

January 13, 2025

Via E-File

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105

RE: Pa. Public Utility Commission v. Newtown Artesian Water Company
Docket No. R-2024-3050208

Dear Secretary Chiavetta:

Enclosed for electronic filing please find Newtown Artesian Water Company's Pre-Served Testimony, Exhibits, and Verification Statement in the above-captioned proceeding. The following documents were admitted into the record via the Order Granting Joint Stipulation for Admission of Evidence filed on January 7, 2025:

- Direct Testimony of Daniel J. Angove (NAWC Statement No. 1);
- Direct Testimony of Gregory R. Herbert (NAWC Statement No. 2 and Exhibit GRH-1);
- Direct Testimony of Harold Walker, III (NAWC Statement No. 3 and Exhibit HW-1);
- Direct Testimony of John J. Spanos (NAWC Statement No. 4 and Exhibits JJS-1, JJS-2, and JJS-3);
- The Rebuttal Testimony of Daniel J. Angove (NAWC Statement No. 1-R and Exhibit DJA-1R);
- The Rebuttal Testimony of Gregory R. Herbert (NAWC Statement No. 2-R and Exhibit Nos. GH-1R & 2R);
- The Rebuttal Testimony of Harold Walker, III (NAWC Statement No. 3-R and Exhibit HW-1R); and
- The Company's Stipulated Discovery Response concerning Gregory R. Herbert's Rebuttal Testimony.

January 13, 2025

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As evidenced by the enclosed Certificate of Service, copies of the above-referenced documents have been served upon the presiding Administrative Law Judge and counsel for all parties.

Please do not hesitate to contact me if you have any questions.

Respectfully submitted,

Shane P. Simon

Shane P. Simon

SPS/cf

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Newtown Artesian Water Company
Application for Increase in Water Base Rates
Docket No. R-2024-3050208**

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the Company's Pre-Filed

Testimony and Exhibits upon persons listed below *via Electronic Mail*:

Via E-File Only

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DATED: January 13, 2025

NAWCO Statement No. 1
Docket No. R-2024-3050208

DIRECT TESTIMONY OF

DANIEL J. ANGOVE

ON BEHALF OF

THE NEWTOWN ARTESIAN WATER COMPANY

Addressing: An Overview of the Request and Company Operations

July 19, 2024

**Direct Testimony
of
Daniel J. Angove**

1 **I. INTRODUCTION**

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

3 A. My name is Daniel J. Angove. My business address is located at The Newtown Artesian
4 Water Company (“NAWCO” or the “Company”), 201 North Lincoln Avenue, Newtown,
5 PA 18940.

6 **Q. WHAT IS YOUR POSITION WITH THE COMPANY?**

7 A. I am the Chief Executive Officer and General Manager of the NAWCO.

8 **Q. PLEASE DESCRIBE YOUR DUTIES AND FUNCTIONS FOR THE NAWCO.**

9 A. I manage the day-to-day operations of the Company. My duties range from participating
10 in customer relations to supervision of the maintenance of current facilities and the
11 installation of new facilities. I was initially employed by the Company in 2015 as Assistant
12 General Manager. In 2019, I was named General Manager upon the retirement of Mr.
13 Forsyth. Prior to my employment with the Company, I was employed by Pennsylvania
14 American Water Company (“PAWC”) for seven years as Production Supervisor in
15 PAWC’s Yardley, Pennsylvania district.

16 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL QUALIFICATIONS.**

17 A. In addition to my Bachelor of Science in Management from University of Phoenix, I am a
18 licensed water treatment operator – Pennsylvania Department of Environmental Protection
19 Credential ID A, E, Subclasses: 1,5,6,7,8,9,10,11,12.

1 I am currently serving as a Board Member for the National Association of Water
2 Companies (NAWC), as of January 1, 2024. I served as a Council Member for the
3 Pennsylvania AWWA from 2020 through 2023.

4 **Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE**
5 **PENNSYLVANIA PUBLIC UTILITY COMMISSION (“PUC” OR**
6 **“COMMISSION”)?**

7 A. Yes. I provided testimony in support of the Company’s last base rate case request in
8 Docket No. R-2018-3006904.

9 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

10 A. The purpose of my Direct Testimony is to provide an overview of the NAWCO and the
11 service it provides, along with a summary of the requested rate increase and an introduction
12 of the witnesses in this proceeding.

13 **II. SUMMARY OF THE NAWCO AND ITS OPERATIONS**

14 **Q. PLEASE PROVIDE AN OVERVIEW OF THE COMPANY?**

15 A. The NAWCO is a public utility regulated by the Commission. The Company provides
16 water service in Bucks County, Pennsylvania, in the following areas: Newtown Borough,
17 Newtown Township, and the northern portion of Middletown Township.

18 **Q. PLEASE DESCRIBE THE COMPANY’S WORKFORCE.**

19 A. With respect to the day-to-day operations, the Company maintains a workforce consisting
20 of a CEO, Director of Operations, and utility maintenance staff. The Company also
21 maintains an office staff that includes an office manager and two billing and accounts
22 receivable clerks. Through its workforce, the Company provides upkeep and maintenance
23 for the NAWCO system and timely responds to the needs of its customers.

1 **Q. PLEASE DESCRIBE THE COMPANY’S DISTRIBUTION AND STORAGE**
2 **FACILITIES.**

3 A. Certainly. The Company provides water service from a totally integrated, three-pressure
4 service zones (low pressure zone, high pressure zone, and Durham Road booster pressure
5 zone) water distribution system. The low pressure service zone is generally located south
6 of Frost Lane and provides service to Newtown Borough, Middletown Township north of
7 Core Creek, and the southern portions of Newtown Township. The mains in the low
8 pressure service zone range from four- to 24-inches in diameter. The high pressure service
9 zone is located north of Newtown Borough, generally north of Frost Lane, and includes the
10 remainder of Newtown Township. Mains in the high pressure service zone range from six-
11 to 16-inches in diameter. The Durham Road booster pressure service zone is generally
12 located in the northernmost portion of the Company’s service area. Mains in the Durham
13 Road booster pressure service zone range from six- to 16-inches in diameter.

14 The low pressure service zone has a 0.6 million gallon (“Mgal”) standpipe at Frost
15 Lane and a series of altitude valves between the high- and low-pressure service zones, and
16 a 2.4 Mgal ground storage tank on Linton Hill Road. The high pressure service zone has
17 two elevated storage tanks with total storage capacity of 1.5 Mgal. The Durham Road
18 booster pressure service zone does not currently include storage capacity; however, the
19 station includes two small capacity pumps, two high capacity pumps, and one fire service
20 pump that suction off of the high service elevated tanks to meet normal- and fire service-
21 related requirements of the Durham Road booster pressure service zone.

1 **Q. PLEASE DESCRIBE THE COMPANY’S SOURCES OF WATER SUPPLY.**

2 A. The Company has a diversified water supply that includes five Company wells and
3 purchased water from the Bucks County Water and Sewer Authority (“BCWSA”) and
4 PAWC. The Company purchases the majority of its water supply, with approximately 51%
5 from BCWSA and 10% from PAWC. The remaining approximately 39% of its water
6 supply comes from three of the five Company-owned and operated wells.

7 Water is received into the low pressure service zone from the five existing wells
8 and interconnections with BCWSA and PAWC. From the low pressure service zone, water
9 is pumped at the Frost Lane or High Service Pumping Station into the high pressure service
10 zone. The Durham Road Booster Station then pumps water from the high pressure service
11 zone to the Durham Road booster pressure service zone.

12 **III. OVERVIEW OF THE COMPANY’S REQUEST**

13 **Q. PLEASE STATE WHY THE COMPANY IS SEEKING A RATE INCREASE AT**
14 **THIS TIME.**

15 A. The primary basis for the requested rate increase is to seek recovery of infrastructure
16 investments made by the Company during the historical test year and which will be made
17 during the fully projected future test year, as well as to reflect the increased level of
18 expenses during the fully projected future test year. This includes construction of a new
19 treatment plant for the “forever chemicals” PFAS. In addition, the Company continues to
20 see decreasing customer usage.

1 **Q. WHAT IS THE AMOUNT OF THE COMPANY’S RATE REQUEST?**

2 A. The Company is seeking an overall rate increase of \$922,419. This increase will support
3 the Company’s pro forma proposed revenues of \$7,517,407 required to support its
4 operations through the fully projected future test year ending March 31, 2026.

5 **IV. INTRODUCTION OF WITNESSES**

6 **Q. PLEASE INTRODUCE THE WITNESSES PROVIDING TESTIMONY ON**
7 **BEHALF OF THE COMPANY IN THIS PROCEEDING.**

8 A. There are four witnesses providing direct testimony on behalf of the NAWCO in this
9 proceeding. Those witnesses and a brief statement of the topics covered by them are set
10 forth below:

- 11 • NAWC Statement No. 1: Daniel J. Angove, NAWCO CEO, provides an overview
12 of the Company and the requested rate increase.
- 13 • NAWC Statement No. 2: Gregory R. Herbert, Assistant Project Manager, Rate
14 Studies, Gannett Fleming Valuation and Rate Consultants (“Gannett”), provides
15 calculations and information supporting the income statement, revenue
16 requirements, rate base, operating revenue and expense adjustments, and rate
17 design.
- 18 • NAWC Statement No. 3: Harold Walker, III, Manager, Financial Studies, Gannett,
19 provides calculations supporting the Company’s capital structure and the cost of
20 capital.
- 21 • NAWC Statement No. 4: John Spanos, President, Gannett, provides information
22 related to the Company’s depreciation rates.

23 **V. SERVICE LIST**

24 **Q. PLEASE LIST THOSE TO WHOM SERVICE SHOULD BE PROVIDED FOR**
25 **NAWCO IN THIS PROCEEDING.**

26 A. The Company requests that the following individuals be included on any communications
27 and filings made in connection with this proceeding:

- 1 • Daniel J. Angove, CEO/ General Manager, NAWCO –
2 dan.angove@newtownwater.com
- 3 • Thomas J. Walsh III, Esq., General Counsel, NAWCO – twalsh@twalshlaw.com
- 4 • Courtney L. Schultz, Esq., Counsel, Saul Ewing LLP – courtney.schultz@saul.com
- 5 • Shane P. Simon, Esq., Counsel, Saul Ewing LLP – shane.simon@saul.com
- 6 • Gregory R. Herbert, Consultant, Gannett – gherbert@gfnet.com
- 7 • Harold Walker, III, Consultant, Gannett – hwalker@gfnet.com
- 8 • John Spanos, Consultant, Gannett – jspanos@gfnet.com

9 **VI. CONCLUSION**

10 **Q. DOES THIS CONCLUDE YOUR WRITTEN DIRECT TESTIMONY?**

11 A. Yes, it does. However, I reserve the right to supplement this Direct Testimony as
12 appropriate throughout the course of this proceeding.

VERIFICATION

I, Daniel J. Angove, Chief Executive Officer and General Manager of The Newtown Artesian Water Company, hereby state that the testimony set forth in The Newtown Artesian Water Company Statement No. 1 and Statement No. 1R in the matter at PaPUC Docket No. R-2024-3050208 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 hereby state that the aforementioned testimony and exhibits are true and correct to the best of my knowledge information and belief. I am also sponsoring any discovery responses attached to the other parties' testimony, in which I am the sponsoring witness. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).



Daniel J. Angove
Chief Executive Officer and General
Manager
The Newtown Artesian Water
Company

Dated: November 19, 2024

NAWCO STATEMENT NO. 2
Docket No. R-2024-3050208

DIRECT TESTIMONY OF

**GREGORY R. HERBERT, ASSISTANT PROJECT MANAGER
GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC**

ON BEHALF OF

THE NEWTOWN ARTESIAN WATER COMPANY

Addressing: Income Statement, Rate Base, Operating Revenue and Expense Adjustments; and
Rate Design

July 19, 2024

**Direct Testimony
of
Gregory R. Herbert**

1 **I. INTRODUCTION**

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

3 A. My name is Gregory R. Herbert. My business address is 207 Senate Avenue, Camp Hill,
4 Pennsylvania.

5 **Q. BY WHOM ARE YOU EMPLOYED?**

6 A. I am employed by Gannett Fleming Valuation and Rate Consultants, LLC (“Gannett
7 Fleming”).

8 **Q. PLEASE STATE YOUR POSITION WITH GANNETT FLEMING, AND BRIEFLY
9 DESCRIBE YOUR GENERAL DUTIES AND RESPONSIBILITIES.**

10 A. My title is Assistant Project Manager, Rate Studies. My duties and responsibilities include
11 the preparation of accounting and financial data for revenue requirements, the allocation
12 of cost of service to customer classifications, and the design of customer rates in support
13 of public utility rate filings.

14 **Q. HAVE YOU PRESENTED TESTIMONY IN RATE PROCEEDINGS BEFORE A
15 REGULATORY AGENCY?**

16 A. Yes. I have testified before the Pennsylvania Public Utility Commission (“PA PUC” or
17 the “Commission”), the Illinois Commerce Commission, the Virginia State Corporate
18 Commission, and the New Jersey Board of Public Utilities concerning revenue
19 requirements, proof of revenues, and rate design. A list of cases in which I have testified
20 or assisted Gannett Fleming staff is attached to my Direct Testimony as Appendix A.

21 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

22 A. I have a Bachelor of Science Degree in Economics from the Pennsylvania State University.

1 **Q. WOULD YOU PLEASE DESCRIBE YOUR PROFESSIONAL AFFILIATIONS?**

2 A. I am a member of the American Water Works Association, the National Association of
3 Water Companies, and the Pennsylvania Municipal Authorities Association.

4 **Q. BRIEFLY DESCRIBE YOUR WORK EXPERIENCE.**

5 A. In my position as Assistant Project Manager, Rate Studies, I assist utilities with the
6 preparation of accounting and financial data regarding revenues under present and
7 proposed rates, including pro forma adjustments to the historic test year (“HTY”), Future
8 Test Year (“FTY”) and Fully Projected Future Test Year (“FPFTY”) revenues, and the
9 design of customer rates. I also develop pro forma revenue requirements, and conduct cost
10 allocations by customer class, capital recovery fee, lead-lag, and depreciation studies for
11 investor-owned and municipal-owned utilities. I joined Gannett Fleming in May 2017.
12 Prior to my employment at Gannett Fleming, I was a Senior Analyst, in the Performance
13 Reporting Group of Cambridge Associates, LLC where I oversaw the financial preparation
14 of monthly and annual performance and benchmarking reports for public and private
15 endowment clients.

16 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
17 **PROCEEDING?**

18 A. The purpose of my Direct Testimony is to explain and support the Newtown Artesian
19 Water Company’s (“NAWCO”) overall revenue requirement and rate design related to its
20 Supplement No. 158 to Tariff Water – Pa. P.U.C. No. 9, including NAWC’s income
21 statement, rate base, pro forma revenue and expense claims based on the HTY, FTY and
22 “FPFTY ending March 31, 2024, 2025 and 2026, respectively. A copy of Supplement No.
23 158 is attached hereto as Appendix B.

1 **Q. DID YOU PREPARE AND PRESENT AN EXHIBIT IN SUPPORT OF NAWCO'S**
2 **CLAIMS IN THIS PROCEEDING?**

3 A. Yes. Exhibit GRH-1, which is the Rate Study and Data in Support of Proposed Tariff
4 Water Pa. P.U.C. No. 9, Supplement No. 158, presents NAWCO's response to the
5 Pennsylvania Public Utility Commission Tariff Regulations for general rate filings
6 required under 52 Pa. Code 53.52 (information to be submitted with tariff revisions).
7 Exhibit GRH-1 sets forth the following: the specific reasons for the proposed rate increase,
8 NAWCO's income statement, summary of rate base, revenue and revenue adjustments
9 under present rates (See Appendix A of Exhibit GRH-1), and operating expenses and
10 adjustments for the twelve months ended March 31, 2024, 2025 and 2026 (See Appendix
11 B of Exhibit GRH-1). Exhibit GRH-1 also sets forth NAWCO's taxes other than income,
12 depreciation and tax adjustments for the HTY, FTY, and FPFTY (See Appendix B of
13 Exhibit GRH-1). In addition, Exhibit GRH-1 presents the revenue and revenue
14 adjustments under proposed rates (See Appendix C of Exhibit GRH-1) and the comparison
15 of present and proposed rates (See Appendix D of Exhibit GRH-1).

16 **Q. PLEASE SUMMARIZE THE COMPANY'S REQUEST IN THIS FILING.**

17 A. The Company is requesting \$922,419 in additional annual revenue or an increase of 14.0%
18 in total revenue, which includes the roll-in to base rates of the Company's current
19 Distribution System Improvement Charge ("DSIC") and Purchased Water Adjustment
20 Clause ("PWAC"). The total change to the Company's base rates is an increase of
21 \$912,969 where the DSIC, PWAC and State Tax Adjustment Surcharge ("STAS") will be
22 reset to zero. Page 7 of NAWC Rate Study is the Company's income statement which
23 incorporates the information contained in Exhibit GRH-1.

1 **II. PRO FORMA REVENUE ADJUSTMENTS**

2 **Q. DESCRIBE THE DEVELOPMENT OF PRO FORMA REVENUES UNDER**
3 **PRESENT AND PROPOSED RATES.**

4 A. Page 8 columns 2 through 11 of Exhibit GRH-1 develops NAWCO revenues under present
5 rates. Column 2 equals per books revenue by customer class. Columns 3 and 4 summarize
6 the application of present rates to the pro forma adjustments in Appendix A of Exhibit
7 GRH-1 for the HTY.

8 **Q. PLEASE SUMMARIZE THE HTY ADJUSTMENTS IN APPENDIX A OF**
9 **EXHIBIT GRH-1.**

10 A. The HTY Adjustments are summarized below:

- 11 • Adjustment R-1 – Annualizes DSIC, PWAC and STAS to present levels.
- 12 • Adjustment R-2 – Eliminates the change in unbilled revenue.
- 13 • Adjustment R-3 – Annualizes revenues for the net gain in number of customers
14 during the 12 months ended 03/31/2024.
- 15 • Adjustment R-4 – Annualizes Private Fire revenue for the net gain in number of
16 customers during the 12 months ended 03/31/2024.
- 17 • Adjustment R-5 – Annualizes Public Fire revenue for the net gain in number of
18 customers during the 12 months ended 03/31/2024.
- 19 • Page 8 of Exhibit GRH-1, Columns 6 and 7 – Summarizes the application of present
20 rates to the pro forma adjustments in Appendix A for the Future Test Year (FTY).

21 **Q. PLEASE SUMMARIZE THE FTY ADJUSTMENTS IN APPENDIX A OF**
22 **EXHIBIT GRH-1.**

23 A. The FTY adjustments are summarized below:

- 24 • Adjustment R-6 – Annualizes revenues for the projected gain in number of
25 customers during the 12 months ended 03/31/2025.
- 26 • Adjustment R-7 – Annualizes revenues for the projected gain in number of Private
27 and Public Fire Customers during the 12 months ended 03/31/2025.

- 1 • Adjustment R-8 – Annualizes revenues to reflect the DSIC surcharge rate of 1.19%
2 effective 5/1/2024.
- 3 • Adjustment R-9 – Adjusts Residential Revenues for declining usage as of
4 03/31/2025 as calculated on pages 21-22 of Exhibit GRH-1.
- 5 • Adjustment R-10 – Annualizes Residential Revenues to reflect the PWAC related
6 to declining usage.

7 **Q. PLEASE SUMMARIZE THE FPPTY ADJUSTMENTS IN APPENDIX A OF**
8 **EXHIBIT GRH-1.**

9 A. Page 8 of Exhibit GRH-1, Columns 9 and 10 summarize the application of present rates to
10 the pro forma adjustments in Exhibit GRH-1, Appendix A for the FPPTY. The FPPTY
11 Adjustments are summarized below:

- 12 • Adjustment R-11 – Annualizes revenues for the projected gain in number of
13 customers during the 12 months ended 3/31/2026.
- 14 • Adjustment R-12 – Annualizes revenues for the projected gain in number of Private
15 and Public Fire Customers during the 12 months ended 3/31/2026.
- 16 • Adjustment R-13 – Annualizes revenues to reflect the DSIC surcharge rate of
17 1.19% effective 5/1/2024.
- 18 • Adjustment R-14 – Adjusts Residential Revenues for declining usage as of
19 3/31/2026 as calculated on pages 21-22 of Exhibit GRH-1.
- 20 • Adjustment R-15 – Adjusts Residential Revenues to reflect the PWAC related to
21 declining usage.

22 **Q. PLEASE DESCRIBE APPENDIX C OF EXHIBIT GRH-1.**

23 A. Page 34 in Exhibit GRH-1, Appendix C develops the pro forma revenues under proposed
24 rates. Column 2 is the adjusted revenue per books. Column 3 is the revenues under present
25 rates from the bill analysis on pages 35-37. Column 4 is the adjustment factor developed
26 from dividing Column 2 by Column 3. Column 5 is the revenues under proposed rates
27 from the bill analysis on pages 35-37. Column 6 multiplies Column 5 by Column 4 to
28 develop revenues under proposed rates. Columns 7 through 9 summarize the application
29 of proposed rates to the pro forma adjustments on pages 38-40 of Exhibit GRH-1. These

1 adjustments mirror the adjustments under present rates, except that they are calculated
2 using proposed rates. Column 10 summarizes the total pro forma revenues under proposed
3 rates and is the sum of Columns 6, 7, 8, and 9. The revenues in Column 10 are brought
4 forward to the revenues on page 8, Column 14.

5 **III. PRO FORMA OPERATION AND MAINTENANCE EXPENSE ADJUSTMENTS**

6 **Q. PLEASE EXPLAIN THE DEVELOPMENT OF THE PRO FORMA HTY, FTY**
7 **AND FPFTY OPERATION AND MAINTENANCE (“O&M”) EXPENSE SHOWN**
8 **IN APPENDIX B OF EXHIBIT GRH-1.**

9 A. The pro forma HTY, FTY and FPFTY adjustments are summarized on pages 12 and 13 of
10 Exhibit GRH-1. The adjustments are detailed in Exhibit GRH-1, Appendix B, pages 24 to
11 32.

