Penn Estates submitted an application for a permit for the new SCADA-compatible methanol pump and sodium bisulfate pump to the Department on June 29, 2020, and that permit application is under for review by the Department and awaiting approval.

f. Penn Estates shall submit written progress reports to the Department on a semi-annual basis that document its progress on the completion of the corrective actions in Paragraphs 3.a-e. The reports are due on or before the fifteenth (15th) day of the month following the end of each semi-annual calendar period, i.e., July 15 and January 15. The first progress report is due on or before January 15, 2021.

4. Civil Penalty Settlement. Upon signing this Consent Order and Agreement, Penn Estates shall pay a civil penalty of twenty-five thousand dollars (\$25,000.00). This payment is in settlement of the Department's claim for civil penalties for the violations and dates set forth in Paragraphs F, I, L, N, T, V, Y, BB, and GG, above. The payment shall be made by corporate check or the like made payable to the "Commonwealth of Pennsylvania -Clean Water Fund" and sent to Patrick Musinski, Environmental Group Manager, Pennsylvania Department of Environmental Protection, Clean Water Program, 2 Public Square, Wilkes-Barre, PA 18701-1915.

5. Stipulated Civil Penalties.

a. In the event Penn Estates fails to comply in a timely manner with the Corrective Actions listed in Paragraph 3.a.-f. of this Consent Order and Agreement, Penn Estates shall be in violation of this Consent Order and Agreement and, in addition to other applicable remedies, shall pay a civil penalty in the amount of two hundred fifty dollars (\$250.00) per day for each violation.

b. In the event Penn Estates violates any DMR related monitoring requirement or permit limit established in NPDES Permit, either instantaneous or DMR related, during the term of this Consent Order and Agreement, Penn Estates shall be in violation of this Consent Order and Agreement and shall pay a civil penalty in the amount of five hundred dollars (\$500.00) for each violation.

c. In the event Penn Estates experiences an SSO from any portion of its treatment and conveyance systems (which is limited to treatment and conveyance systems owned and operated by Penn Estates and does not include any Customer Service Line) during the term of this Consent Order and Agreement, Penn Estates shall be in violation of this Consent Order and Agreement and shall pay a civil penalty in the amount of one thousand dollars (\$1,000.00) for each violation.

d. Stipulated civil penalty payments shall be payable monthly on or before the fifteenth day of each succeeding month, and shall be forwarded as described in Paragraph 4 (Civil Penalty Settlement) above.

e. Any payment under this paragraph shall neither waive Penn Estates' duty to meet its obligations under this Consent Order and Agreement nor preclude the Department from commencing an action to compel Penn Estates' compliance with the terms and conditions of this Consent Order and Agreement. The payment resolves only Penn Estates' liability for civil penalties arising from the violations of this Consent Order and Agreement for which the payment is made.

f. Stipulated civil penalties shall be due automatically and without notice.

6. Additional Remedies.

a. In the event Penn Estates fails to comply with any provision of this Consent Order and Agreement, the Department may, in addition to the remedies prescribed herein, pursue any remedy available for a violation of an order of the Department, including an action to enforce this Consent Order and Agreement.

b. The remedies provided by this paragraph and Paragraph 5 (Stipulated Civil Penalties) are cumulative and the exercise of one does not preclude the exercise of any other. The failure of the Department to pursue any remedy shall not be deemed to be a waiver of that remedy. The payment of a stipulated civil penalty, however, shall preclude any further assessment of civil penalties for the violation for which the stipulated penalty is paid.

7. Reservation of Rights. The Department reserves the right to require additional measures to achieve compliance with applicable law. Penn Estates reserves the right to challenge any action which the Department may take to require those measures.

8. Liability of Operator. Penn Estates shall be liable for any violations of the Consent Order and Agreement, including those caused by, contributed to, or allowed by its officers, agents, employees, or contractors. Penn Estates also shall be liable for any violation of this Consent Order and Agreement caused by, contributed to, or allowed by its successors and assigns.

9. Transfer of Site.

a. The duties and obligations under this Consent Order and Agreement shall not be modified, diminished, terminated or otherwise altered by the transfer of any legal or equitable interest in the Site or any part thereof.

b. If Penn Estates intends to transfer any legal or equitable interest in the Site which is affected by this Consent Order and Agreement, Penn Estates shall serve a copy of this Consent Order and Agreement upon the prospective transferee of the legal and equitable interest at

least thirty (30) days prior to the contemplated transfer and shall simultaneously inform the Northeast Regional Office of the Department of such intent.

10. Correspondence with Department. All correspondence with the Department concerning this Consent Order and Agreement shall be addressed to:

Clean Water Program Manager
Clean Water Program
Department of Environmental Protection
2 Public Square
Wilkes-Barre, PA 18701-1915
Phone (570) 826-2511
Fax (570) 830-3016

11. Correspondence with Penn Estates. All correspondence with Penn Estates concerning this Consent Order and Agreement shall be addressed to:

Emily Long, Area Manager
Community Utilities, Inc.
570 Hallet Road
East Stroudsburg, PA 18301
Phone 570-424-9322

With copy to:

Diana A. Silva, Esq.
Manko, Gold, Katcher & Fox, LLP
401 City Ave, Suite 901
Bala Cynwyd, PA 19004
Phone 484-430-2347
Fax 484-430-5711
Email dianasilva2@gmail.com

Penn Estates shall notify the Department whenever there is a change in the contact person's name, title, or address. Service of any notice or any legal process for any purpose under this Consent Order and Agreement, including its enforcement, may be made by mailing a copy by first class mail to the above address.

12. Force Majeure. In the event that Penn Estates is prevented from complying in a timely manner with any time limit imposed in this Consent Order and Agreement solely because of a strike, fire, flood, act of God, or other circumstance beyond Penn Estates' control and which Penn Estate, by the exercise of reasonable diligence, is unable to prevent, then Penn Estates may petition the Department for an extension of time. Penn Estates shall be entitled to the benefits of this paragraph if it notifies the Department within five (5) business days by telephone and within ten (10) business days in writing of the date that it becomes aware or reasonably should have become aware of the event impeding performance.

13. Severability. The paragraphs of this Consent Order and Agreement shall be severable and should any part hereof be declared invalid or unenforceable, the remainder shall continue in full force and effect between the parties.

14. Entire Agreement. This Consent Order and Agreement shall constitute the entire integrated agreement of the parties. No prior or contemporaneous communications or prior drafts shall be relevant or admissible for purposes of determining the meaning or extent of any provisions herein in any litigation or any other proceeding.

15. Attorney Fees. The parties shall bear their respective attorney fees, expenses and other costs in the prosecution or defense of this matter or any related matters, arising prior to execution of this Consent Order and Agreement.

16. Modifications. No changes, additions, modifications, or amendments of this Consent Order and Agreement shall be effective unless they are set out in writing and signed by the parties hereto.

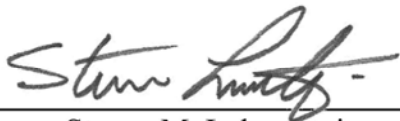
17. Titles. A title used at the beginning of any paragraph of this Consent Order and Agreement may be used to aid in the construction of that paragraph, but shall not be treated as controlling.

18. Termination. The obligations of this Consent Order and Agreement shall terminate when the Department determines in writing that Penn Estates has complied with the requirements of Paragraphs 3 and 4 above, and the Department determines that it is in the interest of public health, public safety, or the environment to terminate such obligations; such determination shall not be unreasonably withheld and shall be made within a reasonable time (not to exceed five (5) months) after Penn Estates completes the obligations in Paragraphs 3 and 4 above.

19. Execution of Agreement. This Consent Order and Agreement may be signed in counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument. Facsimile signatures shall be valid and effective.

IN WITNESS WHEREOF, the parties hereto have caused this Consent Order and Agreement to be executed by their duly authorized representatives. The undersigned representatives of Penn Estates certify under penalty of law, as provided by 18 Pa. C.S. § 4904, that they are authorized to execute this Consent Order and Agreement on behalf of Penn Estates; that Penn Estates consents to the entry of this Consent Order and Agreement as a final ORDER of the Department; and that Penn Estates hereby knowingly waives its right to appeal this Consent Order and Agreement and to challenge its content or validity, which rights may be available under Section 4 of the Environmental Hearing Board Act, Act of July 13, 1988, P.L. 530, 35 P.S. § 7514; the Administrative Agency Law, 2 Pa. C.S. § 103(a) and Chapters 5A and 7A; or any other provisions of law. [Signature by Penn Estates' attorney certifies only that the agreement has been signed after consulting with counsel.]

FOR PENN ESTATES UTILITIES INC.:



Name: Steven M. Lubertozzi
Title: President, Community Utilities of
Pennsylvania, Inc.

FOR THE COMMONWEALTH OF
PENNSYLVANIA, DEPARTMENT OF
ENVIRONMENTAL PROTECTION:

B R Patel 10/22/2020

Bharat Patel, P.E.
Clean Water Program Manager

Ann Conserette 10/22/20

Ann Conserette
Assistant Counsel

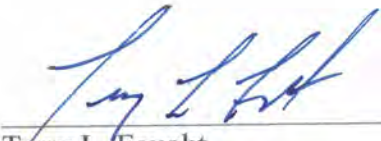
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
v.	:	Docket Nos. R-2023-3042804 (Water)
Community Utilities of Pennsylvania, Inc.	:	R-2023-3042805 (Wastewater)
	:	

VERIFICATION

I, Terry L. Fought, hereby state that the facts set forth in my Direct Testimony, OCA Statement 5, are true and correct (or are true and correct to the best of my knowledge, information, and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Dated: February 6, 2024
*4885-9560-9251

Signature: 
Terry L. Fought

Consultant Address: 780 Cardinal Drive
Harrisburg, PA 17111

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
v. : Docket Nos. R-2023-3042804 (Water)
Community Utilities of Pennsylvania, Inc. : R-2023-3042805 (Wastewater)

REBUTTAL TESTIMONY
OF
MORGAN N. DEANGELO

ON BEHALF OF
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

March 5, 2024

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1 **Introduction**

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

3 A. My name is Morgan N. DeAngelo. My business address is 555 Walnut Street, Forum
4 Place, 5th Floor, Harrisburg, Pennsylvania 17101. I am currently employed as a
5 Regulatory Analyst by the Pennsylvania Office of Consumer Advocate (OCA).

6 **Q. Have you previously provided testimony in this case?**

7 A. Yes. I provided Direct Testimony on February 6, 2024, in OCA Statement 3.

8 **Q. Have you reviewed the Direct Testimony submitted by the Bureau of Investigations
9 and Enforcement (I&E) and the Pennsylvania Office of Small Business Advocate
10 (OSBA)?**

11 A. Yes, I reviewed all Direct Testimonies submitted in this case.

12 **Q. What is the purpose of your Rebuttal Testimony?**

13 A. The purpose of my Rebuttal Testimony is to respond to the Direct Testimony of Justin
14 Bieber, prepared on behalf of OSBA. My Rebuttal Testimony is limited to responding to
15 the Proxy Return on Equity (ROE) Adjustment section of Mr. Bieber's Direct Testimony
16 on pages 8-9 of OSBA Statement No. 1.

17 **Q. Did any of the Direct Testimony you reviewed cause you to change your positions
18 and recommendations as stated in your Direct Testimony?**

19 A. No. To the extent I do not address a particular statement or position raised in the Direct
20 Testimonies filed in this case, it does not constitute my agreement with the same.

1 **Summary of Direct Testimony**

2 **Q. Please summarize your Direct Testimony.**

3 A. On pages 5 and 6 of my Direct Testimony, I provided my recommendation for the
 4 appropriate overall rate of return to the Pennsylvania Public Utility Commission
 5 (Commission) for Community Utilities of Pennsylvania, Inc. (CUPA). My
 6 recommendation can be found below:

	<u>Percent Total Capital</u>	<u>Cost Rate</u>	<u>Cost of Money</u>
Long Term Debt	50.00%	5.24%	2.62%
Common Equity	50.00%	8.39%	4.19%
Total	100.00%		6.81%

7

8 **Response to Justin Bieber’s Direct Testimony**

9 **Q. Did Mr. Bieber conduct an original analysis of the appropriate ROE for CUPA?**

10 A. No (OSBA Statement No. 1, p. 9, ln. 1).

11 **Q. How does Mr. Bieber calculate his recommended ROE without performing an
 12 original analysis?**

13 A. Mr. Bieber stated, “I am utilizing the 9.65% ROE authorized by the Commission for the
 14 DSIC for most water utilities in the state as a proxy in my revenue requirement
 15 calculation.” (OBSA Statement No. 1, p. 9, ln. 1-3).

16 **Q. What else does Mr. Bieber state about ROE in his Direct Testimony?**

17 A. Mr. Bieber also stated, “The use of this proxy ROE is not intended to supplant the
 18 Commission’s consideration of traditional cost of capital analyses that may be offered by

1 the Office of Consumer Advocate (“OCA”) and perhaps other parties in this proceeding.
2 Based on my experience in other proceedings, I would not be surprised if other parties
3 present credible analyses indicated that CUPA’s ROE should be set lower than 9.65%.”
4 (OSBA Statement No. 1, p. 9, ln. 1-8).

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

6 A. Yes. Both the OCA and I&E performed Company-specific analyses. Reliance on the
7 Commission’s 9.65% authorized ROE for most water systems’ DSIC is not a reasonable
8 way to determine the appropriate ROE for CUPA as a public utility in Pennsylvania
9 providing water and wastewater service. The OCA recommends an ROE of 8.39% (OCA
10 Statement 3, p. 18, ln. 14) while I&E recommends an ROE of 8.45% (I&E Statement No.
11 2, p. 6, ln. 8-9). Using an ROE strictly based off of the DSIC authorized by the
12 Commission is not reasonable in this proceeding.

13 **Conclusion**

14 **Q. Please restate your recommendations that were made in your Direct Testimony and**
15 **in this Rebuttal Testimony.**

16 A. (1) I recommend the Commission should reject the ROE and overall Rate of Return used
17 by OSBA, as it is not a reasonable rate of return for CUPA based on Company-specific
18 analysis.

19 (2) I recommend an ROE of 8.39%. In calculating the final rate of return for ratemaking
20 purposes, my recommended rate of return is 6.81%.

1 **Q. Does that conclude your Rebuttal Testimony?**

2 **A.** Yes, it does. However, I reserve the right to modify or supplement my testimony if
3 necessary. Furthermore, I continue to support all the recommendations made in my direct
4 testimony. To the extent that I did not address an issue in my rebuttal testimony should
5 not be taken to mean that I agree with other parties' positions in this case.

BEFORE
THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	Docket Nos.	R-2023-3042801 (Water)
v.	)		R-2023-3042802 (Wastewater)
Community Utilities of Pennsylvania, Inc.)		
)		

REBUTTAL TESTIMONY

OF

JEROME D. MIERZWA

ON BEHALF OF
THE PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

MARCH 5, 2024

EXETER

ASSOCIATES, INC.
10480 Little Patuxent Parkway, Suite 300
Columbia, Maryland 21044

1 **I. INTRODUCTION**

2 Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS
3 ADDRESS?

4 A. My name is Jerome D. Mierzwa. I am a Principal and Vice President of Exeter
5 Associates, Inc. (“Exeter”). My business address is 10480 Little Patuxent Parkway,
6 Suite 300, Columbia, Maryland 21044. Exeter specializes in providing public
7 utility-related consulting services.

8 Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS
9 PROCEEDING?

10 A. Yes. My direct testimony was filed as OCA Statement 4 on February 6, 2024.

11 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

12 A. The purpose of my rebuttal testimony is to respond to certain aspects of the direct
13 testimony presented by Bureau of Investigation and Enforcement (“I&E”) witness
14 Eryan A. Sakaya, and Office of Small Business Advocate (“OSBA”) witness Justin
15 Bieber.

16 **II. WITNESS: ESYAN A. SAKAYA**
17 **Bureau of Investigation and Enforcement**

18 **Water Service**

19 Q. DID MR. SAKAYA RAISE ANY CONCERNS WITH RESPECT TO THE
20 WATER CLASS COST-OF-SERVICE (“CCOS”) STUDY PRESENTED BY
21 COMMUNITY UTILITIES OF PENNSYLVANIA, INC. (“CUPA” OR
22 “COMPANY”) IN THIS PROCEEDING?

23 A. Yes. In his direct testimony on water on pages 16-18, Mr. Sakaya disagrees with
24 CUPA’s proposal to functionalize, or classify, \$352,455 in corporate allocation costs
25 as related to the billing and collection function in the water CCOS study.

1 Q. DO YOU AGREE THAT CUPA'S CLASSIFICATION OF CORPORATE
2 ALLOCATION COSTS TO THE BILLING AND COLLECTION
3 FUNCTION IS A CONCERN?

4 A. Yes, and I raised this same concern in my direct testimony and proposed to allocate
5 these costs to all cost functions based on Factor 7 which was the factor used by CUPA
6 to allocate several other general and administrative expenses to the various cost
7 functions.

8 Q. CUPA HAS PROPOSED A MONTHLY CUSTOMER CHARGE OF \$23.40
9 FOR REGULAR RESIDENTIAL AND COMMERCIAL WATER
10 CUSTOMERS WITH A 5/8-INCH METER. DOES MR. SAKAYA AGREE
11 WITH THIS PROPOSED CUSTOMER CHARGE FOR WATER
12 CUSTOMERS?

13 A. No. On page 20 of his direct testimony on water, Mr. Sakaya recommends a monthly
14 customer charge of \$18.20 for water customers with a 5/8-inch meter.

15 Q. DO YOU AGREE WITH THE WATER CUSTOMER CHARGE
16 PROPOSED BY MR. SAKAYA FOR CUSTOMERS WITH A 5/8-INCH
17 METER?

18 A. No. As explained in my direct testimony, customer charges should be based on the
19 direct costs associated with the addition or subtraction of a customer. CUPA's proposed
20 customer charge of \$23.40 was based on analysis that improperly included costs that
21 did not vary with the addition or subtraction of a customer. Adjusting CUPA's
22 customer charge analysis to remove these improperly included costs reduced the
23 calculated customer charge for a 5/8-inch meter to \$13.05. (See Schedule JDM-1). This
24 is less than the \$18.20 customer charge proposed by Mr. Sakaya. Therefore, based on
25 my analysis of direct customer costs, I recommend that the current customer charge for

1 the consolidated Westgate and Penn Estates service territories of \$17.25 be maintained
2 and also adopted for the Tamiment service territory.

3 Q. MR. SAKAYA CONTENDS THAT THE PUBLIC FIRE SERVICE
4 CHARGE PROPOSED BY CUPA IS TOO LOW. WHAT DOES MR.
5 SAKAYA RECOMMEND WITH RESPECT TO THE PUBLIC FIRE
6 SERVICE CHARGE

7 A. CUPA has proposed reducing the current public fire service charge of \$56.67 per month
8 to \$39.60. Mr. Sakaya recommends maintaining the current charge on page 24 of his
9 testimony on CUPA's water division.

10 Q. DO YOU AGREE WITH MR. SAKAYA'S PROPOSAL?

11 A. Yes.

12 Q. WHAT IS CUPA'S PROPOSAL CONCERNING AVAILABILITY
13 CHARGES?

14 A. CUPA is proposing to consolidate the availability charges in all service territories and
15 has proposed a rate of \$45.60 per month.

16 Q. DOES MR. SAKAYA AGREE WITH THE AVAILABILITY CHARGE
17 PROPOSED BY CUPA?

18 A. No. Mr. Sakaya finds the availability charges proposed by CUPA to be inconsistent
19 with the concept of gradualism on page 26 of his testimony on CUPA's water division.
20 I would note that the current availability charge in the consolidated West Penn and
21 Penn Estates service territory is \$18.81, and the current availability charge in the
22 Tamiment service territory is \$9.31.

23 Q. WHAT IS MR. SAKAYA PROPOSAL FOR AVAILABILITY CHARGES?

24 A. Mr. Sakaya is proposing an availability charge of \$19.85, or an increase 5.5% for the
25 consolidated service territories, and an availability charge of \$13.00, or an increase

1 40% for the Tamiment service territory. In this proceeding, CUPA is requesting an
2 overall water revenue increase of 63%.

3 Q. DO YOU AGREE WITH THE AVAILABILITY CHARGES PROPOSED
4 BY MR. SAKAYA?

5 A. While I agree with Mr. Sakaya that the availability charges proposed by CUPA are
6 inconsistent with the concept of gradualism, I find the increases proposed by Mr.
7 Sakaya to be insufficient based on the water revenue requirement increase requested
8 by CUPA. Mr. Sakaya's proposed availability charges are based on CUPA's requested
9 revenue requirement increase, but will be scaled back to the extent a revenue
10 requirement increase less than CUPA's requested increase is authorized by the
11 Commission.

12 In my direct testimony, on page 14, I propose increasing the current availability
13 charge for the consolidated service territories by 1.5 times the system average increase,
14 and increasing the current Tamiment availability charge by 2.0 times the system
15 average increase. Based on CUPA requested revenue increases, this would result in a
16 consolidated service territory availability charge of \$35.34, and a Tamiment
17 availability charge of \$21.03, and would reflect an increase in the consolidated service
18 territories availability charge of 95%, and an increase in the Tamiment availability
19 charge of 126%. To provide for additional gradualism in the consolidated availability
20 charge, I would find it reasonable to increase the availability charge to reflect the
21 system average increase authorized by the Commission in this proceeding. To provide
22 for additional gradualism in the Tamiment availability charge and to move toward the
23 consolidation of availability charges, I would find it reasonable to increase the
24 Tamiment availability charge by 1.5 times the system average increase authorized in
25 this proceeding. Based on CUPA's requested increase in this proceeding, my

1 alternative recommendation would result in a consolidated availability charge of
2 \$30.66 and a Tamiment availability charge of \$18.11, which would reflect increases of
3 63% and 95%, respectively. It is appropriate to scale these numbers back to reflect the
4 1.5 times the system average increase that the Commission actually awards in this case.

5

6 **Wastewater Service**

7 Q. LIKE HE DID WITH WATER SERVICE, MR. SAKAYA DISAGREES
8 WITH CUPA'S PROPOSAL TO FUNCTIONALIZE, OR CLASSIFY,
9 CORPORATE ALLOCATION COSTS AS RELATED TO THE BILLING
10 AND COLLECTION FUNCTION IN THE WASTEWATER COSS STUDY.
11 DO YOU AGREE WITH MR. SAKAYA?

12 A. Yes, I do. I agree with Mr. Sakaya's conclusion on pages 14 through 17 of his
13 wastewater testimony that it is inappropriate for CUPA to classify 100% of corporate
14 allocation costs as related to the billing and collection function, similar to my
15 recommendation concerning corporate allocation costs reflected in CUPA's water
16 CCOS study. However, I did not specifically include this recommendation in my direct
17 testimony. In my direct testimony, on pages 17 through 19, I recommended an
18 adjustment to the functionalization of collection system costs to the billing and revenue
19 collection function. With that adjustment, the calculated wastewater monthly customer
20 charge was reduced to a level below the existing charge and, therefore, there was
21 already sufficient evidence to support maintaining the current charges as recommended
22 in my direct testimony. Excluding modifying the classification of corporate allocation
23 costs would have further reduced the calculated customer charges. As shown on
24 Schedule JDM-3, classifying corporate allocation costs utilizing a similar approach to
25 that which I utilized in CUPA'S water CCOS study would further reduce the charge to

1 for a 5/8-inch meter to \$8.40 from the \$11.55 presented on Schedule JDM-2 of my
2 direct testimony.

3 Q. MR. SAYAKA RECOMMENDS THAT THE \$51.65 PER MONTH
4 CUSTOMER CHARGE PROPOSED BY CUPA FOR THE
5 CONSOLIDATED AND TAMIMENT SERVICE TERRITORIES BE
6 APPROVED. DO YOU AGREE WITH THAT RECOMMENDATION.

7 A. No. As explained in my direct testimony on pages 18 and 19, 100% of collection system
8 costs have been included in the CUPA's calculation of the proposed \$51.65 fixed
9 monthly customer charge. This is inconsistent with the two basic cost allocation
10 approaches identified by the Water Environment Federation in its Manual of Practice
11 No. 27 *Financing and Charges for Wastewater Systems* (WEF Manual No. 27). An
12 allocation of collection system costs under the two approaches presented in the WEF
13 Manual No. 27 would result in a calculated fixed monthly customer charge of \$11.55,
14 which is currently less than half of the Tamiment fixed monthly customer charge of
15 \$26.15. Therefore, the current Tamiment fixed monthly customer charge of \$26.15
16 should be maintained and applied to all customers.

17 **II. WITNESS: JUSTIN BIEBER**
18 **Office of Small Business Advocate**

19 Q. CUPA IS PROPOSING TO ACCESS ALL WATER CUSTOMERS THE
20 SAME VOLUMETRIC USAGE CHARGES. DOES MR. BIEBER AGREE
21 WITH THIS PROPOSAL?

22 A. No. CUPA's current Commercial water volumetric usage charges are approximately
23 5.1% lower than the Residential charges. Since CUPA's water CCOS study does not
24 separately allocate costs to Residential and Commercial customers, Mr. Bieber
25 recommends, on page 16 of his testimony, that the Commercial volumetric charge

1 adopted in this proceeding be discounted by 5.1% relative to the Residential volumetric
2 charges.

3 Q. DO YOU AGREE WITH THIS RECOMMENDATION?

4 A. No. Mr. Bieber presents no cost of service justification to demonstrate that Commercial
5 volumetric charges should be lower than Residential volumetric charges. In addition,
6 Mr. Bieber's proposal is inconsistent. The currently monthly customer charge for a
7 Commercial customer with a 5/8-inch meter in the Tamiment service territory is
8 approximately 6.5 times higher than the monthly customer charge for a Residential
9 customer with a 5/8-inch meter in the Tamiment service territory and Mr. Bieber has
10 not proposed maintaining this historical relationship.¹ Mr. Bieber, on pages 3 and 4 of
11 his testimony, accepted the Company's proposal to adopt the same customer charges
12 for all customer classes. Finally, per the notice issued by CUPA in this proceeding,
13 under the Company's proposed rates, the average bill for a Residential customer would
14 increase by 58.65%, and the average bill for a Commercial customer would increase
15 by 57.70%. Therefore, without Mr. Bieber's proposed historic adjustment to volumetric
16 rates, Commercial customer will already experience a lower increase than Residential
17 customers.

18 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

19 A. Yes, it does.
20

¹ The current Tamiment Residential customer charge is \$18.18 and the current Tamiment Commercial customers charge is \$121.25. $(\$152.25/18.18) = 6.67$.