12 **Q. PLEASE SUMMARIZE EACH ADJUSTMENT.**

13 A. The adjustments are summarized below:

- 14 • Adjustment E-1 – adjusts HTY salaries to reflect pro forma salaries as of 1/1/2025.
15 The adjustment includes the retirement of the general manager and the addition of
16 one new worker.
- 17 • Adjustment E-2 – annualizes purchased water cost to reflect the increase rate
18 charged by Pennsylvania American Water effective 7/1/2025.
- 19 • Adjustment E-3 – Adjusts chemical expense to reflect pro forma usage.
- 20 • Adjustment E-4 – Adjusts Employee Welfare Expense for 2025.
- 21 • Adjustment E-6 – Adjusts Insurance Expense to reflect 2025 projected expense.
- 22 • Adjustment E-7 – Normalizes expected rate case expense over a period of 3 years.
- 23 • Adjustment E-9 – Adjusts Purchased Power Expense to reflect current power
24 contract.
- 25 • Adjustment E-10 – Adjusts labor expense to reflect pro form labor expense at wages
26 rates effective 1/1/2026.

- 1 • Adjustment E-12 – Removes Abandoned Projects amortization expense from the
2 filing per the settlement of Docket R-2011-2230259. These Abandoned projects
3 were fully amortized by the end of the 2023 calendar year.

- 4 • Adjustment E-14 – Reduces Purchased Water, Chemicals and Purchased Power
5 expense due to projected declining usage.

- 6 • Adjustment E-15 – Adjusts Contractual Services Expense to reflect additional lab
7 testing related to PFAS and UCMR.

- 8 • Adjustment E-16 – Adjusts the Office Expense and Utilities Expense to reflect
9 additional costs related to internet services.

10 **IV. PRO FORMA TAXES OTHER THAN INCOME, DEPRECIATION AND INCOME**
11 **TAX ADJUSTMENTS**

12 **Q. PLEASE EXPLAIN THE DEVELOPMENT OF THE PRO FORMA HTY, FTY**
13 **AND FPPTY TAXES OTHER THAN INCOME, DEPRECIATION AND INCOME**
14 **TAXES SHOWN ON PAGE 13 OF EXHIBIT GRH-1.**

15 A. The pro forma HTY, FTY, and FPPTY adjustments are summarized on page 13 of Exhibit
16 GRH-1. The adjustments to Taxes Other than Income and Depreciation Expense are
17 detailed in Exhibit GRH-1, Appendix B.

18 **Q. PLEASE DESCRIBE YOUR ADJUSTMENTS TO TAXES OTHER THAN**
19 **INCOME, DEPRECIATION EXPENSE AND INCOME TAXES.**

20 The Adjustments are summarized below:

21 Taxes Other Than Income:

- 22 • Adjustment E-5 – Adjusts Payroll Taxes to reflect the 2025 labor expense.

- 23 • Adjustment E-8 – Adjusts Regulatory Assessments to reflect pro forma revenue
24 under present rates.

- 25 • Adjustment E-11 – Adjusts Payroll Taxes to reflect 2026 labor expense.

- 26 • Adjustment E-17 – Adjusts Regulatory Assessments to reflect pro forma revenue
27 under proposed rates.

28 Depreciation Expense:

- 29 • Adjustment E-13 – Adjusts Depreciation Expense based on Exhibits No. JJS-1, JJS-
30 2 and JJS-3.

1 Income Taxes and Amortization of Regulatory Liability:

- 2 • These adjustments are reflected in the Income Statement on Page 7 and are
3 calculated on pages 31-32.

4 **V. MEASURE OF VALUE**

5 **Q. PLEASE EXPLAIN THE ORIGINAL COST MEASURE OF VALUE ON PAGE 9**
6 **OF EXHIBIT GRH-1.**

7 A. The original cost measure of value as of March 31, 2024, 2025 and 2026 is comprised of
8 the original cost less the ratemaking book reserve for the total utility plant in service, less
9 customers' advances for construction and contributions in aid of construction. The original
10 cost of plant in service and the depreciation reserve as of March 31, 2024, 2025 and 2026
11 are presented in Exhibits JJS-1, JJS-2 and JJS-3. The net utility plant in service amounts
12 are adjusted by deducting accumulated deferred taxes and adding claims for materials and
13 supplies and cash working capital. The total original cost measure of value for the HTY,
14 FTY and FPFTY are \$11,400,113, \$13,096,768 and \$14,506,299, respectively.

15 **Q. PLEASE DESCRIBE THE FTY AND FPFTY PLANT ADDITIONS.**

16 A. The additions are described on page 3 of Exhibit GRH-1 and include the main replacement
17 on North Elm Street and related services, the replacement of over 1,000 meters, the
18 replacement of ten hydrants, and the replacement of lead service lines. The Company's
19 additions also include treatment plant upgrades for PFAS Treatment in the FTY and
20 FPFTY. NAWCO has awarded bids for these projects.

21 **Q. HOW WAS THE AMOUNT OF MATERIALS AND SUPPLIES DETERMINED?**

22 A. The amount of Materials and Supplies was determined using an average of the balance of
23 materials and supplies for the years ended 2022 and 2023.

24 **Q. HOW WAS THE AMOUNT OF CASH WORKING CAPITAL DETERMINED?**

25 A. The Cash Working Capital claim was based on the rule-of-thumb method. This method is
26 calculated as 12.5% or one-eighth of the O&M expense and taxes.

1 **VI. RATE OF RETURN**

2 **Q. PLEASE EXPLAIN RATE OF RETURN CLAIM.**

3 A. NAWCO's overall rate of return claim is 8.03% based on a capital structure of 45% debt
4 and 55% equity. The rate of return claim of 8.03% is supported by the Direct Testimony
5 of Company Witness Harold Walker.

6 **VII. RATE DESIGN**

7 **Q. PLEASE DESCRIBE THE PROPOSED RATE STRUCTURE.**

8 A. Appendix D of Exhibit GRH-1 presents a comparison of present and proposed rates. Page
9 43 shows the customer charges by meter size, the consumption charges and the private and
10 public fire rates under the existing tariff as well as proposed rates. As the Company is
11 requesting an overall increase under \$1 million, the present rates are increased "across the
12 board" by 14.2% to derive the proposed rates. The pro forma revenues produced under
13 proposed rates results in an overall increase of 14.0% to pro forma revenues under present
14 rates.

15 **Q. WHAT IS THE EFFECT OF THE PROPOSED RATES ON TYPICAL BILLS?**

16 A. Pages 44 shows the effect of the proposed rates as compared to present rates for 5/8-inch
17 customers' quarterly bills at various consumption levels. A typical residential usage is
18 12,000 gallons per quarter.

19 **Q. DID THE COMPANY MAKE ANY ADDITIONAL CHANGES TO THE TARIFF?**

20 A. Yes, the Company updated page 31 of its tariff to increase/decrease the baseline items for
21 the calculation of the PWAC. In addition, the Company reset the DSIC and PWAC charges
22 to zero.

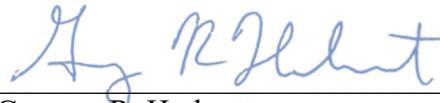
23 **VIII. CONCLUSION**

24 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

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

VERIFICATION

I, Gregory R. Herbert, Assistant Project Manager, Rate Studies of Gannett Fleming Valuation and Rate Consultants, LLC, hereby state that the testimony set forth in The Newtown Artesian Water Company Statement No. 2 and Statement No. 2R (including Exhibit Nos. GRH-1, GRH-1R, and GRH-2R) in the matter at PaPUC Docket No. R-2024-3050208 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 hereby state that the aforementioned testimony and exhibits are true and correct to the best of my knowledge information and belief. I am also sponsoring any discovery responses attached to the other parties' testimony, in which I am the sponsoring witness. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).



Gregory R. Herbert
Assistant Project Manager, Rate
Studies
Gannett Fleming Valuation and Rate
Consultants, LLC

Dated: November 19, 2024

APPENDIX A

APPENDIX A

GREGORY R. HERBERT
LIST OF CASES ASSISTED OR TESTIFIED

Year	Jurisdiction	Docket No.	Client Utility	Subject
2017	MO PSC	SR-2017-0286	Missouri-American Water Company	Cost of Service/Rate Design
2018	PA PUC	2018-200208	SUEZ Water Pennsylvania	Revenue Requirements
2018	NJ BPU	WR18050593	SUEZ Water New Jersey, Inc	Cost Allocation/Rate Design
2019	PA PUC	2018-3006814	UGI Utilities Inc. - Gas Division	Cost of Service Allocation Studies
2019	PA PUC	2019-3006904	Newtown Artesian Water Co.	Revenue Req./Rate Design
2019	PA PUC	2019-3010955	City of Lancaster – Sewer Fund	Rev. Req./Cost of Service/Rates
2020	PA PUC	2020-3017206	Philadelphia Gas Works	Cost of Service
2020	PA PUC	2020-3019369	Pennsylvania American Water	Cost of Service
2020	PA PUC	2020-3019371	Pennsylvania American Water	Cost of Service
2020	PA PUC	2020-3020256	City of Bethlehem	Rev. Req./Cost of Service/Rates
2020	CA PUC	A2101003	San Jose Water Company	Rate Design
2021	PA PUC	2021-3026116	Borough of Hanover	Revenue and Revenue Requirements
2021	PA PUC	2021-3026682	City of Lancaster – Water Fund	Revenue and Revenue Requirements
2021	PA PUC	2021-3027385	Aqua Pennsylvania, Inc.	Cost of Service/Rate Design
2021	PA PUC	2021-3027386	Aqua Pennsylvania Wastewater, Inc.	Cost of Service/Rate Design
2022	PA-PUC	2022-3031704	Borough of Ambler	Rev. Req./Rate Design
2022	PA-PUC	2022-3031673	Pennsylvania American Water	Cost of Service
2022	PA-PUC	2022-3031340	York Water Company	Cost of Service/Rate Design
2022	PA-PUC	2022-3032806	York Water Company	Cost of Service/Rate Design
2022	KY-PSC	2022-00161	Northern Kentucky Water District	Cost of Service/Rate Design
2022	PUCO	22-1094-WW-AIR	Aqua Ohio Inc.	Cost of Service
2022	PUCO	22-1096-ST-AIR	Aqua Ohio Inc.	Cost of Service
2023	PA-PUC	2023-3037933	Philadelphia Gas Works	Cost of Service
2023	VA-SCC	PUR-2023-00073	Aqua Virginia, Inc.	Bill Analysis/Rate Design
2024	NJ-BPU	WR24010057	Aqua New Jersey, Inc.	Bill Analysis/Rate Design
2024	IL-CC	24-0044	Aqua Illinois, Inc.	Bill Analysis/Rate Design
2024	PA-PUC	R-202403045192	Veolia Water Pennsylvania	Rev. Req./Rate Design
2024	PA-PUC	R-202403045193	Veolia Wastewater Pennsylvania	Rev. Req./Rate Design

APPENDIX B

THE NEWTOWN ARTESIAN WATER COMPANY

Rates and Rules
Governing the Supply
of Water Service
in
Newtown Borough,
the Township of Newtown, and
the Township of Middletown,
Bucks County, Pennsylvania

ISSUED: July 18, 2024

EFFECTIVE: September 18, 2024

Daniel J. Angove, Secretary / CEO
The Newtown Artesian Water Company
Newtown, Pennsylvania 18940

NOTICE

**THIS TARIFF MAKES INCREASES, DECREASES AND CHANGES
IN EXISTING RATES, RULES AND REGULATIONS**

(See One Hundred Forty First Revised Page No. 2)

LIST OF CHANGES MADE BY THIS SUPPLEMENT

A. Increases.

1. This tariff supplement increases all meter rates and flat rates to produce additional annual revenue of \$922,419.00 per annum, effective September 18, 2024.
2. This tariff supplement increases the State Tax Adjustment Surcharge (STAS) surcharge rate from (0.060%) to 0% on page 4, effective September 18, 2024.
3. This tariff supplement increases the Wholesale Water Service – Demand Charge rate from \$0.970 per thousand gallons to \$1.11 per thousand gallons on page 6, effective September 18, 2024.

B. Decreases.

1. This tariff supplement decreases the Distribution System Improvement Charge (DSIC) surcharge from 1.22% to 0% on page 4, effective September 18, 2024.
2. This tariff supplement decreases the Purchased Water Adjustment Clause (PWAC) surcharge from \$0.2471 per thousand gallons to \$0.00 per thousand gallons on pages 4 and 5.

C. Changes.

1. This tariff supplement changes the Purchased Water Adjustment Clause (PWAC) surcharge language by clarifying the abbreviations and recalculating baseline items included in the PWAC calculation on page 31.

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Purchased Water Adjustment Charge	31 – Sixth Revised	(C)

(C) Indicates change

SURCHARGES

A. State Tax Adjustment Surcharge.

1. In addition to the net charges provided for in this Tariff, a State Tax Adjustment surcharge of 0.00% will apply to all bills for services rendered on or after April 1, 2024. (I)
2. The above surcharge will be recomputed, using the elements prescribed by the Commission:
 - (a) Whenever any of the tax rates used in calculation of the surcharge are changed;
 - (b) Whenever the utility makes effective increased or decreased rates;
 - (c) On March 31, 1975, and year thereafter.

B. Distribution System Improvement Charge (DSIC).

In addition to the net charges provided for in this Tariff, a Distribution System Improvement Charge (DSIC) surcharge of 0.00% will apply consistent with the Commission order dated January 1, 1999 at Docket No. R-00994900 approving the DSIC. (D)

C. Purchased Water Adjustment Clause (PWAC).

In addition to the net charges provided for in this Tariff, a Purchased Water Adjustment Clause (PWAC) surcharge of \$0.00 per thousand gallons will apply consistent with the Commission order dated April 15, 2010, at Docket No. R-2009-2117550 approving the PWAC. (D)

(C) Indicates Change

(I) Indicates Increase

(D) Indicated Decrease

Schedule of Meter Rates

Application

This schedule is applicable to metered domestic, commercial, industrial and public customers.

Meter Rates

Per 1,000 Gallons

All water used	\$7.860	(I)
----------------	---------	-----

Minimum Charges

Each metered customer shall pay a service charge, billed quarterly or monthly, based upon the size of the meter required to render adequate service.

<u>Size of Meter</u>	<u>Quarterly Service Charge</u>	<u>Monthly Service Charge</u>	
5/8 inch	\$26.90	\$8.97	(I)
3/4 inch	\$40.41	\$13.47	(I)
1 inch	\$67.31	\$22.44	(I)
1 1/2 inch	\$134.63	\$44.88	(I)
2 inch	\$215.38	\$71.79	(I)
3 inch	\$403.89	\$134.63	(I)
4 inch	\$673.18	\$224.39	(I)
6 inch	\$1,346.40	\$448.80	(I)
8 inch	\$2,154.18	\$718.06	(I)
10 inch	\$3,096.65	\$1,032.22	(I)

Purchased Water Adjustment Clause

A Purchased Water Adjustment Clause surcharge of \$0.00 per 1,000 gallons is applied to metered sales.	(D)
--------------------------------------------------------------------------------------------------------	-----

(I) Indicates Increase
(D) Indicates Decrease

Purchased Water Adjustment Charge

The Company may apply a Purchased Water Adjustment Clause (“PWAC”) to its water rates set forth under Schedule of Metered Rates to reflect an increase or decrease in the rates charged by its wholesale water suppliers, Bucks County Water and Sewer Authority (“BCWSA”) and Pennsylvania American Water Company (“PENN-AM”), who are referred to jointly as “Wholesalers.” The purchased water adjustment charges will not apply to wholesale customers because they are billed the actual cost of purchased water each month on a current basis.

The PWAC will be calculated based on changes in the Company’s Wholesalers rates from the purchased water included in the Company’s Baseline Cost. For the purpose of calculating the PWAC the Baseline Cost is the annual purchased water cost reflected as an operating expense in the Company’s most recently concluded base rate case. This amount will remain constant until such time base rates are reset.

Customers shall be notified of changes in the PWAC by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing. (C)

When the Company’s water suppliers change their rates for water purchased by the Company, the Company will re-compute the PWAC based upon its annual purchased water costs reflecting the level of consumption and other billing determinants that formed the basis for the Baseline Cost.

Determination of Purchased Water Adjustment Charge

A PWAC may be implemented on the effective date of a change in Wholesalers’ rates charged to the Company for purchased water but not on less than forty-five (45) days’ notice. The Company may, at its option, implement a PWAC, to recover an increase in purchased water costs. However, if the rate is a decrease, the Company must implement a credit PWAC to reflect the decrease.

The baseline items determined in the Company’s most recently concluded base rate case are:

Baseline Purchased Water Cost (per thousand gallons)		\$3.581	(I)
BCWSA (Customer)	\$0.017		(D)
BCWSA (Consumption)	\$3.614		(I)
PA-AMERICAN	\$3.328		(I)
Baseline 1,000 Gallons of Purchased Water		446,135	(I)
BCWSA	372,081		(I)
PA-AMERICAN	74,054		(D)
Baseline 1,000 Gallons of Water Sales		671,941	(D)

The PWAC, per thousand gallons, shall be computed to the nearest one-hundredth cent (0.01¢) in accordance with the formulas set forth below:

$$PWAC = \frac{(CHGPWC \times 443,832)}{672,793}$$

- (C) Indicates change
- (D) Indicates decrease
- (I) Indicates increase

Exhibit GRH-1

THE NEWTOWN ARTESIAN WATER COMPANY
Newtown, Pennsylvania

RATE STUDY AND DATA
IN SUPPORT OF
PROPOSED
TARIFF WATER PA. P.U.C. NO. 9
SUPPLEMENT 158

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC
Camp Hill, Pennsylvania



Gannett Fleming
Valuation and Rate Consultants, LLC

Corporate Headquarters
207 Senate Avenue
Camp Hill, PA 17011
P 717.763.7211 | F 717.763.8150

gannettfleming.com

July 18, 2024

The Newtown Artesian Water Company
201 N. Lincoln Avenue
Newtown, PA 18940

Attention: TJ Walsh, Esq.

Gentlemen:

Pursuant to your authorization, we have prepared a water rate study for The Newtown Artesian Water Company (Company) based on the level of operations for the twelve-month periods ended March 31, 2024, March 31, 2025, and March 31, 2026. Appropriate ratemaking adjustments for known and measurable changes were made in order to reflect a more current level of cost of service.

On the basis of the supporting data presented in the following report, it is our opinion that the Company cannot continue to operate its water system without rate relief. The proposed rate increase is necessary in order that the Company may provide reasonable and adequate service to its customers, recover its expenses, be permitted an opportunity to earn a reasonable return on its investment, and attract capital for future improvements.

We recommend that the Company file with the Public Utility Commission, Tariff Water-Pa. P.U.C. No. 9, Supplement 158, which proposes an increase in water rates for all general classes of service by approximately 14.2 percent. The overall increase in annual operating revenue from customers is approximately 14.0 percent.

The following report presents our conclusions in appropriate form for filing with the Pennsylvania Public Utility Commission in response to the data required under Subchapter 53.52 of the Commission's Tariff Regulations at Chapter 53 of Title 52 Pa. Code.

Respectfully submitted,

GANNETT FLEMING VALUATION
AND RATE CONSULTANTS, LLC

A handwritten signature in blue ink, appearing to read "G. R. Herbert".

GREGORY R. HERBERT
Assistant Project Manager

A handwritten signature in blue ink, appearing to read "Harold Walker, III".

HAROLD WALKER, III
Manager, Financial Studies

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THE NEWTOWN ARTESIAN WATER COMPANY

Statement of Reasons for Proposed Rate Increase

Pursuant to Subsection 53.52 (a)(1) of Tariff Regulations

Brief Overview of Filing

The Newtown Artesian Water Company (NAWC or Company) is submitting the Tariff Water - Pa. P.U.C. No. 9, Supplement 158 on July 18, 2024, with a proposed effective date of September 18, 2026. The Tariff presents increased rates for water service totaling \$922,419 per annum. The proposed rate increase is necessary in order that it may provide reasonable and adequate service to its customers, recover its expenses, be permitted an opportunity to earn a reasonable return on its investment, and attract capital for future improvements.

The Tariff presents proposed rates which are driven largely, but not exclusively, by decreases in water consumption by its customers and an increase in rate base due to investments in the water system, including PFAS treatment.

For the twelve months ended March 31, 2024, the future test year ending March 31, 2025 and the fully projected future test year of March 31, 2026, water service operations at present rates produced net operating income as follows:

	<u>3-31-2024</u>	<u>3-31-2025</u>	<u>3-31-2026</u>
Net operating Income	\$ 710,322	\$586,016	\$498,935
Rate of Return	6.23%	4.47%	3.44%

The Tariff is based upon fully projected future test year operations ending March 31, 2026. The information and data submitted in support of the Tariff supports an increase in rates of \$922,419 based on a fair rate of return of 8.03% on fixed capital investment and the recovery of operating expenses, taxes other than income, depreciation expense, amortization of regulatory liabilities and income taxes.

The Company

NAWC is a public utility regulated by the Pennsylvania Public Utility Commission (Commission). The Company provides water service in Newtown Borough, Newtown Township and the northern portion of Middletown Township, Bucks County, Pennsylvania.

As of March 31, 2024, the end of the historic test year, the Company had 11,167 residential, commercial, industrial, public and fire protection customers.

The Company obtains its water supply from three of its five wells. It also purchases approximately 51% of its present water supply from the Bucks County Water and Sewer Authority (BCWSA) and 10% from Pennsylvania American Water.

Operating Revenues

Pro Forma operating revenues for the twelve months ended March 31, 2024, March 31, 2025 and March 31, 2026 are summarized on page 8 of the supporting data. Pro Forma Historic, Future and Fully Projected Future Test Year adjustments are provided in Appendix A. Pro forma adjustments include additional revenue associated with the annualized gain or loss of customers during the three months of 2024 as well as projected for 2025 and 2026. Operating revenues were also adjusted to annualize the Purchased Water Adjustment Charge (PWAC) and the Distribution System Improvement Charge (DSIC). Finally, revenues were adjusted to reflect projected declining usage for the residential class for the years ending March 31, 2024 and 2025. The Company has experienced a decline in water consumption from its prior case of 2.2%.

Operating Expenses

Operating expense adjustments include pro forma salaries and wages and benefits, purchased water, payroll taxes, assessments, chemicals, abandoned properties, insurance expense and rate case expense. Pro forma operating expense adjustments are found in Appendix B.

Original Cost – Plant in Service

Original Cost of Plant in Service for the test year ended March 31, 2024, reflect the results of a service life study performed by Gannett Fleming Valuation and Rate Consultants, LLC and is shown in Exhibit JJS-1. Projected additions and retirements for the future test year and fully projected future test year by account are shown in Exhibits JJS-2 and JJS-3 resulting in fully projected future test year plant in service balances for March 31, 2026. The major additions for 2025 and 2026 have already been bid and awarded and are primarily projects described in the Company's LTIP which include: the main replacement on North Elm Street and related services; the replacement of over 100 meters and the replacement of ten hydrants. The Company additions also include treatment plant upgrades for PFAS Treatment in the future test year and fully projected future test year.

Utility Plant in Service, Accumulated Depreciation Expense and Annual Depreciation Expense

Exhibits JJS-1, JJS-2 and JJS-3 show the Utility Plant in Service, Accumulated Depreciation Expense and Annual Depreciation Expense for the Historic Test Year, the Future Test Year and the Fully Projected Future Test Year.

Rate of Return

Based on the Company’s current information, the recommended overall rate of return is 8.03% as of March 31, 2026, as shown below. The overall rate of return is based on a capital structure using 45.0% debt and 55.0% equity. The embedded debt cost rate of 4.64% is equal to the embedded cost of debt that will be financing the Company’s capitalization. The Company’s cost of equity is at least 10.80% reflecting Newtown Artesian Water Company’s capital structure ratios estimated as of March 31, 2026.

	<u>Ratios</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
Debt	45.0%	4.64%	2.09%
Equity	<u>55.0%</u>	11.00%	<u>5.94%</u>
Overall	100.0%		8.03%

Rate Design

The Company is requesting an increase in operating revenues of approximately \$922,419 or 14.2% increase in revenue from the sale of water. The existing rates are composed of a common schedule of customer charges which vary by meter size and consumption charges for the Newtown Service Area of \$6.635 per thousand gallons. Existing rates also include charges for private fire and public fire protection.

The Company is proposing increases to the customer charges by 18.5%. For the consumption charges, the Company is proposing an increase to the consumption based rate of 18.5% to \$7.860 per thousand gallons.

The bill for a typical Newtown residential customer using 12,000 gallons per quarter with a 5/8-inch meter will increase from \$106.45 per quarter to \$121.23 per quarter or 13.9%. The quarterly bill under present rates includes surcharges for PWAC, DSIC and STAS.

THE NEWTOWN ARTESIAN WATER COMPANY

TOTAL NUMBER OF CUSTOMERS SERVED

Pursuant To Subsection 53.52 (a)(2) of Tariff Regulations

<u>Customer Classification</u> (1)	<u>As of 3/31/2022</u> (2)	<u>As of 3/31/2023</u> (3)	<u>As of 3/31/2024</u> (4)
Residential	9,654	9,718	9,723
Commercial	799	818	822
Industrial	48	48	48
Public	69	69	69
Private Fire Protection	502	502	502
Public Fire Protection	<u>3</u>	<u>3</u>	<u>3</u>
 Total	 <u><u>11,075</u></u>	 <u><u>11,158</u></u>	 <u><u>11,167</u></u>

NUMBER OF CUSTOMERS WHOSE BILLS WILL INCREASE

Pursuant To Subsection 53.52 (a)(3) and (b)(3) of Tariff Regulations

<u>Customer Classification</u> (1)	<u>As of 3/31/2022</u> (2)	<u>As of 3/31/2023</u> (3)	<u>As of 3/31/2024</u> (4)
Residential	9,654	9,718	9,723
Commercial	799	818	822
Industrial	48	48	48
Public	69	69	69
Private Fire Protection	502	502	502
Public Fire Protection	<u>3</u>	<u>3</u>	<u>3</u>
 Total	 <u><u>11,075</u></u>	 <u><u>11,158</u></u>	 <u><u>11,167</u></u>

THE NEWTOWN ARTESIAN WATER COMPANY

STATEMENT OF THE EFFECT OF THE PROPOSED
TARIFF CHANGES ON THE UTILITY'S CUSTOMERS

Pursuant to Subsection 53.52(a)(4) through (a)(11)
of Tariff Regulations

- (a)(4): The proposed tariff changes will increase all customers' rates for water service by varying percentages and overall by approximately 14.2%. The total increase in revenues is approximately 14.0 percent.
- (a)(5): Refer to page 12 in response to Subsection 53.52(c)(1), for the effect of the proposed tariff changes on the Company's revenues and expenses.
- (a)(6): The proposed tariff changes will not change the service rendered by the Company.
- (a)(7): Not applicable, since this application is part of a general rate increase.
- (a)(8): Not applicable, since this application is part of a general rate increase.
- (a)(9): Customer polls were not taken to indicate customer acceptance and desire for the proposed tariff changes. The tariff changes are in the public interest as stated in response to Subsection 53.52(a)(1) of the tariff regulations.
- (a)(10): The Company will implement the proposed tariff changes upon the Commission's approval.
- (a)(11): Not applicable.

THE NEWTOWN ARTESIAN WATER COMPANY
NUMBER OF CUSTOMERS WHOSE BILLS WILL BE DECREASED

Pursuant to Subsection 53.52(b)(5) of Tariff Regulations

Under the proposed rates, no customers' bills will be decreased for water service.

CALCULATION OF TOTAL REVENUE DECREASE
UNDER THE PROPOSED RATES PROJECTED TO AN ANNUAL BASIS

Pursuant to Subsection 53.52(b)(6) of Tariff Regulations

Under the proposed rates, operating revenues for water service will not decrease.

THE NEWTOWN ARTESIAN WATER COMPANY

STATEMENT OF THE CALCULATION OF THE RATE OF RETURN UNDER PRESENT RATES FOR THE TWELVE MONTHS ENDED MARCH 31, 2024,
MARCH 31, 2025 AND 2026, AND THE ANTICIPATED RATE OF RETURN UNDER PROPOSED RATES

Pursuant To Subsection 53.52.(b)(2) and (c)(1) of Tariff Regulations

Line No.	Description (1)	12 Months Ended 3/31/2024 (2)	Pro Forma Historic Test Year Adjustments Ref. (3)	Pro Forma Present Rates, 3/31/2024 (5)	Pro Forma Future Test Year Adjustments Ref. (6)	Pro Forma Present Rates, 3/31/2025 (8)	Fully Projected Future Test Year Adjustments Ref. (9)	Pro Forma Present Rates, 3/31/2026 (11)	Under Proposed Supplement Tariff Water Pa-PUC No. 9, Supplement No. 158 Increase (12)	Pro Forma 3/31/2026 (13)
1	Operating Revenue	\$ 6,252,116	\$ 290,234	\$ 6,542,351	\$ 37,557	\$ 6,579,907	\$ 15,080	\$ 6,594,988	\$ 922,419	\$ 7,517,407
2	Operating Revenue Deductions:									
3	Operation and Maintenance									
4	Expenses	4,297,452	174,888	4,472,340	99,801 **	4,572,141	33,757	4,605,898	-	4,605,898
5	Depreciation	682,079	(107,033)	575,046	133,149	708,195	109,595	817,790	-	817,790
6	Taxes, Other Than Income	500,761	8,112	508,873	(7,159)	501,714	1,880	503,594	5,972	509,566
7	Amortization of Regulatory Liability		(30,773)	(30,773)	-	(30,773)	410	(30,363)	-	(30,363)
8	Income Taxes	36,362	270,180	306,542	(63,928)	242,614	(43,481)	199,133	250,301	449,434
9	Total Operating Revenue Deductions	5,516,655	315,374	5,832,029	161,863	5,993,891	102,160	6,096,053	256,273	6,352,326
10	Net Operating Income Available for Return	\$ 735,462	\$ (25,140)	\$ 710,322	\$ (124,306)	\$ 586,016	\$ (87,080)	\$ 498,935	\$ 666,146	\$ 1,165,081
11	Original Cost Measure of Value	\$ 11,400,113	\$ -	\$ 11,400,113	\$ 1,696,654	\$ 13,096,768	\$ 1,409,531	\$ 14,506,299	\$ 14,506,299	\$ 14,506,299
12	Rate of Return	6.45%		6.23%		4.47%		3.44%		8.03%

THE NEWTOWN ARTESIAN WATER COMPANY

STATEMENT OF OPERATING REVENUES FOR THE TWELVE MONTHS ENDED MARCH 31, 2024, MARCH 31, 2025 AND MARCH 31, 2026
AND THE CALCULATION OF THE PROPOSED REVENUE INCREASE BY CUSTOMER CLASSIFICATION

Pursuant To Subsection 53.52 (b)(4) and (c)(5) of Tariff Regulations

(1) Customer Classification	(2) Revenues Per Books, 12 Months Ended 3/31/2024	(3) Pro Forma Historic Test Year Adjustments Under Present Rates		(4) Amount		(5) Pro Forma, Present Rates, 3/31/2024		(6) Pro Forma Future Test Year Adjustments Under Present Rates		(7) Amount		(8) Pro Forma, Present Rates, 3/31/2025		(9) Fully Projected Future Test Year Adjustments Under Present Rates		(10) Amount		(11) Pro Forma, Present Rates 3/31/2026		(12) Percent		(13) Revenue Under Proposed Tariff Water Pa-PUC No. 9, Supplement No. 136 Increase Amount		(14) Pro Forma, Proposed Rates 3/31/2026		
		Ref.	Ref.	Ref.	Ref.	Ref.	Ref.	Ref.	Ref.	Ref.	Ref.	Ref.	Ref.	Ref.	Ref.	Ref.	Ref.	Ref.	Ref.	Ref.	Ref.	Ref.	Ref.	Ref.	Ref.	Ref.
<u>Sales of Water</u>																										
Residential	\$ 4,001,969	R1, R2, R3	\$ 129,800	R6, R8, R9, R10	\$ 7,089	\$ 4,131,769	R11, R13, R14, R15	\$ (8,767)	R11, R13, R14, R15	\$ (8,767)	\$ 4,130,092	14.0%	\$ 579,624	\$ 4,709,716												
Commercial	924,875	R1, R2, R3	107,115	R6, R8	21,332	1,031,990	R11, R13	21,223	R11, R13	21,223	1,074,545	13.5%	142,444	1,216,989												
Industrial	455,335	R1, R2	48,629		503,963					503,963	13.3%	67,220	571,183													
Public	193,092	R1, R2	21,649		214,741					214,741	13.9%	29,796	244,537													
Private Fire Protection	265,639	R1, R2, R4	(14,174)	R7	9,136	251,466	R12	2,624	R12	2,624	263,226	17.3%	45,061	308,287												
Public Fire Protection	267,132	R1, R2, R5	(2,785)	R7	-	264,347	R12	-	R12	-	264,347	18.5%	48,824	313,171												
Total Sales of Water	6,108,042		290,234		37,557	6,398,276		15,080		15,080	6,450,913	14.2%	912,969	7,363,883												
<u>Other Operating Revenues</u>																										
Metered Sales - Yard Hydrants	24,414					24,414					24,414		7,570	31,984												
Forfeited Discounts	13,251					13,251					13,251		1,880	15,131												
Rents from Water Property	106,410					106,410					106,410			106,410												
Total Other Revenues	144,074		-		-	144,074		-		-	144,074		9,450	153,524												
Total Operating Revenues	\$ 6,252,116		\$ 290,234		\$ 37,557	\$ 6,542,351		\$ 15,080		\$ 15,080	\$ 6,594,988	14.0%	\$ 922,419	\$ 7,517,407												

THE NEWTOWN ARTESIAN WATER COMPANY
ORIGINAL COST MEASURE OF VALUE AS OF MARCH 31, 2024, 2025 AND 2026

Pursuant To Subsection 53.52 (c)(1) of Tariff Regulations

		<u>As of</u> <u>3/31/2024</u>	<u>As of</u> <u>3/31/2025</u>	<u>As of</u> <u>3/31/2026</u>
Original Cost of Utility Plant in Service	(a)	\$ 52,559,717	\$ 55,017,027	\$ 57,572,131
Less: Accumulated Depreciation (Net of CIAC)	(a)	<u>11,491,727</u>	<u>12,207,674</u>	<u>13,324,764</u>
Subtotal		41,067,989	42,809,353	44,247,367
Deduct:				
Contributions in Aid of Construction		24,983,770	24,983,770	24,983,770
Customer Advances for Construction		<u>1,321,725</u>	<u>1,321,725</u>	<u>1,321,725</u>
Net Utility Plant		14,762,494	16,503,858	17,941,872
Less: Deferred Taxes		4,261,902	4,318,192	4,351,876
Add:				
Materials and Supplies		273,723	273,723	273,723
Cash Working Capital		<u>625,798</u>	<u>637,378</u>	<u>642,579</u>
 Total Original Cost Measure of Value		 <u>\$ 11,400,113</u>	 <u>\$ 13,096,768</u>	 <u>\$ 14,506,299</u>

(a) Source: Exhibits JJS-1, JJS-2 and JJS-3 pursuant to Subsection 53.32 (c)(2)-(3).

THE NEWTOWN ARTESIAN WATER COMPANY
BALANCE SHEET

Pursuant To Subsection 53.52 (c)(2) of Tariff Regulations

	<u>ASSETS</u>	
	<u>12/31/2023</u>	<u>3/31/2024</u>
<u>Utility Plant</u>		
Utility Plant In Service	\$ 52,442,683	\$ 52,584,317
Construction Work in Progress	451,574	639,531
	<u>52,894,257</u>	<u>53,223,847</u>
Total Utility Plant		
Accumulated Depreciation	13,834,709	14,143,807
	<u>39,059,548</u>	<u>39,080,040</u>
Net Utility Plant		
<u>Current and Accrued Assets</u>		
Cash	1,095,978	1,357,391
Cash Held for Construction	498,417	(8,619)
Receivable from other sources	30,641	5,776
Temporary Cash Investments		
Customer Accounts Receivable	337,105	438,178
Prepaid taxes and Miscellaneous	178,142	144,082
Plant Materials and Supplies	326,808	453,230
Prepayments	161,894	255,470
Accrued Utility Revenues	796,826	796,133
	<u>3,425,811</u>	<u>3,441,640</u>
Total Current and Accrued Assets		
<u>Deferred Debits</u>		
Deferred Charges	53,852	58,569
	<u>53,852</u>	<u>58,569</u>
Total Deferred Debits		
Total Assets and Other Debits	<u>\$ 42,539,211</u>	<u>\$ 42,580,250</u>

THE NEWTOWN ARTESIAN WATER COMPANY
BALANCE SHEET

Pursuant To Subsection 53.52 (c)(2) of Tariff Regulations

Equity Capital and Liabilities

	<u>12/31/2023</u>	<u>3/31/2024</u>
<u>Equity Capital</u>		
Common Stock Issued	\$ 227,500	\$ 227,500
Premium on Capital Stock	49,864	49,864
Other Paid-in Capital	411,193	411,193
Unappropriated Retained Earnings	7,344,594	7,414,888
Reaquired Capital Stock	(36,579)	(36,579)
Other PD in Cap (Misc. DBSurplus)		
Net Income		
	<hr/>	<hr/>
Total Equity Capital	<u>7,996,572</u>	<u>8,066,866</u>
Long-Term Debt	5,809,210	5,724,274
<u>Current and Accrued Liabilities</u>		
Accounts Payable	406,505	330,119
Mortgage Payable	341,017	341,017
Accrued Profit Sharing and 401(k) Expense	52,404	51,687
Developer's Payable	14,257	13,307
Compensated Absences	17,402	17,402
Miscellaneous Current and Accrued Liabilities	50,844	140,154
	<hr/>	<hr/>
Total Current and Accrued Liabilities	<u>882,429</u>	<u>893,686</u>
<u>Deferred Credits</u>		
Advances for Construction	1,321,725	1,313,599
Other Deferred Credits	4,100,556	4,261,902
	<hr/>	<hr/>
Total Deferred Credits	<u>5,422,281</u>	<u>5,575,501</u>
Contributions in Aid of Construction	22,428,719	22,319,923
	<hr/>	<hr/>
Total Equity Capital and Liabilities	<u><u>\$ 42,539,211</u></u>	<u><u>\$ 42,580,250</u></u>

THE NEWTOWN ARTESIAN WATER COMPANY
STATEMENT OF PRO FORMA OPERATING EXPENSES FOR THE TWELVE MONTHS ENDED MARCH 31, 2024, MARCH 31, 2025 AND MARCH 31, 2026
Pursuant To Subsection 53.52 (c)(5) of Tariff Regulations

Line No.	Account (1)	Per Books, 12 Mos. Ended 3/31/2024 (2)		Historic Test Year Pro Forma Adjustments (3)		Future Test Year Pro Forma Adjustments (4)		Pro Forma, 3/31/2024 (5)		Future Test Year Pro Forma Adjustments (6)		Pro Forma, 3/31/2025 (8)		Fully Projected Future Test Year Pro Forma Adjustments (9)		Pro Forma, 3/31/2026 (11)	
			\$	Ref.	Amount	Ref.	Amount	Ref.	Amount	Ref.	Amount	Ref.	Amount	Ref.	Amount	Ref.	Amount
1	OPERATION AND MAINTENANCE EXPENSES																
2	SOURCE OF SUPPLY AND POWER AND PUMPING																
3	601.1 Salaries & Wages	\$	1,362			E-1	\$ 68		\$ 1,362	E-1	\$ 68		\$ 1,430	E-10	\$ 30		\$ 1,460
4	610.1 Purchased Water		1,516,905	E-2	20,573	E-14	3,539		1,537,478	E-14	3,539		1,541,017	E-14	8,687		1,549,704
5	615.1 Purchased Power		35,550			E-9, E-14	(8,346)		35,550				27,204	E-14	158		27,362
6	616.1 Fuel Power Production		-						-				0				-
7	668.1 Water Resource Conservation		-						-				0				-
8	620.2 Materials & supplies - maintenance		21,827						21,827				21,827				21,827
9	Total Source of Supply	\$	1,575,643		\$ 20,573		\$ (4,739)		\$ 1,596,217		\$ (4,739)		\$ 1,591,478		\$ 8,875		\$ 1,600,353
10	WATER TREATMENT																
11	601.3 Salaries & wages - operations	\$	60,889			E-1	\$ 3,058		\$ 60,889	E-1	\$ 3,058		\$ 63,947	E-10	\$ 1,329		\$ 65,276
12	615.3 Purchased Power		6,334						6,334				6,334				6,334
13	618.3 Chemicals		46,033			E-3			55,742	E-14	128		55,870	E-14	325		56,195
14	601.4 Salaries & wages - power & pump maint		23,043		9,709	E-1	1,158		23,043	E-1	1,158		24,201	E-10	503		24,704
15	620.4 Materials & supplies - power & pump maint		22,933			E-1	1,151		22,933	E-1	1,151		24,084	E-10	500		24,584
16	620.4 Materials & supplies - maint.		25,085						25,085				25,085				25,085
17	Total Water Treatment	\$	208,378		\$ 9,709		\$ 5,496		\$ 218,087		\$ 5,496		\$ 223,582		\$ 2,657		\$ 226,239
18	TRANSMISSION AND DISTRIBUTION																
19	601.5 Salaries & wages - operations	\$	155,358			E-1	\$ 7,804		\$ 155,358	E-1	\$ 7,804		\$ 163,162	E-10	\$ 3,391		\$ 166,553
20	601.6 Salaries & wages - maintenance		59,653			E-1	2,997		59,653	E-1	2,997		62,650	E-10	1,302		63,952
21	615.5 Purchased Power		11,191						11,191				11,191				11,191
22	620.6 Materials & supplies - maintenance		114,463						114,463				114,463				114,463
23	641.6 Bridge rents		-						-				0				-
24	Total Transmission and Distribution	\$	340,666		\$ -		\$ 10,800		\$ 329,475		\$ 10,800		\$ 340,275		\$ 4,693		\$ 344,968
25	CUSTOMER ACCOUNTS																
26	601.7 Salaries & Wages		\$161,269.64			E-1	\$ 8,100		\$ 161,270	E-1	\$ 8,100		\$ 169,370	E-10	\$ 3,520		\$ 172,890
27	620.7 Materials & Supplies		30,787						30,787				30,787				30,787
28	Total Customer Accounts	\$	192,057		\$ -		\$ 8,100		\$ 192,057		\$ 8,100		\$ 200,157		\$ 3,520		\$ 203,677

THE NEWTOWN ARTESIAN WATER COMPANY
STATEMENT OF PRO FORMA OPERATING EXPENSES FOR THE TWELVE MONTHS ENDED MARCH 31, 2024, MARCH 31, 2025 AND MARCH 31, 2026
Pursuant To Subsection 53.52 (c)(5) of Tariff Regulations