BEFORE
THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	Docket Nos.	R-2023-3042801 (Water)
v.	)		R-2023-3042802 (Wastewater)
Community Utilities of Pennsylvania, Inc.)		
)		

SCHEDULE ACCOMPANYING THE
REBUTTAL TESTIMONY

OF

JEROME D. MIERZWA

ON BEHALF OF
THE PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

MARCH 5, 2024

EXETER

ASSOCIATES, INC.

10480 Little Patuxent Parkway, Suite 300
Columbia, Maryland 21044

COMMUNITY UTILITIES OF PENNSYLVANIA, INC.
CONSOLIDATED WASTEWATER SERVICES

CALCULATION OF PROPOSED MONTHLY FIXED CHARGE

<u>Meter Size</u>	<u>5/8 inch Equivalency Factor</u>	<u>Collection Cost Per Equiv. Unit (1)</u>	<u>Treatment Cost Per Unit (2)</u>	<u>Meter Cost Per Unit</u>	<u>Billing Cost Per Bill (3)</u>	<u>Total</u>	<u>Rounded (Use)</u>
Residential	1.00	\$4.2179	\$0.0000	\$4.2179	\$4.1624	\$8.3803	\$8.40
Commercial	1.00	4.2179	0.0000	4.2179	4.1624	8.3803	8.40
All Other Flow			16.8614			16.8614	16.80
Low-Income Flow			10.9600			10.9600	10.90
School (unmetered)	12.50	4.2179	16.8614	263.4913	4.1624	267.6537	267.65
Availability Fee (unmetered)	0.25	4.2179	16.8614	5.2698	4.1624	9.4322	9.45

(1) Calculated as follows:

	<u>Collection System</u>	
Total cost of service to be recovered through rates and charges (page 9)	\$196,537	10.0%
Divided by number of equivalent meters (page 3)	3,883	
Divided by 12 months	12	
Monthly charge per equivalent meter	\$4.2179	

	<u>Treatment and Disposal</u>	
	<u>All Other Flow</u>	<u>Low-Income Flow</u>
(2) Calculated as follows:		
Total cost of service to be recovered through rates and charges (page 9)	\$2,394,032	\$176,938
Divided by flow (in 1,000s) (page 2)	141,983	16,144
Charge per 1,000 gallons	\$16.8614	\$10.9600

(3) Calculated as follows:

	<u>Billing and Collecting</u>
Total cost of service to be recovered through rates and charges (page 9)	\$204,540
Divided by number of bills annually (page 3)	49,140
Billing cost per bill	\$4.1624

(See Accountants' Special Purpose Report)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

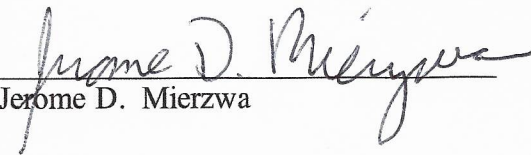
Pennsylvania Public Utility Commission :
v. : Docket Nos. R-2023-3042804 (Water)
Community Utilities of Pennsylvania, Inc. : R-2023-3042805 (Wastewater)

VERIFICATION

I, Jerome D. Mierzwa, hereby state that the facts above set forth in my Rebuttal Testimony, OCA Statement 4R, are true and correct (or are true and correct to the best of my knowledge, information, and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: March 5, 2024
*4886-6246-1610

Signature:


Jerome D. Mierzwa

Consultant Address: Exeter Associates, Inc.
10480 Little Patuxent Parkway, Suite 300
Columbia, MD 21044-3575

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
v. : Docket Nos.: R-2023-3042804 (Water)
Community Utilities of Pennsylvania, Inc. : R-2023-3042805 (Wastewater)

SURREBUTTAL TESTIMONY

OF

Nicholas A. DeMarco

On behalf of the

PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

Date Served: March 19, 2024

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1 **Introduction**

2 **Q. Mr. DeMarco, did you previously provide testimony in this proceeding on behalf of**
3 **the Office of Consumer Advocate?**

4 A. Yes. My initial testimony was submitted as OCA Statement 1. I am a Regulatory Analyst
5 for the Office of Consumer Advocate. My testimony covered the Low-Income Program
6 and AMP proposed by CUPA and certain ongoing customer issues concerning CUPA
7 customers.

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

9 A. The purpose of my Surrebuttal Testimony is to provide an overview of the OCA's
10 surrebuttal testimony and to respond to the rebuttal testimony of CUPA witness Gray
11 (CUPA St. No. 2-R), Long (CUPA St. No. 4-R), and Lubertozzi (CUPA St. No. 6-R). Other
12 OCA witnesses submitting surrebuttal testimony are Rogers (OCA St. 2SR), DeAngelo
13 (OCA St. 3SR), Mierzwa (OCA St. 4SR), and Fought (OCA St. 5SR). I will discuss the
14 issues that each witness had regarding the following topics: CUPA's website, outreach for
15 their Low-Income Program, the Low-Income Program, the arrearage management program
16 (AMP), Fire Hydrants, Unaccounted For Water (UFW), and complaints raised at the public
17 input hearings.

18 **Summary**

19 **Q. Please provide an overview of the OCA's surrebuttal testimony.**

20 A. The OCA's overall position changed as a result of CUPA's rebuttal testimony with a
21 revised revenue requirement which will be addressed in Ms. Roger's testimony. CUPA still
22 ignores the significant Public Input Hearing testimony of consumers, who testified against
23 the quality of service, and fire protection. There still remain affordability concerns, not

1 only for the average consumer but also CUPA's low-income customers. The rate increase
2 will harm these consumers the most with CUPA's lukewarm approach to their Low-Income
3 Program. Customers will have a difficult time reducing their total bill by only reducing
4 their usage. The increase in the customer charge will make high bills unavoidable. This
5 combined with CUPA's high rate of unaccounted for water leaves customers paying for
6 the treatment of water they never get to use.

7 CUPA is an investor-owned utility. CUPA is a wholly-owned subsidiary of Corix
8 Regulated Utilities (US) Inc. (CRUUS), which is merging with SW Merger Acquisition
9 Corp. (SWMAC), pending regulatory approval. The combined company, CRUUS, will
10 operate approximately 403 water and 328 wastewater utilities across 20 U.S. states and two
11 Canadian provinces, serving water and wastewater service to approximately 1.5 million
12 people¹. Therefore, CUPA should not be granted their size adjustment to its return on equity
13 claim.

14 In her surrebuttal testimony (OCA St. 2SR), Ms. Rogers provides updated
15 schedules to reflect the OCA's recommended water revenue requirement of no more than
16 \$ 3,588,657 and wastewater revenue requirement of no more than \$ 4,841,710. Ms. Rogers
17 addresses: Net Income Retention Factor, Deferred charges, Plant In Service, Oracle Fusion
18 Asset, Oracle Fusion Asset Depreciation Expense, Allowance for Cash Working Capital,
19 Deferred Maintenance Expense, Rate Case Expense, Maintenance and Repair Expense,
20 Chemical Expense, and Service Fees.

¹ *Application of Community Utilities of Pennsylvania Inc., for a Merger Of Equals Transaction*, Docket Nos. A-2022-3036744 (water) and A-2022-3036745 (wastewater) at ¶¶ 8 - 12 (Order Entered, September. 8, 2023); <https://www.corix.com/about-corix/about-us>.

1 Ms. DeAngelo addresses in her surrebuttal testimony (OCA St. 3SR): Proxy
2 Groups, Discounted Cash Flow Model, Capital Asset Pricing Model (CAPM), and the Size
3 Adjustment.

4 Mr. Mierzwa addresses in his surrebuttal testimony (OCA St. 4SR): Availability
5 Charges, the Corporate Costs in the Cost-of-Service Study, Uncollectable Expenses, Penn
6 Estates Public Fire Protection Costs, Monthly Water Customer Charge, Penn Estates
7 Availability fee, Wastewater Collections Systems Costs, and Wastewater Customer Charge.

8 Mr. Fought addresses in his surrebuttal testimony (OCA St. 5SR): Unaccounted For
9 Water (UFW), Penn Estates, System Pressure Surveys, Isolation Valves, Fire Hydrants and
10 Fire Protection, Customer Complaints.

11 **Q. Please summarize where the Company and the OCA still have differences regarding**
12 **the Low-Income Program.**

13 A. The OCA and Company disagree on additional outreach and education efforts, including
14 changes to CUPA's website, to expand the number of CUPA customers who know about
15 the program and funding regarding implementing a tiered discount program. The Company
16 also does not agree that they should implement a tiered discount program. The OCA and
17 the Company disagree on who can qualify for the Arrearage Management Program and
18 how long the default payment plan should be. The OCA recommends a longer default
19 payment plan. The OCA recommends that allowing customers who already have a difficult
20 time paying their bill to pay a lower, more affordable rate over a 24-month period compared
21 to a blanket 12-month plan preferred by the Company.

22
23

1 **Q. Please summarize your surrebuttal testimony regarding the Low-Income Program.**

2 A. Following a review of CUPA's rebuttal testimony, there are still serious concerns regarding
3 CUPA's Low-Income Program, Witnesses Gray states the Company's concern that the
4 OCA is making recommendations without considering the administration cost to the
5 Company and that I did not provide an estimate of the costs of implementing my
6 recommendations (CUPA St. No. 2-R pg. 31 ln 19-21). I am informed by counsel that the
7 burden of proof is on the company and that this matter will be addressed in briefing.
8 Requiring the OCA to perform a cost analysis to justify CUPA's potential costs that are
9 currently unknown to the OCA is unreasonable. I would also like to note that the electric
10 and gas industry's average administrative costs for CAP programs are about 4% - 5% of
11 their CAP program budget. This is according to the PUC's 2022 annual report on CAP
12 programs, which can be found on the Commission's website under reports². A properly
13 administered CAP program is consistent with the utilities' obligations to provide
14 reasonable, clear, and consistent information about its program offering, and costs incurred
15 that are reasonable and prudent can be included in a rate case claim.

16 I additionally recommend that the Company conduct a cost analysis for my
17 recommendations outlined in my direct testimony by their next base rate case, as the
18 Company has only managed to enroll seven (7) customers of the sixty-six (66) who have
19 applied. Through my analysis of U.S. Census data, I estimate that there could be as many
20 as 350³⁴ CUPA customers who fall below 100% of the federal poverty guidelines (OCA

² <https://www.puc.pa.gov/filing-resources/reports/universal-service-programs-and-collections-performance-reports/>
(2022 report pg. 68-69)

³ The FPL for a family of three was \$23,030 in 2022 and \$24,860 in 2023
<https://www.healthcare.gov/glossary/federal-poverty-level-fpl/>

⁴ 3257*.119=387

1 St. 1 pg. 23 ln 10-19). These statistics clearly show that the Company’s current outreach
 2 effort for ensuring that low-income customers get enrolled into CUPA’s Low-Income
 3 Program are insufficient in reaching all of their customers, which is contrary to Witness
 4 Gray’s conclusion that the Company’s internal processes are working and are adequate to
 5 inform their customers of the Low-Income Program (CUPA St. No. 2-R pg. 30 ln. 5-11 &
 6 pg. 31 ln. 5-10).

7 As for the remaining issues (Fire hydrants, UFW, and Customer Complaints), the
 8 company needs to continue to work towards improving the service it provides to its
 9 customers. As stated in my direct testimony: “CUPA is held to the same standard under the
 10 Public Utility Code, Section 1501, as all other Pennsylvania public utilities in that it is
 11 required to ‘furnish and maintain adequate, efficient, safe, and reasonable service and
 12 facilities⁵’ water should be suitable for all household purposes⁶.” (OCA St. 1 pg. 8 in 1-
 13 13). Legal arguments regarding these issues will be addressed by counsel in brief.

14 **Q. How does CUPA fund its Low-Income Program?**

15 A. Under the terms of the 2021 base rate case settlement which addresses how revenues are
 16 collected for the Low-Income Program, paragraph 15 on page 10 of the settlement
 17 agreement, the amount of revenue included in rates is the same as the projected under the

⁵ **§ 1501. Character of service and facilities.**

Every public utility shall furnish and maintain adequate, efficient, safe, and reasonable service and facilities, and shall make all such repairs, changes, alterations, substitutions, extensions, and improvements in or to such service and facilities as shall be necessary or proper for the accommodation, convenience, and safety of its patrons, employees, and the public. Such service also shall be reasonably continuous and without unreasonable interruptions or delay. Such service and facilities shall be in conformity with the regulations and orders of the commission.

Subject to the provisions of this part and the regulations or orders of the commission, every public utility may have reasonable rules and regulations governing the conditions under which it shall be required to render service. Any public utility service being furnished or rendered by a municipal corporation beyond its corporate limits shall be subject to regulation and control by the commission as to service and extensions, with the same force and in like manner as if such service were rendered by a public utility. The commission shall have sole and exclusive jurisdiction to promulgate rules and regulations for the allocation of natural or artificial gas supply by a public utility.

⁶ *Pa. PUC v. Lake Latonka Water Co.*, 71 Pa. PUC 507, 522 (1989)

1 Company's current proposal, CUPA residential low-income gallonage of 16,143.877
2 kilogallons multiplied by the low-income rate of \$14.68. The settlement in the 2021 case
3 provided that "[t]he Company will record a regulatory asset or liability for amounts over
4 or under the amount included in rates for recovery or refund in the next base rate case."
5 And "[t]he amount of water revenue to be included in the regulatory asset or liability is the
6 difference between the projected and the actual residential low-income gallonage
7 multiplied by the difference between the low-income rate and the regular residential rate."

8 **Q. Did CUPA accrue a regulatory liability since its last base rate proceeding?**

9 **Q.** Yes. CUPA accrued a regulatory liability of approximately \$79,782.64, which it is using
10 in this proceeding to offset depreciation costs over the next three years. (Supplement to
11 Schedule B-23)

12 **Q. Is the Company estimating higher low-income customer usage in its FPFTY than in
13 its HTY?**

14 **A.** Yes, in this rate case, CUPA is estimating that its low-income customers will use
15 16,143.877 kilogallons of water per year in its FPFTY, despite only 31 kilogallons of usage
16 in the HTY. (Supplement to Schedule B-1). CUPA is estimating higher enrollment in its
17 Low-Income Program. CUPA estimates that 395 customers will be enrolled by July 31st,
18 2024 (Exhibit D II-9).

19 **Q. Is it likely that CUPA will accrue a regulatory liability in this case?**

20 **A.** Yes. In its HTY, the Company billed 31 kilogallons at the low-income rate, and enrollment
21 in the low-income program has not increased significantly since the end of the HTY. It is
22 unlikely that the seven (7) current enrollees or the 66 applicants will be able to use the

1 16,143.877 kilogallons annually. Therefore, I expect that CUPA will accrue a regulatory
2 liability under the usage estimate in its FPFTY.

3 **Q. Is the Company willing to accept your recommendations regarding their website?**

4 A. The Company is willing to partially accept the recommendations I made for their website.
5 Specifically, the Company is willing to adjust the location to the dedicated low-income
6 page to a more prominent space on their homepage. The Company is open to exploring
7 adding a link directly to Dollar Energy Fund and changing the plain application URL to
8 “Click Here to Apply” which would take the customer to the dedicated Low-Income page.
9 Witness Gray notes the Company’s concern about cost and cost recovery, stating that
10 CUPA cannot be required to undertake “unfunded mandates” and that CUPA will provide
11 updated cost information when it is available to implement these steps (CUPA St. No. 2-R
12 pg. 30-31 ln 12-4).

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

14 A. Yes. I appreciate the Company’s willingness to partially accept my recommendations
15 related to enhancing the Low-Income Program’s presence on their website. However, I
16 continue to recommend that CUPA make strides to make the information easier to identify
17 and understand for customers who visit their website. CUPA has not come forward with
18 costs that would lead me to believe that the cost of adding a link to their website and making
19 the modest changes that I propose here would be significant. The expenses associated with
20 managing and running these programs – including personnel, administrative costs, website
21 development, and the like – are all expenses that would be able to be included in a rate
22 case. I would like to reiterate that the electric and gas industry’s average administrative
23 costs are about 4% - 5% of their CAP program budget. This is according to the PUC’s 2022

1 annual report on CAP programs, which can be found on the Commission's website under
2 reports. I recognize that CUPA is a water utility and that start-up administrative costs may
3 be higher than 4% - 5% initially, but the changes that I have requested are, in my view,
4 consistent with the utilities' obligations to provide reasonable, clear, and consistent
5 information about its program offering and costs incurred that are reasonable and prudent
6 can be included in a rate case claim.

7 **Outreach**

8 **Q. Is the Company willing to accept your recommendations regarding its ongoing**
9 **outreach efforts?**

10 A. The Company is partially willing to accept my recommendations. Specifically, the
11 Company is willing to accept that in-person outreach can be effective (CUPA St. No. 2-R
12 pg. 31 ln 5-21). I encourage the Company to plan outreach events in the communities it
13 serves. Specifically, churches, libraries, community centers, or other places of common
14 gathering such as where their customers eat, play, and pray.

15 **Q. Is there a recommendation that the Company did not agree with?**

16 A. Yes, I suggested in my direct testimony that the Company develop handout, mailers, and
17 door hangers in English and Spanish with information about their Low-Income Program. I
18 suggested that copies of these materials be mailed to customers each quarter and supplied
19 to locations where their customers eat, play, and pray within their communities. The
20 Company stated that they already have an internal process which can be used to reach the
21 same goals without additional costs. (CUPA St. No. 2-R pg. 31 ln 5-21).

22

1 **Q. Does the Company provide details on this existing internal process and how it can be**
 2 **used?**

3 A. Yes. The Company describes its “Voice Reach system” as a system which can be used to
 4 provide quarterly updates to its customers via phone calls, email, and text messages. The
 5 Company also notes that it can be programmed to use both English and Spanish. (CUPA
 6 St. No. 2-R pg. 31 ln 5-21).

7 **Q. Do you have an opinion on the “Voice Reach system”?**

8 A. Yes. I support the implementation of the Voice Reach system for additional outreach
 9 opportunities for the Company’s Low-Income Program. I also continue to believe that the
 10 Voice Reach system is a tool to augment in-person events along with the materials that I
 11 mentioned earlier and in my direct testimony. Many low-income people may not have
 12 reliable access to the internet to consistently check email. While this is changing, traditional
 13 methods of outreach remain relevant and I would continue to encourage the Company to
 14 consider the recommendations that I made in my direct testimony regarding outreach.

15 **Q. In their rebuttal, did CUPA’s witnesses who discussed the Low-Income Program**
 16 **provide a reasonable explanation for their low levels of enrollment in the Low-Income**
 17 **Program.**

18 A. No. The company has only managed to enroll seven (7) customers of the sixty-six (66) who
 19 have applied. CUPA has had 72 unique applications to its Low-Income Program, with nine
 20 (9) rejections and seven (7) approvals. Applications remain pending until Dollar Energy
 21 Fund (DEF) can approve or reject a customer’s participation in the program (OCA Set 3
 22 question 5 b.). It is unclear as to why DEF is having a difficult time contacting customers
 23 to verify their information (OCA Set 3 question 5 b.). Supplement to Schedule B-23 (Low

1 Income Regulatory Liability) shows the length of time it has taken to enroll customers and
2 the time it takes for DEF to verify a customer's income. Of the 17 customers on the
3 spreadsheet, three customers are pending as they are wastewater only, but 13 are still
4 pending verification. The 13 customers have been waiting between 3 months and a year
5 for verification (Supplement to Schedule B-23 Low Income Regulatory Liability,
6 applications-refunds). That leaves roughly 44 customers unaccounted for in the low-
7 income application process.

8 **Q. How many customers do you estimate could be enrolled in CUPA's Low-Income**
9 **program as it currently is administered?**

10 A. Through my analysis of U.S. Census data, I estimate that there could be as many as 350
11 CUPA customers who fall below 100% of the federal poverty guidelines (OCA St. 1 pg.
12 23 ln 10-19).

13 **Q. Do you believe that the above statistics show that CUPA's current internal process is**
14 **working to adequately inform or enroll qualified customers in its Low-Income**
15 **Program?**

16 A. No. These statistics clearly show that the Company's current internal processes are not
17 reaching all of their custom, contrary to Mr. Gray's conclusion that the Company's
18 internal process are working and adequate to inform their customers of the Low-Income
19 Program. When the program is expanded to individuals up to 200% of the FPL I see no
20 indication that CUPA's current internal processes will capture a greater number of
21 qualifying customers given the lack of enrollment under CUPA's current practices
22 (CUPA St. No. 2-R pg. 30 ln. 5-11 & pg. 31 ln. 5-10). Continuing CUPA's current
23 outreach efforts is likely to result in continued ineffective outreach.

1 **Q. Does the Company take any other issue with your initial outreach recommendations?**

2 A. Yes. The Company also notes that I did not propose an estimate or incremental cost
3 associated with supporting my proposal and that CUPA cannot be required to undertake
4 unfunded mandates (CUPA St. No. 2-R pg. 31 ln 19-21). I would like to reiterate that the
5 electric and gas industry’s average administrative costs are about 4% - 5% of their CAP
6 program budget. While CUPA is a water utility, costs associated with the administration
7 of CUPA’s low-income program, such as educating and informing customers, can be taken
8 from CUPA’s existing operating budget.

9 **Q. Do you have any additional comments regarding outreach and enrollment?**

10 A. Yes, the Pennsylvania Public Utility Commission stated in a 2019 Policy Statement that
11 “enrolling low-income customers into CAPs as early as possible generally puts them in the
12 best position to maintain good payment habits and avoid accruing utility debt. Waiting until
13 a customer has broken a payment agreement or otherwise fallen into arrears could make it
14 harder for a household to succeed in a CAP.”⁷ This statement shows the importance of the
15 outreach portion of any Low-Income Program to maintain a customer’s ability to pay and
16 not accrue avoidable arrears that both the customer and company will have to manage later
17 on. Acknowledging CUPA’s low enrollment numbers and trying to solve this outreach
18 issue for CUPA’s low-income customers should be something that the Company should
19 encourage, as continuing CUPA’s current outreach practices empirically creates
20 insufficient results.

21

⁷ 2019 Amendments to Policy Statement on Customer Assistance Program, Docket No. M-2019-3012599, 46 (Order Sep. 19, 2019).

1 **Low-Income Rate**

2 **Q. Please summarize your low-income rate recommendation.**

3 A. I recommended that the company adopt a tiered discount rate plan, whereby a 40% discount
4 would be given to customers between 175% and 200% of poverty, a 60% discount would
5 be given to customer between 100% and 150% of poverty, and an 80% discount would be
6 given to customers whose income level is less than 100% of poverty. This is a similar
7 discount scheme used by Pennsylvania American Water⁸ and Aqua Pennsylvania⁹. Not
8 only do these companies use this method, they also have well-designed low-income
9 webpages.

10 I also suggested that the Company's apply the discounted rate to both the customer
11 charge and the volumetric charge.

12 **Q. Did the Company agree to any of your recommendations?**

13 A. Partially, the Company stated it would agree to applying their 35% discount to both the
14 customer charge and the volumetric charge on a customer's total bill (CUPA St. No. 2-R
15 pg. 32 ln. 9-14).

16 **Q. Do you have any comments regarding the Company's suggestion.**

17 A. Yes. While the OCA supports the Company's agreement to apply a discount rate to both
18 their customer and volumetric charge, I recommend that the discount rate be greater than
19 35%. This 35% discount was previously applied to just the volumetric water charge of
20 customers before the requested rate increase. If granted, the rate increase could see water
21 customers' water bills increase by 58% - 69% and wastewater bills increase by 51% - 60%.

⁸<https://www.amwater.com/paaw/customer-service-billing/Customer-Assistance-Programs/h2o-help-to-others-program>

⁹<https://www.aquawater.com/customers/customer-assistance-programs/customer-assistance-program.php>

1 Depending on the customer's rate division, the customer charge alone will increase by 29%
 2 - 36%. A combined 35% discount to a customer's water and wastewater bill does not do
 3 enough to address affordability due to the increase in rates.

4 **Q. Did the Company disagree with any of your recommendations?**

5 A. Yes, the Company did not agree with my recommendation of a tiered discount program.
 6 They stated that (1) it is unduly complicated, (2) the program is in its infancy, (3) there are
 7 low participation levels, and (4) there are likely administrative costs (CUPA St. No. 2-R
 8 pg. 32 -33 ln. 9-8).

9 **Q. Do you take issue with any of the Company's statements disagreeing with your tiered
 10 discount recommendation?**

11 A. Yes. I disagree with the statement that it is unduly complicated, that low participation levels
 12 are a reason not to invest in the program, and that administrative costs are a relevant issue
 13 at this time.

14 **Q. Why do you disagree with the Company statement saying that the program is "unduly
 15 complicated"?**

16 A. Other than a generalized statement that the tiered program is unduly complicated, CUPA
 17 has provided no support that it is unable to implement a tiered discount program.

18 **Q. Why do you disagree with low participation levels being an excuse not to invest the
 19 time and effort into bettering the program?**

20 A. If the company invests time and effort in outreach and education using my
 21 recommendations as guidelines, more customers will be enrolled in the program. CUPA's
 22 rates are already unaffordable and if another rate increase goes into effect for CUPA's
 23 customers, fewer customers will be able to pay. CUPA's apparent lack of interest in

1 continuing their Low-Income Program is problematic and harmful to their low-income
2 customers. Low participation levels show that CUPA's current outreach efforts are
3 ineffective, but in no way show that low-income customers are not interested in receiving
4 a discount on unaffordable utility bills.

5 **Q. Why do you believe that administrative costs are not an issue for CUPA to use a tiered**
6 **discount program?**

7 A. As stated earlier, the electric and gas industry's average administrative costs are about 4%
8 - 5% of their CAP program the necessary funding to administering a tiered discount
9 program can be taken from CUPA's existing operating budget.

10 **Q. Do you agree with any of the Company's comments regarding your recommended**
11 **tiered discount program?**

12 A. Regardless of the stage of development a Low-Income Program is in, and regardless of the
13 size of the utility which has the program, the program's goal should be to provide the most
14 benefit to its customers, and to itself. For CUPA, a tiered discount provides the most benefit
15 because it increases the affordability of CUPA's rates for all of its customers. A tiered
16 discount system is increasingly becoming an industry standard amongst larger
17 Pennsylvania public water and wastewater utilities. The tiered discount system allows for
18 a company to more accurately bill customers at the widely accepted affordability guidelines
19 of 2% for water and 2.5% for wastewater¹⁰.