Line No.	Account (1)	Per Books, 12 Mos. Ended 3/31/2024 (2)		Historic Test Year Pro Forma Adjustments (3)		Future Test Year Pro Forma Adjustments (4)		Pro Forma, 3/31/2024 (5)		Future Test Year Pro Forma Adjustments (6)		Future Test Year Pro Forma Adjustments (7)		Pro Forma, 3/31/2025 (8)		Fully Projected Future Test Year Pro Forma Adjustments (9)		Pro Forma, 3/31/2026 (11)		
		\$		Ref.	Amount	Ref.	Amount	Ref.	Amount	Ref.	Amount	Ref.	Amount	Ref.	Amount	Ref.	Amount	Ref.	Amount	Ref.
28	ADMINISTRATIVE AND GENERAL																			
29	601.8 Salaries & Wages - Admin. & General	\$ 438,149				E-1	\$ 23,622		\$ 438,149	E-1	\$ 461,771			E-10	\$ 10,264					\$ 472,035
30	601.8 Salaries & Wages - Transp. Expense	727				E-1	727		727	E-1	764			E-10	16					780
31	601.8 Vacation days, sick days, holidays	170,992				E-1	170,992		170,992	E-1	179,581			E-10	3,732					183,313
32	603.8 Officers, directors, etc.	32,130					32,130		32,130		32,130									32,130
33	604.8 Employee pension & benefits	55,114			E-4	11,530	66,644		66,644		66,644									66,644
34	604.8 Employee welfare	191,112			E-4	40,698	231,809		231,809		231,809									231,809
35	620.0 Materials & supplies	54,229					54,229		54,229		54,229									54,229
36	631-635 Contractual services	275,532					275,532		275,532		275,532									275,532
37	635.0 Contractual services - testing	18,099					18,099		18,099		18,099									18,099
38	650.0 Transportation Exp	32,857				E-15	12,480		32,857	E-15	32,857									30,579
39	656-659 Insurance expense	157,445					157,445		157,445		157,445									174,860
40	666.0 Rate Case Expense	64,112			E-7	97,555	161,667		161,667	E-7	161,667									161,667
41	670.0 Bad debt expense	-					-		-		0									-
42	675.1 Membership Dues	8,432					8,432		8,432		8,432									8,432
43	675.2 Registration Fees	6,186					6,186		6,186		6,186									6,186
44	675.3 Source of Supply DEP Fees	45,360					45,360		45,360		45,360									45,360
45	675.5 Stockholders Expenses	(50)					(50)		(50)		(50)									(50)
46	675.6 Office Exp & Utilities	120,761				E-16	18,000		120,761	E-16	138,761									138,761
47	675.7 Uniforms	5,747					5,747		5,747		5,747									5,747
48	675.8 Directors' Fees	250,648					250,648		250,648		250,648									250,648
49	675.1 Subscriptions	6,785					6,785		6,785		6,785									6,785
50	675.1 Abandoned Projects	5,177			E-12	(5,177)	-		-	E-12	0									-
51	675.1 Travel	33,338					33,338		33,338		33,338									33,338
52	675.1 Miscellaneous Expense	7,827					7,827		7,827		7,827									7,827
53	Total Administrative and General	\$ 1,980,708					\$ 144,606		\$ 2,125,314		\$ 2,205,457									\$ 2,219,469
54	TOTAL OPERATING EXPENSES	\$ 4,297,452					\$ 174,888		\$ 4,461,149		\$ 4,560,950									\$ 4,594,707
	DEPRECIATION EXPENSE	\$ 682,079			E-13	(107,033)	575,046		575,046	E-13	708,195									817,790
55	Taxes Other Than Income Taxes																			
56	Capital Stock Tax	\$ 36,362					\$ 36,362		\$ 36,362		\$ 36,362									\$ 36,362
57	PURIA and Regulatory Assessments	402,999			E-8	8,112	411,111		411,111	E-8	411,207									417,179
58	Payroll Taxes	97,762			E-5	(7,255)	97,762		97,762	E-5	90,507									92,387
59	Total Taxes Other Than Income	\$ 537,123					\$ 8,112		\$ 545,235		\$ 538,076									\$ 545,928

APPENDIX A
PRO FORMA REVENUE ADJUSTMENTS UNDER PRESENT RATES

THE NEWTOWN ARTESIAN WATER COMPANY
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation	Adjustment Increase (Decrease)
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R-1 To adjust Distribution System Improvement Charge (DSIC), State Tax Adjustment and and Purchased Water Adjustment Charge (PWAC) to Present Levels

Customer Classification	Test Year DSIC Revenue	Test Year STAS Revenue	Test Year PWAC Revenue	Total
(1)	(2)	(3)	(4)	(5)
Residential	\$ 41,631	\$ (18,870)	23,889	46,650
Commercial	13,298	(5,973)	6,788	14,113
Industrial	5,222	(2,363)	3,699	6,558
Public	2,268	(2,307)	1,278	1,239
Private Fire				
Total	\$ 62,419	\$ (29,514)	\$ 35,654	\$ 68,560

Customer Classification	HTY Revenue	Pro Forma DSIC Revenue*	PWAC Revenue**	STAS Revenue	Total	
(1)						
Residential	\$ 3,975,952	\$ 47,314	\$ 113,641	(2,386)	\$ 158,569	\$ 111,920
Commercial	983,355	11,702	29,635	(590)	40,747	26,633
Industrial	482,131	5,737	16,385	(289)	21,833	15,275
Public	206,413	2,456	6,376	(124)	8,709	7,470
Private Fire	265,639	3,161		(159)	3,002	3,002
Total	\$ 5,913,490	\$ 70,371	\$ 166,037	\$ (3,548)	\$ 232,859	

* Based on 1.19% of Revenue

** Based on 0.2471 per 1000 gallons

*** Based on -0.060% of Revenue

R-2 To eliminate the change in unbilled revenue accrual as of March 31, 2024.

Customer Classification	Test Year Unbilled Revenue	
(1)	(2)	
Residential	\$ (13,586)	\$ 13,586
Commercial	(70,888)	70,888
Industrial	(33,354)	33,354
Public	(14,179)	14,179
Private Fire	-	-
Public Fire	-	-
Total	\$ (132,007)	

R-3 To annualize Residential and Commercial Operating Revenues for the net gain in the number of customers during the twelve months ended 3/31/2024.

Customer Classification	Number of Customers		Annualized Customer Gain/(Loss)	Average Annual Bill, Present Base Rates	Annualized Revenue Adjustment (Half Year)	
(1)	31-Dec-23	31-Mar-24	(4)	(5)	(6)	
	(2)	(3)				
Residential	9,718	9,723	21	\$ 409.02	\$ 4,295	4,295
Commercial	818	822	16	\$ 1,199.21	9,594	9,594

THE NEWTOWN ARTESIAN WATER COMPANY
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation				Adjustment Increase (Decrease)
R-4	To annualize Private Fire Protection Revenue for the number of private fire line and hydrants as of 3/31/2024.				
		Customer Classification (1)	Quantity as of 3/31/2024 (2)	Present Quarterly Base Rate (3)	Pro Forma Revenue (4)
	<u>Private Fire Protection</u>				
	4-inch Service		-	\$ 121.11	\$ -
	6-inch Service		111	121.11	53,652
	8-inch Service		38	141.28	21,616
	Private Hydrants - Newtown		353	101.75	143,569
	Sprinkler Heads over 300 per connection		28,488	0.26	29,627
	Total				\$ 248,464
	Less: Test Year Private Fire Base Rate Revenue				265,639
	Adjustment				\$ (17,175)
R-5	To annualize Public Fire Protection Revenue for the number of public fire line and hydrants as of 3/31/2024				
		Customer Classification (1)	Quantity as of 3/31/2024 (2)	Present Quarterly Base Rate (3)	Pro Forma Revenue (4)
	<u>Public Fire Protection</u>				
	Public Hydrants - Newtown		650	\$ 101.75	\$ 264,347
	Total				\$ 264,347
	Less: Test Year Public Fire Base Rate Revenue				267,132
	Adjustment				\$ (2,785)
	Total Pro Forma Revenue Adjustments, Present Rates (R1 through R5)				<u>290,234</u>

THE NEWTOWN ARTESIAN WATER COMPANY
FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation						Adjustment Increase (Decrease)
R-6	To annualize Residential and Commercial Operating Revenues for the projected gain in the number of customers during the twelve months ended 3/31/2025 (There are no increases projected for Industrial and Public customers)						
	Customer Classification	Increase in Customers		Average Customer Gain/(Loss)	Average Annual Bill, Present Rates	Annualized Revenue Adjustment	
	(1)	31-Dec-23 (2)	31-Mar-24 (3)	(4)	(5)	(6)	
	Residential	64	5	42.5	\$ 409.02	\$ 17,383	\$ 17,383
	Commercial	19	4	17.5	1,199.21	20,986	\$ 20,986
R-7	To annualize Private Fire and Public Fire revenues for the projected gain in the number of private fire lines and private fire hydrants for year ending 3/31/2025.						
	Customer Classification	Increase in Connections		Average Customer Gain/(Loss)	Quarterly Present Base Rates	Annualized Revenue Adjustment	
	(1)	31-Dec-23 (2)	31-Mar-24 (3)	(4)	(5)	(6)	
	<u>Private Fire Protection</u>						
	4-inch Service	-	-	-	\$ 121.11	\$ -	
	6-inch Service	1	1	2.5	121.11	1,211	
	8-inch Service	1	1	2.5	141.28	1,413	
	Sprinkler Heads	0	0	-	0.26	-	
	Private Hydrants	4	7	16.0	101.75	6,512	
	Total - Private Fire					\$ 9,136	\$ 9,136
	Public Fire - Newtown	-	-	-	101.75	-	\$ -
R-8	To annualize revenues to reflect the DSIC surcharge rate of 5% effective May 1, 2024.						
	Customer Classification	Pro Forma Adjustments Under Present Rates		Pro Forma Change in Base Rate Revenues	DSIC @ 1.19%	STAS @ -0.060%	
	(1)	Historic (3)	Future (4)	(5)	(6)		
	Residential	\$ 4,295	\$ 7,061	\$ 11,356	\$ 135	\$ (7)	\$ 128
	Commercial	9,594	20,986	30,580	364	(18)	346
	Total Pro Forma FTY Revenue Adjustments, Present Rates (R6 through R8):						<u>\$ 47,979</u>

THE NEWTOWN ARTESIAN WATER COMPANY
FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation				Adjustment Increase (Decrease)
R-9	To adjust Residential revenues for Declining usage as of 3/31/2025 under Present Rates				
	Declining Consumption:				
		Consumption	Present Rate	Total Revenue	
	Newtown	(1,556)	6.635	\$ (10,322)	
		(1,556)		(10,322)	\$ (10,322)
R-10	To annualize Residential revenues to reflect the PWAC on Declining Usage				
	Declining Consumption:				
		Consumption	Present PWAC	Total Revenue	
	Newtown	(1,556)	0.0641	\$ (100)	
		(1,556)		(100)	\$ (100)
Total Pro Forma FTY Revenue Adjustments, Present Rates (R6 through R10):					<u>\$ 37,557</u>

THE NEWTOWN ARTESIAN WATER COMPANY
FULLY PROJECTED FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation						Adjustment Increase (Decrease)
R-11	To annualize Residential and Commercial Operating Revenues for the projected gain in the number of customers during the twelve months ended 3/31/2026						
	Customer Classification	Increase in Customers		Average Customer Gain/(Loss)	Average Annual Bill, Present Rates	Annualized Revenue Adjustment	
	(1)	31-Dec-23 (2)	31-Mar-24 (3)	(4)	(5)	(6)	
	Residential	64	5	42.5	\$ 409.02	\$ 17,383	\$ 17,383
	Commercial	19	4	17.5	1,199.21	\$ 20,986	\$ 20,986
R-12	To annualize Private Fire revenues for the projected gain in the number of private fire lines and private fire hydrants for year ending 3/31/2026						
	Customer Classification	Increase in Connections		Average Gain/(Loss)	Quarterly Present Base Rates	Annualized Revenue Adjustment	
	(1)	31-Dec-23 (2)	31-Mar-24 (3)	(4)	(5)	(6)	
	<u>Private Fire Protection</u>						
	4-inch Service	0	0	-	\$ 121.11	\$ -	
	6-inch Service	1	1	2.5	\$ 121.11	1,211	
	8-inch Service	1	1	2.5	\$ 141.28	1,413	
	Sprinkler Heads	0	0	-	0.26	-	
	Private Hydrants	4	7	16.0	101.75		
	Total					\$ 2,624	\$ 2,624
	Public Fire - Newtown	0	0	-	101.75	-	\$ -
R-13	To annualize revenues to reflect the DSIC surcharge rate of 5% effective May 1, 2024 and STAS of -0.425% on Revenue Growth as of 3/31/2026.						
	Customer Classification	Proforma Adjustment R11 & R12	DSIC @ 1.19%	STAS @ -0.060%	Total		
	(1)	(2)	(6)				
	Residential	(8,423)	\$ (100)	\$ 5	\$ (95)	\$ (95)	
	Commercial	20,986	250	(13)	237	237	
		\$ 12,563	\$ 150	\$ (8)	\$ 142		
	Total Pro Forma FPFTY Revenue Adjustments, Present Rates (R11through R13)						<u>\$ 41,135</u>

THE NEWTOWN ARTESIAN WATER COMPANY
FULLY PROJECTED FUTURE TEST YEAR

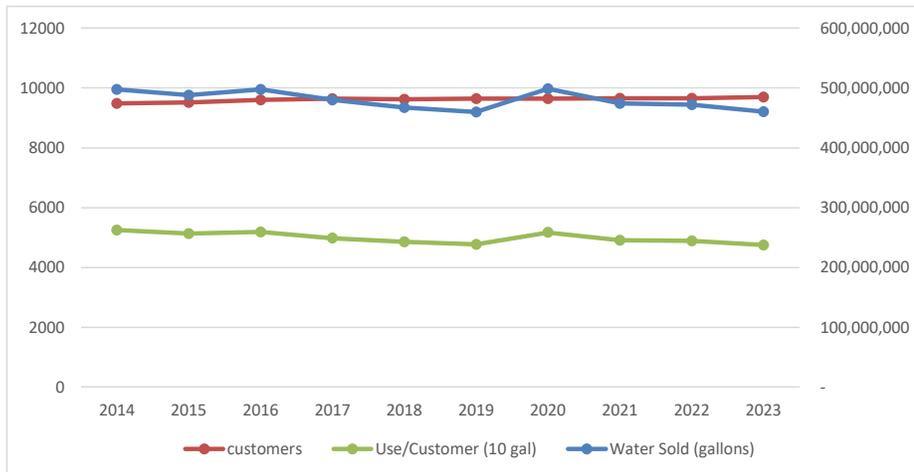
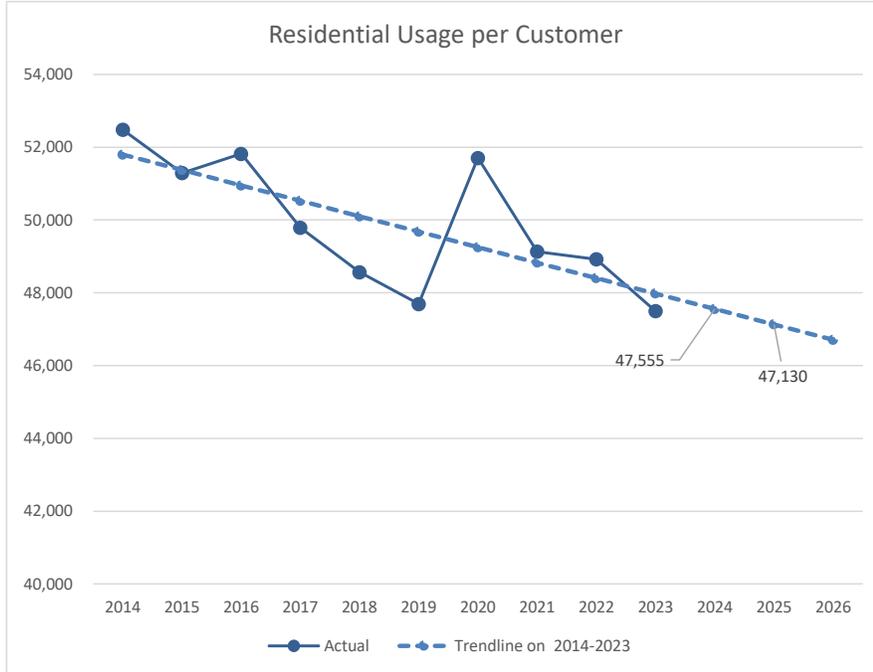
PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation				Adjustment Increase (Decrease)
R-14	To adjust Residential revenues for Declining usage from 3/31/2025 to 3/31/2026 under Present Rates.				
	Declining Consumption:				
		<u>Consumption</u>	<u>Present Rate</u>	<u>Total Revenue</u>	
	Newtown	(3,889)	\$ 6.635	\$ (25,806)	
		(3,889)		(25,806)	\$ (25,806)
R-15	To annualize Residential revenues to reflect the PWAC on Declining Usage				
	Declining Consumption:				
		<u>Consumption</u>	<u>Present PWAC</u>	<u>Total Revenue</u>	
	Newtown	(3,889)	0.0641	\$ (249)	
		(3,889)		(249)	\$ (249)
	Total Pro Forma FTY Revenue Adjustments, Present Rates (R6 through R8)				<u>\$ 15,080</u>

Newtown Artesian
Residential Usage per Customer per Year (gallons)

Year	Billed per Residential Customer	Trendline on 2014-2023	June-Sept Z-index*	Year	Change in Actual	% Change
2014	52,479	51,798	-0.34	2014		
2015	51,289	51,373	0.84	2015	(1,190)	-2%
2016	51,818	50,949	-1.06	2016	530	1%
2017	49,789	50,525	0.73	2017	(2,030)	-4%
2018	48,566	50,101	3.53	2018	(1,223)	-2%
2019	47,693	49,676	0.29	2019	(873)	-2%
2020	51,704	49,252	0.47	2020	4,011	8%
2021	49,133	48,828	1.54	2021	(2,572)	-5%
2022	48,919	48,403	-1.27	2022	(214)	0%
2023	47,494	47,979	0.72	2023	(1,425)	-3%
2024		47,555	0.6			
2025		47,130	0.6			
2026		46,706	0.6			
Percent Change '23-'24		-0.9%				
Percent Change '24-'25		-0.9%				
gpd/customer		2014	144			
		2024	130			
		2025	129			
		2026	128			

*Z-index: higher is wetter. 20-yr average used for 2024, 2025, 2026
https://www.ncdc.noaa.gov/cag/divisional/time-series/3603/zndx/4/9/2000-2012?base_prd=true&firstbaseyear=1901&lastbaseyear=2010_prd=true&firstbaseyear=1901&lastbaseyear=2010



APPENDIX B
PRO FORMA OPERATING EXPENSE,
DEPRECIATION, AND TAX ADJUSTMENTS

THE NEWTOWN ARTESIAN WATER COMPANY
HISTORIC, FUTURE AND FULLY PROJECTED FUTURE TEST YEARS

PRO FORMA OPERATING EXPENSE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation				Adjustment Increase (Decrease)
E-1	To adjust actual test year salaries and wages to reflect pro forma labor expense at wage rates effective January 1, 2025, and the total number of employees.				
	<u>Account</u>	<u>Test Year</u>	<u>Pro Forma 2025</u>	<u>Increase (Decrease)</u>	
	601.1	Source of Supply	\$ 1,362	\$ 1,430	\$ 68
	601.3	Water Treatment - operation	60,889	63,947	3,058
	601.4	Power & Pump Maint	23,043	24,201	1,158
	601.4	Water Treatment - maint.	22,933	24,084	1,151
	601.5	Transmission & Dist - operation	155,358	163,162	7,804
	601.6	Transmission & Dist - maint.	59,653	62,650	2,997
	601.7	Customer Accounts	161,270	169,370	8,100
	601.8	Admin. & General	470,279	493,901	23,622
	601.8	Transportation	727	764	37
	601.8	Vacation, sick, holidays	170,992	179,581	8,589
		Total Salaries & Wages	\$ 1,126,506	\$ 1,183,090	\$ 56,584
E-2	To adjust purchased water cost for 2026 to reflect increased rate from Pennsylvania-American Water Co. effective July, 2025				
	<u>Supplier</u>	<u>HTY Volumes (thousands)</u>	<u>Rate Per Month or Thousand</u>	<u>Annual Cost</u>	
	PAWC	74,054	\$ 3.5552	263,278	
	Total	74,054		\$ 263,278	
	Less: Test Year PA American Water Purchased Water Expense				242,705
	Adjustment				\$ 20,573
E-3	To adjust chemical expense to reflect the projected annual usage of chemicals and current unit prices.				
	<u>Chemical</u>	<u>Projected Quantity</u>	<u>Units</u>	<u>Unit Cost</u>	<u>Pro Forma Cost</u>
	Sodium Hypochlorite	11,498	Gallons	\$ 3.2136	\$ 36,951
	Phosphate Usage	1,660	Gallons	11.3200	18,791
	Total Proforma Chemical Expense				\$ 55,742
	Less: Test Year Chemical Expense				46,033
	Adjustment				\$ 9,709

THE NEWTOWN ARTESIAN WATER COMPANY
HISTORIC, FUTURE AND FULLY PROJECTED FUTURE TEST YEARS

PRO FORMA OPERATING EXPENSE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation	2026 Amount	Adjustment Increase (Decrease)
E-4	To Adjust Employee Welfare for 2025		
		<u>2026 Amount</u>	
	Pro Forma Employee Welfare for 2026	\$ 257,566	
	Percent of Labor charged to expense	90.0%	231,809
	Less: Employee Welfare Expense Per Books	<u>191,112</u>	
	Adjustment		40,698
	Pro Forma Employee Pension and Benefits	66,644	
	Less: Employee Welfare Expense Per Books	55,114	
	Adjustment		11,530
E-5	To Adjust Payroll Taxes to reflect the 2025 labor Expense and the number of employees.		
		<u>2025 Amount</u>	
	Pro Forma Labor Expense	\$ 1,183,090	
	Social Security @ 6.2%	\$ 73,352	
	Medicare @ 1.45% of total labor expense.	17,155	
	Total Pro Forma Payroll Taxes	<u>\$ 90,507</u>	
	Less: Payroll Taxes per Books	<u>97,762</u>	
	Adjustment		(7,255)
E-6	To Adjust Insurance Expense to reflect the 2025 projected expense.		
	Pro Forma Insurance Expense	\$ 174,860	
	Less: Insurance Expense per Books	\$ 157,445	
	Adjustment		17,415