20 CUPA is held to the same standards as all other public utilities in Pennsylvania.

21 CUPA is wholly owned by CRUUS, which should mean that there is ample expertise to
22 bring this program in line with the direction other utilities are moving, including CRUUS's

¹⁰ Guidance: Coordinating CSO Long-term Planning with Water Quality Standards Reviews." pp. 31-32 (July 2001), available at https://www3.epa.gov/npdes/pubs/wqs_guide_final.pdf.)

1 other subsidiaries.¹¹ With the expertise of CRUUS and the resources CUPA will accrue in
2 its regulatory asset, CUPA should be able to develop a Low-Income Program which is able
3 to maximize affordability for its customers at all income levels.

4 **Q. Do you have additional comments regarding your tiered discount recommendation?**

5 A. Yes. I stated my recommendation earlier regarding applying only a 35% discount rate to
6 both the customer charge and the volumetric charge. The objective of the tiered discount
7 rate is to address an affordable rate more accurately and fairly for low-income customers.
8 I maintain my recommendation that the Company use my recommended tiered discount
9 rates. If the company does not accept my primary recommendation of a tiered discount
10 rate, I recommend a 60% discount rate to all low-income customers' total bill.

11 **AMP**

12 **Q. Is the Company willing to accept your proposed changes to their AMP?**

13 A. Not wholly. The Company believes that the current iteration of their AMP balances the
14 needs of the Company with the needs of their customers, including the length of their 12-
15 month deferred payment agreement (DPA).

16 **Q. Do you have any comments regarding the current iteration of the AMP?**

17 A. Yes. As it stands, only low-income customers with more than \$400 in arrears qualify for
18 participation in the AMP. As I state on page 34 of my direct testimony, as of 1/12/24 only
19 94 CUPA customers would qualify under CUPA's AMP, if they were all low-income
20 customers. Of the customers enrolled in CUPA's Low-Income Program, only four would

¹¹ For example, CRUSS subsidiary Suburban Water Systems has had a Low-Income Program in place since 2008, with a participation rate of 15.5% of total customers. Suburban Water Systems Annual Report, California Public Utility Commission, filed July 31, 2023, found at: https://files.cpuc.ca.gov/WaterAnnualReports/Water%20Division/Annual%20Reports/2022/Class_A/Suburban_Water_Systems_-_2022_Annual_Report.pdf

1 qualify. (OCA Set 3-4(f)). If the program was expanded to include customers with any
 2 amount of arrears, the program would have the potential to assist 1,741 CUPA customers,
 3 including non-low-income customers. This is an additional 1,646 customers. These
 4 additional 1,646 customers owe \$180,770 to \$155,229 out of the \$301,978 CUPA is owed
 5 in arrears (OCA St. 1 pg. 34-36). I fail to see how the AMP as written serves the best
 6 interests of the Company or the customers. By assisting these 1,646 customers, CUPA can
 7 begin to write off nearly \$200,000 in debt owed to the company.

8 **Q. Do you have any comments regarding the 12-month deferred payment arrangement**
 9 **as the default option for CUPA’s proposed AMP?**

10 A. Yes. It is important for the Company to remember that those with arrears are more than
 11 likely already having a difficult time paying their bills, not just their water and wastewater
 12 bill. Extending the default provision from 12 to 24 months would make the necessary
 13 payments more affordable and therefore more likely that a customer can and will pay,
 14 especially those with accumulated high arrears. By allowing customers 24 months,
 15 customers would incur lower charges over a longer period of time, increasing the
 16 customer’s ability to afford the smaller payments. I recommend extending the default
 17 payment plan to 24 months.

18 **Q. Do you have any additional AMP concerns?**

19 A. No.

20 **Fire Hydrants**

21 **Q. Did the Company address your concerns regarding fire hydrants.**

22 A. Yes. Witness Fought will address these concerns in his testimony.

23

1 **UFW**

2 **Q. Did the Company address your request for quarterly reports regarding the status of**
 3 **their reduction in UFW?**

4 A. Yes, the company stated that if the OCA wanted the reports, they could request them using
 5 the discovery process in the next rate case.

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

7 A. Yes. The Company should submit quarterly reports to the OCA regarding its progress and
 8 plans to reduce UFW. Requiring the OCA to proactively request this information in
 9 discovery, which could potentially lead to an objection or a non-responsive statement from
 10 the Company, does not address my concerns regarding CUPA’s ongoing UFW issue in this
 11 proceeding. CUPA’s rejection of my reporting requirements regarding UFW, and their
 12 suggestion that the OCA could request this information in discovery in a future base rate
 13 case downplays the importance reporting requirements generally as many reports could, in
 14 theory, be obtained through the discovery process at some later date. CUPA’s UFW is an
 15 ongoing issue that needs to be actively monitored, not left to the next base rate case.

16 **Public Input Hearings**

17 **Q. Did the Company address customer concerns from the Public Input Hearings?**

18 A. Yes, witness Long, in her testimony addresses ongoing complaints and complaints raised
 19 by customers at the public input hearings (CUPA St. No. 4 pg. 10-29). The complaints
 20 addressed are as follows:

21 **Tamiment Service Territory:**

22 Water Service

- 23 - Broken shut-off valve
- 24 - Low water pressure
- 25 - Water quality, drinkability, and appliance issues
- 26

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Sewer Service

- Sewer back flow and grinder pumps
- Odor from lift station

Penn Estates Service Territory:

- Water quality, drinkability
- Fluctuating bills
- Boil Water Advisories
- Third-party deliveries of bulk water

Westgate Service Territory:

- Water quality, drinkability
- High Bills
- Low water pressure

Q. Are there any complaints that you think Witness Long did not adequately address in her testimony?

A. Yes. Cindy Toscano testified to the high mineral content of the water ruining her white clothing, turning it a yellowish-red color, not using the water to water her plants, metallic flecks in her ceramic toilet, a lack of satisfying test results from the Company upon her neighbor’s request, and that the Company only “patches” the roads after working on the system, creating pot holes, she notes with rate payer money (TR. Pg. 373 - 380 ln. 15-25).

In her rebuttal testimony, Witness Long defined hardness and noted that test results put CUPA’s Tamiment territory within normal ranges. She also notes that mineral content and discoloration is generally caused by water’s hardness, iron, manganese, total dissolved solids (TDS), and color. She states that the levels of iron, manganese, total dissolved solids (TDS), and color do not fall within the National Primary Drinking Water Standards (NPDWRs). Water’s iron, manganese, total dissolved solids (TDS), and color do fall in to the National Secondary Drinking Water Regulations (NSDWRs). She states that while NPDWRs are enforceable NSDWRs are not. However, in Pennsylvania, DEP can enforce

1 NSDWRs¹². She also notes that PA DEP does not require testing for water’s hardness, iron,
 2 manganese, total dissolved solids (TDS). She goes on to state that test results of drinking
 3 water above secondary MCL’s can result in a visible tint, rusty color, sediment, metallic
 4 taste, reddish or orange staining, black to brown color, black staining, bitter metallic taste,
 5 hardness, deposits, colored water, staining, and salty taste (CUPA St. No, 4-R pg. 14 – 16
 6 ln. 20-6).

7 The possible side effects stemming from water with taste, color, and odor issues¹³
 8 is a common theme that can be seen throughout the testimony of other CUPA customers in
 9 the Tamiment service area. It is important to reiterate CUPA is held to the same standard
 10 under the Public Utility Code, Section 1501, as all other Pennsylvania public utilities in
 11 that it is required to ‘furnish and maintain adequate, efficient, safe, and reasonable service
 12 and facilities¹⁴, water should be suitable for all household purposes¹⁵. While legal

¹² The regulation is 25 Pa. Code Section 109.202(b)(1), “A public water system shall supply drinking water that complies with the secondary MCLs adopted by the EQB under the act, except for the MCL for pH which represents a reasonable goal for drinking water quality.” The standard MCL adopted by PADEP/the EQB are included in the EPA’s standards, found at 40 CFR 143.3. Iron and Manganese are included in EPA’s secondary standards, at .3 mg/L and .05 mg/L, respectively. As a result, CUPA is required to comply with EPA’s MCLs for iron and manganese, as they are enforceable in Pennsylvania under the Safe Drinking Water Act, 35 P.S. § 721.4. Secondary MCLs also address the odor of customers’ water, another concern brought up in the public input hearings.

¹³ The noticeable effects of drinking water above secondary MCLs are a visible tint, rusty color, sediment, metallic taste, reddish or orange staining, black to brown color, black staining, bitter metallic taste, hardness, deposits, colored water, staining, and salty taste. (CUPA St. No. 4-R)

¹⁴ **§ 1501. Character of service and facilities.**

Every public utility shall furnish and maintain adequate, efficient, safe, and reasonable service and facilities, and shall make all such repairs, changes, alterations, substitutions, extensions, and improvements in or to such service and facilities as shall be necessary or proper for the accommodation, convenience, and safety of its patrons, employees, and the public. Such service also shall be reasonably continuous and without unreasonable interruptions or delay. Such service and facilities shall be in conformity with the regulations and orders of the commission.

Subject to the provisions of this part and the regulations or orders of the commission, every public utility may have reasonable rules and regulations governing the conditions under which it shall be required to render service. Any public utility service being furnished or rendered by a municipal corporation beyond its corporate limits shall be subject to regulation and control by the commission as to service and extensions, with the same force and in like manner as if such service were rendered by a public utility. The commission shall have sole and exclusive jurisdiction to promulgate rules and regulations for the allocation of natural or artificial gas supply by a public utility.

¹⁵ *Pa. PUC v. Lake Latonka Water Co.*, 71 Pa. PUC 507, 522 (1989)

1 contentions will be discussed in the OCA's brief, witness Long's dismissal of quality-of-
2 service issues regarding color, odor, taste, and other undesirable properties of water is
3 concerning. Simply put, CUPA's customers do not consider their water to be suitable for
4 all household purposes. When water stains clothes, kills plants, emits an odor, has a color,
5 and/or has a strange taste, ratepayers tend to be upset at the water company, as illustrated
6 during the public input hearings in this proceeding. Testifying that the water meets
7 NPDWRs and NSDWRs and thus, the water is adequate, dismisses the customers' concerns
8 regarding real issues that they are having with their water service. The issues which CUPA
9 is clearly aware of, discussed above, are not issues that captive customers should have to
10 experience when receiving service from a Pennsylvania public utility. Pointing to the lack
11 of exceedance levels does not fix this problem.

12 Moreover, Scilianos Nikolaou, a water and wastewater customer in the Tamiment
13 area, brought in as evidence two water filters from his home which were entered into
14 evidence as Public Input Hearing Exhibit No. 13. Upon cross examination he stated that
15 the filters need to be changed every 3 months (TR. pg. 367 - 373 ln. 20 – 15).

16 In her rebuttal testimony, Witness Long addressed the fact that CUPA had not
17 received complaints from his residence before the meeting, she also noted that there were
18 many things that CUPA could not verify about the filters presented by Mr. Nikolaou. CUPA
19 had the opportunity to seek clarity during the public input hearing Mr. Nikolaou
20 participated in, either through formal cross-examination or by informally discussing the
21 matter with their customer at the conclusion of the public input hearing. CUPA's lack of
22 information regarding Mr. Nikolaou's filter situation should not excuse CUPA from

1 following-up and addressing their customer’s water service issue. CUPA should further
2 investigate this matter.

3
4 **Q. Are there additional complaints that Witness Long did not address in her testimony?**

5 A. Yes. Dahlia Merritt of the Tamiment territory testified against the already high price of her
6 water and sewer bill. She also testified that after the company took over in 2020, they
7 performed a flushing of the system. This caused a sewage back-up that caused \$60,000
8 damage to her home, of which only \$40,000 was covered by her homeowner’s insurance.
9 The company did not offer to help with the damages. This occurred while she worked as a
10 nurse in New York during COVID. (TR. Pg. 289 – 293 ln. 16-14).

11 Carol Nielsen of the Tamiment territory testified to a chlorine smell from the tap,
12 along with an orange hue in her pet’s water dishes that get slimy, which she rinses and
13 replaces each day. She also testified to variance of pressure, stating that it happens even
14 when they do not get communication from the company that flushing will occur. She also
15 testified to against the increase in price for the service which they receive (TR. Pg. 299-
16 302 ln 25-18).

17 John Oakes of the Tamiment territory provided testimony as a small business owner
18 and operator. He stated that soon after opening his business he received a notice that read
19 “we were required to notify you that boiled or bottled water should’ve been used for
20 drinking, making ice, brushing teeth, washing dishes, and preparation of food until the
21 problem was corrected on 5/6/22, at 10:14 a.m. Boiling water kills bacteria and other
22 organisms in the water. Please note, it is not necessary to boil your water now because the
23 problem has already been corrected.” His complaint is that they did not receive the notice
24 until the problem had already been corrected. He also testified to having to use purchased

1 5 gallon jugs of water to serve to his business' customers and use for food prep due to
2 CUPA's poor water quality and his lack of trust in the company (TR. Pg. 339- 346 ln. 13-
3 20).

4 Jenniffer Rose Romano of the Tamiment territory testified that she is a medicinal
5 gardener, with a garden of about 300 plants. She now uses rainwater to water these plants
6 after she noticed her plants were dying when she was using tap water. She also testified to
7 low water pressure, the smell of the water, and sediment in the water that can be found in
8 her home appliances after use. She also states that she does not drink the water and has
9 water delivered once a month. She believes that other members of the community also have
10 water delivered as the company she uses, "Crystal Water," comes to the community at least
11 once a week, she estimates. (Pg. 391 - 397 ln. 24 - 24).

12 Doug Pinkerton of the Westgate territory testified to a historic trend of hard water
13 and poor water quality which wreaks havoc on pipes and water heaters. (TR. Pg. 163 - 168
14 ln 20-24.)

15 Lorraine Mazzie of the Penn Estates territory testified to high chlorine levels in the
16 water causing an off smell and taste. Mrs. Mazzie also testified that her plumber told her
17 the reason for her continuous need for pipe replacement and repairs, including a \$20,000
18 dollar insurance claim due to breaks at the main and hot water tank (TR. Pg. 154 - 160 ln
19 9-7). All of these complaints should be investigated by CUPA.

20
21 **Q. Do you have any concerns regarding these customer complaints?**

22 A. Yes. The OCA is concerned with the trend that many of these issues were not addressed
23 until after they were brought to light at the public hearings. The OCA is concerned that
24 there is a lack of perceived trust and a lack of perceived capability from the Company if

1 customers only see and feel that that their issues will be addressed after they are aired in
2 front of a judge.

3 The OCA is also concerned about the trend of customer complaints regarding the
4 drinkability and useability of their water. Section 1501 applies to CUPA, it does as all other
5 Pennsylvania public utilities in that it is required to “furnish and maintain adequate,
6 efficient, safe, and reasonable service and facilities” water should be suitable for all
7 household purposes, which encompasses both aesthetic as well as health considerations.
8 Clearly customers do not perceive this to be the case, even if the water when tested meets
9 DEP standards.

10 **Conclusion**

11 **Q. Please summarize your conclusion.**

12 A. The company still has much work to do regarding the identification and enrollment of its
13 low-income customers in its Low-Income Program. As the Pennsylvania Public Utility
14 Commission stated in a 2019 Policy Statement that “We note that enrolling low-income
15 customers into CAPs as early as possible generally puts them in the best position to
16 maintain good payment habits and avoid accruing utility debt. Waiting until a customer
17 has broken a payment agreement or otherwise fallen into arrears could make it harder for
18 a household to succeed in a CAP.”¹⁶ Relatively simple improvements could be made to
19 CUPA’s low-income outreach that would make a positive difference for CUPA’s most
20 financially vulnerable customers.

¹⁶ 2019 Amendments to Policy Statement on Customer Assistance Program, Docket No. M-2019-3012599, 46 (Order Sep. 19, 2019).

1 Further, I recommend that CUPA adopt a tiered discount system for its Low-Income
2 Program to better serve its customers at every level of poverty. If the Company does not
3 accept my recommendation and implement a tiered discount system, the Company should
4 adopt a 60% discount to both the volumetric rate and customer charge portions of
5 customers water and wastewater bills for those customers who qualify for their Low-
6 Income Program.

7 Regarding their AMP program, CUPA should lower the arrearage threshold to allow
8 more customers to qualify for the program. The Company should also increase the default
9 payment plan timeline from 12 to 24 months, to allow customers who are already having a
10 difficult time paying their bill to pay a more affordable rate to receive forgiveness.

11 Lastly, the Company should address the water quality and service issues in each of its
12 territories so that it is providing safe and adequate drinking water for all household uses to
13 all of its customers.

14 **Q. Does this conclude your testimony?**

15 **A.** Yes, but I reserve the right to modify it if additional information is obtained.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	)	Docket No. R-2023-3042804
v.	)	(Water)
	)	Docket No. R-2023-3042805
Community Utilities of Pennsylvania Inc.	)	(Wastewater)

SURREBUTTAL TESTIMONY

OF

JENNIFER L. ROGERS

ON BEHALF OF THE

PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

March 19, 2024

EXETER

ASSOCIATES, INC.

10480 Little Patuxent Parkway, Suite 300
Columbia, Maryland 21044

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Surrebuttal Schedules JLR-W-1 through JLR-W-12

Surrebuttal Schedules JLR-WW-1 through JLR-WW-13

1 **I. INTRODUCTION**

2
3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 A. My name is Jennifer L. Rogers. My business address is 10480 Little Patuxent Parkway,
5 Suite 300, Columbia, Maryland, 21044. I am the Lead Economist working with Exeter
6 Associates, Inc. (“Exeter”). Exeter is a consulting firm specializing in issues pertaining
7 to public utilities.

8 **Q. ARE YOU THE SAME JENNIFER L. ROGERS WHO SUBMITTED DIRECT**
9 **TESTIMONY ON FEBRUARY 6, 2024 IN THIS PROCEEDING?**

10 A. Yes, I am.

11 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

12 A. The purpose of my Surrebuttal Testimony is to address issues discussed in the Rebuttal
13 Testimonies of Community Utilities of Pennsylvania, Inc. (“CUPA” or “Company”)
14 witnesses Anothony Gray, Amber Capwen, and Harold Walker which were filed on
15 March 5, 2024.

16 **Q. ARE YOU INCLUDING UPDATED SCHEDULES SUMMARIZING THE**
17 **OCA’S CURRENT REVENUE REQUIREMENT POSITION IN THIS**
18 **PROCEEDING?**

19 A. Yes. I have attached Surrebuttal Schedules JLR-W-1 to JLR-W-12, and Surrebuttal
20 Schedules JLR-WW-1 to JLR-WW-13 to this testimony which present the OCA’s
21 updated position after taking the Company’s rebuttal position into account. My
22 Surrebuttal Schedules utilize the Company’s Rebuttal Filing Schedules as the basis of
23 Company data, as these reflect the Company’s updated position in this case.

24 **Q. PLEASE SUMMARIZE THE OCA’S UPDATED RECOMMENDATION AS A**
25 **RESULT OF THE CHANGES DISCUSSED IN THIS TESTIMONY.**

26 A. In this testimony, I respond to CUPA witnesses’ Rebuttal Testimonies on various
27 adjustments I recommended in my Direct Testimony. I have considered the issues
28 addressed in their Rebuttal Testimonies and, in some instances, I have modified my

1 adjustments where necessary. I have also updated my calculations to reflect an overall
2 rate of return on rate base of 7.04 percent, which is per the recommendation detailed in
3 the Surrebuttal Testimony of OCA Witness Morgan DeAngelo. As a result of these
4 changes, my revised recommended revenue requirement for CUPA's water operations
5 is \$3,588,657, representing an increase of \$1,211,840 to the Company's present rate
6 revenues of \$2,376,817. My revised recommended total revenue requirement for
7 CUPA's wastewater operations is \$4,841,710, representing an increase of \$1,392,637
8 to the Company's present rate revenues of \$3,449,073.

9 To the extent that a Company witness's Rebuttal Testimony has addressed my
10 position on an issue developed in my Direct Testimony, but I do not address in this
11 Surrebuttal Testimony, it should not be construed that I agree with the Company.

12 **II. ADJUSTMENTS TO THE COST OF SERVICE**

13 **A. Net Income Retention Factor**

14 **Q. PLEASE EXPLAIN THE NET INCOME RETENTION FACTOR UTILIZED**
15 **IN YOUR SURREBUTTAL.**

16 **A.** In his Direct Testimony (page 3, lines 9-17 and page 4, lines 1-8), I&E Witness Zachari
17 Walker proposes a change to the net income retention factor, noting the Company
18 originally intended to include the uncollectible rate and utility tax assessment factors
19 in its calculation, but it resulted in a circular reference error. I agree with Mr. Walker's
20 change and have modified my calculations to match the net income retention factor
21 shown in the table on page 4, line 1 of his Direct Testimony.

22 In the process of modifying the net income retention factor, this necessitated
23 changes to Schedules JLR-W-1 and JLR-WW-1 to maintain accuracy in the
24 calculations. On page 2, I have modified the calculation in my Surrebuttal Schedules

1 to reflect the calculation of the full revenue increase. These changes flow through to
2 page 1 of the Schedules.

3 **B. Deferred Charges**

4 **Q. PLEASE ADDRESS MR. GRAY'S REBUTTAL TESTIMONY RELATED TO**
5 **DEFERRED CHARGES IN RATE BASE.**

6 A. Mr. Gray has accepted in Rebuttal the adjustment to remove Deferred Charges from
7 rate base (page 7, line 2 and line 20, and page 8 line 9). The OCA and the Company
8 are now in agreement on this issue.

9 **C. Plant In Service**

10 **Q. PLEASE ADDRESS MR. GRAY'S AND MS. CAPWEN'S REBUTTAL**
11 **TESTIMONY RELATED TO PLANT IN SERVICE.**

12 A. In my Direct Testimony (page 8, lines 18-23, page 9, lines 1-8), I stated the Company
13 had included two projects in wastewater plant in service which were not projected to
14 be in service within the FPPTY. I therefore recommended removing these projects from
15 rate base, consistent with Act 11 of 2012. Mr. Gray stated in Rebuttal (page 4, lines 5-
16 6) that the dates in Company Exhibit D V-12 were in error, and the projects are
17 projected to be in-service within the FPPTY. Ms. Capwen also states in Rebuttal (page
18 2, lines 2-21, and page 3, lines 1-15) that these dates were incorrect and provides
19 evidence that the plant in service dates fall within the FPPTY.

20 **Q. DO YOU STILL RECOMMEND REMOVING THESE PROJECTS FROM**
21 **RATE BASE?**

22 A. No, I do not. Given that the projects are expected to be in service within the FPPTY, I
23 am withdrawing the adjustment. This change has been incorporated into my attached
24 Surrebuttal Schedules.

1 **D. Oracle Fusion Asset**

2 **Q. PLEASE EXPLAIN MR. GRAY'S REBUTTAL TESTIMONY RELATED TO**
3 **THE ORACLE FUSION ASSET.**

4 A. In my Direct Testimony (page 12, lines 10-23), I recommend disallowing the Oracle
5 Fusion Asset from rate base as the asset is not owned by CUPA, and there is already a
6 mechanism to share the cost of the asset through allocation of shared corporate
7 expenses. Mr. Gray disagreed with this adjustment in his Rebuttal (page 9, lines 11-
8 21, and page 10, lines 1-7), asserting that just because some ownership rights associated
9 with the asset belong to an affiliate, does not mean CUPA has not invested in an asset
10 on which it is entitled to earn a return, and that disallowing such would provide an
11 incentive for individual utilities to purchase their own unique assets rather than sharing
12 these costs. He further states that in CUPA's sister company's proceedings in
13 Kentucky, allocated portions of this asset were deemed recoverable.

14 **Q. DO YOU AGREE WITH MR. GRAY'S ASSERTION THAT A COMPANY**
15 **SHOULD BE ABLE TO INCLUDE AN ASSET OWNED BY AN AFFILIATE IN**
16 **RATE BASE?**

17 A. No, I do not. The rate base must accurately reflect assets owned by the Company to
18 earn a return. Allowing the Company to include an asset owned by its affiliate in rate
19 base would set a poor precedent. Mr. Gray does not deny that the Oracle Fusion Asset
20 is owned by an affiliate, rather than CUPA. It is common for companies within the
21 same ownership group to share costs. In fact, in the response to OCA 7-6(c), the
22 Company states that the Oracle Fusion Asset expense amount is flowed into the
23 Corporate and Shared Services Costs and is allocated through the 2-tier cost allocation
24 process to the Corporate Allocation Expense on CUPA's financials each month. With
25 respect to shared assets, for utilities that are part of the same ownership group, the
26 return on capital and the return of capital are typically recovered through the corporate

1 allocation process through an expense account. There appears to be a mechanism to
2 pass through capital costs related to CUPA's other shared assets because CUPA has
3 not separately included other shared assets in rate base as done for the Oracle Fusion
4 Asset. Therefore, CUPA has not clearly demonstrated that it has not been billed or
5 recorded the return on the Oracle Fusion Asset through the corporate allocation process.

6 With regard to the case in Kentucky referenced by Mr. Gray, I note that I was
7 not involved in that case and cannot speak to the evidence presented that resulted in the
8 determination that allocated portions of this asset were deemed recoverable. I am
9 determining the merits of this issue on the evidence and arguments at hand.

10 I continue to recommend that the Oracle Fusion Asset be removed from rate
11 base. This adjustment reduces rate base by \$43,166 for water and \$51,771 for
12 wastewater, as shown in Surrebuttal Schedule JLR-W-6 and JLR-WW-7, respectively.

13 **E. Oracle Fusion Asset Depreciation Expense**

14 **Q. PLEASE ADDRESS MR. GRAY'S REBUTTAL TESTIMONY RELATED TO**
15 **THE ORACLE FUSION ASSET DEPRECIATION EXPENSE.**

16 A. In my Direct Testimony (page 12, lines 20-23), I recommend removal of the
17 depreciation expense associated with the Oracle Fusion Asset. Per the Company, it was
18 included in error, and also included as a credit rather than a debit in error. In his
19 Rebuttal (page 22, lines 4-5), Mr. Gray agrees with this adjustment. The OCA and the
20 Company are now in agreement on this issue.

21 **F. Allowance for Cash Working Capital**

22 **Q. PLEASE ADDRESS MR. WALKER'S REBUTTAL TESTIMONY RELATED**
23 **TO CASH WORKING CAPITAL.**

24 A. As Mr. Walker notes in Rebuttal (page 2, lines 1-3), the outstanding issue in this case
25 related to cash working capital is the amount of O&M and Taxes utilized in its
26 calculation. Since O&M expenses serve as the basis upon which the cash working

1 capital is calculated, we continue to differ on the final calculated amount. I have
2 incorporated the adjustments to O&M expenses that I am recommending below. I have
3 therefore made an adjustment to cash working capital to reduce the Company's rate
4 base by \$8,501 for water and \$20,514 for wastewater, as shown on Surrebuttal
5 Schedules JLR-W-4 and JLR-WW-4, respectively.

6 **G. Deferred Maintenance Expense**

7 **Q. PLEASE EXPLAIN MR. GRAY'S REBUTTAL TESTIMONY RELATED TO**
8 **YOUR ADJUSTMENT TO THE NON-COVID PORTION OF THE DEFERRED**
9 **MAINTENANCE EXPENSE.**

10 A. In my Direct Testimony (Section E "Deferred Maintenance Expense", beginning on
11 page 14), I recommend that recovery of the non-COVID portion of the deferred
12 maintenance expenses be disallowed, as recovery of deferred costs is not permitted
13 without prior Commission approval. Mr. Gray states in Rebuttal (page 17, lines 14-16)
14 that he disagrees with my recommendation, explaining that 'deferred charges' do not
15 refer to expenses incurred in the past but "[i]nstead, these are expenses that are
16 regimented and recurring on a multi-year cycle and will recur in the future." Mr. Gray
17 states that alternatively, if the Commission does not accept the amortization treatment,
18 the expenses may be normalized rather than amortized.

19 **Q. DO YOU AGREE WITH MR. GRAY'S RECOMMENDATION TO INCLUDE**
20 **RECOVERY OF THESE EXPENSES IN THE COST OF SERVICE?**

21 A. No, I do not. Mr. Gray states in Rebuttal (page 17, lines 14-22, and page 18 lines 1-3)
22 that the term 'deferred charges' does not refer to expenses incurred in the past, but
23 rather to projects that occur on a multi-year cycle. However, he goes on to explain:

24 ... the Company records these costs on the balance sheet when
25 incurred and amortizes that balance over the useful life resulting in
26 an annual amortization expense. For example, a water test that is
27 done every three years, or a storage tank painting that is done every
28 five years is recorded on the balance sheet for the full amount at the

1 time the cost is incurred and 1/3 or 1/5 of that amount is recorded
2 as annual expense on the income statement until fully amortized.
3 The annual expense of these amortizations are reflected in the
4 Maintenance and Repair section of the Company's Income
5 Statement in account 512012 -Deferred Maintenance Expense.¹

6 Per Mr. Gray's Rebuttal, these are costs that are not annually recurring, and are
7 recorded when incurred and then amortized over a specified period and included in the
8 deferred maintenance account on the income statement. The cost of service should
9 reflect expected expenses in the FPFTY. These represent a non-annual out of period
10 expense. As explained in my Direct Testimony, deferred costs require Commission
11 approval for recovery.

12 Mr. Gray states in Rebuttal (page 17, lines 15-16) "these are expenses that are
13 regimented and recurring on a multi-year cycle and will recur in the future." The
14 Company has not provided data on any specific expected projects for the future in this
15 category but is rather saying very generally that these types of projects may occur at
16 some point in the future, and costs should be assumed to be similar to projects which
17 have occurred in the past. Stating vaguely that similar projects will occur sometime in
18 the future does not justify including these costs in rates now, in absence of evidence of
19 the actual expected costs and time frames.

20 I therefore continue to recommend the disallowance of recovery of the non-
21 COVID portion of these deferred maintenance expenses. This reduces O&M by
22 \$31,461 for water, as shown in Surrebuttal Schedule JLR-W-7, and by \$58,108 for
23 wastewater, as shown in Surrebuttal Schedule JLR-WW-8. In the event that the
24 Commission disagrees with my recommendation, I recommend these costs be
25 normalized rather than amortized.

¹ Rebuttal Testimony of Anthony Gray, page 17, lines 18-22 and page 18, lines 1-3.

1 **Q. PLEASE EXPLAIN MR. GRAY’S REBUTTAL TESTIMONY RELATED TO**
2 **YOUR ADJUSTMENT TO THE COVID-19 PORTION OF THE DEFERRED**
3 **MAINTENANCE EXPENSE.**

4 A. In my Direct Testimony, I recommend that recovery of the non-extraordinary portion
5 of the COVID-19 expenses be disallowed. Mr. Gray states in Rebuttal (page 20, lines
6 11-17) that he disagrees with my recommendation, as he believes costs should not be
7 considered on a standalone basis and that as a whole, the costs related to COVID-19
8 were extraordinary.

9 **Q. DO YOU AGREE WITH MR. GRAY’S RECOMMENDATION TO INCLUDE**
10 **RECOVERY OF THIS PORTION OF THE COVID-19 EXPENSES IN THE**
11 **COST OF SERVICE?**

12 A. No, I do not. As explained in my Direct Testimony (page 16, lines 10-11), the
13 Commission did not guarantee recovery of any cost that may have been deferred. This
14 allows for examination of the costs incurred to determine appropriate recovery. Further,
15 Mr. Gray’s argument that “no cost comprised of other costs would ever be
16 extraordinary” (page 20, lines 14-15) is shown false in my Direct Testimony which
17 recognized other elements of the COVID-19 expenses (which were not included in my
18 recommended disallowance) as extraordinary despite examining them as individual
19 categories.² Mr. Gray does not argue that these cost elements I have proposed
20 disallowing are extraordinary, merely that they should not be considered independently
21 of other COVID-19 costs because to do so shows these items to be non-extraordinary.

22 As the COVID-19 cost elements I previously identified in my Direct Testimony
23 are not extraordinary, and the Commission has not guaranteed recovery of any cost that
24 may have been deferred, I continue to recommend that these costs be disallowed. This
25 reduces O&M expenses by \$465 for water and \$557 for wastewater, as shown in
26 Surrebuttal Schedule JLR-W-7 and JLR-WW-8, respectively.

² Reference the Direct Testimony of Jennifer L. Rogers, page 16, lines 7-10.

1 **H. Rate Case Expense**

2 **Q. PLEASE ADDRESS MR. GRAY’S REBUTTAL TESTIMONY RELATED TO**
3 **THE NORMALIZATION OF RATE CASE EXPENSE.**

4 A. In my Direct Testimony (page 17, lines 15-16), I recommended that the rate case
5 expense be normalized rather than amortized, consistent with Commission practice. In
6 his Rebuttal, Mr. Gray has accepted this recommendation (page 7, line 20). The OCA
7 and the Company are now in agreement on this issue.

8 **I. Maintenance and Repair Expense**

9 **Q. PLEASE EXPLAIN MR. GRAY’S REBUTTAL TESTIMONY RELATED TO**
10 **YOUR ADJUSTMENT TO MAINTENANCE AND REPAIR EXPENSE.**

11 A. In my Direct Testimony (Section G, “Maintenance and Repair Expense,” beginning on
12 page 18), I recommended disallowing the inflation adjustment from the determination
13 of the FTY and FPFTY expenses for Maintenance and Repair, as the inflation value
14 used was speculative and without quantitative support to show it projects actual
15 expected costs, and relied on past inflation which is a poor predictor of future inflation.

16 While I strongly recommended disallowing the inflation escalation, in the event
17 the Commission disagreed with my recommendation, I proposed an alternative, using
18 the December 13, 2023 Federal Open Market Committee (“FOMC”) Core Personal
19 Consumption Expenditures (“PCE”) median inflation projections for Calendar Years
20 2024 and 2025, which is a forward-looking measure of expected inflation. Mr. Gray
21 mischaracterizes my testimony in his Rebuttal; I never ignored the existence of
22 inflation.

23 In Rebuttal, Mr. Gray (page 25, lines 13-22 and page 26 lines 1-23) objected to
24 this adjustment on the basis that inflation exists, backup data was provided for the
25 eleven-year historical value, I did not provide evidence that past inflation is a poor
26 predictor of future inflation, and it is common for businesses to forecast prices using

1 inflation data. With respect to the suggestion that the FOMC’s PCE value may be more
2 appropriate than the 3.92 percent value proposed by the Company, in the event the
3 Commission disagreed with disallowing the value entirely, Mr. Gray also disagrees.
4 Mr. Gray stated that using a subset of CPI was more specific than a broad market
5 indicator and therefore superior as a projection of inflation.

6 **Q. DO YOU AGREE WITH MR. GRAY’S REBUTTAL TESTIMONY THAT THE**
7 **USE OF THE 3.92 PERCENT INFLATION ESCALATION IS APPROPRIATE**
8 **TO DERIVE THE FPFTY EXPENSES?**

9 A. No, I do not. In my Direct Testimony, I explain the proposed inflation adjustment is
10 not actually known and certain, but rather an increase not related to actual costs
11 expected to be incurred by the Company. I explain that the Company has not supported
12 its use of an eleven-year historical average to determine its projected inflation, and that
13 past inflation is a poor indicator of future inflation regardless, and as such the use of
14 this inflation escalation should be disallowed. Mr. Gray asserts that removing such an
15 adjustment ignores inflation’s existence and that there is a “higher probability”³ costs
16 will increase in the future.

17 As I explained in my Direct Testimony, costs must be based on evidence
18 supporting the Company’s adjustments, and I do not believe the determination of
19 expenses for the FPFTY was envisioned to be simply applying a speculative inflation
20 rate to expenses. Utilities in Pennsylvania are subject to Act 11 of 2012. In the Final
21 Implementation Order in Docket No. M-2012-2293611, the Commission stated the
22 basis upon which FPFTY amounts will be evaluated. On page 5 of the Final
23 Implementation Order in Docket No. M-2012-2293611, the Commission stated:

24 Section 315 of the Code, 66 Pa. C.S. § 315, contains the burden of
25 proof a utility has in various proceedings before the Commission.

³ Rebuttal Testimony of Anthony Gray, page 25, line 14.

1 With the enactment of Act 11, the burden of proof standard for
2 utilities in rate proceedings has been amended to permit use of
3 either a future test year or a “fully-projected future test year” in rate
4 cases. The fully-projected test year is defined as the 12-month
5 period that begins with the first month that the new rates will be
6 placed into effect, after application of the full suspension period
7 permitted under Section 1308(d). *See* 66 Pa. C.S. § 1308(d).

8 The Commission then stated on page 7 of the same order:

9 Moreover, we expect that in subsequent base rate cases, the utility
10 will be prepared to address the accuracy of the fully-projected test
11 year projections made in its prior base rate case...

12 § 315 (e) of the Pennsylvania code addresses the burden of proof. It states:

13 ...Whenever a utility utilizes a future test year or a fully projected
14 future test year in any rate proceeding and such future test year or
15 a fully projected test year forms a substantive basis for the final rate
16 determination of the commission, the utility shall provide, as
17 specified by the commission in its final order, appropriate data
18 evidencing the accuracy of the estimates contained in the future test
19 year or a fully projected future test year, and the commission may
20 after reasonable notice and hearing, in its discretion, adjust the
21 utility's rates on the basis of such data. Notwithstanding section
22 1315 (relating to limitation on consideration of certain costs for
23 electric utilities), the commission may permit facilities which are
24 projected to be in service during the fully projected future test year
25 to be included in the rate base.

26 It is clear from reading the Commission’s order and § 315 (e) that the accuracy and the
27 reasonableness of the projections are expected. This means that projections should be
28 based upon actual planned activities using the best cost estimates available. Escalating
29 the historical amounts by an inflation factor is not a method of cost projection for
30 ratemaking because it bears no relationship to the activities planned for the rate year.
31 Utilities may demonstrate and explain reasons for FPFTY cost changes based upon
32 specific causes such as unit price increases, planned activities, budgeted values, and
33 abnormal activity in the HTY.

1 It is not an issue of acknowledging the existence of inflation as a concept. The
2 issue is that it is not possible for the Company’s FPFTY expense projection to be
3 accurate when it uses an inflation rate that was determined based upon judgement. The
4 Company has proposed use of a speculative inflation rate which may have no bearing
5 on reality, as they have provided no justification or quantitative analysis to support that
6 this value represents actual expected future costs, as discussed in the next Q&A below.

7 This position to disallow the inflation escalation has been adopted by the
8 Pennsylvania Public Utility Commission previously, in a case with Wellsboro Electric
9 Company, Docket No. R-2019-3008208. In their recommended decision, the
10 Administrative Law Judge (“ALJ”) stated, “we find it improper to use an inflation
11 escalation in projecting FPFTY expenses” and further stated accepting this position did
12 not assume there were no cost increases, but rather recommended the Commission
13 accept FPFTY projections consisting of cost increases that the Company can
14 demonstrate and explain in the record. In its Order, the Commission agreed with the
15 ALJ that Wellsboro Electric Company had not met its burden of proof and disallowed
16 the inflation adjustment as a result.

17 **Q. PLEASE RESPOND TO MR. GRAY’S DISCUSSION ON THE LACK OF**
18 **QUANTITATIVE SUPPORT FOR THE INFLATION ESCALATION VALUE.**

19 A. In my Direct Testimony I explained that using an eleven-year historical period as the
20 basis for the inflation escalation was based on a judgement call that was vague and
21 without quantitative support. Mr. Gray states in Rebuttal (page 25, lines 20-22 and page
22 26, lines 1-2) that the Company provided the backup data for the calculation, and stated
23 the period of eleven years was used to provide a normalized, going forward level of
24 inflation.

1 The availability of the backup data itself is not in question, but rather how and
2 why the Company selected that particular data for use in its projection of costs. The
3 Company has failed to explain in any detail how they selected the eleven-year period
4 for the historical average, and why they believe this is the best measure to reflect actual
5 expected costs in the rate effective period. In response to I&E-RE-13-D, the Company
6 stated “In looking at the data, the 11-year historic period was used as it best represented
7 a normalized inflation growth outlook versus most recent years.” The Company does
8 not provide any quantitative analysis to support this statement, making the selection of
9 this time period appear to be arbitrary. Moreover, as discussed in my Direct Testimony
10 and below in this Surrebuttal, past inflation is a poor indicator of future inflation in
11 general. As explained above, costs must be based on evidence supporting the
12 Company’s adjustments.

13 **Q. PLEASE RESPOND TO MR. GRAY’S COMMENTS ON PAST INFLATION**
14 **AS A PREDICTOR OF FUTURE INFLATION.**

15 A. Mr. Gray asserts in his Rebuttal (page 26, line 4) that I have not provided an evidence-
16 based argument for why past inflation is a poor predictor of future inflation, and that it
17 is common business practice to forecast prices using expected inflation. My assertion
18 that past inflation is a poor predictor of future inflation is born out in the data referenced
19 by the Company for the CPI for water and sewerage maintenance in U.S. Cities. In
20 December 2021, for example, the inflation increase was 2.99 percent while in
21 December 2022 one year later, it was 4.47 percent. In August 2015, the inflation
22 increase for water and sewerage maintenance was 5.66 percent, and a year later by
23 August 2016 it was 3.66 percent. Historical averages are also unhelpful. For example,
24 using an eleven-year historical average (the time period utilized by the Company) to
25 predict inflation in June 2020 would have resulted in projected inflation of 5.15 percent,

1 and actual inflation of 2.78 percent.⁴ Any number of combinations can be selected over
2 time to show that historical inflation is an unreliable measure of expected future
3 inflation.

4 While I have provided evidence that past inflation is a poor predictor of future
5 inflation, the Company has provided no evidence that the eleven-year historical period
6 of inflation they utilized is predictive of actual expected costs in the rate effective
7 period. While counsel for the OCA will brief the particulars of the burden of proof in
8 rate cases such as this one, it is my understanding that the burden of proof remains with
9 the Company to justify all aspects of their requested rate increase.

10 With regards to Mr. Gray’s statement on page 26, lines 6-7 of his Rebuttal, that
11 “it is a well-documented practice for business to forecast future price increases using
12 its best estimate of expected inflation,” I first note it is at the Commission's discretion
13 to determine if costs have been appropriately forecast to reflect actual expected costs,
14 and business practice must be supported by the evidence at hand. Further, the Company
15 has again provided no analytical support for why this particular eleven-year historical
16 average is its ‘best estimate,’ simply stating that the Company is using it “in absence
17 of its own economist and statistical models or business and consumer surveys on
18 expectation of inflation.”⁵

⁴ U.S. Bureau of Labor Statistics, “Databases, Tables & Calculators by Subject,” Consumer Price Index for All Urban Consumers (CPI-U) Series Id: CUUR0000SEHG01, <https://data.bls.gov/timeseries/CUUR0000SEHG01>.

⁵ Reference Mr. Gray’s Rebuttal, page 26, lines 6-7.

1 **Q. GIVEN THE REBUTTAL PROVIDED BY MR. GRAY, DO YOU STILL**
2 **RECOMMEND DISALLOWING THE INFLATION ESCALATION?**

3 A. Yes, I do. For the reasons discussed above, I continue to recommend removing the
4 inflation adjustment from the determination of the FTY and FPFTY expenses for
5 Maintenance and Repair. This adjustment reduces O&M expenses by \$14,667 for
6 water, as shown in Surrebuttal Schedule JLR-W-9, and by \$46,041 for wastewater, as
7 shown in Surrebuttal Schedule JLR-WW-10.

8 **Q. PLEASE ADDRESS MR. GRAY'S COMMENTS REGARDING THE FOMC'S**
9 **CORE PCE INFLATION PROJECTION.**

10 A. In my Direct Testimony (page 20, lines 1-6) I stated that “While I strongly recommend
11 disallowing the inflation adjustment for all the reasons discussed above, in the event
12 the Commission disagrees with my recommendation, a better measure of inflation [than
13 the Company’s proposed 3.92 percent] for ratemaking purposes would be the
14 December 13, 2023 Federal Open Market Committee (“FOMC”) Core Personal
15 Consumption Expenditures (“PCE”) median inflation projections for Calendar Years
16 2024 and 2025 of 2.4% and 2.2%, respectively.” In his Rebuttal, Mr. Gray disagreed,
17 saying that selecting the Water and Sewerage Maintenance CPI value was more
18 specific than a broader market indicator, and therefore a better method to project
19 inflation. As I discussed above using this water and sewerage maintenance subset of
20 CPI as evidence, past inflation is an extremely poor predictor of future inflation,
21 regardless of its specificity to the sector. Broader market indicators capture underlying
22 trends across the economy, which will encompass this subset as well, while this FOMC
23 PCE measure also has the benefit of being a forward-looking forecast taking into
24 account currently available information and monetary policy, and therefore having at
25 least some basis for its relationship to future expectations.

1 **J. Chemical Expense**

2 **Q. PLEASE RESPOND TO MR. GRAY’S REBUTTAL TESTIMONY RELATED**
3 **TO YOUR ADJUSTMENT TO CHEMICALS EXPENSE.**

4 A. As explained in my Direct Testimony, the Company has applied the same 3.92 percent
5 inflation escalation to chemical expenses as was applied to Maintenance and Repair
6 expenses, which I recommended disallowing. In Rebuttal, Mr. Gray simply states he
7 disagrees with my recommendation to disallow this inflation escalation to chemical
8 expenses “for the reasons stated above in the maintenance and repair section.”⁶ For the
9 reasons stated above in the Maintenance and Repair section of my Surrebuttal, I
10 continue to disagree with the arguments he references from his Rebuttal.

11 Further, however, Mr. Gray’s response in Rebuttal does not address the
12 Company’s use of the inflation data specific to water and sewerage maintenance to
13 derive its proposed inflation value, which it has then applied to chemicals expenses. As
14 discussed in my Direct Testimony using a specific category of inflation from one sector
15 and applying it to an entirely different sector of the market is inappropriate and assumes
16 inflation of chemicals expenses is uniquely tied to the market forces that impact
17 inflation for maintenance of water and sewer. Mr. Gray has provided no evidence to
18 support the application of historical inflation rates for water and sewerage maintenance
19 to derive future chemical expenses.

20 I therefore continue to recommend removing the inflation portion of the
21 adjustment from the determination of the FTY and FPFTY expenses for chemical
22 expenses. This adjustment reduces O&M expenses by \$3,612 for water, as shown in
23 Surrebuttal Schedule JLR-W-10, and by \$17,377 for wastewater, as shown in
24 Surrebuttal Schedule JLR-WW-11.

⁶ Rebuttal Testimony of Anthony Gray, page 27, line 19.

1 **K. Service Fees**

2 **Q. PLEASE SUMMARIZE MR. GRAY’S REBUTTAL REGARDING SERVICE**
3 **FEES.**

4 A. In my Direct Testimony (Section I, “Service Fees” beginning on page 24), I address
5 Service Fees applied to customers, recommending that the Company offer no-fee
6 payment methods for all customers. Given the lack of data provided by the Company,
7 I was unable to project an adjustment for inclusion in my Direct Testimony, but
8 recommended that in Rebuttal, the Company present a proposal to offer customers the
9 ability to pay their bills and fees for service at no additional cost.

10 In Rebuttal (page 33, lines 20-21), Mr. Gray disagrees with my
11 recommendation to include payment of these fees in its O&M expense as customers
12 that do not pay their bill electronically would be responsible for customers that utilize
13 the service. The Company did not provide in Rebuttal a proposal to offer customers
14 this service, or additional data to estimate these costs.

15 **Q. DO YOU CONTINUE TO RECOMMEND THE COMPANY OFFER A NO-FEE**
16 **PAYMENT METHOD FOR ALL CUSTOMERS?**

17 A. Yes, I do. Electronic payment is not an irregular method of payment, but rather
18 extremely and increasingly common. Per the Federal Reserve’s Survey and Diary of
19 Consumer Payment Choice, for U.S. Consumers in 2022 “[a]s a share of all payments
20 by number, most payments were by credit card (31 percent) or debit card (29 percent).
21 By value, 43 percent of payments value was made electronically from a bank account
22 using one of two ACH methods and 35 percent were made using a card (debit, credit,

1 or prepaid).”⁷ To allow an outside company to impose additional charges on this
2 common method of doing business with the Company is inappropriate.

3 With regard to Mr. Gray’s argument that he disagrees with such a method
4 because customers who do not pay their bills electronically would be covering the costs
5 of those who do, I note the same observation could also be made for customers who
6 pay their bill by check. The costs of receiving and processing the check – including
7 labor and bank fees – would be paid for by all customers. My recommendation is no
8 different. If service fees are collected as a result of doing business with the Company,
9 this is a cost of service. I would expect that including the cost in the O&M expenses
10 and spreading this among all customers would mitigate the impact to any individual
11 customer, although I am unable to calculate the quantitative impact on the cost of
12 service, as the Company has not provided any data showing the total service fees
13 incurred by its customers, as was discussed in my Direct Testimony (page 25, lines 12-
14 19).

15 I recommend the Commission direct the Company to create a proposal for no-
16 fee service to customers.

17 **Q. DOES THIS COMPLETE YOUR SURREBUTTAL TESTIMONY?**

18 A. Yes, it does.

⁷ Kevin Foster, Claire Greene, and Joanna Stavins. "2022 Survey and Diary of Consumer Payment Choice: Summary Results." Federal Reserve Bank of Atlanta. Research Data Report. 2023 No. 23-3. Page 4. https://www.atlantafed.org/-/media/documents/banking/consumer-payments/survey-diary-consumer-payment-choice/2022/sdcpc_2022_report.pdf

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission)	
v.	)	Docket No. R-2023-3042804
	)	(Water)
Community Utilities of Pennsylvania Inc.	)	Docket No. R-2023-3042805
	)	(Wastewater)

**SCHEDULES ACCOMPANYING THE
SURREBUTTAL TESTIMONY**

OF

JENNIFER L. ROGERS

**ON BEHALF OF THE
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE**

March 19, 2024

Community Utilities of Pennsylvania, Inc.

Cost of Service
For the Fully Projected Future Test Year Ending July 31, 2025

Line No.	Description	Company Amounts at Present Rates ^{1/}	OCA Adjustments	Amounts After OCA Adjustments	Pro Forma Change in Revenues	Amounts After Change in Revenues
1	Operating Revenues	2,376,817		2,376,817	1,211,840	3,588,657
2	Uncollectible Accounts	(46,956)		(46,956)	(24,116)	(71,071)
3						
4	Total Operating Revenues	<u>\$ 2,329,862</u>	<u>\$ -</u>	<u>\$ 2,329,862</u>	<u>\$ 1,187,724</u>	<u>\$ 3,517,586</u>
5						
6	<u>Operating Revenue Deductions:</u>					
7	Maintenance Expenses	705,407	(50,204)	655,203	-	655,203
8	General Expenses	1,181,360		1,181,360		1,181,360
9	Depreciation	418,800	-	418,800	-	418,800
10	Total Operating Expenses	<u>2,305,567</u>	<u>(50,204)</u>	<u>2,255,363</u>	<u>-</u>	<u>2,255,363</u>
11						
12	Operating Income Before Taxes	<u>\$ 24,295</u>	<u>\$ 50,204</u>	<u>\$ 74,499</u>	<u>\$ 1,187,724</u>	<u>\$ 1,262,223</u>
13						
14	Amortization of PAA	(36,137)		(36,137)		(36,137)
15	Payroll Taxes	39,432		39,432		39,432
16	Franchise Tax	-		-		0
17	Gross Receipts Tax	-		-		0
18	Property Taxes	9,245		9,245		9,245
19	Special Assessments	-		-		0
20	Utility/Commission Tax	15,533		15,533	7,998	23,531
21	Other General Taxes	87		87		87
22	Amortization of ITC	-		-		0
23	Amortization of CIAC	(31,021)		(31,021)		(31,021)
24						0
25	State Income Tax	(28,182)	4,120	(24,062)	94,260	70,198
26	Federal Income Tax	(68,151)	9,963	(58,188)	227,948	169,760
27						
28	Subtotal	<u>\$ (99,195)</u>	<u>\$ 14,083</u>	<u>\$ (85,112)</u>	<u>\$ 322,208</u>	<u>\$ 245,095</u>
29						
30	Net Operating Income	<u>\$ 123,490</u>	<u></u>	<u>\$ 159,611</u>	<u></u>	<u>\$ 1,017,129</u>
31						
32	Rate Base	<u>\$ 14,498,804</u>		<u>\$ 14,447,136</u>		<u>\$ 14,447,136</u>
33						
34	Rate of Return	<u>0.85%</u>		<u>1.10%</u>		<u>7.04%</u>

Note:

^{1/} Company Filing Schedules - Rebuttal, Schedule B, page 2.

Community Utilities of Pennsylvania, Inc.