THE NEWTOWN ARTESIAN WATER COMPANY
HISTORIC, FUTURE AND FULLY PROJECTED FUTURE TEST YEARS

PRO FORMA OPERATING EXPENSE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation	Adjustment Increase (Decrease)
E-7	To normalize operating expenses for the estimated cost of this rate case and the unamortized rate case expense over three years.	
	Revenue Requirement, Rate Base, Tariff, Rates and Supporting Data	\$ 210,000
	Legal Services	275,000
	Total	<u>485,000</u>
	Add Unamortized Prior Rate Case Expense	<u>-</u>
	Total Rate Case Expense	\$ 485,000
	Normalized Amount (Divided by 3 years)	\$ 161,667
	Less: Test Year Rate Case Expense	<u>64,112</u>
	Adjustment	97,555
E-8	To adjust Regulatory Assessments based on Pro Forma Revenues under Present Rates.	
	Pro Forma Revenues Under Present Rates as of 3/31/2025	\$ 6,579,907
	Assessment Rates:	
	Pennsylvania Public Utility Commission	0.004324859316
	Pennsylvania Office of Consumer Advocate	0.001742389526
	PA Office of Small Business Advocate	0.000303478942
	Total Assessment Rate	<u>0.006370727784</u>
	Pro Forma Regulatory Assessments, Present Rates	\$ 41,919
	Less: Test Year Regulatory Assessments	<u>33,807</u>
	Adjustment	8,112
	Pro Forma Revenues Under Present Rates as of 3/31/2026	\$ 6,594,988
	Assessment Rates:	
	Pennsylvania Public Utility Commission	0.004324859316
	Pennsylvania Office of Consumer Advocate	0.001742389526
	PA Office of Small Business Advocate	0.000303478942
	Total Assessment Rate	<u>0.006370727784</u>
	Pro Forma Regulatory Assessments, Present Rates	\$ 42,015
	Less: Pro Forma 2024 Regulatory Assessments	<u>41,919</u>
	Adjustment	96
E-9	To adjust Purchased Power Expense to reflect current Power Contract.	
	Energy Price As of 06/14/2024 through 12/15/2028	0.0685100
	Energy Price prior to 12/31/2023	0.0898000
	Difference	<u>(0.0212900)</u>
	Percentage Difference	-23.71%
	Per Books Power Costs	35,550
	Adjustment to Power Costs - Percentage difference X Per Books Power Costs	(8,428) (8,428)

THE NEWTOWN ARTESIAN WATER COMPANY
HISTORIC, FUTURE AND FULLY PROJECTED FUTURE TEST YEARS

PRO FORMA OPERATING EXPENSE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation			Adjustment Increase (Decrease)
E-10	To adjust actual test year salaries and wages to reflect pro forma labor expense at wage rates effective January 1, 2026.			
		Pro Forma 03/31/25	Pro Forma 3/31/2026	Increase (Decrease)
	Account			
	601.1 Source of Supply	\$ 1,430	\$ 1,460	\$ 30
	601.3 Water Treatment - operation	63,947	65,276	1,329
	601.4 Power & Pump Maint	24,201	24,704	503
	601.4 Water Treatment - maint.	24,084	24,584	500
	601.5 Transmission & Dist - operation	163,162	166,553	3,391
	601.6 Transmission & Dist - maint.	62,650	63,952	1,302
	601.7 Customer Accounts	169,370	172,890	3,520
	601.8 Admin. & General	493,901	504,165	10,264
	601.8 Transportation	764	780	16
	601.8 Vacation, sick, holidays	179,581	183,313	3,732
	Total Salaries & Wages	\$ 1,183,090	\$ 1,207,677	\$ 24,587
E-11	To Adjust Payroll Taxes to reflect the 2026 labor Expense and the number of employees.			
				2026 Amount
	Pro Forma Labor Expense as of 3/31/2026		\$ 1,207,677	
	Social Security @ 6.2%			\$ 74,876
	Medicare @ 1.45% of total labor expense.			17,511
	Total Pro Forma Payroll Taxes			\$ 92,387
	Less: 2025 Pro Forma Payroll Taxes per Books			90,507
	Adjustment			1,880
E-12	To Adjusted Abandoned Projects per the settlement of Docket R-2011-2230259			
	Per books Abandoned Projects		\$ 5,177	
	Less Disallowed Projects still being amortized:			
	H/M (Middletown)			(22)
	Wiggins			(88)
	Well 7			(5,066)
	Total Adjustment			(5,177)
E-13	To adjust Depreciation Expense based on Exhibit JJS-1, JJS-2 and JJS-3			
	Per Books Depreciation Expense		682,079	
	HTY Deprecation Expense		575,046	
	HTY Adjustment		(107,033)	(107,033)
	FTY Deprecation Expense		708,195	
	FTY Adjustment		133,149	133,149
	FPFTY Deprecation Expense		817,790	
	FPFTY Adjustment		109,595	109,595

THE NEWTOWN ARTESIAN WATER COMPANY
HISTORIC, FUTURE AND FULLY PROJECTED FUTURE TEST YEARS

PRO FORMA OPERATING EXPENSE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation		Adjustment Increase (Decrease)
E-14	To reduce Purchased Water, Chemicals and Purchased Power due to Declining Usage		
	Future Test Year		
	Declining usage - 1000 gallons	(1,556)	
	Total Usage	675,953	
	Percentage	-0.2%	
	Pro Forma Expense		
	Purchased Water	1,537,478	
	Adjustment for Purchased Water	(3,539)	\$ 3,539
	Purchased Power	35,550	
	Adjustment for Purchased Power	(82)	82
	Chemicals	55,742	
	Adjustment for Chemicals	(128)	128
	Fully Projected Future Test Year		
	Declining usage - 1000 gallons	(3,889)	
	Total Usage	667,877	
	Percentage	-0.6%	
	Pro Forma Expense		
	Purchased Water	1,491,751	
	Adjustment for Purchased Water	(8,687)	8,687
	Purchased Power	27,204	
	Adjustment for Purchased Power	(158)	158
	Chemicals	55,870	
	Adjustment for Chemicals	(325)	325

THE NEWTOWN ARTESIAN WATER COMPANY
HISTORIC, FUTURE AND FULLY PROJECTED FUTURE TEST YEARS

PRO FORMA OPERATING EXPENSE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation			Adjustment Increase (Decrease)
E-15	To Adjust for Additional 2024 Contractual Services - Lab Testing Expenses			
	Additional 2024 PFAS Testing (per year)	\$ 6,400		
			\$ 6,400	
	2024 UCMR Testing (every 5 years)	\$ 30,400		
	Normalized Expense over 5 years	\$ 6,080	\$ 6,080	
	Total 2024 Adjustment			\$ 12,480
E-16	To Adjust for Additional 2024 Internet Services - Costs			
	Pro Forma Office Expense & Utilities Expense	\$ 138,761		
	Less: Office Expense & Utilities per Books		\$ 120,761	
	Adjustment			\$ 18,000

THE NEWTOWN ARTESIAN WATER COMPANY
FULLY PROJECTED FUTURE TEST YEAR

PRO FORMA OPERATING EXPENSE ADJUSTMENTS
UNDER PROPOSED RATES

Adj. Ref.	Explanation	Adjustment Increase (Decrease)
E-17	To adjust Regulatory Assessments based on Pro Forma Revenues under Proposed Rates.	
	Pro Forma Revenues Under Proposed Rates:	\$ 7,517,407
	Assessment Rates for July 1, 2023 - June 30, 2024:	
	Pennsylvania Public Utility Commission	0.004324859316
	Pennsylvania Office of Consumer Advocate	0.001742389526
	PA Office of Small Business Advocate	<u>0.000303478942</u>
	Total Assessment Rate	0.006370727784
	Pro Forma Regulatory Assessments, Proposed Rates	\$ 47,891
	Less: Pro Forma Regulatory Assessments, Present Rates	41,919
	Adjustment for Proposed Rates	\$ 5,972

Accumulated Deferred Income Tax and Excess Deferred Income Tax Regulatory Liability Balances

	Actual 12/31/2023	Pro Forma for 21% FIT 12/31/2023	As of 3/31/2024	As of 3/31/2025	As of 3/31/2026
Deferred Taxes	4,100,556	2,977,780	3,169,899	3,256,961	3,321,008
TCJA Regulatory Liability - see below	0	1,122,776	1,092,004	1,061,231	1,030,868
Total ADIT	<u>4,100,556</u>	<u>4,100,556</u>	<u>4,261,902</u>	<u>4,318,192</u>	<u>4,351,876</u>

TCJA Regulatory Liability is made up of 4 items:

	Amount	Yrs	2024	2025	2026
Depreciation	1,104,177	42.19	26,807	26,807	26,807
Defer - Well #7	0	1	0	0	0
Defer - Devonshire	819	2	410	410	0
Defer - Tanner well	<u>17,780</u>	5	<u>3,556</u>	<u>3,556</u>	<u>3,556</u>
	1,122,776		30,773	30,773	30,363

APPENDIX C
PRO FORMA REVENUES UNDER PROPOSED RATES

THE NEWTOWN ARTESIAN WATER COMPANY

SUMMARY OF APPLICATION OF PRESENT AND PROPOSED RATES TO BILL ANALYSIS AND DEVELOPMENT OF PRO FORMA REVENUES UNDER PROPOSED RATES

Customer Classification (1)	Adjusted Base Rate Revenues Per Books (2)	Application of Present Rates** to Bill Analysis 3/31/2024 (3)	Adjustment Factor (4)	Application of Proposed Rates** to Bill Analysis 3/31/2024 (5)	Test Year Revenues at Proposed Rates (6)	Pro Forma Adjustments Under Proposed Rates* (7)		FPFITY (9)	Pro Forma Revenues Under Proposed Rates (10)
						Historic	Future		
Residential	\$ 3,975,952	\$ 3,985,904	0.997503	\$ 4,722,100	\$ 4,710,310	\$ 5,088	\$ 4,295	\$ (9,978)	\$ 4,709,716
Commercial	983,355	964,466	1.019585	1,142,612	1,164,990	11,366	15,770	24,863	1,216,989
Industrial	482,131	481,909	1.000460	570,920	571,183				571,183
Public	206,413	215,350	0.958498	255,125	244,537				244,537
Total Metered Sales	\$ 5,647,850	\$ 5,647,629	1.000039	\$ 6,690,757	\$ 6,691,020	\$ 16,454	\$ 20,065	\$ 14,885	\$ 6,742,425
Private Fire Protection	248,464	248,464	1.000000	294,354	294,354		10,824	3,109	308,287
Public Fire Protection	264,347	264,347	1.000000	313,171	313,171		-	-	313,171
Total Sales of Water	\$ 6,160,661	\$ 6,160,440		\$ 7,298,282	\$ 7,298,545	\$ 16,454	\$ 30,889	\$ 17,994	\$ 7,363,883

* Reflects Adjustments R16, R17, R18, R19, R20, R21 and R22, REB R-2.

** Base Rates.

THE NEWTOWN ARTESIAN WATER COMPANY

APPLICATION OF PRESENT AND PROPOSED RATES TO CONSUMPTION ANALYSIS
YEAR ENDED MARCH 31, 2024

<u>Rate Block</u> <u>1000 Gallons</u>	<u>Number</u> <u>of Bills</u>	<u>Total</u> <u>Consumption</u>	<u>Present</u> <u>Base Rate</u>	<u>Present</u> <u>Revenue</u>	<u>Proposed</u> <u>Base Rate</u>	<u>Proposed</u> <u>Revenue</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<u>Residential</u>						
<u>Customer Charge</u>						
5/8 Quarterly	37,062	-	\$ 22.71	\$ 841,678	\$ 26.90	\$ 997,136
3/4 Quarterly	495	-	34.11	16,884	40.41	20,003
1 Quarterly	1,336	-	56.82	75,912	67.31	89,932
1 1/2 Quarterly	-	-	113.64	-	134.63	-
2 Quarterly	-	-	181.80	-	215.38	-
Subtotal	38,893	-		934,474		1,107,071
<u>Consumption</u>						
All Usage		459,899	6.635	3,051,430	7.860	3,615,029
Subtotal	-	459,899		3,051,430		3,615,029
Total Residential	38,893	459,899		\$ 3,985,904		\$ 4,722,100
<u>Commercial</u>						
<u>Customer Charge</u>						
5/8 Quarterly	177	-	\$ 22.71	\$ 4,020	\$ 26.90	\$ 4,762
3/4 Quarterly	12	-	34.11	409	40.41	485
1 Quarterly	48	-	56.82	2,727	67.31	3,231
1 1/2 Quarterly	-	-	113.64	-	134.63	-
2 Quarterly	1	-	181.80	182	215.38	215
3 Quarterly	-	-	340.92	-	403.89	-
5/8 Monthly	4,349	-	7.57	32,922	8.97	39,011
3/4 Monthly	262	-	11.37	2,979	13.47	3,529
1 Monthly	1,172	-	18.94	22,198	22.44	26,300
1 1/2 Monthly	575	-	37.88	21,781	44.88	25,806
2 Monthly	855	-	60.60	51,813	71.79	61,380
3 Monthly	109	-	113.64	12,387	134.63	14,675
4 Monthly	53	-	189.41	10,039	224.39	11,893
6 Monthly	-	-	378.83	-	448.80	-
8 Monthly	12	-	606.11	7,273	718.06	8,617
10 Monthly	-	-	871.29	-	1,032.22	-
Subtotal	7,625	-		168,730		199,904
<u>Consumption</u>						
All Usage		119,930	6.635	795,736	7.860	942,708
Subtotal	-	119,930		795,736		942,708
Total Commercial	7,625	119,930		\$ 964,466		\$ 1,142,612

THE NEWTOWN ARTESIAN WATER COMPANY

APPLICATION OF PRESENT AND PROPOSED RATES TO CONSUMPTION ANALYSIS
YEAR ENDED MARCH 31, 2024

Rate Block 1000 Gallons	Number of Bills	Total Consumption	Present Base Rate	Present Revenue	Proposed Base Rate	Proposed Revenue
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Industrial						
<u>Customer Charge</u>						
5/8 Quarterly	16	-	\$ 22.71	\$ 363	\$ 26.90	\$ 430
3/4 Quarterly	28	-	34.11	955	40.41	1,131
1 Quarterly	11	-	56.82	625	67.31	740
1 1/2 Quarterly	-	-	113.64	-	134.63	-
2 Quarterly	-	-	181.80	-	215.38	-
5/8 Monthly	64	-	7.57	484	8.97	574
3/4 Monthly	112	-	11.37	1,273	13.47	1,509
1 Monthly	49	-	18.94	928	22.44	1,100
1 1/2 Monthly	25	-	37.88	947	44.88	1,122
2 Monthly	109	-	60.60	6,605	71.79	7,825
4 Monthly	12	-	189.41	2,273	224.39	2,693
6 Monthly	12	-	378.83	4,546	448.80	5,386
8 Monthly	12	-	606.11	7,273	718.06	8,617
10 Monthly	18	-	871.29	15,683	1,032.22	18,580
Subtotal	468	-		41,955		49,707
<u>Consumption</u>						
All Usage		66,308	6.635	439,954	7.860	521,213
Subtotal	-	66,308		439,954		521,213
Total Industrial	468	66,308		\$ 481,909		\$ 570,920
Public						
<u>Customer Charge</u>						
5/8 Monthly	12	-	\$ 7.57	\$ 91	\$ 8.97	\$ 108
1 Monthly	12	-	18.94	227	22.44	269
1 1/2 Monthly	12	-	37.88	455	44.88	539
2 Monthly	48	-	60.60	2,909	71.79	3,446
4 Monthly	24	-	189.41	4,546	224.39	5,385
6 Monthly	48	-	378.83	18,184	448.80	21,542
8 Monthly	12	-	606.11	7,273	718.06	8,617
10 Monthly	12	-	871.29	10,455	1,032.22	12,387
Subtotal	180	-		44,140		52,293
<u>Consumption</u>						
All Usage		25,804	6.635	171,210	7.860	202,832
Subtotal	-	25,804		171,210		202,832
Total Public	180	25,804		\$ 215,350		\$ 255,125
Total Metered Sales	47,166	671,941		\$ 5,647,629		\$ 6,690,757

THE NEWTOWN ARTESIAN WATER COMPANY

APPLICATION OF PRESENT AND PROPOSED RATES TO CONSUMPTION ANALYSIS
YEAR ENDED MARCH 31, 2024

<u>Rate Block</u> <u>1000 Gallons</u> (1)	<u>Number</u> <u>of Bills</u> (2)	<u>Total</u> <u>Consumption</u> (3)	<u>Present</u> <u>Base Rate</u> (4)	<u>Present</u> <u>Revenue</u> (5)	<u>Proposed</u> <u>Base Rate</u> (6)	<u>Proposed</u> <u>Revenue</u> (7)
-------------------------------------------------	-----------------------------------------	-------------------------------------------	-------------------------------------------	-----------------------------------------	--------------------------------------------	------------------------------------------

Private Fire Protection

<u>Quarterly</u>	<u>No. of</u> <u>Connections</u>							
4-inch Service	-	\$	121.11	\$	-	143.48	\$	-
6-inch Service	111		121.11		53,652	143.48		63,561
8-inch Service	38		141.28		21,616	167.37		25,608
Sprinkler Heads > 300 per Line	28,488		0.26		29,627	0.31		35,099
Private Hydrants - Newtown	353		101.75		143,569	120.54		170,086
Total					\$ 248,464			\$ 294,354

Public Fire Protection

<u>Quarterly</u>	<u>No. of</u> <u>Connections</u>							
Public Hydrants - Newtown	650	\$	101.75	\$	264,347	\$ 120.54	\$	313,171
Total Public Fire					\$ 264,347			\$ 313,171

THE NEWTOWN ARTESIAN WATER COMPANY
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PROPOSED RATES

Adj. Ref.	Explanation						Adjustment Increase (Decrease)
R-16	To annualize Residential and Commercial Operating Revenues for the net gain in the number of customers during the twelve months ended 3/31/2024.						
	Customer Classification	Number of Customers		Customer Gain/(Loss)	Average Annual Bill, Proposed Base Rates	Annualized Revenue Adjustment (Half Year)	
	(1)	(2)	(3)	(4)	(5)	(6)	
	Residential	9,718	9,723	21	\$ 484.57	\$ 5,088	\$ 5,088
	Commercial	818	822	16	\$ 1,420.72	11,366	\$ 11,366
							\$ 16,454

THE NEWTOWN ARTESIAN WATER COMPANY
FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PROPOSED RATES

Adj. Ref.	Explanation						Adjustment Increase (Decrease)
R-17	To annualize Residential and Commercial Operating Revenues for the projected gain in the number of customers during the twelve months ended 3/31/2025						
	Customer Classification	Increase in Customers		Average Customer Gain/(Loss)	Average Annual Bill, 3/31/2025 Rates	Annualized Revenue Adjustment	
	(1)	31-Dec-23 (2)	31-Mar-24 (3)	(4)	(5)	(6)	
	Residential	64	5	34.1	\$ 484.57	\$ 16,524	\$ 16,524
	Commercial	19	4	11.1	1,420.72	15,770	\$ 15,770
R-18	To annualize Private Fire revenues for the projected gain in the number of private fire lines and private fire hydrants for year ending 3/31/2025.						
	Customer Classification	Increase in Connections		Average Gain/(Loss)	Quarterly Proposed Base Rates	Annualized Revenue Adjustment	
	(1)	31-Dec-23 (2)	31-Mar-24 (3)	(4)	(5)	(6)	
	<u>Private Fire Protection</u>						
	4-inch Service	0	0	-	\$ 143.48	\$ -	
	6-inch Service	1	1	2.5	143.48	1,435	
	8-inch Service	1	1	2.5	167.37	1,674	
	Sprinkler Heads	0	0	-	0.31	-	
	Private Hydrants	4	7	16.0	120.54	7,715	
	Total					\$ 10,824	\$ 10,824
	Public Fire - Newtown	-	-	-	120.54	-	\$ -
	Total FTY Under Proposed Rates						\$ 43,118
R-19	To adjust Residential revenues for Declining usage as of 3/31/2025 under Proposed Rates						
	Declining Consumption:						
		Consumption		Present Rate	Total Revenue		
	Newtown	(1,556)		7.8604845	\$ (12,229)		
		(1,556)			(12,229)		\$ (12,229)
	Total FTY Under Proposed Rates						\$ 30,889

THE NEWTOWN ARTESIAN WATER COMPANY
FULLY PROJECTED FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PROPOSED RATES

Adj. Ref.	Explanation						Adjustment Increase (Decrease)
R-20	To annualize Residential and Commercial Operating Revenues for the projected gain in the number of customers during the twelve months ended 3/31/2026						
	Customer Classification	Increase in Customers		Average Customer Gain/(Loss)	Average Annual Bill, 3/31/2026 Rates	Annualized Revenue Adjustment	
	(1)	31-Dec-23 (2)	31-Mar-24 (3)	(4)	(5)	(6)	
	Residential	64	5	42.5	\$ 484.57	\$ 20,594	\$ 20,594
	Commercial	19	4	17.5	1,420.72	\$ 24,863	\$ 24,863
R-21	To annualize Private Fire revenues for the projected gain in the number of private fire lines and private fire hydrants for year ending 3/31/2026						
	Customer Classification	Increase in Connections		Average Gain/(Loss)	Quarterly Proposed Base Rates	Annualized Revenue Adjustment	
	(1)	31-Dec-23 (2)	31-Mar-24 (3)	(4)	(5)	(6)	
	<u>Private Fire Protection</u>						
	4-inch Service	0	0	-	\$ 143.48	\$ -	
	6-inch Service	1	1	2.5	143.48	1,435	
	8-inch Service	1	1	2.5	167.37	1,674	
	Sprinkler Heads	0	0	-	0.31	-	
	Private Hydrants			-	120.54		
	Total					\$ 3,109	\$ 3,109
	Public Fire - Newtown	0	0	-	120.54	-	\$ -
	Total FPFTY Under Proposed Rates						\$ 48,566
R-22	To adjust Residential revenues for Declining usage from 3/31/2025 to 3/31/2026 under Proposed Rates.						
	Declining Consumption:						
		Consumption		Present Rate	Total Revenue		
	Newtown	(3,889)		\$ 7.860	\$ (30,572)		
		(3,889)			(30,572)		\$ (30,572)
	Total FPFTY Under Proposed Rates						\$ 17,994

APPENDIX D
COMPARISON OF PRESENT AND PROPOSED RATES

THE NEWTOWN ARTESIAN WATER COMPANY
COMPARISON OF PRESENT AND PROPOSED RATES

Meter Size	Present Rates*		Proposed Rates	
	Quarterly	Monthly	Quarterly	Monthly
<u>Customer Charges</u>				
5/8	\$ 22.71	\$ 7.57	\$ 26.90	\$ 8.97
3/4	34.11	11.37	40.41	13.47
1	56.82	18.94	67.31	22.44
1 1/2	113.64	37.88	134.63	44.88
2	181.80	60.60	215.38	71.79
3	340.92	113.64	403.89	134.63
4	568.23	189.41	673.18	224.39
6	1,136.49	378.83	1,346.40	448.80
8	1,818.33	606.11	2,154.18	718.06
10	2,613.87	871.29	3,096.65	1,032.22

Consumption Charges,
per Thousand Gallons

Newtown Service Area	\$ 6.635	\$ 7.860
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* Present Rates also include PWAC, DSIC and STAS charges.