Summary of Revenue Increase at OCA Rate of Return
For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount
1	Adjusted Rate Base	\$ 14,447,136 ^{1/}
2	Required Rate of Return	7.04% ^{2/}
3		
4	Net Operating Income Required	\$ 1,017,129
5	Net Operating Income at Present Rates	159,611 ^{3/}
6		
7	Income Deficiency/(Surplus)	\$ 857,518
8	Revenue Multiplier	1.413194
9		
10	Required Change in Company Revenue	<u>\$ 1,211,840</u>
11		
12	Proposed Revenue Change	\$ 1,211,840
13	Less: Uncollectibles 1.99%	\$ 24,116
14	Net of Uncollectibles	<u>\$ 1,187,724</u>
15	Less: Utility Tax Assesment 0.66%	\$ 7,998
16	Net Proposed Revenues	\$ 1,179,726
17	Less: State Income Tax @ 7.99% 7.99%	<u>\$ 94,260</u>
18		
19	Income Before Federal Taxes	\$ 1,085,466
20	Federal Income Tax @ 21.0% 21.00%	<u>227,948</u>
21		
22	Net Income (Surplus)/Deficiency	<u><u>857,518</u></u>

Note:

^{1/} Surrebuttal Schedule JLR-W-2, Page 1

^{2/} Surrebuttal Schedule JLR-W-12

^{3/} Surrebuttal Schedule JLR-W-1, Page 1

Community Utilities of Pennsylvania, Inc.

Summary of Rate Base
For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount per Company Filing	OCA Adjustments	Amount After OCA Adjustments
1	Gross Plant In Service	21,824,776		21,824,776
2	Accumulated Depreciation	(5,527,421)		(5,527,421)
3	Net Plant In Service	<u>\$ 16,297,355</u>	<u>\$ -</u>	<u>\$ 16,297,355</u>
4				
5	Cash Working Capital	\$ 405,257	\$ (8,501)	\$ 396,756
6	Contributions In Aid of Construction	\$ (1,158,374)		\$ (1,158,374)
7	Accumulated Deferred Income Taxes	(603,186)		\$ (603,186)
8	Customer Deposits	2,055		\$ 2,055
9	Inventory	2,483		\$ 2,483
10	Oracle Fusion Asset	\$ 43,166	\$ (43,166)	\$ -
11	Net Plant Acquisition Adjustment	(489,952)		\$ (489,952)
12	Deferred Charges	-	-	\$ -
13	Subtotal	<u>\$ (1,798,551)</u>	<u>\$ (51,667)</u>	<u>\$ (1,850,218)</u>
14				
15				
16	<u>Rate Base</u>	<u>\$ 14,498,804</u>	<u>\$ (51,667)</u>	<u>\$ 14,447,136</u>

Community Utilities of Pennsylvania, Inc.

Summary of Rate Base Adjustments
For the Twelve Months Ending July 31, 2025

Line No.	Description	Source	Amount
1	Rate Base per Company Filing	Surrebuttal Schedule JLR-W-2, Page 1	\$ 14,498,804
2			
3	<u>OCA Adjustments:</u>		
4	Adjustment to Cash Working Capital	Surrebuttal Schedule JLR-W- 4	(8,501)
5	Adjustment to Deferred Charges	Surrebuttal Schedule JLR-W- 5	-
6	Adjustment to Oracle Fusion Asset	Surrebuttal Schedule JLR-W- 6	(43,166)
7	Total Ratemaking Adjustments		\$ (51,667)
8			
9	Adjusted Rate Base per OCA		\$ 14,447,136

Community Utilities of Pennsylvania, Inc.

Summary of Adjustments to Income Before Income Taxes
For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount	Source
1	Operating Income per Company	\$ 123,490	Surrebuttal Schedule JLR-W- 1
2			
3	<u>OCA Adjustments:</u>		
4	Adjustment to Deferred Maintenance Expense	\$ 23,205	Surrebuttal Schedule JLR-W- 7
5	Adjustment to Maintenance and Repair Expenses	\$ 10,661	Surrebuttal Schedule JLR-W- 9
6	Adjustment to Chemicals Expense	\$ 2,625	Surrebuttal Schedule JLR-W- 10
7	Adjustment to Depreciation Expense: Oracle Fusion Amortization	\$ -	Surrebuttal Schedule JLR-W- 8
8	Interest Synchronization	(370)	Surrebuttal Schedule JLR-W- 11
9	Total OCA Adjustments	36,121	
10			
11	Total OCA Adjustments	\$ 159,611	

Community Utilities of Pennsylvania, Inc.

Summary of Adjustments to Operating Income
For the Twelve Months Ending July 31, 2025

Line No.	Description	Operating Revenues	O&M Expenses	Depreciation	Taxes Other Than Income	State Income Taxes	Federal Income Taxes	Operating Income
1	Amount per Company	\$ 2,329,862	\$ 1,886,767	\$ 418,800	\$ (2,862)	\$ (28,182)	\$ (68,151)	\$ 123,490
2								
3	<u>OCA Adjustments:</u>							
4	Adjustment to Deferred Maintenance Expense		\$ (31,925)			2,551	6,169	\$ 23,205
5	Adjustment to Maintenance and Repair Expenses		\$ (14,667)			1,172	2,834	\$ 10,661
6	Adjustment to Chemicals Expense		(3,612)			289	698	\$ 2,625
7	Adjustment to Depreciation Expense: Oracle Fusion Amortization			-		-	-	\$ -
8	Interest Synchronization					108	262	\$ (370)
9								
10	Total OCA Adjustments	\$ -	\$ (50,204)	\$ -	\$ -	\$ 4,120	\$ 9,963	\$ 36,121
11								
12	Total Adjusted Income Before Income Taxes	\$ 2,329,862	\$ 1,836,563	\$ 418,800	\$ (2,862)	\$ (24,062)	\$ (58,188)	\$ 159,611

Community Utilities of Pennsylvania, Inc.

Adjustment to Cash Working Capital
 For the Twelve Months Ending July 31, 2025

Line No.	Description	Pro Forma Expense per Company ^{1/}	OCA Adjustments	Pro Forma Expense After OCA Adjustments	Daily Requirement	Revenue Lag Days ^{1/}	Expense Lead Days ^{1/}	Net Lag Days	Working Capital Requirement
1	OPERATING EXPENSES								
2	Purchased Power	\$ 39,569	\$ -	\$ 39,569	\$ 108	91.00	57.50	33.50	\$ 3,632
3	Purchased Water / Sewer	270,582	-	270,582	741	91.00	38.50	52.50	38,919
4	Maintenance and Repair	247,106	(46,592)	200,514	549	91.00	28.70	62.30	34,225
5	Maintenance Testing	39,509	-	39,509	108	91.00	12.60	78.40	8,486
6	Meter Reading	8,036	-	8,036	22	91.00	22.90	68.10	1,499
7	Chemicals	55,865	(3,612)	52,253	143	91.00	35.50	55.50	7,945
8	Transportation	30,928	-	30,928	85	91.00	22.90	68.10	5,770
9	Operating Exp. Charged to Plant	(26,207)	-	(26,207)	(72)	91.00	7.90	83.10	(5,967)
10	Outside Services - Other	40,020	-	40,020	110	91.00	58.00	33.00	3,618
11	Salaries and Wages	534,723	-	534,723	1,465	91.00	7.90	83.10	121,741
12	Office Supplies & Other Office Exp.	25,708	-	25,708	70	91.00	36.60	54.40	3,832
13	Pension & Other Benefits	104,541	-	104,541	286	91.00	18.40	72.60	20,794
14	Rent	2,592	-	2,592	7	91.00	(14.70)	105.70	751
15	Insurance	81,113	-	81,113	222	91.00	(118.00)	209.00	46,446
16	Office Utilities	16,340	-	16,340	45	91.00	(4.60)	95.60	4,280
17	Miscellaneous	11,982	-	11,982	33	91.00	1.40	89.60	2,941
18	Corporate Allocation (CAM)	352,455	-	352,455	966	91.00	18.40	72.60	70,105
19	Payroll Taxes	39,432	-	39,432	108	91.00	7.90	83.10	8,977
20	Property Taxes	9,245	-	9,245	25	91.00	(112.60)	203.60	5,157
21	Utility/Commission Tax	25,206	-	25,206	69	91.00	(106.00)	197.00	13,604
22	Total Operating Expense	1,908,745	(50,204)	1,858,541					
23									
24									
25	OCA Cash Working Capital Requirement								396,756
26	Company Cash Working Capital Requirement								<u>405,257</u> ^{1/}
27									
28	Adjustment to Cash Working Capital Requirement								<u>\$ (8,501)</u>

Note:
 1/ CUPA CWC rebuttal workpapers, Summary of Calculation of Cash Working Capital Requirements

Community Utilities of Pennsylvania, Inc.

Adjustment to Deferred Charges in Rate Base
For the Twelve Months Ending July 31, 2025

Issue Resolved, per Company Witness Anthony Gray's Rebuttal filing and Jennifer L. Rogers' Surrebuttal Testimony.

Community Utilities of Pennsylvania, Inc.

Adjustment to Oracle Fusion Asset
For the Twelve Months Ending July 31, 2025

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Company Proposed Oracle Fusion Asset in Rate Base	43,166 ^{1/}
2		
3	Adjustment to Rate Base	<u>\$ (43,166)</u>

Note:

^{1/} Company Schedule A

Community Utilities of Pennsylvania, Inc.

Adjustment to Deferred Maintenance Expense
For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount
1	Company Proposed Deferred Maintenance Expense	\$ 49,175 ^{1/}
2	Company Proposed Portion Related to the COVID-19 Regulatory Asset	\$ 17,714 ^{2/}
3	Non-COVID Company Proposed Deferred Maintenance Expense	31,461
4		
5	Company Proposed COVID-19 Costs	
6	Cleaning Supplies	12 ^{3/}
7	Other Materials and Supplies	201 ^{3/}
8	Safety Supplies/Expense	98 ^{3/}
9	Other Misc Expense	1,913 ^{3/}
10	Foregone reconnect fees	99 ^{3/}
11	Foregone LPCs	36,560 ^{3/}
12	Incremental Bad Debt	49,689 ^{3/}
13		
14	Company Proposed Amortization Period (Years)	5 ^{3/}
15		
16	OCA Adjustment to Non-COVID Deferred Maintenance Expense	(31,461)
17	OCA Proposed Adjustment to Proposed COVID-19 Costs	(465)
18		
19		
20	Adjustment to O&M	<u>(31,925)</u>

Note:

^{1/} Company Schedule B-9

^{2/} Company response to OCA Set 7.5.

^{2/} Company Supplement to Schedule A-10 & B-9

Community Utilities of Pennsylvania, Inc.

Adjustment to Depreciation Expense
For the Twelve Months Ending July 31, 2025

Issue Resolved, per Company Witness Anthony Gray's Rebuttal filing and Jennifer L. Rogers' Surrebuttal Testimony.

Community Utilities of Pennsylvania, Inc.

Adjustment to Maintenance and Repair Expenses
 For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount										
1	Company-Proposed Inflation Factor	3.92%	^{1/}									
2	OCA Recommended Inflation Factor	0%										
3												
4		3 Year Average	^{1/}	Company-Proposed 2024 Adjustment	^{1/}	Company-Proposed 2025 Adjustment	^{1/}	Company-Proposed 2025 Forecast	^{1/}	OCA Recommended	OCA Recommended	OCA Recommended
5	Shop Supplies and Tools	\$ 4,737		\$ 185.89		\$ 193.19		\$ 5,115.83		\$ -	\$ -	\$ 4,737
6	Repairs and Maintenance	29,712		1,166		1,212		32,090		-	-	29,712
7	Main Breaks	33,363		1,309		1,361		36,033		-	-	33,363
8	Valve Repair	1,236		49		50		1,335		-	-	1,236
9	Manhole Maint	-		-		-		-		-	-	-
10	Maintenance Electric Equip Repair	1,716		67		70		1,854		-	-	1,716
11	Permits	14,141		555		577		15,273		-	-	14,141
12	Sewer Rodding	-		-		-		-		-	-	-
13	Sewer Sludge Hauling	-		-		-		-		-	-	-
14	Excavation Restoration	8,376		329		342		9,046		-	-	8,376
15	Communication Expense	3,434		135		140		3,709		-	-	3,434
16	Equipment Rental	393		15		16		424		-	-	393
17	Uniforms	1,308		51		53		1,413		-	-	1,308
18	Weather/Hurricane/Fuel	3,971		156		162		4,288		-	-	3,971
19	Safety Supplies/Expense	10,250		402		418		11,071		-	-	10,250
20	Landscaping	6,747		265		275		7,287		-	-	6,747
21	Other Contracted Workers	-		-		-		-		-	-	-
22	Pump Station R&M	-		-		-		-		-	-	-
23	Other Plant and System Maintenance	49,741		1,952		2,029		53,722		-	-	49,741
24	Meter Supplies	2,775		109		113		2,997		-	-	2,775
25	Pipe, Plate, Gasket	218		9		9		235		-	-	218
26	Electrical Equip	485		19		20		524		-	-	485
27	Lighting Supplies	31		1		1		33		-	-	31
28	Plant Air System	-		-		-		-		-	-	-
29	Other Materials and Supplies	10,631		417		434		11,482		-	-	10,631
30												
31	Total	\$ 183,264		\$ 7,192		\$ 7,474		\$ 197,931		\$ -	\$ -	\$ 183,264
32												
33												
34	Adjustment to O&M Expenses											<u>\$ (14,667)</u>

Note:

^{1/} Company Supplement to Schedule B-9

Community Utilities of Pennsylvania, Inc.

Adjustment to Chemicals Expense
 For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount
1	Company-Proposed Inflation Factor	3.92% ^{1/}
2	OCA Recommended Inflation Factor	<u>0%</u>
3		
4	Per Books Chemicals Expense July 31, 2023	38,286 ^{2/}
5	Company Proposed 7/31/2024 Forecast	53,756 ^{2/}
6	Inflation Escalation Portion of Company Proposed Adjustment - FTY	1,503
7	Inflation Escalation Portion of Company Proposed Adjustment - FPFTY	2,110
8		
9	OCA Recommended Inflation Escalation Portion of Adjustment - FTY	-
10	OCA Recommended Inflation Escalation Portion of Adjustment - FPFTY	-
11		
12		
13	Adjustment to O&M	<u>(3,612)</u>

Note:

^{1/} Direct Testimony of David Clark, page 4, lines 1-3.

^{2/} Company Schedule B-12

Community Utilities of Pennsylvania, Inc.

Interest Synchronization Adjustment
 For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount
1	Adjusted Rate Base	\$ 14,447,136 ^{1/}
2	Weighted Cost of Debt	<u>2.62% ^{2/}</u>
3	Adjusted Interest Deduction	\$ 378,515
4	Interest Deduction Per Company	379,869 ^{3/}
5	Adjustment to Synchronize Interest Expense	\$ (1,354)
6	Effective State Income Tax Rate	<u>7.99%</u>
7	Adjustment to State Income Taxes	<u>\$ 108</u>
8	Federal Income Tax Base	\$ (1,246)
9	Federal Income Tax Rate	<u>21.00%</u>
10	Adjustment to Federal Income Taxes	<u>\$ 262</u>

Notes:

^{1/} Surrebuttal Schedule JLR-2, Page 1.

^{2/} Surrebuttal Schedule JLR-12

^{3/} Company Rebuttal Filing Schedules, Schedule B-27

Community Utilities of Pennsylvania, Inc.

Calculation of Rate of Return
For the Twelve Months Ending July 31, 2025

<u>Line No.</u>	<u>Description</u>	<u>Capitalization Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
1	Long-Term Debt	50.00%	5.24%	2.62%
2				
3	Total Debt	<u>50.00%</u>		<u>2.62%</u>
4				
5	Common Equity	<u>50.00%</u>	8.84%	<u>4.42%</u>
6				
7	Total	<u><u>100.00%</u></u>		<u><u>7.04%</u></u>

Source:
Surrebuttal Testimony of Morgan DeAngelo.

Community Utilities of Pennsylvania, Inc.

Cost of Service
For the Fully Projected Future Test Year Ending July 31, 2025

Line No.	Description	Company Amounts at Present Rates ^{1/}	OCA Adjustments	Amounts After OCA Adjustments	Pro Forma Change in Revenues	Amounts After Change in Revenues
1	Operating Revenues	3,449,073		3,449,073	1,392,637	4,841,710
2	Uncollectible Accounts	(68,047)		(68,047)	(27,713)	(95,760)
3						
4	Total Operating Revenues	<u>\$ 3,381,026</u>	<u>\$ -</u>	<u>\$ 3,381,026</u>	<u>\$ 1,364,924</u>	<u>\$ 4,745,950</u>
5						
6	<u>Operating Revenue Deductions:</u>					
7	Maintenance Expenses	1,345,299	(122,082)	1,223,216	-	1,223,216
8	General Expenses	1,411,788		1,411,788		1,411,788
9	Depreciation	<u>672,776</u>	<u>-</u>	<u>672,776</u>	<u>-</u>	<u>672,776</u>
10	Total Operating Expenses	<u>3,429,863</u>	<u>(122,082)</u>	<u>3,307,780</u>	<u>-</u>	<u>3,307,780</u>
11						
12	Operating Income Before Taxes	<u>\$ (48,836)</u>	<u>\$ 122,082</u>	<u>\$ 73,246</u>	<u>\$ 1,364,924</u>	<u>\$ 1,438,170</u>
13						
14	Amortization of PAA	(58,550)		(58,550)		(58,550)
15	Payroll Taxes	47,292		47,292		47,292
16	Franchise Tax	-		-		0
17	Gross Receipts Tax	-		-		0
18	Property Taxes	27,195		27,195		27,195
19	Special Assessments	-		-		0
20	Utility/Commission Tax	22,510		22,510	9,191	31,701
21	Other General Taxes	3,085		3,085		3,085
22	Amortization of ITC	-		-		0
23	Amortization of CIAC	(86,762)		(86,762)		(86,762)
24				-		0
25	State Income Tax	(35,906)	9,905	(26,001)	108,323	82,322
26	Federal Income Tax	(86,832)	23,955	(62,877)	261,956	199,079
27						
28	Subtotal	<u>\$ (167,969)</u>	<u>\$ 33,860</u>	<u>\$ (134,109)</u>	<u>\$ 370,279</u>	<u>\$ 245,362</u>
29						
30	Net Operating Income	<u>\$ 119,132</u>	<u></u>	<u>\$ 207,355</u>	<u></u>	<u>\$ 1,192,808</u>
31						
32	Rate Base	<u>\$ 17,014,741</u>		<u>\$ 16,942,456</u>		<u>\$ 16,942,456</u>
33						
34	Rate of Return	<u>0.70%</u>		<u>1.22%</u>		<u>7.04%</u>

Note:

^{1/} Company Filings Schedules - Rebuttal, Schedule B, page 3.

Community Utilities of Pennsylvania, Inc.

Summary of Revenue Increase at OCA Rate of Return
For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount
1	Adjusted Rate Base	\$ 16,942,456 ^{1/}
2	Required Rate of Return	7.04% ^{2/}
3		
4	Net Operating Income Required	\$ 1,192,808
5	Net Operating Income at Present Rates	207,355 ^{3/}
6		
7	Income Deficiency/(Surplus)	\$ 985,453
8	Revenue Multiplier	1.413194
9		
10	Required Change in Company Revenue	<u>\$ 1,392,637</u>
11		
12	Proposed Revenue Change	\$ 1,392,637
13	Less: Uncollectibles 1.99%	<u>\$ 27,713</u>
14	Net of Uncollectibles	\$ 1,364,924
15	Less: Utility Tax Assesment 0.66%	\$ 9,191
16	Net Proposed Revenues	\$ 1,355,732
17	Less: State Income Tax @ 7.99% 7.99%	<u>\$ 108,323</u>
18		
19	Income Before Federal Taxes	\$ 1,247,409
20	Federal Income Tax @ 21.0% 21.00%	<u>261,956</u>
21		
22	Net Income (Surplus)/Deficiency	<u><u>985,453</u></u>

Note:

^{1/} Surrebuttal Schedule JLR-WW-2, Page 1

^{2/} Surrebuttal Schedule JLR-WW-13

^{3/} Surrebuttal Schedule JLR-WW-1, Page 1

Community Utilities of Pennsylvania, Inc.

Summary of Rate Base
For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount per Company Filing	OCA Adjustments	Amount After OCA Adjustments
1	Gross Plant In Service	31,166,270	-	31,166,270
2	Accumulated Depreciation	(11,600,234)	-	(11,600,234)
3	Net Plant In Service	<u>\$ 19,566,036</u>	<u>\$ -</u>	<u>\$ 19,566,036</u>
4				
5	Cash Working Capital	\$ 575,223	\$ (20,514)	\$ 554,709
6	Contributions In Aid of Construction	\$ (1,550,925)		\$ (1,550,925)
7	Accumulated Deferred Income Taxes	(723,431)		\$ (723,431)
8	Customer Deposits	(5,434)		\$ (5,434)
9	Inventory	7,839		\$ 7,839
10	Oracle Fusion Asset	\$ 51,771	\$ (51,771)	\$ -
11	Net Plant Acquisition Adjustment	(906,339)		\$ (906,339)
12	Deferred Charges	-	-	\$ -
13	Subtotal	<u>\$ (2,551,295)</u>	<u>\$ (72,285)</u>	<u>\$ (2,623,580)</u>
14				
15				
16	<u>Rate Base</u>	<u>\$ 17,014,741</u>	<u>\$ (72,285)</u>	<u>\$ 16,942,456</u>

Community Utilities of Pennsylvania, Inc.

Summary of Rate Base Adjustments
 For the Twelve Months Ending July 31, 2025

Line No.	Description	Source	Amount
1	Rate Base per Company Filing	Surrebuttal Schedule JLR-WW-2, Page 1	<u>\$ 17,014,741</u>
2			
3	<u>OCA Adjustments:</u>		
4	Adjustment to Cash Working Capital	Surrebuttal Schedule JLR-WW- 4	(20,514)
5	Adjustment to Deferred Charges	Surrebuttal Schedule JLR-WW- 5	-
6	Adjustment to Plant In Service	Surrebuttal Schedule JLR-WW- 6	-
7	Adjustment to Accumulated Depreciation	Surrebuttal Schedule JLR-WW- 6	-
8	Adjustment to Oracle Fusion Asset	Surrebuttal Schedule JLR-WW- 7	(51,771)
12	Total Ratemaking Adjustments		\$ (72,285)
13			
14	Adjusted Rate Base per OCA		<u>\$ 16,942,456</u>

Community Utilities of Pennsylvania, Inc.

Summary of Adjustments to Income Before Income Taxes
For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount	Source
1	Operating Income per Company	\$ <u>119,132</u>	Surrebuttal Schedule JLR-WW- 1
2			
3	<u>OCA Adjustments:</u>		
4	Adjustment to Deferred Maintenance Expense	\$ 42,643	Surrebuttal Schedule JLR-WW- 8
5	Adjustment to Maintenance and Repair Expenses	\$ 33,466	Surrebuttal Schedule JLR-WW- 10
6	Adjustment to Chemicals Expense	\$ 12,631	Surrebuttal Schedule JLR-WW- 11
7	Adjustment to Depreciation Expense: Oracle Fusion Amortization	\$ -	Surrebuttal Schedule JLR-WW- 9
8	Adjustment to Depreciation Expense: Plant In Service Corresponding Adjustment	\$ -	Surrebuttal Schedule JLR-WW- 6
9	Interest Synchronization	<u>(517)</u>	Surrebuttal Schedule JLR-WW- 12
10	Total OCA Adjustments	88,222	
11			
12	Total OCA Adjustments	\$ <u>207,355</u>	

Community Utilities of Pennsylvania, Inc.

Summary of Adjustments to Operating Income
For the Twelve Months Ending July 31, 2025

Line No.	Description	Operating Revenues	O&M Expenses	Depreciation	Taxes Other Than Income	State Income Taxes	Federal Income Taxes	Operating Income
1	Amount per Company	\$ 3,381,026	\$ 2,757,086	\$ 672,776	\$ (45,230)	\$ (35,906)	\$ (86,832)	\$ 119,132
2								
3	<u>OCA Adjustments:</u>							
4	Adjustment to Deferred Maintenance Expense		\$ (58,665)			4,687.00	11,335.00	\$ 42,643
5	Adjustment to Maintenance and Repair Expenses		\$ (46,041)			3,679.00	8,896.00	\$ 33,466
6	Adjustment to Chemicals Expense		(17,377)			1,388.00	3,358.00	\$ 12,631
7	Adjustment to Depreciation Expense: Oracle Fusion Amortization			-		-	-	\$ -
8	Adjustment to Depreciation Expense: Plant In Service Corresponding Adjustment			-		-	-	\$ -
9	Interest Synchronization					151.00	366.00	\$ (517)
10								
11	Total OCA Adjustments	\$ -	\$ (122,082)	\$ -	\$ -	\$ 9,905	\$ 23,955	\$ 88,222
12								
13	Total Adjusted Income Before Income Taxes	\$ 3,381,026	\$ 2,635,004	\$ 672,776	\$ (45,230)	\$ (26,001)	\$ (62,877)	\$ 207,355

Community Utilities of Pennsylvania, Inc.

Adjustment to Cash Working Capital
 For the Twelve Months Ending July 31, 2025

Line No.	Description	Pro Forma Expense per Company ^{1/}	OCA Adjustments	Pro Forma Expense After OCA Adjustments	Daily Requirement	Revenue Lag Days ^{1/}	Expense Lead Days ^{1/}	Net Lag Days	Working Capital Requirement
1	OPERATING EXPENSES								
2	Purchased Power	\$ 227,308	\$ -	\$ 227,308	\$ 623	91.00	57.50	33.50	\$ 20,863
3	Purchased Water / Sewer	-	-	-	-	91.00	38.50	52.50	-
4	Maintenance and Repair	700,693	(104,706)	595,987	1,633	91.00	28.70	62.30	101,726
5	Maintenance Testing	89,352	-	89,352	245	91.00	12.60	78.40	19,192
6	Meter Reading	2,924	-	2,924	8	91.00	22.90	68.10	545
7	Chemicals	275,681	(17,377)	258,304	708	91.00	35.50	55.50	39,276
8	Transportation	41,893	-	41,893	115	91.00	22.90	68.10	7,816
9	Operating Exp. Charged to Plant	(31,508)	-	(31,508)	(86)	91.00	7.90	83.10	(7,173)
10	Outside Services - Other	38,956	-	38,956	107	91.00	58.00	33.00	3,522
11	Salaries and Wages	637,982	-	637,982	1,748	91.00	7.90	83.10	145,250
12	Office Supplies & Other Office Exp.	22,128	-	22,128	61	91.00	36.60	54.40	3,298
13	Pension & Other Benefits	125,144	-	125,144	343	91.00	18.40	72.60	24,892
14	Rent	3,107	-	3,107	9	91.00	(14.70)	105.70	900
15	Insurance	97,283	-	97,283	267	91.00	(118.00)	209.00	55,705
16	Office Utilities	27,415	-	27,415	75	91.00	(4.60)	95.60	7,180
17	Miscellaneous	13,718	-	13,718	38	91.00	1.40	89.60	3,367
18	Corporate Allocation (CAM)	422,759	-	422,759	1,158	91.00	18.40	72.60	84,088
19	Payroll Taxes	47,292	-	47,292	130	91.00	7.90	83.10	10,767
20	Property Taxes	27,195	-	27,195	75	91.00	(112.60)	203.60	15,169
21	Utility/Commission Tax	33,952	-	33,952	93	91.00	(106.00)	197.00	18,325
22	Total Operating Expense	2,803,273	(122,082)	2,681,190					
23									
24									
25	OCA Cash Working Capital Requirement								554,709
26	Company Cash Working Capital Requirement								<u>575,223</u> ^{1/}
27									
28	Adjustment to Cash Working Capital Requirement								<u>\$ (20,514)</u>

Note:

1/ CUPA CWC rebuttal workpapers, Summary of Calculation of Cash Working Capital Requirements

Community Utilities of Pennsylvania, Inc.

Adjustment to Deferred Charges in Rate Base
For the Twelve Months Ending July 31, 2025

Issue Resolved, per Company Witness Anthony Gray's Rebuttal filing and Jennifer L. Rogers' Surrebuttal Testimony.

Community Utilities of Pennsylvania, Inc.

Adjustment to Plant in Service
For the Twelve Months Ending July 31, 2025

Adjustment Withdrawn, per Jennifer L. Rogers' Surrebuttal Testimony.

Community Utilities of Pennsylvania, Inc.

Adjustment to Oracle Fusion Asset
For the Twelve Months Ending July 31, 2025

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Company Proposed Oracle Fusion Asset in Rate Base	51,771 ^{1/}
2		
3	Adjustment to Rate Base	<u>\$ (51,771)</u>

Note:

^{1/} Company Schedule A

Community Utilities of Pennsylvania, Inc.

Adjustment to Deferred Maintenance Expense
For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount
1	Company Proposed Deferred Maintenance Expense	\$ 79,356 ^{1/}
2	Company Proposed Portion Related to the COVID-19 Regulatory Ass	\$ 21,248 ^{2/}
3	Non-COVID Company Proposed Deferred Maintenance Expense	58,108
4		
5	Company Proposed COVID-19 Costs	
6	Cleaning Supplies	14 ^{3/}
7	Other Materials and Supplies	241 ^{3/}
8	Safety Supplies/Expense	118 ^{3/}
9	Other Misc Expense	2,295 ^{3/}
10	Foregone reconnect fees	119 ^{3/}
11	Foregone LPCs	43,853 ^{3/}
12	Incremental Bad Debt	59,600 ^{3/}
13		
14	Company Proposed Amortization Period (Years)	5 ^{3/}
15		
16	OCA Adjustment to Non-COVID Deferred Maintenance Expense	(58,108)
17	OCA Proposed Adjustment to Proposed COVID-19 Costs	(557)
18		
19		
20	Adjustment to O&M	<u>(58,665)</u>

Note:

^{1/} Company Schedule B-9

^{2/} Company response to OCA Set 7.5.

^{3/} Company Supplement to Schedule A-10 & B-9

Community Utilities of Pennsylvania, Inc.

Adjustment to Depreciation Expense
For the Twelve Months Ending July 31, 2025

Issue Resolved, per Company Witness Anthony Gray's Rebuttal filing and Jennifer L. Rogers' Surrebuttal Testimony.

Community Utilities of Pennsylvania, Inc.

Adjustment to Maintenance and Repair Expenses
 For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount						
1	Company-Proposed Inflation Factor	3.92% ^{1/}						
2	OCA Recommended Inflation Factor	0%						
3								
4		<u>3 Year</u>	<u>Company-Proposed</u>	<u>Company-Proposed</u>	<u>Company-Proposed</u>	<u>OCA</u>	<u>OCA</u>	<u>OCA</u>
		<u>Average</u> ^{1/}	<u>2024 Adjustment</u> ^{1/}	<u>2025 Adjustment</u> ^{1/}	<u>2025 Forecast</u> ^{1/}	<u>Recommended</u>	<u>Recommended</u>	<u>Recommended</u>
5	Shop Supplies and Tools	\$ 9,912	\$ 388.99	\$ 404.26	\$ 10,705.17	\$ -	\$ -	\$ 9,912
6	Repairs and Maintenance	29,672	1,164	1,210	32,047	-	-	29,672
7	Main Breaks	2,600	102	106	2,808	-	-	2,600
8	Valve Repair	-	-	-	-	-	-	-
9	Manhole Maint	1,108	43	45	1,196	-	-	1,108
10	Maintenance Electric Equip Repair	5,668	222	231	6,122	-	-	5,668
11	Permits	3,660	144	149	3,953	-	-	3,660
12	Sewer Rodding	13,617	534	555	14,707	-	-	13,617
13	Sewer Sludge Hauling	364,179	14,292	14,853	393,324	-	-	364,179
14	Excavation Restoration	786	31	32	849	-	-	786
15	Communication Expense	4,263	167	174	4,605	-	-	4,263
16	Equipment Rental	20,710	813	845	22,367	-	-	20,710
17	Uniforms	2,432	95	99	2,626	-	-	2,432
18	Weather/Hurricane/Fuel	51,854	2,035	2,115	56,004	-	-	51,854
19	Safety Supplies/Expense	8,645	339	353	9,337	-	-	8,645
20	Landscaping	2,609	102	106	2,818	-	-	2,609
21	Other Contracted Workers	1,278	50	52	1,381	-	-	1,278
22	Pump Station R&M	2,102	82	86	2,270	-	-	2,102
23	Other Plant and System Maintenance	32,230	1,265	1,314	34,809	-	-	32,230
24	Meter Supplies	-	-	-	-	-	-	-
25	Pipe, Plate, Gasket	235	9	10	254	-	-	235
26	Electrical Equip	1,926	76	79	2,080	-	-	1,926
27	Lighting Supplies	468	18	19	505	-	-	468
28	Plant Air System	1,737	68	71	1,876	-	-	1,737
29	Other Materials and Supplies	13,606	534	555	14,695	-	-	13,606
30								
31	Total	\$ 575,296	\$ 22,577	\$ 23,463	\$ 621,337	\$ -	\$ -	\$ 575,296
32								
33								
34	Adjustment to O&M Expenses							<u>\$ (46,041)</u>

Note:
^{1/} Company Supplement to Schedule B-9

Community Utilities of Pennsylvania, Inc.

Adjustment to Chemicals Expense
 For the Twelve Months Ending July 31, 2025

Line No.	Description	Amount
1	Company-Proposed Inflation Factor	3.92% ^{1/}
2	OCA Recommended Inflation Factor	<u>0%</u>
3		
4	Per Books Chemicals Expense July 31, 2023	188,313 ^{2/}
5	Company Proposed 7/31/2024 Forecast	254,468 ^{2/}
6	Inflation Escalation Portion of Company Proposed Adjustment - FTY	7,390
7	Inflation Escalation Portion of Company Proposed Adjustment - FPFTY	9,987
8		
9	OCA Recommended Inflation Escalation Portion of Adjustment - FTY	-
10	OCA Recommended Inflation Escalation Portion of Adjustment - FPFTY	-
11		
12		
13	Adjustment to O&M	<u>(17,377)</u>

Note:

^{1/} Direct Testimony of David Clark, page 4, lines 1-3.

^{2/} Company Schedule B-12

Community Utilities of Pennsylvania, Inc.

Interest Synchronization Adjustment
For the Twelve Months Ending July 31, 2025

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Adjusted Rate Base	\$ 16,942,456 ^{1/}
2	Weighted Cost of Debt	<u>2.62% ^{2/}</u>
3	Adjusted Interest Deduction	\$ 443,892
4	Interest Deduction Per Company	445,786 ^{3/}
5	Adjustment to Synchronize Interest Expense	\$ (1,894)
6	Effective State Income Tax Rate	<u>7.99%</u>
7	Adjustment to State Income Taxes	<u>\$ 151</u>
8	Federal Income Tax Base	\$ (1,743)
9	Federal Income Tax Rate	<u>21.00%</u>
10	Adjustment to Federal Income Taxes	<u>\$ 366</u>

Notes:

^{1/} Surrebuttal Schedule JLR-WW-2, Page 1.

^{2/} Surrebuttal Schedule JLR-WW-13

^{3/} Company Rebuttal Filing Schedules, Schedule B-27

Community Utilities of Pennsylvania, Inc.

Calculation of Rate of Return
For the Twelve Months Ending July 31, 2025

<u>Line No.</u>	<u>Description</u>	<u>Capitalization Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
1	Long-Term Debt	50.00%	5.24%	2.62%
2				
3	Total Debt	<u>50.00%</u>		<u>2.62%</u>
4				
5	Common Equity	<u>50.00%</u>	8.84%	<u>4.42%</u>
6				
7	Total	<u><u>100.00%</u></u>		<u><u>7.04%</u></u>

Source:
Surrebuttal Testimony of Morgan DeAngelo.

Exhibit JLR-C

Company Responses to Interrogatories

PA PUC v. Community Utilities of Pennsylvania, Inc.
R-2023-3043804 (Water), R-2023-3042805 (Wastewater)

**Community Utilities of Pennsylvania, Inc.’s Responses to
Office of Consumer Advocate Interrogatories, Set 7**

6. With regard to the Oracle Fusion Asset:
- a. What is the nature of this asset? Please fully describe cost components that form the total amount included in the cost of service.
 - b. Who (CUPA or a CUPA affiliate) owns the Oracle Fusion Asset?
 - c. How are costs associated with the Oracle Fusion Asset charged to CUPA and other CUPA affiliates?
 - d. Please provide the amount charged to CUPA’s annual operating expenses for the Oracle Fusion Asset for the years ended July 31, 2021, 2022, and 2023, separated by component (capital recovery and expense-related costs). Please provide in Excel format with formulae intact.
 - e. Assuming the asset is owned by an affiliate entity or shared, please explain why the asset is included in rate base as opposed to receiving a corporate allocated expense.
 - f. Are there any accumulated deferred income taxes related to the Oracle Fusion Asset?
 - g. Please explain how the Oracle Fusion Asset is being written off. In your response, identify the accounts used to write-off the Oracle Fusion Asset and show where it is reflected in the cost of service.

RESPONSE:

- a. The Oracle Fusion system is a Software as a Service (“SaaS”) system implemented across the Corix Group of Companies in 2020. Costs capitalized to the Non-Current Asset reflect application development, such as 1) the design of the software, configuration, and interfaces, 2) coding, 3) installation of hardware, 4) testing. The costs generally were incurred from the implementation consultant, Peloton, but also include capitalized internal labor and AFUDC. All Fusion costs other than for application development – selecting the software, training, maintenance, periodic updates, data conversion from legacy system – are expensed as incurred. Only costs subsequent to “go-live” that result in added functionality of the system are incrementally capitalized.
- b. As the Fusion system constitutes a cloud computing system, it cannot be classified as a fixed asset. Corix Infrastructure Inc. (“CII”) has identified Fusion as meeting the criteria of a hosting arrangement that is a service contract, as it does not own software licenses for the product, and capitalizable costs must therefore be categorized as a non-plant asset and amortized. This treatment is consistent with FASB EITF 17-A and FASB Subtopic 350-40-30-5. Please see attached accounting analysis from Grant Thornton for additional guidance, OCA 7-6 GrantThornton-Cloud Based Software.pdf.

PA PUC v. Community Utilities of Pennsylvania, Inc.
R-2023-3043804 (Water), R-2023-3042805 (Wastewater)

**Community Utilities of Pennsylvania, Inc.’s Responses to
Office of Consumer Advocate Interrogatories, Set 7**

- c. On the books, the Non-Current Asset balance is proportioned between CRU US’s affiliates’ portion and the rest of the CII affiliates’ portion. The CRU US portion is allocated by ERC’s to its affiliates, including CUPA. The Asset balance cannot be flowed through the 2-tier process on the books, as assets cannot be allocated across the U.S./Canada border. The expense (amortization) amount each month flows into the Corporate and Shared Services Costs and is allocated through the 2-tier cost allocation process to the Corporate Allocation Expense (Account 691000) line item on CUPA’s financials and Schedule B-22 of the filing.

For ratemaking/pro-forma purposes, CUPA took the entire Fusion net asset balance and flowed it through the 2-tier allocation process to determine CUPA’s portion. The associated amortization expense is included in the Corporate Allocation Expense (Account 691000).

- d. Due to several reconciliation, reclassification, and true-up entries as well as account mapping changes over the period requested, CUPA has prepared an analysis to approximate the allocated portions of the Fusion asset and amortization expense for this period. Please see attached, OCA 7-6d Fusion Cost Analysis.xlsx. To clarify, CUPA is providing both balance sheet (i.e., not “annual operating expenses”) and amortization expenses, allocated to CUPA, in this response for the period requested.
- e. As a service contract, per accounting standards noted in Part B above, FASB has ruled that the application development costs which are capitalized should be treated like those of internal-use software, which is widely considered a rate base item. The Fusion implementation (and later capitalized costs from functionality upgrades) represents costs incurred upfront to be amortized over the reasonably expected life of the service contract.

In addition, several CUPA affiliates have requested and been authorized to irate base treatment of their respective Fusion asset balances, including in contested cases such as Docket 2022-00147 with the Kentucky Public Service Commission and various settled dockets.

- f. There is no ADIT related to the Oracle Fusion Asset.
- g. Please see responses to Parts B and C above for details on the amortizing of the Fusion asset. The amortization expense is therefore included in the allocable expenses shown in Supplement to Schedule B-22, Account 691000. As a result, CUPA notes that the pro-forma amounts for Depreciation Expense, Schedule B-23, inadvertently also include consideration of the Fusion asset amortization expense for CUPA. Not only were line items 44 and 101 of Schedule 23 incorrectly stated in the filing – reflecting 2 years of amortization, and as a credit instead of debit –

PA PUC v. Community Utilities of Pennsylvania, Inc.
R-2023-3043804 (Water), R-2023-3042805 (Wastewater)

**Community Utilities of Pennsylvania, Inc.'s Responses to
Office of Consumer Advocate Interrogatories, Set 7**

there should be no line item on Schedule B-23 or elsewhere to reflect the amortization expense since it is already included in the Corporate Allocation Expense pro-forma amount in Schedule B-22.

PROVIDED BY: Anthony Gray

DATE: 1/24/2024

Pa. PUC v. Community Utilities of Pennsylvania, Inc.
R-2023-3043804 (Water), R-2023-3042805 (Wastewater)

**COMMUNITY UTILITIES OF PENNSYLVANIA, INC. WATER AND
WASTEWATER DIVISIONS' RESPONSES TO BUREAU OF INVESTIGATION
AND ENFORCEMENT DATA REQUESTS, SET RE NOS. 1-D THROUGH 17-D**

I&E-RE-13-D Reference CUPA Statement No. 3, p. 3, concerning forecasted maintenance and repair expenses. Provide a detailed explanation with supporting documentation showing why it is appropriate to utilize an 11-year historic inflation factor to adjust maintenance and repair expenses.

RESPONSE: Please see excel service file labelled **“Supplement to Schedule B-9 (Plant Maint)”**. The historical inflation data is shown on the tab labelled **“BLS Data Series – July Actuals”**. That base historical data was then used to extrapolate the remaining months of 2023 to get a full year picture. In looking at the data, the 11-year historic period was used as it best represented a normalized inflation growth outlook versus most recent years. The most recent years would have been skewed by one or two factors, (1) the high inflation period we are currently going through which started in 2022, and (2) the COVID-19 pandemic.

PROVIDED BY: **David Clark**

DATE: 12/28/2023

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
v. : Docket Nos. R-2023-3042804 (Water)
Community Utilities of Pennsylvania, Inc. : R-2023-3042805 (Wastewater)
:

DIRECT TESTIMONY
OF
MORGAN N. DEANGELO

ON BEHALF OF
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

March 19, 2024

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1 **Introduction**

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

3 A. My name is Morgan N. DeAngelo. My business address is 555 Walnut Street, Forum
4 Place, 5th Floor, Harrisburg, Pennsylvania 17101. I am currently employed as a
5 Regulatory Analyst by the Pennsylvania Office of Consumer Advocate (OCA).

6 **Q. Have you provided testimony in this case?**

7 A. Yes. I provided Direct Testimony in this case on February 6, in OCA Statement 3 and
8 Rebuttal Testimony in this case on March 5, 2024.

9 **Q. What is the purpose of your Surrebuttal Testimony?**

10 A. My Surrebuttal Testimony is in response to the Rebuttal Testimony of Community
11 Utilities of Pennsylvania, Inc. (CUPA) witness, Matthew R. Howard. To the extent that a
12 witness has provided Rebuttal Testimony to a position I took in my Direct Testimony and
13 Rebuttal Testimony, but did not address in my Surrebuttal Testimony, it should not be
14 construed that I agree.

15 **Q. What issues did the witness identify as problematic with your Direct Testimony?**

16 A. The witness identified the following as issues with my Direct Testimony: (1) the
17 composition of my proxy group; (2) exclusive reliance on the Discounted Cash Flow
18 Model (DCF); (3) the application of the Capital Asset Pricing Model (CAPM); (4) the
19 small size adjustment.

1 **Response to Mr. Howard**

2 ***Proxy Group***

3 **Q. What issues did Mr. Howard identify as problematic with your Direct Testimony**
4 **regarding York Water Company (YORW) in your Proxy Group?**

5 A. Mr. Howard stated, “the YORW projected growth rate estimate is neither robust nor
6 reliable enough to be included in the proxy group” (CUPA St. No. 8-R, p. 45, ln. 4). His
7 reasoning behind this is that “*Value Line* covers YORW as part of its universe of Small &
8 Mid Cap companies, but not its Standard Edition.” (CUPA St. No. 8-R, p. 44, ln. 14-15).

9 **Q. Do you agree with Mr. Howard on page 45, lines 16-17 of his Rebuttal Testimony,**
10 **that “This is problematic because companies in *Value Line*’s Small & Mid Cap**
11 **Edition generally have a lack of analyst coverage.”?**

12 A. I believe the data *Value Line* provides on YORW is valuable. However, Mr. Howard
13 misleadingly stated that “Ms. DeAngelo is incorrect when she states that YORW is
14 included in Value Line’s Standard Edition.” (CUPA St. No. 4, p. 44, ln-13-14). I never
15 testified that YORW is included in Value Line’s Standard Edition. However, I agree that
16 due to the lack of analyst coverage, the use of YORW could be problematic. Because of
17 this, I will remove YORW from the Proxy Group to use the same Proxy Group as Mr.
18 Howard.

19 ***Discounted Cash Flow Model***

20 **Q. What issues did Mr. Howard identify as problematic with your Direct Testimony**
21 **regarding the application of your DCF Model?**

22 A. Mr. Howard identified the following as problematic: (1) the dividend yields; and (2) the
23 inclusions of the YORW DCF result (CUPA St. No. 8-R, p. 45, ln. 9-10).

1 **Q. Mr. Howard indicated the dividend yields applied in Column [1] of Schedules MND-**
 2 **2 do not match the dividend yields calculated in Schedules MND-7. Please respond.**

3 A. The dividend yield column on Schedule MND-7 was correct. I have corrected this
 4 column on Schedule MND-2SR. With these changes, my recommended return on equity
 5 (ROE) is 8.52%. However, as addressed above, I am removing YORW from my
 6 calculation. Therefore, with the corrected dividend yield column and the exclusion of
 7 YORW, my revised recommended return on equity (ROE) is 8.84% compared to 8.39%
 8 in my direct testimony.

9 **Q. When you input your revised ROE of 8.84% into your recommended capital**
 10 **structure, what is your revised, overall Rate of Return (ROR)?**

11 A. When inputting my revised ROE of 8.84% into my recommended capital structure, my
 12 recommended ROR is 7.04% and can be found on Schedule MND-1SR.

	<u>Percent Total</u> <u>Capital</u>	<u>Cost Rate</u>	<u>Cost of Money</u>
Long Term Debt	50.00%	5.24%	2.62%
Common Equity	50.00%	8.84%	4.42%
Total	100.00%		7.04%

13

14 This is an increase from the 6.81% ROR I recommended in my Direct Testimony.

15 **Q. Mr. Howard also identified your exclusive reliance on the DCF Model as**
 16 **problematic. Please respond.**

17 A. As stated in my Direct Testimony, while the results of my DCF analysis ultimately
 18 informed my conclusion on the appropriate ROE of CUPA, I utilized the CAPM as a
 19 check on reasonableness. The DCF directly considers the time value of money, providing
 20 an intrinsic value of the company, allowed for a more precise evaluation (OCA Statement
 21 3, p. 15, ln. 20-21). Mr. Howard even stated, “There is simply no way to determine

1 whether one model is more precise, which is why neither Ms. DeAngelo, Mr. Patel, not
 2 myself present evidence that would allow one to conclude that any one model is superior
 3 to any other one model” (CUPA St. No. 8-R, p. 13, ln. 11-14). This does not make the
 4 analysis of the DCF method less reliable. Furthermore, while the Commission recently
 5 authorized a 9.75% ROE for Columbia Water Company (Columbia Water) that utilized
 6 the DCF and CAPM Methods in its determination¹, historically, the Commission’s
 7 methodology has been to use the DCF, with a CAPM check on reasonableness.²

8 **Q. If in addition to your DCF, you used CAPM and Forecasted Market Risk Premium**
 9 **to calculate your overall ROR, what would your result look like?**

10 A. While not endorsing this approach, if I were to do so, the average using these three
 11 models in my calculation would result in an ROE of 8.30%,³ which can be found on
 12 Schedule MND-8SR. Utilizing an ROE of 8.30% would then result in an overall ROR of
 13 6.77%, found on Schedule MND-9SR. As a reminder, I used the highest Market Risk
 14 Premium I could choose, 8.3%, in my CAPM analysis. (OCA St. 3, p. 15, ln. 1-2). While
 15 I still support my reasoning behind relying on the DCF Method, using CAPM as a check
 16 on reasonableness, using Mr. Howard’s logic will only lower the Company’s return.

¹ PA PUC v. Columbia Water Company, R-2023-3040258, pp. 107-108 (Order entered January 18, 2024).

² Pa. PUC v. City of DuBois – Bureau of Water; Docket No. R-2016-2554150 (Order Entered March 28, 2017). See generally Disposition of Cost Rate Models, pp. 96-97; Pa. PUC v. UGI Utilities, Inc. – Electric Division; Docket No. R-2017-2640058 (Order Entered October 25, 2018). See generally Disposition of Cost of Common Equity, p. 119; Pa. PUC v. Wellsboro Electric Company; Docket No. R-2019-3008208 (Order Entered April 29, 2020). See generally Disposition of Primary Methodology to Determine ROE, pp. 80-81; Pa. PUC v. Citizens Electric Company of Lewisburg, PA; Docket No. R-2019-3008212 (Order Entered April 29, 2020). See generally Disposition of Cost of Common Equity, pp. 91-92. Pa. PUC v. Columbia Gas of Pennsylvania, Inc.; Docket No. R-2020-3018835 (Order Entered February 19, 2021). See generally Disposition of Cost of Common Equity, p. 131. Pa. PUC v. PECO Energy Company – Gas Division; Docket No. R-2020-3018929 (Order Entered June 22, 2021). See generally Disposition of Return of Rate on Common Equity, p. 171.

³ $((8.84\% \text{ DCF}) + (9.76\% \text{ CAPM}) + (6.30\%)) / 3 = 8.30\%$

1 **Q. In Mr. Howard’s Direct Testimony, he included Middlesex (MSEX) in his Proxy**
2 **Group but excluded it from his Discounted Cash Flow Model (DCF). Did his**
3 **analysis change in his Rebuttal Testimony?**

4 A. Yes. Following a review of the Direct Testimony filed in this case, in his Rebuttal
5 Testimony, Mr. Howard indicated, “I have conservatively included MSEX’s DCF result
6 in my updated analysis.” (CUPA St. No. 8-R, p. 3, ln. 15-16).

7 **Q. Does this change Mr. Howard’s claim of a 10.60% ROE?**

8 A. No. Even after making this adjustment, Mr. Howard stated, “After adjusting for CUPA-
9 specific risks, the recommended range applicable to CUPA is 10.60 percent to 11.60
10 percent. Given my updated model results, an ROE of 10.60 percent for CUPA remains
11 appropriate, if not conservative.” (CUPA St. No. 8, p. 1, ln. 18-21). A **10.6%** ROE is in
12 no way conservative, considering it is over 200 basis points higher than his DCF result.
13 As I discussed in my Direct Testimony, while the need to attract capital is important, the
14 OCA’s overall return is reasonable as it permits the Company the ability to attract capital
15 and the opportunity to earn a fair rate of return while at the same time balancing the
16 interests of consumers. This is one of the key roles of the Commission as a regulator of
17 monopoly service, the regulators must fairly balance the interests of all parties including,
18 in particular, the customers who have no choice but to receive water and wastewater
19 service from CUPA.⁴

⁴ For example, in *Market Street Railway Co. v. Railroad Commission*, 324 U.S. 548, 566 (1945) the Court refused to overturn a rate reduction for a failing street railway company noting that Hope recognized that “regulation does not assure that the regulated business make a profit”.

1 *Capital Asset Pricing Model (CAPM)*

2 **Q. What issues did Mr. Howard identify as concerns with your Direct Testimony**
3 **regarding the application of your CAPM Model?**

4 A. Mr. Howard identified the following as concerns: (1) the calculation of the risk-free rate;
5 (2) the market risk premium (MRP) estimate; and (3) failure to include the Empirical
6 CAPM (ECPAM). (CUPA St. No. 8-R, p. 45, ln. 9-10).

7 **Q. On page 46, lines 18-20 of his Rebuttal Testimony, Mr. Howard asserted that you**
8 **should have relied on a projected measure of the risk-free rate in addition to current**
9 **interest rates. Please respond.**

10 A. Relying on forecasts will most likely lead to incorrect forecasts and miscalculated returns
11 on equity. Projections of interest yields and rates for the past decade have been
12 inaccurate. The consensus among those involved in creating forecasts is most often an
13 expected increase in rates, which is often wrong as they ignore the possibility of a
14 decrease. This results in setting a rate of return based on speculative rates that (1) do not
15 exist today, (2) may never occur, and (3) are almost also wrong and that difference is
16 nearly always in one direction (upward). Furthermore, as I stated in my Direct Testimony,
17 the DCF considers the time value of money, in which projections need to be used. The
18 CAPM directly measures risk and acts as a benchmark to determine the reasonableness of
19 an expected return. Measuring risk based on historical data is more concrete, whereas
20 measuring based on future risk is speculative.