	Per Quarter	Per Quarter
<u>Private Fire Service</u>		
4-inch Service	\$ 121.11	\$ 143.48
6-inch Service	121.11	143.48
8-inch Service	141.28	167.37
Sprinkler Heads > 300	0.26	0.31
Private Hydrants:		
Newtown	101.75	120.54

Public Fire Service

Public Fire Hydrants:

Newtown	\$ 101.75	\$ 120.54
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THE NEWTOWN ARTESIAN WATER COMPANY
NEWTOWN SERVICE AREA

COMPARISON OF BILLS UNDER PRESENT AND PROPOSED RATES
5/8-INCH METERS, QUARTERLY

Usage 1,000 Gals. per Quarter (1)	Present Bill* (2)	Proposed Bill (3)	Increase (4)	Percent Increase (5)
0	\$ 22.97	\$ 26.90	\$ 3.93	17.1%
1	29.93	34.77	4.84	16.2%
2	36.88	42.63	5.75	15.6%
3	43.84	50.49	6.65	15.2%
4	50.79	58.35	7.56	14.9%
5	57.76	66.21	8.45	14.6%
6	64.71	74.07	9.36	14.5%
7	71.67	81.93	10.26	14.3%
8	78.62	89.79	11.17	14.2%
9	85.59	97.65	12.06	14.1%
10	92.54	105.51	12.97	14.0%
11	99.50	113.37	13.87	13.9%
12	106.45	121.23	14.78	13.9%
13	113.41	129.09	15.68	13.8%
14	120.37	136.95	16.58	13.8%
15	127.33	144.81	17.48	13.7%
16	134.28	152.67	18.39	13.7%
17	141.24	160.53	19.29	13.7%
18	148.19	168.39	20.20	13.6%
19	155.16	176.25	21.09	13.6%
20	162.11	184.11	22.00	13.6%
21	169.07	191.97	22.90	13.5%
22	176.02	199.84	23.82	13.5%
23	182.98	207.70	24.72	13.5%
24	189.94	215.56	25.62	13.5%
25	196.90	223.42	26.52	13.5%
26	203.85	231.28	27.43	13.5%
27	210.81	239.14	28.33	13.4%
28	217.76	247.00	29.24	13.4%
29	224.73	254.86	30.13	13.4%
30	231.68	262.72	31.04	13.4%
35	266.47	302.02	35.55	13.3%
40	301.25	341.32	40.07	13.3%
45	336.04	380.63	44.59	13.3%
56	412.56	467.09	54.53	13.2%
60	440.39	498.53	58.14	13.2%
70	509.96	577.14	67.18	13.2%
80	579.53	655.74	76.21	13.2%
90	649.10	734.35	85.25	13.1%
100	718.67	812.95	94.28	13.1%

* Includes PWAC, DSIC and STAS.

NAWCO STATEMENT NO. 3
Docket No. R-2024-3050208

DIRECT TESTIMONY OF
HAROLD WALKER, III
GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

ON BEHALF OF
THE NEWTOWN ARTESIAN WATER COMPANY

Addressing: Rate of Return

July 19, 2024

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OVERALL RATE OF RETURN TERMS, ABBREVIATIONS AND ACRONYMS

Terms, Abbreviations and Acronyms	Defined
CAPM	Capital Asset Pricing Model
Commission	Pennsylvania Public Utility Commission
Company	Newtown Artesian Water Company
Comparable Companies	Water Group Followed by Analysts
Comparable Group	Water Group Followed by Analysts
Cost of Capital	Investor-required cost rate
DCF	Discounted Cash Flow
DPS	Dividend per share
EPA	U.S. Environmental Protection Agency's
EPS	Earnings per share
Financial Risk	Leverage
GICS	Global Industry Classification System
IOU	Investor Owned Utilities
Leverage	Fixed cost capital
Long-term U.S. Treasury Securities	Base Risk-Free Rate
M/B	Market-to-Book Ratios
Moody's	Moody's Investors Service
NARUC	National Association of Regulatory Utility Commissioners
NAWC	Newtown Artesian Water Company
Non-Systematic Risk	Company-Specific Risk
PUC	Pennsylvania Public Utility Commission
ROE	Return on Equity
RP	Risk Premium
S&P	Standard & Poor's
SIC	Standard Industrial Classification
Systematic Risk	Non-Diversifiable Risk
Value Line	Value Line Investment Survey
Water Group	Water Group Followed by Analysts

**Direct Testimony
of
Harold Walker**

INTRODUCTION

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Q. Please state your name and business address.

A. My name is Harold Walker, III. My business address is 1010 Adams Avenue, Audubon, Pennsylvania 19403.

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

A. I am employed by Gannett Fleming Valuation and Rate Consultants, LLC as Manager, Financial Studies.

Q. What is your educational background and employment experience?

A. My educational background, business experience and qualifications are provided in Appendix A.

SCOPE OF TESTIMONY

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to recommend an appropriate overall rate of return that The Newtown Artesian Water Company's ("NAWC" or the "Company") should be afforded an opportunity to earn on its water utility service rate base. My testimony is supported by Exhibit HW-1, which is composed of 19 Schedules.

SUMMARY OF RECOMMENDATION

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Q. What is your recommended cost of equity?

A. My recommendation is that NAWC be permitted an overall rate of return of 8.03%, including a 10.80% cost of common equity, based upon the Company’s capital structure projected at March 31, 2026. My recommended cost of common equity reflects NAWC’s unique risk characteristics.

Q. How did you determine your recommended common equity cost rate?

A. I used several models to help me in formulating my recommended common equity cost rate including Discounted Cash Flow (“DCF”), Capital Asset Pricing Model (“CAPM”) and Risk Premium (“RP”).

Q. Is it important to use more than one market model?

A. Yes. It is necessary to estimate common equity cost rates using a number of different models. At any given time, a particular model may understate or overstate the cost of equity. While any single investor may rely solely upon one model, different investors rely on different models and many investors use multiple models. Therefore, because the price of common stock reflects a number of valuation models, it is appropriate to estimate the market-required common equity cost rate by applying a broad range of analytical models.

Q. Please summarize your common equity cost rate recommendation.

A. There is no market data concerning NAWC’s shares of common stock because NAWC shares of common stock are not publicly traded. Accordingly, due to the lack of market data concerning NAWC’s equity, I used a comparable group of publicly traded companies to estimate the common equity cost rate. Based upon the results of my entire analysis, I

1 conclude NAWC's current common equity cost rate is at least 10.80%. The current range
2 of common equity cost for NAWC is 9.80% (DCF), 11.70% (CAPM), and 11.20% (RP).
3 Value Line Investment Survey ("Value Line") is relied upon by many investors and is the
4 only investment advisory service of which I am aware that projects earned return on equity.
5 As a check on the reasonableness of my common equity cost rate recommendation, I
6 reviewed Value Line's projected returns on common equity for comparable utilities. Value
7 Line's projected earned returns on common equity for my comparable utilities average
8 10.6% and the median is 10.8%. The range of the projected returns suggests that my
9 recommendation that NAWC be permitted an opportunity to earn 10.80% is reasonable, if
10 not conservative.

11
12 **PRINCIPLES OF RATE REGULATION AND FAIR RATE OF RETURN**

13 **Q. What are the principles guiding fair rates of return in the context of rate regulation?**

14 A. In a capitalistic or free market system, competition determines the price for all goods and
15 services. Utilities are permitted to operate as monopolies or near monopolies as a tradeoff
16 for a ceiling on the price of service because: (1) the services provided by utilities are
17 considered necessities by society; and (2) capital-intensive and long-lived facilities are
18 necessary to provide utility service. Generally, utilities are required to serve all customers
19 in their service territory at reasonable rates determined by regulators. As a result, regulators
20 act as a substitute for a competitive-free market system when they authorize prices for
21 utility service.

22 Although utilities operate in varying degrees as regulated monopolies, they must
23 compete with governmental bodies, non-regulated industries, and other utilities for labor,
24 materials, and capital. Capital is provided by investors who seek the highest return

1 commensurate with the perceived level of risk; the greater the perceived risk, the higher
2 the required return rate. In order for utilities to attract the capital required to provide
3 service, a fair rate of return should equal an investor-required, market-determined rate of
4 return.

5
6 **Q. What constitutes a fair rate of return?**

7 A. Two noted Supreme Court cases define the benchmarks of a fair rate of return. In
8 *Bluefield*¹, a fair rate of return is defined as: (1) equal to the return on investments in other
9 business undertakings with the same level of risks (the comparable earnings standard);
10 (2) sufficient to assure confidence in the financial soundness of a utility (the financial
11 integrity standard); (3) adequate to permit a public utility to maintain and support its credit,
12 enabling the utility to raise or attract additional capital necessary to provide reliable service
13 (the capital attraction standard). The second case, *Hope*², determined a fair rate of return
14 to be based upon guidelines found in *Bluefield* as well as stating that: (1) allowed revenues
15 must cover capital costs including service on debt and dividends on stock; and (2) the
16 Commission was not bound to use any single formula or combination of formulae in
17 determining rates. Utilities are not entitled to a guaranteed return. However, the
18 regulatory-determined price for service must allow the utility a fair opportunity to recover
19 all costs associated with providing the service, including a fair rate of return.

¹Bluefield Water Works & Improvement Company v. P.S.C. of West Virginia, 262 U.S. 679 (1923).

²Federal Power Commission v. Hope Natural Gas Company, 320 U.S. 591 (1944).

INVESTMENT RISK

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Q. Previously, you referred to risk. Please define the term risk.

A. Risk is the uncertainty associated with a particular action; the greater the uncertainty of a particular outcome, the greater the risk. Investors who invest in risky assets expose themselves to investment risk particular to that investment. Investment risk is the sum of business risk and financial risk. Business risk is the risk inherent in the operations of a business. Assuming that a Company is financed with 100% common equity, business risk includes all operating factors that affect the probability of receiving expected future income such as: sales volatility, management actions, availability of product substitutes, technological obsolescence, regulation, raw materials, labor, size and growth of the market served, diversity of the customer base, economic activity of the area served, and other similar factors.

Q. What is financial risk?

A. Financial risk reflects the manner in which an enterprise is financed. Financial risk arises from the use of fixed cost capital (leverage) such as debt and/or preferred stock, because of the contractual obligations associated with the use of such capital. Because the fixed contractual obligations must be serviced before earnings are available for common stockholders, the introduction of leverage increases the potential volatility of the earnings available for common shareholders and therefore increases common shareholder risks.

Although financial risk and business risk are separate and distinct, they are interrelated. In order for a company to maintain a given level of investment risk, business risk and financial risk should complement one another to the extent possible. For example, two firms may have similar investment risks while having different levels of business risk,

1 if the business risk differences are compensated for by using more or less leverage
2 (financial risk) thereby resulting in similar investment risk.

3
4 **DESCRIPTION OF NAWC**

5 **Q. Please give a brief description of the Company.**

6 A. NAWC is a regulated public utility that provides water service in Newtown Borough,
7 Newtown Township and the northern portion of Middletown Township, Bucks County,
8 Pennsylvania. The Company has about 10,600 metered customers and provides service to
9 a population of approximately 37,000 people. The price of service of NAWC is regulated
10 by the Pennsylvania Public Utility Commission (“Commission” or “PUC”).

11
12 **THE INDUSTRY**

13 **Q. Please give a brief overview of the industry in which the Company operates.**

14 A. NAWC operates in the water supply industry and the wastewater utility industry. The
15 water supply industry has a Standard Industrial Classification (“SIC”) code of 4941, has
16 water utilities, and includes establishments primarily engaged in distributing water for sale
17 for residential, commercial, and industrial uses. Government controlled establishments
18 such as municipalities, public service districts and other local governmental entities
19 dominate the industry. Private companies or investor owned utilities (“IOU”) are active in
20 the construction and improvement of water supply facilities and infrastructure. There are
21 currently about 11,000 U.S. Businesses with a SIC code of 4941.

22 A comparative industry to the water supply industry is the wastewater supply
23 industry. The wastewater utility industry has a Standard Industrial Classification (“SIC”) code of 4952 (Sewerage Systems), has sewer utilities, and includes establishments

1 primarily engaged in the collection and disposal of wastes conducted through a sewer
2 system, including such treatment processes as may be provided. There are currently about
3 2,200 U.S. Businesses with a SIC code of 4952.

4 The water supply industry is the most fragmented of the major utility industries
5 with more than 53,000 community water systems in the U.S. (83% of which serve less than
6 3,300 customers). The nation's water systems range in size from large municipally owned
7 systems, such as the New York City water system that serves approximately 9 million
8 people, to small systems, where a few customers share a common well.

9 According to the U.S. Environmental Protection Agency's ("EPA") most recent
10 survey of publicly-owned wastewater treatment facilities in 2008, there are approximately
11 15,000 such facilities in the nation, serving approximately 74% of the U.S. population.
12 Ninety eight percent of domestic wastewater systems are government owned rather than
13 IOUs. Currently, there are no wastewater utility companies that have actively traded
14 stock.³

15 An estimated 16% of all water supplies are managed or owned by IOUs. IOUs
16 consist of companies with common stock that is either actively traded or inactively traded,
17 as well as companies that are closely held, or not publicly traded. Currently, there are only
18 about nine investor owned water utility companies with publicly traded stock in the U.S.

19 The water utility industry's and wastewater utility industry's increased compliance
20 with state and federal water purity levels and large infrastructure replacements are driving
21 consolidation of the wastewater utility and water utility industries. Because many
22 wastewater utility and water utility operations do not have the means to finance the

³Many of the publicly traded water utility stocks also own some wastewater utilities but there are no publicly traded utility stocks which are comprised solely of wastewater utilities.

1 significant capital expenditures needed to comply with these requirements, many have been
2 selling their operations to larger, financially stronger utilities.

3 The larger IOUs have been following an aggressive acquisition program to expand
4 their operations by acquiring smaller wastewater and water systems. Generally, they enter
5 a new market by acquiring one or several wastewater or water utilities. After their initial
6 entry into a new market, the larger investor-owned water utility companies continually seek
7 to expand their market share and services through the acquisition of wastewater and water
8 utility businesses and operations that can be integrated with their existing operations. Such
9 acquisitions may allow a company to expand market share and increase asset utilization by
10 eliminating duplicate management, administrative, and operational functions.
11 Acquisitions of small, independent utilities can often add earning assets without necessarily
12 incurring the costs associated with the Safe Drinking Water Act (“SDWA”) ⁴ if such
13 acquisitions are contiguous to the potential purchaser.

14 In summary, the result of increased capital spending, to meet the SDWA and CWA
15 requirements and replace the aging infrastructure of many systems, has moved the
16 wastewater and water industries toward consolidation. Moreover, Federal and State
17 regulations and controls concerning water quality are still in the process of being developed
18 and it is not possible to predict the scope or the enforceability of regulations or standards
19 which may be established in the future, or the cost and effect of existing and potential
20 regulations and legislation upon NAWC. However, as a smaller size water system, NAWC

⁴The SDWA is the principal federal law in the United States intended to ensure safe drinking water for the public. Pursuant to the act, the EPA is required to set standards for drinking water quality and oversee all states, localities, and water suppliers who implement these standards. The CWA, or Clean Water Act, is the primary federal law in the United States governing water pollution. The CWA’s objective is to restore and maintain the chemical, physical, and biological integrity of the nation’s waters by preventing point and nonpoint pollution sources, providing assistance to publicly owned treatment works for the improvement of wastewater treatment, and maintaining the integrity of wetlands.

1 faces the cost of compliance with less financial resources when compared to larger IOU
2 water utilities.

3 **COMPARABLE GROUP**

4 **Q. How do you estimate the cost of common equity for NAWC?**

5 A. NAWC's common stock is not publicly traded. Accordingly, I employed a comparable
6 group of utility companies with actively traded stock, to determine a market-required cost
7 rate of common equity capital for NAWC. Since no companies are perfectly identical to
8 NAWC, it is reasonable to determine the market-required cost rate for a comparable group
9 of utility companies and adjust, to the extent necessary, for investment risk differences
10 between NAWC and the comparable group.

11
12 **Q. How did you select the comparable group used to determine the cost of common
13 equity for NAWC?**

14 A. I selected a comparable group of water utilities to determine the cost of common equity for
15 NAWC considering security analysts' coverage. Unlike the other utility industries, only a
16 portion of the IOU water companies with publicly traded stock in the U.S. are followed by
17 security analysts. Coverage by security analysts is important when determining a market
18 required cost of common equity. Accordingly, security analysts' coverage was considered
19 when selecting my comparable group. I selected my water utility comparable group, Water
20 Group Followed by Analysts ("Water Group"), based upon a general criteria that includes:
21 (1) all U.S. water utilities that are covered by security analysts as measured by the existence
22 of sources of published projected five-year growth rates in earnings per share ("EPS"); (2)
23 with a Standard Industrial Classification (SIC) of 4941 (i.e., Water Supply Facilities and
24 Infrastructure); (3) with a North American Industry Classification System (NAICS) of

1 221310 (i.e., Water Supply and Irrigation Systems); (4) are not the announced subject of
 2 an acquisition; (5) currently pay a common dividend and have not reduced their common
 3 dividend within the past four years; (6) have market value of common stock, the product
 4 of multiplying the closing stock price by the number of common shares outstanding, greater
 5 than \$500.0 million; and (7) have a total enterprise, the sum of market value, preferred
 6 stock and total debt, greater than \$700.0 million.

7 It should be noted that the Water Group is also referred to as the Comparable Group
 8 and/or the Comparable Companies.⁵ The names of the utilities that comprise the
 9 Comparable Group and their bond or credit ratings are listed in Table 1.

<u>Bond and Credit Ratings for The Water Group Followed by Analysts</u>	
<u>Water Group Followed by Analysts</u>	<u>S&P Credit Rating</u>
American States Water Co	A+
American Water Works Co Inc	A
California Water Service Gp *	A+
Essential Utilities, Inc.	A
Middlesex Water Co	A
SJW Corp	A-
York Water Co	<u>A-</u>
Average	<u>A</u>
* - The A+ bond rating is that for California Water Service, Inc.	

10

Table 1

⁵All of the Comparable Companies also provide some wastewater service.

1 **Q. Why did you include not being the subject of an acquisition as a criteria for the Water**
2 **Group?**

3 A. To begin with, there are only about nine investor owned water utility companies with
4 publicly traded stock in the U.S., and some of these companies are very small. As stated
5 previously, the IOU water industry receives only limited exposure on Wall Street.

6 Additionally, the merger activity in the water industry can result in abnormal or
7 “tainted” stock prices in terms of a DCF analysis because premiums are typically paid in
8 corporate acquisitions. That is, when a tender offer is made for the purchase of all the
9 outstanding stock of a company, the amount of that offer usually exceeds the price at which
10 the stock was previously traded in the market. These large premiums are often reflected in
11 the prices of other water utilities that are not currently the announced subject of an
12 acquisition.⁶

13

14

CAPITAL STRUCTURE

15 **Q. What is required to develop an overall rate of return?**

16 A. The first step in developing an overall rate of return is the selection of capital structure
17 ratios to be employed. Next, the cost rate for each capital component is determined. The
18 overall rate of return is the product of weighting each capital component by its respective
19 capital cost rate. This procedure results in NAWC’s overall rate of return being weighted
20 proportionately to the amount of capital and cost of capital of each type of capital.

21

⁶ Multiple publications mention these impacts including Research Magazine – April 2010, Barron’s – March 2001, Utility Business – June 2002, Value Line Investment Survey – April 2013, and Wastewater Digest, March 2022.

1 **Q. Does NAWC directly raise or issue its own debt capital?**

2 A. Yes.

3

4 **Q. What capital structure ratios are appropriate to be used to develop NAWC's overall**
5 **rate of return?**

6 A. Consistent with settled rate setting principles, I believe it is necessary to evaluate NAWC's
7 current cost of capital based on NAWC's projected March 31, 2026 capital structure, which
8 includes 45% debt and 55% common equity as reflected in Schedule 1.