21 **Q. In your Direct Testimony, you used MRP's from Duff & Phelps (Kroll), Schwab, and**
22 **Vanguard. You then applied the MRP provided by Schwab in calculating your**
23 **CAPM. Do you believe the use of the MRP from Schwab is inappropriate?**

24 A. No. Mr. Howard stated, "Expected measures from pension funds or investment houses try
25 to predict what the market's earned return will be, not the return that investors require in
26 order to invest, which is the subject of this proceeding." (CUPA St. No. 8-R, p. 47, ln. 18-

1 21). I believe these forecasts represent the risk premiums that investors can expect. These
 2 publications are meant to inform investors of what they should expect their risk premium
 3 to be, representative of the entire market. The risk premium, by definition, is the expected
 4 return on the entire market minus the risk-free rate of return.⁵ Furthermore, as stated in
 5 my Direct Testimony and seen in the table below, I chose to use the highest MRP out of
 6 my selection.

<u>Forecasted Market Risk Premiums</u>	
Duff & Phelps Report (Kroll) (1)	5.5%
Schwab (2)	6.3%
Vanguard (3)	5.6%
Average	5.8%
Highest	6.3%

7
 8 By choosing the highest value in the CAPM, it will result in a higher cost of equity
 9 estimate.

10 **Q. Mr. Howard addressed your decision to not employ the ECAPM in your analysis.**
 11 **Please respond.**

12 A. I did not employ an ECAPM analysis, as I do not believe it is necessary to calculate
 13 ECAPM for cost of capital purposes. I agree with I&E witness, Mr. Patel’s argument, that
 14 ECAPM “only weights the results of the CAPM in order to flatten the Security Market
 15 Line, but it does not correct the previously discussed problems with CAPM”. (I&E

⁵ Mullins, D. W. (August 1, 2014). Does the capital asset pricing model work? Harvard Business Review. <https://hbr.org/1982/01/does-the-capital-asset-pricing-model-work>.

1 Statement No. 2, p 39, ln. 4-5). Furthermore, in the recent Columbia Water Order, the
2 Commission rejected the use of ECAPM. The Commission stated as follows:

3 Upon our consideration of the record evidence, we agree with the ALJs'
4 determination that Columbia's ECAPM is inappropriate. The ALJs heavily
5 relied on I&E's criticism of the ECAPM to justify its rejection. We agree
6 with I&E's rationale, particularly that the ECAPM adds subjectivity to the
7 CAPM as an attempt to refine its predicted SML. Additionally, we are
8 persuaded by I&E's assertion that while some studies indicate that
9 the ECAPM inaccurately defines the SML, the degree to which the CAPM
10 requires adjustment is variable. *See*, R.D. at 62. Therefore, we shall deny
11 Columbia's Exception No. 1.a.
12

13 Based upon the evidence of record, we agree with the ALJs' finding that the
14 Company's ERP is overstated. We are of the same opinion as the OCA that
15 the ERP used in a CAPM analysis should be forward looking. Here,
16 Columbia [*62] calculates its ERP partly with historical data of returns on
17 stocks and returns on bonds. Thus, we find that the Company's ERP is not
18 forward-looking and that it is inappropriate to use in its CAPM analysis.
19 Accordingly, we shall reject Columbia's Exception No. 1.b.⁶

20 In a recent West Virginia American Water case, American Water presented an ECAPM
21 analysis as a supplement to its CAPM analysis, in which the Commission rejected. The
22 Commission stated as follows:

23 "We have considered Ms. Bulkley's alternative CAPM recommendation,
24 but we find it to be faulty and not useful for purposes of determining a
25 reasonable ROE. Based on a theory that the traditional Capital Asset Pricing
26 Model tends to "understate" the cost of equity for companies with low
27 Betas, "such as regulated utilities" she presented an alternative CAPM
28 approach called ECAPM. Other than a footnote reference to a book by
29 Roger Morin entitled "New Regulatory Finance," and a brief description of
30 ECAPM formula inputs, the witness did not explain why the traditional
31 CAPM calculation, which derives the expected results of lower ROES for
32 lower-risk companies such as utilities, should be modified or "enhanced"
33 using a mathematical formula purposely designed to drive those lower
34 indicated returns upward.
35

36 We note that the ECAPM calculations result in outputs ranging from 10.43
37 to 10.94 percent. The midpoint of this range is 10.69 percent. This range
38 and average is higher than those derived from her CAPM data, but that is to

⁶ PA PUC v. Columbia Water Company, R-2023-3040258, pp. 105 (Order entered January 18, 2024).

1 be expected because the ECAPM approach, by design, is structured to
 2 increase the CAPM indicated return on equity for low-risk companies with
 3 low betas. The Commission will not use the ECAPM results in evaluating
 4 the ranges of ROE'S because it is not sufficiently explained and supported
 5 by the testimony to allow us to determine whether the change or
 6 "enhancement" that is designed to increase the indicated ROE on companies
 7 with low betas (market risk) like regulated utilities is reasonable or
 8 appropriate.”⁷

9 **Q. Did Mr. Howard disagree with I&E witness Patel’s reliance on the DCF results over**
 10 **those of the CAPM?**

11 A. Yes.

12 **Q. What reasoning did Mr. Patel offer that you did not, which Mr. Howard took issue**
 13 **with?**

14 A. Mr. Patel considered the financial impact on ratepayers if the CAPM were relied upon to
 15 determine the ROE, and not the DCF. Specifically, Mr. Patel calculated that, if the
 16 Commission relied upon his CAPM results to set CUPA’s ROE, then ratepayers would be
 17 burdened with an additional \$443,853 in rates because the CAPM results were 199 basis
 18 points higher than his DCF results. (I&E Statement No. 2 at p. 36-37, ln. 11-20, 1-2).

19 **Q. Did Mr. Howard reject the idea that the Commission should consider affordability**
 20 **when determining an appropriate ROE in a base rate proceeding?**

21

22 A. Yes. Mr. Howard stated that the additional burden on rate payers is not a relevant
 23 consideration because an “investor required ROE is based on a complete and thorough
 24 analysis of market data.” CUPA St. 8-R at 18:9-11.

25 **Q. Is Mr. Howard correct?**

26 A. No. The Commission has broad authority to determine an appropriate rate of return and
 27 can – and should – consider such factors as affordability and the quality of service

⁷ Public Service Commission of West Virginia, Case No. 23-0383-W-42T, 23-0384-S-42T Commission Order, p. 24.

1 provided by the utility requesting a rate increase. *PA PUC v. Twin Lakes Utilities, Inc.*,
 2 Docket No. 3010958, 47-48 (Order March 26, 2020). Furthermore, since at least 1944
 3 when the Supreme Court decided the *Hope* case, consumer interests have been part of the
 4 equation in setting rates, including an ROE. In that case, the Court noted that:

5 The rate-making process under the Act, i.e., the fixing of ‘just and
 6 reasonable’ rates, involves a **balancing of the investor and**
 7 **consumer interests** and does not insure that the business shall
 8 produce revenues.
 9

10 *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944)

11 (emphasis added). The Supreme Court added that **consumers are obliged to rely upon**
 12 **regulatory commissions to protect them from excessive rates and charges.** *See*
 13 *Permian Basin Area Rate Cases*, 390 U.S. 747, 794-95 (1968) (*Permian Basin*) (citing
 14 *Atlantic Refining Co. v. Public Serv. Comm’n*, 360 U.S. 378, 388 (1981)).

15 Thus, it is well established that protecting consumers from excessive rates and
 16 charges is part of the setting of just and reasonable rates. If the test of the overall rates is
 17 confined to the utility’s interests, then it is not a reasonable process. Moreover, in
 18 Pennsylvania, the statute that created the OCA also created obligations on the
 19 Commission to consider consumer interests. Specifically, it requires that:

20 Section 905-A. Duties of the Commission. -- In dealing with any
 21 proposed action which may substantially affect the interest of
 22 consumers, including but not limited to a proposed change of rates
 23 and the adoption of rules, regulations, guidelines, orders, standards
 24 or final policy decisions, the commission shall:

25 . . .

26 (2) Consistent with its other statutory responsibilities, take such
 27 action with due consideration to the interest of consumers.

28 71 Pa. Stat. Ann. §309-5.

1 Mr. Howard is simply incorrect when he says that assessing the burden on
2 ratepayers is not a relevant consideration.

3 **Q. Do you have other concerns with Mr. Howard’s response to Mr. Patel’s calculation?**

4 A. Yes. Mr. Howard’s response implies that if CUPA does not receive the ROE requested, then
5 it will invest less in replacing water and wastewater infrastructure. CUPA St. 8-R at 19:11-
6 14. However, CUPA is required – under the laws of the Commonwealth and the
7 Commission’s regulations – to continue maintaining and replacing its infrastructure to the
8 extent necessary to provide safe, adequate, and reliable service, regardless of the ROE it
9 receives in the instant proceeding. Any implication to the contrary should be summarily
10 rejected.

11 *Size Adjustment*

12 **Q. In his Rebuttal Testimony, Mr. Howard disagreed with your conclusion that CUPA’s**
13 **size adjustment is unreasonable due to the fact it’s a part of CORIX Regulated**
14 **Utilities (US) (CRUUS), Inc. as a whole. Does his argument change your belief that a**
15 **size adjustment is unnecessary and would lead to a higher ROE than should be**
16 **authorized?**

17 A. No, it does not. Most of the water utilities in the proxy group utilized by Mr. Howard and
18 me have multiple subsidiaries operating in different jurisdictions. If you apply the logic
19 behind Mr. Howard’s size adjustment, each of those subsidiaries would be riskier, as a
20 result of being smaller. This logic is flawed, as CUPA and the other subsidiaries do not
21 raise their equity capital directly from investors, but as a consolidated entity. The size
22 premium exists historically over the very long term, but today it is small and there is little
23 evidence that size is the actual cause of the premium. The findings of Dr. Vitali Kalesnik
24 and Noah Beck in their study of the size premium came to a similar conclusion as Dr.

1 Damodaran. Dr. Kalesnik and Mr. Beck concluded after their quantitative analysis of the
2 size premium:

3 Today, more than 30 years after the initial publication of Banz's paper, the
4 empirical evidence is extremely weak even before adjusting for possible
5 biases. The return premium is not statistically significant in any of the
6 international markets, whether taken alone or in combination. The U.S.
7 long-term size premium is driven by the extreme outliers, which occurred
8 three-quarters of a century ago. These extreme outliers confound the
9 standard techniques of setting confidence bounds around the estimated
10 premium. Finally, adjusting for biases, most notably the delisting bias,
11 makes the size premium vanish. If the size premium were discovered today,
12 rather than in the 1980s, it would be challenging to even publish a paper
13 documenting that small stocks outperform large ones. All this evidence
14 makes us question the existence of the size premium as such.⁸

15 It is unreasonable to consider a size premium. CUPA is part of a large multi-national
16 corporation. Small cap stocks do not consistently outperform large cap stocks, such that
17 there would be a need to apply a size premium adjustment to cost of equity estimates.

18 **Q. Mr. Howard claims you implied he did not give any weight to his DCF Model**
19 **results. Is this what you meant?**

20 A. No, this is not what I was implying. Mr. Howard mischaracterizes my Direct Testimony
21 regarding his DCF. Based on Mr. Howard's Rebuttal Testimony, Exhibit MRH-1.R.2
22 shows his DCF Range is 8.76% - 8.97%, where he then utilizes the midpoint of 8.87%.
23 Mr. Howard's midpoint of 8.87% is consistent with my recommended ROE of 8.84%.

⁸ Kalesnik, V. & Beck, N. (2014, November). Busting the Myth About Size. Simply Stated.
<https://www.researchaffiliates.com/content/dam/ra/documents/284-busting-the-myth-about-size.pdf>.

1 **Conclusion**

2 **Q. Please summarize your recommendations, including any changes you made in this**
3 **Surrebuttal Testimony.**

4 A. I recommend an ROE of 8.84%. In calculating the final rate of return for ratemaking
5 purposes, my recommended rate of return is 7.04%.

6 Should the Commission decide solely relying on the DCF method is inappropriate in this
7 case, I then recommend an ROE of 8.30%. In calculating the final rate of return for
8 ratemaking purposes, my recommended rate of return is 6.77%.

9 I also continue to recommend that the Commission reject Mr. Howard's size adjustment
10 to his cost of common equity as it is unreasonable and inappropriate for this system.

11 **Q. Does this conclude your Surrebuttal Testimony?**

12 A. Yes, it does. However, I reserve the right to modify if necessary.

Community Utilities of Pennsylvania, Inc. Rate of Return

	<u>Percent Total</u> <u>Capital</u>	<u>Cost Rate</u>	<u>Cost of Money</u>
Long Term Debt	50.00%	5.24%	2.62%
Common Equity	50.00%	8.84%	4.42%
Total	100.00%		7.04%

Community Utilities of Pennsylvania, Inc.
DCF Calculation using Analyst Forecasts

	[1]	[2]	[3]	[4]	[5]	[6]	[7]
Proxy Group of Seven Water Companies	Average Dividend Yield (1)	Value Line Projected 5 Year Growth in EPS	Zack's 3-5 Year Projected Growth in EPS	Yahoo! Finance Projected 5 Year Growth in EPS	Average Projected 5 Year Growth in EPS(2)	Adjusted Dividend Yield (3)	Indicated Common Equity Cost Rate (4)
American States Water Company	2.13%	6.50%	6.30%	4.40%	5.73%	2.19%	7.92%
American Water Works Company, Inc.	2.19%	3.00%	7.76%	7.78%	6.18%	2.26%	8.44%
Essential Utilities, Inc.	3.47%	7.50%	5.60%	5.20%	6.10%	3.58%	9.68%
California Water Service Group	2.08%	6.50%	N/A	10.80%	8.65%	2.17%	10.82%
Middlesex Water Company	1.92%	5.00%	N/A	2.70%	3.85%	1.95%	5.80%
SJW Group	2.39%	8.00%	N/A	6.10%	7.05%	2.48%	9.53%
						Average	8.70%
						Median	8.98%
						Average of Mean and Median	8.84%

N/A= Not Available

Notes:

(1) Most recent dividend divided by the 90 day average price ended 12/29/2023.

(2) Average of columns 2 through 4

(3) This reflects a growth rate component equal to one-half the conclusion of growth rate x column 1 to reflect the periodic payment of dividends (Gordon Model) as opposed to the continuous payment.

Thus, for American States Water Company, $2.13\% \times (1 + (1/2 \times 5.73\%)) = 2.19\%$.

(4) Column 5 + Column 6.

Source of Information:

www.valueline.com Downloaded on 2/1/2024

www.zacks.com Downloaded on 2/1/2024

www.yahoo.com Downloaded on 2/1/2024

Community Utilities of Pennsylvania, Inc. Calculation of CAPM
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CAPM (4)	=	Rf (1)	+	Beta (2)	*	Risk Premium (3)
----------	---	--------	---	----------	---	------------------

9.76%	=	4.54%	+	0.83	*	6.30%
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(1) From MND-6, Average Return on 30 Year Treasury Rate

(2) From MND-4, Average beta

(3) From MND-5, Equity Risk Premium Exhibit

(4) = (1) + (2) * (3)

Community Utilities of Pennsylvania, Inc. Beta

Stock	Ticker	Beta
American States Water Company	AWR	0.70
American Water Works Company, Inc.	AWK	0.95
Essential Utilites, Inc.	WTRG	1.00
California Water Service Group	CWT	0.75
Middlesex Water Company	MSEX	0.75
SJW Group	SJW	0.85
York Water Company	YORW	0.80
Average		0.83

Data pulled on 2/1/2024 from Value Line

Community Utilities of Pennsylvania, Inc. Forecasted Market Risk Premiums
--

<u>Forecasted Market Risk Premiums</u>	
Duff & Phelps Report (Kroll) (1)	5.5%
Schwab (2)	6.3%
Vanguard (3)	5.6%
Average	5.8%
Highest	6.3%

(1) <https://www.kroll.com/en/insights/publications/cost-of-capital/recommended-us-equity-risk-premium-and-corresponding-risk-free-rates>

(2) <https://www.schwab.com/learn/story/schwabs-long-term-capital-market-expectations>

(3) <https://advisors.vanguard.com/insights/article/series/market-perspectives#projected-returns>

Community Utilities of Pennsylvania, Inc. Risk Free Rate

Date	30 Year Date	30 Year Date	30 Year	30 Year	30 Year
1/1/2024	4.04%	11/17/2023	4.59%	10/6/2023	4.97%
12/29/2023	4.04%	11/16/2023	4.62%	10/5/2023	4.89%
12/28/2023	4.00%	11/15/2023	4.70%	10/4/2023	4.86%
12/27/2023	3.96%	11/14/2023	4.63%	10/3/2023	4.93%
12/26/2023	4.05%	11/13/2023	4.76%	10/2/2023	4.79%
12/22/2023	4.05%	11/10/2023	4.76%	9/29/2023	4.70%
12/21/2023	4.03%	11/9/2023	4.77%	9/28/2023	4.70%
12/20/2023	3.99%	11/8/2023	4.62%	9/27/2023	4.72%
12/19/2023	4.04%	11/7/2023	4.73%	9/26/2023	4.68%
12/18/2023	4.05%	11/6/2023	4.81%	9/25/2023	4.65%
12/15/2023	4.01%	11/3/2023	4.70%	9/22/2023	4.53%
12/14/2023	4.04%	11/2/2023	4.81%	9/21/2023	4.58%
12/13/2023	4.18%	11/1/2023	4.93%	9/20/2023	4.45%
12/12/2023	4.31%	10/31/2023	5.10%	9/19/2023	4.43%
12/11/2023	4.33%	10/30/2023	5.05%	9/18/2023	4.39%
12/8/2023	4.31%	10/27/2023	5.02%	9/15/2023	4.42%
12/7/2023	4.26%	10/26/2023	4.99%	9/14/2023	4.39%
12/6/2023	4.21%	10/25/2023	5.09%	9/13/2023	4.34%
12/5/2023	4.30%	10/24/2023	4.94%	9/12/2023	4.35%
12/4/2023	4.41%	10/23/2023	5.00%	9/11/2023	4.38%
12/1/2023	4.39%	10/20/2023	5.09%	9/8/2023	4.34%
11/30/2023	4.50%	10/19/2023	5.11%	9/7/2023	4.34%
11/29/2023	4.44%	10/18/2023	4.99%	9/6/2023	4.36%
11/28/2023	4.51%	10/17/2023	4.93%	9/5/2023	4.37%
11/27/2023	4.54%	10/16/2023	4.85%	9/1/2023	4.30%
11/24/2023	4.60%	10/13/2023	4.77%	8/31/2023	4.21%
11/23/2023	4.54%	10/12/2023	4.86%	8/30/2023	4.23%
11/22/2023	4.54%	10/11/2023	4.70%	8/29/2023	4.23%
11/21/2023	4.56%	10/10/2023	4.83%	8/28/2023	4.28%
11/20/2023	4.57%	10/9/2023	4.97%	8/25/2023	4.29%
			Average		4.54%

*Data pulled on 1/2/2024 from Market Watch

Community Utilities of Pennsylvania, Inc. Dividend Yield

	Date of Dividend	Dividend	Yearly Dividend	Price*	Yield
AWR	11/14/2023	0.43	1.72	80.80	2.13%
AWK	11/13/2023	0.7075	2.83	129.07	2.19%
WTRG	11/9/2023	0.3071	1.2284	35.40	3.47%
CWT	11/3/2023	0.26	1.04	49.98	2.08%
MSEX	11/15/2023	0.325	1.3	67.84	1.92%
SJW	11/3/2023	0.38	1.52	63.55	2.39%
YORW	12/28/2023	0.2108	0.8432	38.36	2.20%

*Average price of 90 day period from 8/23/23 through 12/29/23
Data pulled on 1/2/2024 from Nasdaq

Community Utilities of Pennsylvania, Inc. Summary of Common Equity Cost Rate	
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DCF	8.84%
CAPM	9.76%
<u>Risk Premium</u>	<u>6.30%</u>
Average	8.30%

Community Utilities of Pennsylvania, Inc. Rate of Return

	<u>Total Capital</u>	<u>Cost Rate</u>	<u>Cost of Money</u>
Long Term Debt	50.00%	5.24%	2.62%
Common Equity	50.00%	8.30%	4.15%
Total	100.00%		6.77%

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission,	:	
	:	
v.	:	Docket Nos. R-2023-3042804 (water)
	:	R-2023-3042805 (wastewater)
Community Utilities of Pennsylvania, Inc.	:	
	:	

VERIFICATION

I, Morgan N. DeAngelo, hereby state that the facts above set forth in my Surrebuttal Testimony, OCA Statement 3SR, are true and correct to the best of my knowledge, information and belief in the interrogatory responses. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: March 19, 2024

Signature: *Morgan N. DeAngelo*
Morgan N. DeAngelo

Address: Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923

BEFORE
THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	Docket Nos.	R-2023-3042801 (Water)
v.	)		R-2023-3042802 (Wastewater)
Community Utilities of Pennsylvania, Inc.)		
)		

SURREBUTTAL TESTIMONY

OF

JEROME D. MIERZWA

ON BEHALF OF
THE PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

MARCH 19, 2024

EXETER

ASSOCIATES, INC.
10480 Little Patuxent Parkway, Suite 300
Columbia, Maryland 21044

1 **I. INTRODUCTION**

2 Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS
3 ADDRESS?

4 A. My name is Jerome D. Mierzwa. I am a Principal and Vice President of Exeter
5 Associates, Inc. (“Exeter”). My business address is 10480 Little Patuxent Parkway,
6 Suite 300, Columbia, Maryland 21044. Exeter specializes in providing public
7 utility-related consulting services.

8 Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS
9 PROCEEDING?

10 A. Yes. My direct testimony was filed as OCA Statement 4 on February 6, 2024, and my
11 rebuttal testimony was filed as OCA Statement 4R on March 5, 2024.

12 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

13 A. The purpose of my surrebuttal testimony is to respond to certain aspects of the rebuttal
14 testimony presented by Community Utilities of Pennsylvania, Inc. (“CUPA” or “the
15 Company”) witness Scott A. Miller; and Office of Small Business Advocate (“OSBA”)
16 witness Justin Bieber.

17 **II. WITNESS: SCOTT A. MILLER**
18 **Community Utilities of Pennsylvania, Inc.**

19 Q. MR. MILLER STATES THAT IN YOUR DIRECT TESTIMONY YOU
20 SUGGEST THAT CUPA’S RATE PROPOSALS IN THIS PROCEEDING
21 VIOLATE THE PRINCIPAL OF GRADUALISM.¹ IS THIS A FAIR
22 CHARACTERIZATION OF YOUR DIRECT TESTIMONY?

23 A. No. In my direct testimony I did not claim that CUPA’s rate proposals in this
24 proceeding violated the principle of gradualism for customers that are currently

¹ CUPA Statement No. 7-R, page 5, lines 6-9.

1 provided water and wastewater service by CUPA. In my direct testimony I only found
2 that CUPA's proposed increases in water availability charges were inconsistent with
3 the concept of gradualism. Availability charges are assessed to the owner of a vacant
4 property that CUPA has extended its facilities to serve but has not yet connected to the
5 CUPA system to take service. In this proceeding, CUPA has proposed a 250% increase
6 in the Penn Estates availability charge, and nearly a 500% increase in the Tamiment
7 availability charge.

8 Q. IN THE WATER COST OF SERVICE ("COS") STUDY INITIALLY FILED
9 BY CUPA IN THIS PROCEEDING, THE COMPANY ALLOCATED 100%
10 OF GENERAL AND ADMINISTRATIVE CORPORATE COSTS TO THE
11 BILLING AND COLLECTION FUNCTION AND, THEREFORE, 100% OF
12 THESE COSTS WERE INCLUDED IN THE CALCULATION OF THE
13 WATER CUSTOMER CHARGES CUPA HAS PROPOSED IN THIS
14 PROCEEDING. DID YOU AGREE WITH THIS ALLOCATION?

15 A. No. For the reasons discussed on page 11 of my direct testimony, I found this allocation
16 to be unreasonable and recommended that corporate costs be allocated to all cost
17 functions based on allocation Factor 7. In his direct testimony, Mr. Eryan A. Sakaya,
18 testifying on behalf of the Bureau of Investigation and Enforcement ("I&E"), also
19 expressed a concern with CUPA's allocation of 100% of corporate costs to the billing
20 and collection function.²

² I&E Statement No. 3 (Water), page 18, lines 6-11.

1 Q. WHAT IS MR. MILLER'S RESPONSE TO YOUR PROPOSAL TO
2 ALLOCATE CORPORATE COSTS BASED ON ALLOCATION FACTOR
3 7?

4 A. Mr. Miller disagrees with my proposal. He claims that a significant portion of corporate
5 costs relate to customer billing and other administrative functions necessary to operate
6 the utility and that these costs are not directly assignable to the more usage-based costs
7 functions such as Base, Maximum Day and Maximum Hour. Instead, he claims these
8 costs are incurred as a result of having customers connected to the system. For that
9 reason, Mr. Miller believes it is reasonable to assign these costs entirely to the billing
10 and collecting function. Furthermore, Mr. Miller contends my proposal would
11 substantially shift cost recovery away from the monthly fixed charge and onto the
12 volumetric charge, and that such a change would place too much emphasis on the
13 volume-based component of the rate structure to the possible detriment of the
14 Company.³

15 Q. WHAT IS YOUR RESPONSE TO MR. MILLER'S CLAIMS THAT 100%
16 OF CORPORATE COSTS SHOULD BE ALLOCATED TO THE BILLING
17 AND COLLECTION FUNCTION AND INCLUDED IN MONTHLY
18 CUSTOMER CHARGES?

19 A. As explained on page 10 and 11 of my direct testimony, corporate costs are allocated
20 to the subsidiaries of Corix Regulated Utilities (US) ("CRUUS") like CUPA pursuant
21 to a Cost Allocation Manual based on a combination of the subsidiary's gross revenue,
22 number of employees, and gross property plant, and equipment. The Cost Allocation
23 Manual attempts to assign costs to each CRUUS subsidiary based on cost
24 responsibility. CUPA's gross revenues, number of employees, and gross property plant

³ CUPA Statement No. 7-R, page 12, lines 9-19.

1 and equipment are a function of the Base, Maximum Day, and Maximum Hour
2 demands of CUPA's customers, as well as the number of customers served. Therefore,
3 a portion of corporate costs should be allocated to the Base, Maximum Day, and
4 Maximum day functions. The allocation of corporate costs based on Factor 7
5 accomplishes this. As shown on CUPA EX SAM 2-R, page 8, all other administrative
6 and general costs are allocated to the Base, Maximum Day, and Maximum Hour
7 functions in CUPA's COS study.

8 With respect to shifting cost recovery away from the monthly fixed charge onto
9 the volumetric charge, Factor 7 would continue to assign 22.75% of corporate costs to
10 the billing and collecting function, and the remaining 77.25%, or \$272,271 (77.25% x
11 \$352,455), would potentially be shifted to the volumetric charge. As shown on CUPA
12 EX SAM 2-R, CUPA's water revenue requirement claim in this proceeding is
13 \$3,800,507. The \$272,271 that would potentially be shifted to the volumetric charge
14 represents 7% ($\$272,271/\$3,800,507$) of CUPA's total water revenue requirement. I
15 don't believe that this small shift would cause a significant detriment to the Company,
16 and it would provide a better match with cost causation principles.

17 Q. HOW DID CUPA ALLOCATE UNCOLLECTIBLE EXPENSE IN ITS
18 INITIAL WATER COS STUDY AND DID YOU AGREE WITH THIS
19 ALLOCATION?

20 A. As explained on pages 10 and 11 of my direct testimony, CUPA assigned 100% of
21 uncollectible expense to the billing and collection function and as a result, 100% of
22 these costs were included in the Company's customer charge calculation. I found this
23 allocation to be unreasonable because uncollectible expenses do not vary directly with
24 the addition or subtraction of a customer and, therefore, should be excluded from the
25 customer charge calculation. In addition, uncollectible expense includes Base,

1 Maximum Day, and Maximum Hour function costs which will be collected through
2 volumetric charges under the AWWA's base-extra capacity COS allocation method.

3 Q. WHAT WAS MR. MILLER'S RESPONSE TO YOUR CLAIM THAT
4 UNCOLLECTIBLE EXPENSE DOES NOT VARY DIRECTLY WITH THE
5 ADDITION OR SUBTRACTION OF A CUSTOMER?

6 A. Mr. Miller argues that the opposite is true. Mr. Miller claims that nearly every utility
7 has some level of uncollectible accounts expense, and as the number of customers
8 connected to the system grows, the size of the uncollectible account issues usually grow
9 as well. He finds that addressing uncollectible account issues with customers is directly
10 related to the billing and collection function of the utility and is appropriately assigned
11 to this cost function.⁴

12 Q. WHAT IS YOUR RESPONSE TO MR. MILLER'S CLAIM CONCERNING
13 UNCOLLECTIBLE EXPENSE?

14 A. Only those costs that vary directly with the addition or subtraction of a customer should
15 be included in a customer charge. Meter and services costs vary directly with the
16 addition or subtraction of a customer. Uncollectible expenses do not vary directly with
17 the addition or subtraction of every customer. As the sales volume of a water system
18 grows, the size of uncollectible expense usually grows as well. Therefore, using Mr.
19 Miller's logic, it would be appropriate to assign these costs entirely to the Base
20 function.

21 Q. ON PAGE 12 OF YOUR DIRECT TESTIMONY, YOU NOTED
22 CONCERNS WITH RESPECT TO THE ASSIGNMENT OF PENN
23 ESTATES HYDRANTS COSTS TO PUBLIC FIRE PROTECTION
24 SERVICE, AND THAT AS A RESULT OF A DISCUSSION WITH THE

⁴ CUPA Statement No. 7-R, page 13, lines 3-9.

1 COMPANY, THE COMPANY INDICATED THAT IT WOULD MAKE
2 THE APPROPRIATE ADJUSTMENTS TO THE COST OF PROVIDING
3 PUBLIC FIRE PROTECTION SERVICE IN ITS REBUTTAL
4 TESTIMONY. DID MR. MILLER MAKE ADJUSTMENTS TO THE COST
5 OF PROVIDING PUBLIC FIRE PROTECTION SERVICE IN HIS
6 REBUTTAL TESTIMONY?

7 A. Yes. Those adjustments are reflected in the revised water COS study presented by Mr.
8 Miller in CUPA EX SAM-2R.

9 Q. DO YOU AGREE WITH THOSE ADJUSTMENTS?

10 A. Yes, I do.

11 Q. ON PAGE 13 OF YOUR DIRECT TESTIMONY, YOU RECOMMENDED
12 THAT THE CURRENT CUSTOMER CHARGE FOR THE
13 CONSOLIDATED WESTGATE AND PENN ESTATES SERVICE
14 TERRITORIES BE MAINTAINED AND ADOPTED FOR THE
15 TAMIMENT SERVICE TERRITORY. DOES MR. MILLER AGREE WITH
16 THIS RECOMMENDATION?

17 A. No. Mr. Miller contends that my recommendation would shift a majority of the
18 proposed water revenue increase to the volumetric rate component and violates the
19 theory of gradualism from the Company's perspective. He claims that the purpose of a
20 cost of service study is to determine the actual cost of providing service to customers
21 and to develop a rate structure designed to appropriately recover those costs. Mr. Miller
22 claims that to deviate from this and arbitrarily decide to forego any increase on the
23 fixed component of the rates as I have proposed is inappropriate and could lead to
24 reduced levels of customer service resulting from shortfalls in revenue. Mr. Miller
25 believes that the rates proposed in CUPA EX SAM-2R reflect the cost of providing

1 water service and should form the basis upon which customers are billed, and arbitrarily
2 holding the fixed charges constant puts the utility at too great a risk of fluctuations in
3 revenue.

4 Q. WHAT IS YOUR RESPONSE TO MR. MILLER'S CLAIMS
5 CONCERNING MONTHLY WATER CUSTOMER CHARGES?

6 A. I agree with Mr. Miller that the purpose of a COS study is to determine the actual cost
7 of providing service to the customer, and to develop a rate structure design to
8 appropriately recover those costs. However, I disagree that I have arbitrarily deviated
9 from that process. Schedule JDM-1 of my direct testimony presented the calculation of
10 cost-based customer charges based on the Company's requested revenue requirement.
11 The calculated charge for a 5/8-inch meter was \$13.05. Schedule JDM-1R, which is
12 attached to this testimony, revises that calculation based on the Company's revised
13 water COS study that was presented by Mr. Miller in his rebuttal testimony. The revised
14 cost-based calculated customer charge is \$13.40, which is below the current charge of
15 \$17.50 in the consolidated Westgate and Penn Estates service territories, and the \$18.18
16 customer charge in the Tamiment service territory. Therefore, my customer charge
17 recommendation will provide for charges that are more aligned with cost-based charges
18 than the charges proposed by the Company.

19 With respect to revenue shortfalls, Mr. Miller has presented no evidence that
20 adopting my customer charge recommendation will specifically result in revenue
21 shortfalls. The rates approved in this proceeding will fully recover CUPA's
22 Commission-authorized revenue requirement.

23 Q. REGARDING AVAILABILITY FEES, ON PAGE 14 OF YOUR DIRECT
24 TESTIMONY YOU PROPOSED INCREASING THE PENN ESTATES
25 AVAILABILITY FEE BY 1.5 TIMES THE AVERAGE SYSTEM RATE

1 INCREASE, AND INCREASING THE TAMIMENT AVAILABILITY FEE
2 BY 2.0 TIMES THE AVERAGE SYSTEM RATE INCREASE. DOES MR.
3 MILLER AGREE WITH THIS RECOMMENDATION?

4 A. No. Mr. Miller claims that I have arbitrarily selected levels of increase for certain rates,
5 and this defeats the purpose of a cost of service study. He also claims that such a
6 methodology would also perpetuate the existing rate differential between the different
7 service territories, and it would necessarily cause other rates and charges to be
8 incrementally higher than otherwise necessary.

9 Q. WHAT IS YOUR RESPONSE TO MR. MILLER'S DISAGREEMENT
10 WITH YOUR PROPOSAL TO APPLY GRADUALISM TO THE
11 INCREASES IN AVAILABILITY CHARGES?

12 A. First, as explained on page 14 of my direct testimony, the Company has proposed an
13 increase of 250% in the Penn Estates availability charge, and a 500% increase in the
14 Tamiment availability charge. Such increases are inconsistent with the concept of
15 gradualism, regardless of how the term is defined.

16 Second, the COS study presented by Mr. Miller does not develop cost-based
17 availability charges. Therefore, one cannot claim that the availability charges I have
18 proposed are not cost-based.

19 Finally, as explained on page 14 of my rebuttal testimony, I have revised my
20 availability charge recommendations in response to concerns expressed by Mr. Sakaya.
21 It is now my recommendation that the Penn Estates availability charge be increased to
22 reflect the system average increase authorized by the Commission in this proceeding,
23 and increase the Tamiment availability charge by 1.5 times the system average
24 increase. Increasing the Penn Estates availability charge by the system average increase
25 and the Tamiment availability charge by 1.5 times the system average increase will

1 provide for gradualism, and will promote rate consolidation by reducing the current
2 rate differential between the two service territories.

3 Q. ON PAGE 18 OF YOUR DIRECT TESTIMONY, YOU CLAIM THAT
4 100% OF WASTEWATER COLLECTION SYSTEM COSTS WERE
5 ALLOCATED TO THE BILLING AND COLLECTION COST FUNCTION,
6 AND INCLUDED IN THE CALCULATION OF THE PROPOSED \$51.65
7 WASTEWATER FIXED MONTHLY CHARGE. DOES MR. MILLER
8 AGREE WITH THIS CLAIM?

9 A. No. Mr. Miller claims that, as shown on page 9 of his revised COS study presented in
10 CUPA EX SAM 3-R, 100% of collection system costs have not been allocated to the
11 billing and collection function,⁵ and that I have misinterpreted the calculations.

12 Q. WHAT IS YOUR RESPONSE TO MR. MILLER'S CLAIM CONCERNING
13 THE ALLOCATION OF COLLECTION SYSTEM COSTS?

14 A. I agree with Mr. Miller that page 9 of his revised COS study does not provide for the
15 allocation of 100% of collection system costs to the billing and collection function.
16 However, on page 18 of my direct testimony, lines 4-7, I explained that 100% of
17 collection system costs have been included in the calculation of the proposed \$51.65
18 fixed monthly customer charge. This is shown on pages 9 and 10 of CUPA EX SAM
19 3-R. As shown on page 9, the collection system has been allocated costs of \$2,076,340,
20 and on page 10, 100% of those costs are reflected in the calculation of customer
21 charges, which is the same result as allocating 100% of collection system costs to the
22 billing and collection function.

23 Q. ON PAGE 18 OF YOUR DIRECT TESTIMONY, YOU CITE WEF
24 MANUAL NO. 27 AS THE BASIS FOR YOUR RECOMMENDATION TO

⁵ CUPA Statement No. 7-R, page 15, lines 15-20.

1 ONLY ASSIGN AND INCLUDE 10% OF COLLECTION SYSTEM COSTS
2 IN THE CUSTOMER CHARGE CALCULATION. WHAT IS MR.
3 MILLER’S RESPONSE?

4 A. Mr. Miller claims that the WEF Manual No. 27 included 10% of collection system
5 costs in the customer charge to recognize a low density of development within the
6 systems provided as examples in the WEF Manual No. 27.⁶

7 Q. WHAT IS YOUR RESPONSE TO MR. MILLER?

8 A. Mr. Miller is correct that in the examples presented in the WEF Manual No. 27, 10%
9 of collection system costs were included in the customer charge calculation to
10 recognize a low density of development within the systems reflected included in the
11 WEF examples. Thus, if the systems included as examples in the WEF Manual No. 27
12 had a high density of development, none of the collection system costs would have
13 been included in the calculation of the customer charge. Mr. Miller does not indicate
14 whether CUPA’s water system has a high or low density of development. Regardless,
15 at most, based on the WEF Manual No. 27 examples, 10% of collection system costs
16 would be reflected in the calculation of customer charges, and I have reflected 10% of
17 collection system costs in the customer charge calculation I presented in my direct
18 testimony in Schedule JDM-2.

19 I would further note that, as indicated on page 16 and 18 of my direct testimony,
20 although the WEF Manual No. 27 indicates that the wastewater utility industry utilizes
21 the two basic cost allocation approaches that were presented in the two WEF examples,
22 Mr. Miller has utilized neither of those approaches to prepare the Company’s
23 wastewater COS study. Mr. Miller has utilized the U.S. Environmental Protection
24 agency’s (“EPA”) User charge system. Under the EPA’s user charge system, no

⁶ CUPA Statement No. 7-R, page 16, lines 14-17.

1 collection system costs are included in customer charges. In fact, under the EPA's user
2 charge system, 100% of a wastewater utility's revenue requirement would be recovered
3 through volumetric charges.⁷

4 Q. WHAT IS MR. MILLER'S ULTIMATE CONCLUSION CONCERNING
5 YOUR WASTEWATER CUSTOMER CHARGE RECOMMENDATIONS?

6 A. Mr. Miller claims that my recommendation would result in a dramatic shift in the
7 recovery of costs from the fixed monthly customer charge to volumetric charges, and
8 violates the principle of gradualism from the Company's perspective and places far too
9 much risk for revenue recovery on the volumetric component of rates.⁸ In Mr. Miller's
10 opinion, it would be more appropriate to use the results of his COS study to implement
11 a structure that appropriately recovers allocated costs from each customer. He claims
12 that doing this maintains a reasonable level of recovery of fixed and variable rate
13 revenue, and allows CUPA to continue the progression of a unified pricing structure.⁹

14 Q. WHAT IS YOUR RESPONSE TO MR. MILLER'S POSITION
15 CONCERNING YOUR RECOMMENDATION CONCERNING
16 WASTEWATER CUSTOMER CHARGES?

17 A. The rates approved in this proceeding will be designed to recover a set level of
18 revenue, regardless of the rate design structure adopted in this proceeding. As shown
19 on Schedule JDM-3 of my rebuttal testimony, and explained on page 19 of my direct
20 testimony and page 5 of my rebuttal testimony, my proposed customer charges are
21 more aligned with cost-based charges than the Company's proposed customer charges.
22 Finally, my recommendation adopts uniform wastewater rates for all customers and,
23 therefore, provides the progression of a unified pricing structure.

⁷ *User Charge Guidance Manual for Publicly-Owned Treatment Works*, United States Environmental Protection Agency, June 1984, pages 17 and 19.

⁸ CUPA Statement No. 7-R, page 16, lines 19-22.

⁹ CUPA Statement No. 7-R, page 17, lines 3-7.

III. WITNESS: JUSTIN BIEBER
Office of Small Business Advocate

1
2
3 Q. IN HIS REBUTTAL TESTIMONY ON PAGE 5, MR. BIEBER NOTED
4 THE CONCERN YOU EXPRESSED IN YOUR DIRECT TESTIMONY
5 WITH RESPECT TO THE ALLOCATION OF PENN ESTATES
6 HYDRANT COSTS TO PUBLIC FIRE PROTECTION SERVICE, AND
7 YOUR SUBSEQUENT RECOMMENDATION CONCERNING THE
8 ALLOCATION OF THESE COSTS. WHAT WAS MR. BIEBER'S
9 RESPONSE TO YOUR RECOMMENDATION?

10 A. On page 12 of my direct testimony, I noted my concern with the allocation of Penn
11 Estates hydrant costs to public fire protection service, and removed those costs from
12 my customer charge calculation presented in Schedule JDM-1. On page 6 of his rebuttal
13 testimony, Mr. Bieber expressed concern that removing these costs from the customer
14 charge calculation would result in the recovery of those costs through volumetric
15 charges and he found this to be inappropriate.

16 Q. WHAT IS YOUR RESPONSE TO THE CONCERN EXPRESSED BY MR.
17 BIEBER REGARDING THE RECOVERY OF PENN ESTATES
18 HYDRANT COSTS?

19 A. As noted earlier in this testimony, Mr. Miller has adequately addressed the concerns I
20 expressed in my direct testimony concerning the allocation of Penn Estates hydrant
21 costs to public fire protection. Therefore, I have reinstated public fire protection costs
22 in my customer charge calculation presented in Schedule JDM-1R. Therefore, Mr.
23 Bieber's concerns related to the reallocation of these costs is no longer relevant.

24 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

25 A. Yes, it does.

BEFORE
THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	Docket Nos.	R-2023-3042801 (Water)
v.	)		R-2023-3042802 (Wastewater)
Community Utilities of Pennsylvania, Inc.)		
)		

SCHEDULE ACCOMPANYING THE
SURREBUTTAL TESTIMONY

OF

JEROME D. MIERZWA

ON BEHALF OF
THE PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

MARCH 19, 2024

EXETER

ASSOCIATES, INC.

10480 Little Patuxent Parkway, Suite 300
Columbia, Maryland 21044

**COMMUNITY UTILITIES OF PENNSYLVANIA, INC.
CONSOLIDATED WATER SERVICES**

CALCULATION OF PROPOSED MONTHLY BASE CHARGES

<u>Meter Size</u>	<u>5/8 inch Equivalency Factor</u>	<u>Meter Cost Per Equiv. Unit (1)</u>	<u>Fire Protection (2)</u>	<u>Cost Per Unit</u>	<u>Billing Cost Per Unit (3)</u>	<u>Total</u>	<u>Rounded (Use)</u>
5/8 inch meter	1.0	\$10.2007		\$10.2007	\$3.2205	\$13.4212	\$13.40
1 inch meter	2.5	10.2007		25.5018	3.2205	28.7223	28.70
1 1/2 inch meter	5.0	10.2007		51.0035	3.2205	54.2240	54.20
2 inch meter	8.0	10.2007		81.6056	3.2205	84.8261	84.85
6 inch meter	50.0	10.2007		510.0350	3.2205	513.2555	513.25

(1) Calculated as follows:

	<u>Meters & Services</u>
Annual charge per equivalent meter (page 11)	\$122.4089
Divided by 12 months	<u>12</u>
Monthly charge per equivalent meter	<u>\$10.2007</u>

(2) Calculated as follows:

	<u>Fire Protection</u>
Remaining fire protection costs to be recovered (page 13)	\$44,247
Divided by equivalent meters (Westgate)	<u>1,024</u>
Subtotal	43.2100
Divided by 12 months	<u>12</u>
Monthly charge per equivalent meter (Westgate)	<u>\$3.6008</u>

(3) See page 11.

(See Accountants' Special Purpose Report)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission,	:	
	:	
v.	:	Docket Nos. R-2023-3042804 (water)
	:	R-2023-3042805 (wastewater)
Community Utilities of Pennsylvania, Inc.	:	
	:	

VERIFICATION

I, Jerome D. Mierzwa, hereby state that the facts above set forth in my Surrebuttal Testimony, OCA Statement 4SR, are true and correct to the best of my knowledge, information and belief in the interrogatory responses. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: March 19, 2024

Signature:


Jerome D. Mierzwa

Address:

Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, MD 21044-3575

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

v.

COMMUNITY UTILITIES OF
PENNSYLVANIA, INC.

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Docket Nos. R-2023-3042804 (water)
R-2023-3042805 (wastewater)

SURREBUTTAL TESTIMONY
OF
TERRY L. FOUGHT

ON BEHALF OF
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

MARCH 19, 2024

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1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

2 A. Terry L. Fought, 780 Cardinal Drive, Harrisburg, Pennsylvania, 17111.

3

4 **Q MR. FOUGHT, DID YOU SUBMIT DIRECT TESTIMONY IN THE PROCEEDING**
5 **ON BEHALF OF THE OFFICE OF CONSUMER ADVOCATE?**

6 A. Yes.

7

8 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

9 A. The purpose of my surrebuttal testimony is to respond to portions of the rebuttal
10 testimony by Emily Long, CUPA Statement No. 4-R.

11

12 **Q. WHAT ISSUES ARE YOU GOING TO ADDRESS?**

13 A. I am going to address (1) Unaccounted for Water (UFW); (2) Penn Estates System
14 Pressure; (3) Isolation Valves; (4) Fire Hydrants & Fire Protection; and (5) Public
15 Input Hearings.

16

17 **Unaccounted for Water (UFW)**

18 **Q. WHAT IS MS. LONG'S POSITION ON UFW?**

19 A. On pages 1 and 2 of her Rebuttal Testimony, Ms. Long's position is that: (1) CUPA
20 has already agreed to submit individual PUC Form 500 for each of its water
21 systems and (2) CUPA does not object to providing a breakdown of lost and

1 unaccounted for water by system detailing all identified causes in its next base rate
2 proceeding consistent with its obligation in this base rate proceeding.

3

4 **Q. DO YOU AGREE WITH MS. LONG'S POSITION?**

5 A. Yes, with the caveat that Mr. DeMarco will discuss his recommendation that the
6 OCA be provided quarterly updates regarding UFW in his surrebuttal testimony.

7

8 **Penn Estates System Pressure**

9 **Q. WHAT IS MS. LONG'S POSITION ON THE PENN ESTATES SYSTEM**
10 **PRESSURE?**

11 A. On pages 4 and 5 of her Rebuttal Testimony, Ms. Long testified that: (1) CUPA
12 has begun work on the Penn Estates High Zone Booster Station Project with its
13 consultant, GHD; (2) CUPA is reviewing design options submitted by GHD; (3)
14 CUPA expects construction to be completed in June 2025; and (4) upon
15 completion, the fire hydrants mark as flushing only within the zone of the Booster
16 Station will be capable of meeting fire flow standards.

17

18 **Q. DO YOU AGREE WITH MS. LONG'S POSITION?**

19 A. Yes, assuming that all fire hydrants within the zone of the Booster Station will be
20 capable of meeting fire flow standards. However, I continue to recommend that,
21 before the filing of their next base rate case, CUPA should inform the OCA and all
22 other parties what CUPA proposes to implement to address the system pressure

1 issues for Penn Estates given CUPA's ongoing issues with low and high pressures
2 that I discussed in my Direct Testimony.

3

4 **Isolation Valves**

5 **Q. WHAT IS MS. LONG'S POSITION ON ISOLATION VALVES?**

6 A. On pages 5 and 6 of her Rebuttal Testimony, Ms. Long testified that: (1) CUPA
7 already identified planned capital projects addressing isolation valve within all
8 CUPA water systems; (2) CUPA will focus on repairing/replacing the worst rated
9 valves identified in her Exhibit EAL-2 with the Tamiment and Penn Estates systems
10 scheduled for capital projects in 2024; (3) these projects will replace water mains,
11 hydrants, and valves in areas containing older or the oldest infrastructure within
12 the system; (4) CUPA notified OCA that it has replaced 38 distribution valves in
13 Penn Estates, Westgate, and Tamiment in 2021 through 2023; (5) CUPA
14 disagrees that they should be required to submit annual reports regarding the
15 isolation valves that need to be located, uncovered, repaired and/or replaced with
16 an approximate date for doing so.

17

18 **Q. WHAT IS YOUR RESPONSE TO MS. LONG'S POSITION?**

19 A. The following responses are in the same numerical order as Ms. Long's position
20 noted above.

21 1. Agreed.

22 2. Agreed that CUPA should focus on repairing/replacing the worst valves
23 identified in Exhibit EAL-2.

1 3. Agreed.

2 4. Agreed.

3 5. I disagree. It is my opinion that CUPA should submit annually updated
4 information on the valves that could not be located, uncovered, repaired and/or
5 replaced with an approximate date for doing so. This would allow the parties to
6 review CUPA's progress on isolation valves prior to the next base rate case.
7 Alternatively, the Company should furnish the OCA and other parties a report on the
8 exercising records and schedule of any repair/replacements as part of the next rate
9 case.

10

11 **Fire Hydrants**

12 **Q. WHAT IS MS. LONG'S POSITION ON FIRE HYDRANTS?**

13 A. On pages 6 through 8 of her Rebuttal Testimony, Ms. Long testified that: (1) all hydrants
14 within Penn Estates, Westgate, and Tamiment systems unable to support fire
15 suppression are visibly marked as flushing hydrants by a "Flushing Only" collar or a
16 "Flushing Hydrant" band; (2) Seven of Westgate's 83 hydrants are not capable of the
17 minimum fire flow of 500 gallons per minute (gpm) at 20 pounds per square inch gauge
18 (psig) residual pressure for a 2-hour duration; (3) the Westgate watermain replacement
19 projects will address hydrants within the replacement areas by making them capable of
20 fire suppression; (4) fifteen of Penn Estates 205 hydrants are not capable of meeting the
21 minimum fire flow; (5) with the addition of the booster pumping station in 2025, seven of
22 the hydrants in the low-pressure zone will be capable of proving the minimum fire flow;
23 (6) the Tamiment water system was not designed or constructed to meet fire flow
24 standards and all hydrants are marked as flushing hydrants; and (7) CUPA would be
25 willing to have GHD perform a Fire Flow Study of the Tamiment system.

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Q. WHAT IS YOUR RESPONSE TO MS. LONG’S POSITION?

A. The following responses are in the same numerical order as Ms. Long’s position noted above.

- 1. Marking the fire hydrants unable to meet minimum fire flows as “Flushing Only” and “Flushing Hydrant” is agreeable.
- 2. Agreed.
- 3. Agreed.
- 4. Agreed.
- 5. Agreed.
- 6. Agreed.
- 7. Agreed that CUPA should have GHD perform a Fire Flow study of the Tamiment system.

Quality of Service

Q. DID CUPA ADDRESS THE QUALITY OF SERVICE ISSUES THAT YOU IDENTIFIED IN YOUR DIRECT TESTIMONY?

A. Yes. On pages 9 through 29 of her rebuttal testimony, Ms. Long addressed quality of service issues.

Q. DO YOU HAVE ANY COMMENTS ON MS. LONG’S RESPONSES?

A. In my opinion, CUPA has properly responded to the customer’s complaints from the customer complaint log. However, on page 12 of Ms. Long’s rebuttal testimony,

1 she acknowledges that in the Tamiment 2021 and 2022 annual reports, there was
2 a violation for maintaining chlorine residual. While Mr. DeMarco will be addressing
3 the public input hearing testimony in greater detail, I would note that several
4 customers testified at the public input hearings that their water tastes and smells
5 like chlorine. In response to complaints about chlorine odor and taste, CUPA can
6 and should evaluate whether it is possible to provide adequate disinfection for its
7 system with lower residuals at the service location.

8
9 **Q. DOES THIS COMPLETE YOUR WRITTEN DIRECT TESTIMONY?**

10 A. Yes, at this time. I reserve the right to supplement this testimony either in writing
11 or orally if additional relevant information is received.