9

10 **Q. Is there a set of regulatory and financial principles used in deciding the appropriate**
11 **capital structure to use for cost of capital purposes?**

12 A. Yes. There is a general set of regulatory and financial principles used in deciding the
13 capital structure issue for cost of capital purposes that are consistent with both regulatory
14 and financial theories:

15 1) It is generally preferable to use a utility's actual capital structure in developing its
16 rate of return. However, in deciding whether a departure from this general
17 preference is warranted in a particular case, it is appropriate to first look to the issue
18 of whether the utility is a financially independent entity. In determining whether a
19 utility is a financially independent entity or self-financing, it is important to look to
20 whether the utility:

- 21 ● has its own bond rating;
- 22 ● provides its own debt financing; and
- 23 ● debt financing is not guaranteed by a parent company.

- 1 2) When a utility issues its own debt that is not guaranteed by the public or private
2 parent and has its own bond rating, regulatory and financial principles indicate to
3 use a utility's own capital structure, unless the utility's capital structure is not
4 representative of the utility's risk profile or where use of the actual capital structure
5 would create atypical results. Regulatory and financial principles involve
6 determining whether the actual capital structure is atypical when compared with the
7 capital structures approved by the Commission for other utilities that operate in the
8 same industry (*i.e.*, water utility, gas distribution utility, etc.), as well as those of
9 the proxy utility companies that operate in the same industry.
- 10 3) For utility subsidiaries without publicly traded stock, the manner in which the utility
11 obtains its debt financing determines whether it does its own financing. Public
12 Utility Commissions generally determine if a subsidiary has financial, operational,
13 and managerial relationships with its parent entity. However, having such ties
14 typically has not led to use of a parent's capital structure for regulatory purposes,
15 unless the subsidiary utility issues no long-term debt, issues long-term debt only to
16 its parent, or issues long-term debt to outside investors only with the guarantee of
17 its parent.
- 18 4) If a utility does not provide its own financing, Public Utility Commissions often
19 look to another entity. Generally, Public Utility Commissions use the actual capital
20 structure of the entity that does the financing for the regulated utility as long as it
21 results in just and reasonable rates. This generally means using a parent company.
- 22 5) If the parent's capital structure is used, because it finances the operation of the
23 utility, regulatory and financial principles require adjustments in the utility's
24 allowed rate of return on equity to adjust for risk differences, if any, between the

1 parent and the regulated subsidiary. If, however, the financing entity's capital
2 structure is inconsistent relative to the capital structures of the publicly-traded
3 proxy companies used in the cost of equity analysis and capital structures approved
4 for other utilities that operate in the same industry (*i.e.*, water utility, gas
5 distribution utility, etc.), Public Utility Commissions employ a hypothetical capital
6 structure.

7 Once the cost of equity for the proxy companies is determined, thereby establishing
8 a range of reasonable returns, Public Utility Commissions should determine where to set
9 the utility's return in that range based upon how the utility's risk compares with that of
10 other utilities that operate in the same industry (*i.e.*, water utility, gas distribution utility,
11 etc.). The risk analysis begins with the assumption that the utility generally falls within a
12 broad range of average risk, absent highly unusual circumstances that indicate an
13 inconsistently high or low risk as compared to other utilities that operate in the same
14 industry (*i.e.*, water utility, gas distribution utility, etc.). Generally, financial risk is a
15 function of the amount of debt in an entity's capital structure used for cost of capital
16 purposes. When there is more debt, there is more risk.

17
18 **Q. How does your recommended capital structure compare with ratios employed by**
19 **other investor-owned companies?**

20 A. The capital structure I recommend for NAWC reflects a common equity ratio of 55% which
21 is similar to the range of the ratios employed by other investor-owned water companies as
22 shown on pages 2 and 3 of Schedule 2. A comparison of my recommendation for NAWC's
23 capital structure ratios to those recently employed by the Comparison Group is shown in
24 Table 2.

<u>Comparison of Capital Structure Ratios</u>			
	<u>NAWC</u>	<u>Water Group</u>	
	Projected <u>3/31/2026</u>	At <u>12/31/2023</u>	Projected <u>2028</u>
Debt	45.0	50.6	44.7
Preferred Stock	0.0	0.0	0.0
Common Equity	<u>55.0</u>	<u>49.4</u>	<u>55.3</u>
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Table 2

The NAWC's rate making capital structure ratios are reasonable based upon the above information. Moreover, NAWC's smaller size justifies the use of more equity capital than the Comparison Group in order to counterbalance some of the risk associated with its size. The size of company is an indicator of risk and is discussed later in my testimony in more detail.

EMBEDDED COST RATE

Q. What embedded cost rates do you recommend be used to calculate NAWC's overall rate of return?

A. Consistent with my recommended capital structure ratios I recommend using NAWC's embedded debt cost rate of 4.64% for NAWC as reflected in Schedule 1. The determination of the embedded debt cost rate is shown on page 1 of Schedule 2. The determination of an embedded cost rate is a relatively simple arithmetic exercise because a company has contracted for this capital for a specific period of time and at a specific cost, including issuance expenses and coupon rate.

FINANCIAL ANALYSIS

1
2 **Q. Have you reviewed historical financial information of NAWC as part of your**
3 **analysis?**

4 A. Yes. On page 1 of Schedule 3, I developed a five-year analysis, ending in 2023, detailing
5 various financial ratios for NAWC. On Schedule 4, I performed a similar five-year analysis
6 for the Water Group. Schedule 5 reveals the results of operations for a large broad-based
7 group of utilities known as the Standard & Poor's ("S&P") Utilities for the five years
8 ending 2023. This information is useful in determining relative risk differences between
9 different types of utilities.

10 Comparing NAWC, the Comparable Group and the S&P Utilities' coverage of
11 fixed charges and the various cash flow coverage proves that the Comparable Group has
12 experienced a lower level of coverage than the S&P Utilities. Reviewing NAWC's various
13 cash flow coverages shows NAWC has had higher levels of coverage than the Comparable
14 Group.

15
16 **Q. What do you conclude from the comparison of all the information shown on Schedules**
17 **3 through 5?**

18 A. Taken together, these comparisons show that NAWC is exposed to risk that is similar in
19 nature but greater in degree compared with the Comparable Groups. This is evident in
20 particular when one considers the size and diversification of NAWC, or lack thereof, as
21 compared to the Comparable Companies. Moreover, the evidence from the various
22 financial ratios shows NAWC's risks as being similar to the Comparable Companies' but
23 less than the larger S&P Utilities. Prospectively, NAWC's future construction

1 expenditures will place downward pressure on NAWC's financial ratios as measured by
2 interest coverage and cash generation.

3
4 **Q. What information is shown on Schedule 6?**

5 A. Schedule 6 lists the names, issuer credit ratings, common stock rankings, betas and market
6 values of the companies contained in the Comparable Group and the S&P Utilities. As is
7 evident from the information shown on Table 3, the Comparable Group and the S&P
8 Utilities are similar to each other in risk.

	S&P Issuer Credit <u>Rating</u>	S&P Quality <u>Ranking</u>	Value Line <u>Beta</u>	Recent Market <u>Value</u> (Mill \$)	Market Quartile <u>Name</u>
Water Group	A	High (A)	0.83	2,739.674	Mid-Cap
S&P Utilities	BBB+	Average (B+)	0.97	25,476.947	Large-Cap

9 **Table 3**

10 The Water Group's average issuer credit ratings and common stock rankings are
11 higher than the S&P Utilities. The average beta of the Comparable Group, 0.83, is less
12 than the average beta of the S&P Utilities, 0.97. Beta is a measure of volatility or market
13 risk; the higher the beta, the higher the market risk. The market values provide an
14 indication of the relative size of each group. As a generalization, the smaller the average
15 size of a group, the greater the risk.

16 Page 2 of Schedule 6 shows that NAWC has recently experienced the lowest return
17 on equity ("ROE") when compared to the Comparable Companies. Further, NAWC's
18 dividend payout ratio is similar to the Comparable Companies' dividend payout ratio.

1 S&P, the predominant bond rating agency, considers profit to be a fundamental
2 determinant of credit protection. S&P states that a firm's profit level:

3 Whether generated by the regulated or deregulated side of the business,
4 profitability is critical for utilities because of the need to fund investment-
5 generating capacity, maintain access to external debt and equity capital, and
6 make acquisitions. Profit potential and stability is a critical determinant of
7 credit protection. A company that generates higher operating margins and
8 returns on capital also has a greater ability to fund growth internally, attract
9 capital externally, and withstand business adversity. Earnings power
10 ultimately attests to the value of the company's assets, as well. In fact, a
11 company's profit performance offers a litmus test of its fundamental health
12 and competitive position.

13
14 Accordingly, the conclusions about profitability should confirm the
15 assessment of business risk, including the degree of advantage provided by
16 the regulatory environment.⁷

17
18 **Q. What information is shown on Schedule 7?**

19 A. Schedule 7 reveals the capital intensity and capital recovery for NAWC, the Comparable
20 Companies and the S&P Utilities. Based upon the 2023 capital intensity ratio of plant to
21 revenues, NAWC (\$8.62) is more capital intensive as compared to the Water Group (\$6.81)
22 and more than the S&P Utilities (\$4.70). From a purely financial point of view, based on
23 current accounting practices, the rate of capital recovery or depreciation rate is an
24 indication of risk because it represents cash flow and the return of an investment. NAWC's
25 average rate of capital recovery is lower than the Comparable Group's, suggesting more
26 risk.

27 The return on equity and depreciation expense provides the margin for coverage of
28 construction expenditures. For a utility company, depreciation expense is the single largest
29 generator of cash flow. From a financial analyst's point of view, cash flow is the life blood

⁷Standard & Poor's Ratings Services, *Criteria, Utilities: Key Credit Factors: Business And Financial Risks In The Investor-Owned Utilities Industry*, Nov. 26, 2008, pps. 8-9.

1 of a utility company. Without it, a utility cannot access capital markets, it cannot construct
 2 plant, and therefore, it cannot provide service to its customers.

4 RISK ANALYSIS

5 **Q. Please explain the information shown on Schedule 8.**

6 A. Schedule 8 details the size difference between NAWC and the Comparable Group.
 7 Company size is an indicator of business risk and is summarized in Table 4.

<u>Number of Times Larger Than NAWC</u>	
	<u>Water Group</u>
Capitalization	470.3x
Revenues	199.8x
Number of Customers	91.9x

8 **Table 4**

9 As shown in Table 4, NAWC is smaller than the Water Group. The size of a company
 10 affects risk. A smaller company requires the employment of proportionately less financial
 11 leverage (*i.e.*, debt and preferred capital) than a larger company to balance out investment
 12 risk. If investment risk is not balanced out, then a higher cost of capital is required.

13
 14 **Q. Why is size significant to your analysis?**

15 A. The size of a company can be likened to ships on the ocean, since a large ship has a much
 16 better chance of weathering a storm than a small ship. The loss of a large customer will
 17 impact a small company much more than a large company because a large customer of a
 18 small company usually accounts for a larger percentage of the small company's sales.

1 Moreover, a larger company is likely to have a more diverse geographic operation
2 than a smaller company, which enables it to sustain earnings fluctuations caused by
3 abnormal weather in one portion of its service territory. A larger company operating in
4 more than one regulatory jurisdiction enjoys “regulatory diversification” which makes it
5 less susceptible to adverse regulatory developments or eminent domain claims in any single
6 jurisdiction. Further, a larger company with a more diverse customer base is less
7 susceptible to downturns associated with regional economic conditions than a small
8 company. For example, on average, the average company in the Water Group provides
9 water/sewer service in multiple states for about 970,639 customers. The average
10 population of the communities served by the average company in the Water Group is about
11 3.5 million people. These wide-ranging operations provide the Water Group substantial
12 geographic, economic, regulatory, weather and customer diversification. NAWC provides
13 regulated water and wastewater service to about 10,600 customers (2023). The
14 concentration of NAWC’s business in southeastern Pennsylvania makes it very susceptible
15 to any adverse development in local regulatory, economic, demographic, competitive and
16 weather conditions.

17 Further, S&P, a major credit rating agency, recognizes the importance that
18 diversification and size play in credit ratings. S&P believes some of the critical factors
19 include: regional and cross-border market diversification (mitigates economic,
20 demographic, and political risk concentration); customer diversification; and regulatory
21 regime diversification.⁸

⁸Standard & Poor’s, Corporate Ratings Criteria, Utilities: Key Credit Factors: Business and Financial Risks in The Investor-Owned Utilities Industry, Nov. 26, 2008.

1 The size of a company can be a barrier to fluid access to capital markets (*i.e.*,
2 liquidity risk). Investors require compensation for the lack of marketability and liquidity
3 of their investments. If no compensation is provided, then investors, or at least
4 sophisticated investors, shy away.

6 **Q. Is the impact of size commonly recognized?**

7 A. Yes, the National Association of Regulatory Utility Commissioners (“NARUC”), and the
8 majority of acclaimed financial texts, recognize that size affects relative business risk.
9 Liquidity risk and the existence of the small firm effect relating to business risk of small
10 firms are well-documented in financial literature.⁹ Investors’ expectations reflect the
11 highly-publicized existence of the small firm effect. For example, many mutual funds
12 classify their investment strategy as small capitalization in an attempt to profit from the
13 existence of the small firm effect.

14 As previously discussed, S&P recognizes that size plays a role in credit ratings.

15 Standard & Poor’s has no minimum size criterion for any given rating level.
16 However, size turns out to be significantly correlated to ratings. The reason:
17 size often provides a measure of diversification, and/or affects competitive
18 position. . . . Small companies are, almost by definition, more concentrated
19 in terms of product, number of customers, or geography. In effect, they lack
20 some elements of diversification that can benefit larger companies. To the
21 extent that markets and regional economies change, a broader scope of
22 business affords protection. This consideration is balanced against the
23 performance and prospects of a given business. . . . In addition, lack of
24 financial flexibility is usually an important negative factor in the case of
25 very small companies. Adverse developments that would simply be a
26 setback for companies with greater resources could spell the end for
27 companies with limited access to funds.¹⁰

⁹Banz, Rolf, W. "The Relationship Between Return and Market Value of Common Stocks," *Journal of Financial Economics*, 9:3-18 1981. For subsequent studies see Fama and French, etc.

¹⁰*Standard & Poor’s, Corporate Ratings Criteria 2006*; p. 22.

1 As shown on Schedule 9, size plays a role in the composition of investors, and hence
2 liquidity. In 2023, about 133% of the Water Group's shares traded while the larger
3 companies comprising the S&P Utilities had a much higher trading volume of 171%.
4 Insiders¹¹ hold more than ten times more, as a percent to total, of the Water Group's shares
5 than the S&P Utilities. Currently, only about 77% of the Water Group shares are held by
6 institutions¹² while the larger companies comprising the S&P Utilities had much higher
7 institutional holdings of 85%. Due to small size and less interest by financial institutions,
8 fewer security analysts follow the Comparable Group, and none follow NAWC.

9 The lack of trading activity may affect the cost of equity estimates for small entities
10 such as NAWC and the Water Group. When stock prices do not change because of inactive
11 trading activity, estimates of dividend yield for use in a dividend cash flow model and beta
12 estimates for use in the capital asset pricing model are affected. In a stock market that is
13 generally up, the beta estimates for the Comparable Companies may be understated due to
14 thin trading.

15
16 **Q. Do NAWC and the Comparable Companies have similar operating risks?**

17 A. Yes. From an operations standpoint, NAWC and the Comparable Companies have similar
18 risks and are indistinguishable. Both are required to meet Clean Water Act and Safe
19 Drinking Water Act requirements and are also required to provide safe and reliable services
20 to their customers and comply with Commission regulations.

¹¹An insider is a director or an officer who has a policy-making role or a person who is directly or indirectly the beneficial owner of more than 10% of a certain company's stock.

¹²Institutional holders are those investment managers having a fair market value of equity assets under management of \$100 million or more. Certain banks, insurance companies, investment advisers, investment companies, foundations and pension funds are included in this category.

1 **Q. Is there any single measure that best shows investment risk from a common**
2 **stockholder’s perspective?**

3 A. No. However, from a creditor’s viewpoint, the best measure of investment risk is debt
4 rating. The debt rating process generally provides a good measure of investment risk for
5 common stockholders because the factors considered in the debt rating process are usually
6 relevant factors that a common stock investor would consider in assessing the risk of an
7 investment. Credit rating agencies, such as S&P, assess the risk of an investment into two
8 categories based on: fundamental business analysis; and financial analysis.¹³ The business
9 risk analysis includes assessing: Country risk; industry risk; competitive position; and
10 profitability/peer group comparisons. The financial risk analysis includes assessing:
11 accounting; financial governance and policies/risk tolerance; cash flow adequacy; capital
12 structure/asset protection; and liquidity/short-term factors.

13

14 **Q. What is the bond rating of NAWC and the Comparable Group?**

15 A. Page 1 of Schedule 10 shows the average bond/credit rating Comparable Group. The
16 Comparable Group has an A credit profile and NAWC does not have bonds rated. The
17 major bond rating/credit rating agencies append modifiers, such as +, - for S&P and 1, 2,
18 and 3 for Moody’s Investors Service (“Moody’s”) to each generic rating classification. For
19 example, an “A” credit profile is comprised of three subsets such as A+, A, A- for S&P or
20 A1, A2 or A3 for Moody’s. The modifier of either “+” or “1” indicates that the obligation
21 ranks in the higher end of its generic rating category; the modifier “2” indicates a mid-

¹³*Standard & Poor’s, Corporate Ratings Criteria*, General: Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, May 27, 2009 and *Standard & Poor’s, Criteria Corporates General: Corporate Methodology*, November 19, 2013.

1 range ranking; and the modifier of “-“ or “3” indicates a ranking in the lower end of that
2 generic rating category.

3 S&P and Moody’s publish financial benchmark criteria necessary to obtain a bond
4 rating for different types of utilities. As a generalization, the higher the perceived business
5 risk, the more stringent the financial criteria so the sum of the two, business risk and
6 financial criteria, remains the same.

7 **Q. What are some financial benchmarks applied by credit rating agencies for rating
8 public utility debt?**

9 A. S&P describes its range of financial benchmarks as

10 Risk-adjusted ratio guidelines depict the role that financial ratios play in
11 Standard & Poor’s rating process, since financial ratios are viewed in the
12 context of a firm’s business risk. A company with a stronger competitive
13 position, more favorable business prospects, and more predictable cash
14 flows can afford to undertake added financial risk while maintaining the
15 same credit rating. The guidelines displayed in the matrices make explicit
16 the linkage between financial ratios and levels of business risk.¹⁴

17 **Q. What other information is shown on Schedule 10?**

18 A. Page 2 of Schedule 10 summarizes the application of S&P’s and Moody’s measures of
19 financial risk for NAWC and the Comparable Group. S&P’s and Moody’s measures of
20 financial risk are broader than the traditional measure of financial risk (i.e., leverage).
21 Besides reviewing amounts of leverage employed, S&P and Moody’s also focus on
22 earnings protection and cash flow adequacy.

23 As is evident from the information shown on page 2 of Schedule 10, for the five
24 years ending in 2023 and for the year 2023, NAWC’s cash flow adequacy ratios were
25 generally higher than the Comparable Companies in most instances. Comparing the
26 NAWC and the Water Group’s measures of cash flow adequacy shows that the NAWC has

¹⁴Standard & Poor’s Corporate Rating Criteria, 2000.

1 experienced a higher level of cash flow adequacy than Water Group, indicating that NAWC
2 is a lower investment risk than the Water Group. Prospectively, based upon the Company's
3 construction program, the Company's ratios are likely to be strained. Based solely upon
4 NAWC's historical ratios, it is my opinion that NAWC's credit profile is similar but higher
5 to the Comparable Companies.

6 However, based solely upon NAWC's size, it is my opinion that NAWC's credit
7 profile is similar but lower than the Comparable Groups'. Based on NAWC's smaller size,
8 it is highly likely that NAWC's credit profile is below BBB (i.e., BB), based solely upon
9 size. An analysis of corporate credit ratings, shown on page 4 of Schedule 10, indicates
10 that there is an 87% (100%-0%-1%-4%-8%=87%) chance that NAWC's credit profile falls
11 below BBB based on its small size alone.¹⁵ As S&P has stated, size is significantly
12 correlated to credit ratings.

13 An analysis of corporate credit ratings, summarized on page 4 of Schedule 10,
14 found The Berkshire Gas Company ("Berkshire") to be the smallest utility with a credit
15 rating. Berkshire's credit rating is only BBB+ despite having a capitalization comprised
16 of about \$213 million and a common equity ratio of 72%. According to this analysis of
17 corporate credit ratings, the smallest rated water utility is The York Water Company
18 ("York"). York's credit rating is only A- notwithstanding having a capitalization of about
19 \$402 million and a common equity ratio of 55%.

20 In order to compete with the Comparable Group for capital, in the future, it will be
21 necessary for NAWC to achieve higher returns on equity, and increased cash flow just to
22 maintain a similar credit quality.

¹⁵ Additionally, using NAWC's \$13.091 million capitalization as a midpoint, I found only 9 companies which had capitalization of less than \$300.000 million with a S&P bond or credit rating. Of these 9 companies, only 44% had bonds rated BBB or higher.

1 S&P has stated:

2 ... low authorized returns may affect the industry's ability to attract necessary
3 capital to develop new water supplies and upgrade the quality of existing
4 supplies . . . Traditional ratemaking policy has not provided sufficient credit
5 support during the construction cycle of the electric industry over the past 15
6 years. To avoid a repeat in the water industry, regulators must be aware of
7 the increased challenges the industry faces.¹⁶

8 Investors will not provide the equity capital necessary for increasing the amount of
9 common equity in a capital structure unless the regulatory authority allows an adequate
10 rate of return on the equity.¹⁷

11
12 **Q. What do you conclude from the various measures of investment risk information you**
13 **have testified to?**

14 A. A summary of my conclusions regarding the risk analyses discussed previously is shown
15 in Table 5. Overall, the information summarized in Table 5 indicates that NAWC has
16 similar investment risk as the Water Group.

¹⁶Standard & Poor's CreditWeek, May 25, 1992 (emphasis added).

¹⁷National Association of Regulatory Utility Commissioners, loc. cit.

<u>Summary of Risk Analyses</u>		
	NAWC	Water Group Followed by Analysts
1. Business Risk:		
2. Country Risk	Similar Risk Level	
3. Industry Risk	Similar Risk Level	
4. Competitive Position	Similar Risk Level	
5. Profitability/Peer Group Comparisons	Higher Risk Level	
6. Capitalization Ratios & Financial Risk (Leverage)*	Similar Risk Level	
7. Debt Cost Rate*	Similar Risk Level	
8. Relative Size:		
9. Regulatory Diversification	Higher Risk Level	
10. Economic Diversification	Higher Risk Level	
11. Demographic Diversification	Higher Risk Level	
12. Diversification of Weather Conditions	Higher Risk Level	
13. Customer Concentration of Revenues	Higher Risk Level	
14. Capital Intensity	Higher Risk Level	
15. Capital Recovery	Higher Risk Level	
16. Lower Liquidity:		
17. Institutional Holdings	Higher Risk Level	
18. Insider Holdings	Higher Risk Level	
19. Percentage of Shares Traded	Higher Risk Level	
20. Required To Meet Clean Water Acts and Safe Drinking Water Act	Similar Risk Level	
21. Credit Market Financial Risk Metrics		Higher Risk Level
22. Cash Flow Adequacy		Higher Risk Level
23. Credit Rating / Credit Profile	Similar Risk Level	
<p>* - Based on recommended capital structure for rate making purposes. Comment: The terms "Similar Level" indicates same amount of risk and the terms "Higher Level" indicates greater risk.</p>		

1 **Table 5**

2

3

CAPITAL COST RATES

4 **Q. What information is shown on Schedule 11?**

5 A. Schedule 11 reviews long-term and short-term interest rate trends. Long-term and short-

6 term interest rate trends are reviewed to ascertain the “sub-flooring” or “basement” upon

7 which the Comparable Companies’ common equity market capitalization rate is built.

8 Based upon the settled yields implied in the Treasury Bond future contracts and the long-

9 term and recent trends in spreads between long-term government bonds and A-rated public

1 utility bonds available to me at the time Schedule 11 was prepared, I conclude that the
2 market believes that if the Comparable Companies issued new long-term bonds near term,
3 they would be priced to yield about 5.7% based upon a credit profile of “A.” Further, it is
4 reasonable to conclude the market anticipates that long-term government bonds will be
5 priced to yield about 4.5%, near term.

6 Since October 2008, the Federal Reserve (“FED”) has been monetizing US
7 Treasury debt to artificially suppress interest rates through expansionary money policies
8 (i.e., quantitative easing). The Federal Reserve, with effectively unlimited money at its
9 disposal, intervenes at any time it wishes, in whatever volume it wishes, to make sure that
10 Treasury bond and bill prices and yields are exactly what the Federal Reserve wants them
11 to be. The U.S. Treasury bond market, and mortgage market, has become an artificial
12 market with no connection to objective risk and interest rates.

13 In August 2011, the Federal Reserve began “Operation Twist.” Under “Operation
14 Twist,” the Federal Reserve began buying \$400 billion of long-dated or long-term US
15 Treasury debt, financed by selling short-term US Treasury debt with three years to go or
16 less. The goal of “Operation Twist” was to try to drive long-term rates lower, which the
17 Federal Reserve thought would help the mortgage market. This process has created an
18 artificial demand for the US Treasury debt themselves, and easily drives interest rates
19 artificially lower and deceives investors into believing U.S. Treasury debt is safe with wide
20 demand. This has resulted in the entire capital system being impacted by the Federal
21 Reserve’s distortion of the price of risk.

22 In the real world of economics, the borrower pays an interest rate to a lender,
23 who makes money (interest) by taking on the risk of lending and deferring
24 gratification. The lender is willing to not spend his money now. In a free
25 market economy, interest rates are essentially a price put on money, and
26 they reflect the time preference of people. Higher interest rates reflect a
27 high demand for borrowing and lower savings. But the higher rates

1 automatically correct this situation by encouraging savings and
2 discouraging borrowing. Lower interest rates will work the opposite way.
3 When the government/central bank tampers with interest rates, savings and
4 lending are distorted, and resources are misallocated. This is evident in
5 looking back on the housing bubble. The artificially low interest rates
6 signaled that there was a high amount of savings. But it was a false signal.
7 There was also a signal for people to borrow more. Again, it was a false
8 signal. As these false signals were revealed, the housing boom turned into
9 a bust.¹⁸
10

11 In response to COVID-19, the Federal Reserve provided monetary and fiscal
12 stimulus to increase liquidity in the form of new fiscal stimulus programs and rate cuts.
13 “For context, new fiscal stimulus and total fiscal deficits in the US are roughly double the
14 levels seen in 2008-2009, and the US fiscal deficit we project for 2020 of 15%-18% is only
15 matched by deficits seen at the height of WWII in 1942-1943.”¹⁹ The combined result of
16 these actions by the Federal Reserve and investors’ flight to quality resulted in artificial
17 and historically low risk-free rates as measured by the 30-year treasury bond yield.
18

19 **Q. What are some of the results from the FED’s monetary and fiscal stimulus?**

20 A. The FED’s quantitative easing of expanding its own balance sheet, by buying bonds, and
21 therefore injecting money into the economy, floods the economy with additional cash,
22 keeping interest rates low and impacts equity markets. Additionally, the FED’s
23 uninterrupted and aggressive monetary expansion policy necessarily puts pressure on
24 inflation. The FED’s monetary and fiscal stimulus, which included artificial and
25 historically low interest rates, have produced some of the highest inflation rates in the last
26 40 years according to CNBC.

27 Inflation rose 9.1% in June, even more than expected, as consumer
28 pressures intensify.

¹⁸Pike, Geoffrey "The Threat of Negative Interest Rates," Wealth Daily, May 30, 2014,
<http://www.wealthdaily.com/articles/the-threat-of-negative-interest-rates/5185>, (6/03/2014)

¹⁹ <https://www.jpmorgan.com/jpmpdf/1320748588999.pdf>, (5/29/20).

1
2 Shoppers paid sharply higher prices for a variety of goods in June as
3 inflation kept its hold on a slowing U.S. economy, the Bureau of Labor
4 Statistics reported Wednesday.

5
6 The consumer price index, a broad measure of everyday goods and services
7 related to the cost of living, soared 9.1% from a year ago, above the 8.8%
8 Dow Jones estimate. That marked the fastest pace for inflation going back
9 to November 1981.²⁰
10

11 In response to the recent level of inflation rates, the Federal Reserve announced its
12 goal of increasing interest rates as high as needed to get inflation back to 2%.

13 Americans are headed for a painful period of slow economic growth and
14 possibly rising joblessness as the Federal Reserve raises interest rates to
15 fight high inflation, U.S. central bank chief Jerome Powell warned on
16 Friday in his bluntest language yet about what is in store for the world's
17 biggest economy.
18

19 In a speech kicking off the Jackson Hole central banking conference in
20 Wyoming, Powell said the Fed will raise rates as high as needed to restrict
21 growth, and would keep them there "for some time" to bring down inflation
22 that is running at more than three times the Fed's 2% goal.
23

24 "Reducing inflation is likely to require a sustained period of below-trend
25 growth," Powell said. "While higher interest rates, slower growth, and softer
26 labor market conditions will bring down inflation, they will also bring some
27 pain to households and businesses. These are the unfortunate costs of
28 reducing inflation. But a failure to restore price stability would mean far
29 greater pain."
30

31 As that pain increases, Powell said, people should not expect the Fed to dial
32 back its monetary policy quickly until the inflation problem is fixed.²¹

33 The Chairman of the Federal Reserve reiterated its goal of increasing interest rates
34 as high as needed to get inflation back to 2%.

35 It is the Fed's job to bring inflation down to our 2 percent goal, and we will
36 do so. **We have tightened policy significantly over the past year.**

²⁰ Cox, J. (2022, July 13). Inflation rose 9.1% in June, even more than expected, as consumer pressures intensify. *CNBC*. Retrieved from <https://www.cnbc.com/2022/07/13/inflation-rose-9point1percent-in-june-even-more-than-expected-as-price-pressures-intensify.html>, (7/13/22).

²¹ Schneider, H and Saphir, A (2022, August 26). Powell sees pain ahead as Fed sticks to the fast lane to beat inflation. *REUTERS*. Retrieved from <https://www.reuters.com/markets/us/feds-powell-pain-tight-policy-slow-growth-needed-for-some-time-beat-inflation-2022-08-26/>, (8/27/22).

1 Although inflation has moved down from its peak—a welcome
2 development—it remains too high. **We are prepared to raise rates**
3 **further if appropriate**, and intend to hold policy at a restrictive level until
4 we are confident that inflation is moving sustainably down toward our
5 objective. . . .

6
7 Restrictive monetary policy has tightened financial conditions, supporting
8 the expectation of below-trend growth. **Since last year's symposium, the**
9 **two-year real yield is up about 250 basis points, and longer-term real**
10 **yields are higher as well—by nearly 150 basis points.** Beyond changes
11 in interest rates, bank lending standards have tightened, and loan growth has
12 slowed sharply. . . .

13
14 But we are attentive to signs that the economy may not be cooling as
15 expected. So far this year, GDP (gross domestic product) growth has come
16 in above expectations and above its longer-run trend, and recent readings
17 on consumer spending have been especially robust. In addition, after
18 decelerating sharply over the past 18 months, the housing sector is showing
19 signs of picking back up. Additional evidence of persistently above-trend
20 growth could put further progress on inflation at risk and **could warrant**
21 **further tightening of monetary policy.**²²

22 The Federal Reserve considers inflation, employment and the rate of borrowing,
23 among other economic factors when setting their target interest rate levels.

24 **The Federal Reserve has decided to hold interest rates steady after its**
25 **meeting on June 11 and 12, 2024.** The federal funds target rate has
26 remained at 5.25% to 5.5% since July 2023.

27
28 **To combat inflation, the rate was raised 11 times between March 2022**
29 **and July 2023.** Inflation has receded, but the Fed has signaled it wants more
30 positive data before pulling the trigger.

31
32 In March 2024, the central bank predicted three quarter-point cuts by the
33 end of the year. As time goes on, however, that has become less of a
34 certainty.

35
36 The FOMC meets eight times a year to discuss whether to adjust the federal
37 funds rate, a benchmark that governs overnight lending between
38 commercial banks. Led by Federal Reserve Chair Jerome Powell, the group
39 of 12 considers inflation, employment and the rate of borrowing, among
40 other economic factors.

²² Jerome H. Powell, “Inflation: Progress and the Path Ahead” (“Structural Shifts in the Global Economy,” an economic policy symposium sponsored by the Federal Reserve Bank of Kansas City, Jackson Hole, Wyoming, August 25, 2023). (*Emphasis added and footnotes omitted*)

1 **The FOMC has met four times so far in 2024, but declined to change**
2 **rates.** The remaining meetings this year are:

- 3 July 30 and July 31, 2024
- 4 Sept. 17 and Sept. 18, 2024
- 5 Nov. 6 and Nov. 7, 2024
- 6 Dec. 17 and Dec. 18, 2024

7
8 Amy Hubble, principal investment advisor with Radix Financial, told
9 CNBC Select she doesn't expect a rate hike in July.

10
11 "That doesn't mean that the Fed is doing nothing, though," Hubble said.
12 "They're doing their job — while we don't have any weaknesses in the job
13 market, which is the Fed's most important objective, you still see inflation
14 above 3%. That's higher than we want. We have started to see that come
15 down, but we'll see how the summer goes."²³

16 Prospectively the capital markets will be affected by the upcoming unprecedented
17 large Treasury financings coupled with increased interest rates. Investors provide capital
18 based upon risk and return opportunities and investors will not provide common equity
19 capital when higher risk-adjusted returns are available.

20
21 **COMMON EQUITY COST RATE ESTIMATE**

22 **Q. What is the best method of estimating common equity cost rates?**

23 A. There is no single method (model) suitable for estimating the cost rate for common equity.
24 While a single investor may rely solely upon one model in evaluating investment
25 opportunities, other investors rely on different models. Most sophisticated investors who
26 use an equity valuation model rely on many models in evaluating their common equity
27 investment alternatives. Therefore, the average price of an equity security reflects the

²³ Neubauer, K. and Amond, R. (2024, June 20) "When will interest rates go down? Interest rates have held steady since July 2023.," *CNBC*. Retrieved from <https://www.cnbc.com/select/when-will-interest-rates-drop/#:~:text=Interest%20rates%20have%20held%20steady%20since%20July%202023.&text=The%20Federal%20Reserve%20has%20decided,March%202022%20and%20July%202023>. (accessed June 28, 2024) (*Emphasis added*)

1 results of the application of many equity models used by investors in determining their
2 investment decisions.

3 The application of any single model to estimate common equity cost rates is not
4 appropriate because the security price for which the equity cost rate is being estimated
5 reflects the application of many models used in the valuation of the investment. That is,
6 the price of any security reflects the collective application of many models. Accordingly,
7 if only one model is used to estimate common equity cost rates, that cost rate will most
8 likely be different from the collective market's cost rates because the collective valuation
9 in the market reflects more than one method.

10 Noted financial texts, investor organizations and professional societies all endorse
11 the use of more than one valuation method. "We endorse the dividend discount model,
12 particularly when used for established companies with consistent earnings power and when
13 used along with other valuation models. It is our view that, in any case, an investor should
14 employ more than one model."²⁴

15 The American Association of Individual Investors states, "No one area of
16 investment is suitable for all investors and no single method of evaluating investment
17 opportunities has been proven successful all of the time."²⁵

18 In its study guide, the National Society of Rate of Return Analysts states, "No cost
19 of equity model or other concept is recommended or emphasized, nor is any procedure for
20 employing any model recommended . . . it remains important to recognize that alternative

²⁴Sidney Cottle, Roger F. Murray and Frank E. Block, Graham and Dodd's Securities Analysis 5th Edition, McGraw-Hill, Inc., 1988, p. 568 (emphasis added).

²⁵Editorial Policy, AAII Journal, American Association of Individual Investors, Volume 18, No. 1, January 1996, p. 1.

1 methods exist and have merit in cost of capital estimation. To this end, analysts should be
2 knowledgeable of a broad spectrum of cost of capital techniques and issues.”²⁶

3 Several different models should be employed to measure accurately the market-
4 required cost of equity reflected in the price of stock. Therefore, I used three recognized
5 methods: the DCF shown on Schedule 12, the CAPM shown on Schedule 17, and the RP
6 shown on Schedule 18.

8 DISCOUNTED CASH FLOW

9 **Q. Please explain the discounted cash flow model.**

10 A. The DCF is based upon the assumption that the price of a share of stock is equal to a future
11 stream of cash flows to which the holder is entitled. The stream of cash flows is discounted
12 at the investor-required cost rate (cost of capital).

13 Although the traditional DCF assumes a stream of cash flow into perpetuity, a
14 termination, or sale price can be calculated at any point in time. Therefore, the return rate
15 to the stockholder consists of cash flow (earnings or dividends) received and the change in
16 the price of a share of stock. The cost of equity is defined as:

17 ...the minimum rate of return that must be earned on equity finance
18 and investments to keep the value of existing common equity
19 unchanged. This return rate is the rate of return that investors
20 expect to receive on the Company’s common stock . . . the dividend
21 yield plus the capital gains yield . . . ²⁷
22

²⁶David C. Parcell, The Cost of Capital - A Practitioners Guide, National Society of Rate of Return Analysts, 1995 Edition.

²⁷J. Fred Weston and Eugene F. Brigham, Essentials of Managerial Finance, 3rd ed. (The Dryden Press), 1974, p. 504 (emphasis added).

1 **Q. Please explain how you calculated your dividend yield in the DCF shown on Schedule**
2 **12.**

3 A. As shown on page 1 of Schedule 12, I used the average dividend yield of 2.5% for the
4 Water Group. The individual dividend yields are shown on page 2 of Schedule 12 and are
5 based upon the most recent months' yield, May 2024, and the twelve-month average yield,
6 ending May 2024. The second input to a market DCF calculation is the determination of
7 an appropriate share price growth rate.

8
9 **Q. What sources of growth rates did you review?**

10 A. I reviewed both historical and projected growth rates. Schedule 13 shows the array of
11 projected growth rates for the Comparable Companies that are published. Specific
12 historical growth rates are shown for informational purposes because I believe the
13 meaningful historical growth rates are already considered when analysts arrive at their
14 projected growth rates. Nonetheless, some investors may still rely on historical growth
15 rates.

16
17 **Q. Please explain the sources of the projected growth rates shown on Schedule 13.**

18 A. I relied upon four sources for projected growth rates, First Call, S&P, Zacks Investment
19 Research and Value Line.²⁸

²⁸With the exception of Value Line, the earnings growth rate projections are consensus estimates five-year EPS estimates. These consensus estimates are compiled from more than 1,700 financial analysts and brokerage firms nationwide. It should be noted that none of the consensus forecasts provides projected DPS estimates. Value Line publishes projected Cash flow, EPS and DPS five-year growth projections as well.

1 **Q. Did you review any other growth rates besides those shown on Schedule 13?**

2 A. Yes. I reviewed EPS growth rates reflecting changes in return rates on book common
3 equity (ROE) over time. I summarized recent ROEs on page 1 of Schedule 14 and
4 compared those to the Water Group's higher levels projected to be achieved by Value Line,
5 as shown on page 2 of Schedule 14. ROEs increase when EPS grows at much higher/faster
6 rates than book value.

7 I also reviewed industry specific average projected growth rates that are published
8 by Zacks for the industries in which the Comparable Companies operate. According to
9 Zacks, the Water Group's industry is projected to have EPS growth rates that average
10 11.4% over the next five years.

11

12 **Q. What do you conclude from the growth rates you have reviewed?**

13 A. Table 6 summarizes some of the various growth rates reviewed.

<u>Summary of Growth Rates</u>	
	<u>Water Group</u>
Projected 5 Year Growth in EPS	6.5
Actual 5 Year Growth in EPS	5.6
Projected 5 Year Growth in DPS	6.8
Projected 5 Year Growth in EPS for the industry	11.4

14

Table 6

15 Academic studies suggest that growth rate conclusions should be tested for reasonableness
16 against long-term interest rate levels. Further, the minimum growth rate must at least
17 exceed expected inflation levels. Otherwise, investors would experience decreases in the
18 purchasing power of their investment. Finally, the combined result of adding the growth
19 rate to the market value dividend yield must provide a sufficient margin over yields of

1 public utility debt.

2

3 **Q. What method did you use to arrive at your growth rate conclusion?**

4 A. No single method is necessarily the correct method of estimating share value growth. It is
5 reasonable to assume that investors anticipate that the Water Group's current ROE will
6 expand to higher levels. The published historical earnings growth rates for the Water
7 Group averages 5.6%. Because there is not necessarily any single means of estimating
8 share value growth, I considered all of this information in determining a growth rate
9 conclusion for the Comparable Companies.

10 Moreover, while some rate of return practitioners would advocate that
11 mathematical precision should be followed when selecting a growth rate, the fact is that
12 investors do not behave in the same manner when establishing the market price for a stock.
13 Rather, investors consider both company-specific variables and overall market sentiment
14 such as inflation rates, interest rates and economic conditions when formulating their
15 capital gains expectations. This is especially true when one considers the relatively
16 meaningless negative growth rates. That is, use of a negative growth rate in a DCF implies
17 that investors invest with the expectation of losing money.

18 The range of growth rates previously summarized supports the reasonableness of
19 an expected 6.5% growth rate for the Water Group based primarily on the projected five-
20 year growth rates and considering the Water Group's industry projected EPS growth rates
21 of 11.4%. Like the projected growth rates, this investor-expected growth rate of 6.5% is
22 based on a survey of projected and historical growth rates published by established entities,
23 including First Call, S&P, Zacks Investment Research and Value Line. Use of information
24 from these unbiased professional organizations provides an objective estimation of

1 investor's expectations of growth. Based on the aforesaid, all growth rates for the
2 Comparison Companies have been considered and have been given weight in determining
3 a 6.5% growth rate for the Water Group.

4
5 **Q. What is your market value DCF estimate for the Comparable Companies?**

6 A. The market value DCF cost rate estimate for the Water Group is 9.1%, as detailed on page 1
7 of Schedule 12.

8
9 **Q. Are there other considerations that should be taken into account in reviewing a
10 market value capitalization DCF cost rate estimate?**

11 A. Yes. It should be noted that although I recommend specific dividend yields for the
12 Comparable Group, I recommend that less weight be given to the resultant market value
13 DCF cost rate due to the market's current market capitalization ratios and the impact that
14 the market-to-book ratio has on the DCF results.²⁹ The Comparable Companies' current
15 market-to-book ratios of 228% and low dividend yields are being affected by the
16 aforementioned policy of the Federal Reserve that has resulted in the mispricing of capital
17 due to artificial interest rates, not DCF fundamentals.

18 Although the DCF cost for common equity appears to be based upon mathematical
19 precision, the derived result does not reflect the reality of the marketplace since the model
20 proceeds from unconnected assumptions. The traditional DCF derived cost rate for
21 common equity will continuously understate or overstate investors' return requirements as
22 long as stock prices continually sell above or below book value. A traditional DCF model

²⁹ The impact of the market's current market capitalization ratios on the resultant market value DCF cost rate is especially evidenced when the DCF result for individual companies in the Comparable Group is considered. For example, the resultant market value DCF cost rate for one of the individual companies in the Comparable Group is below its current long-term debt cost rate while a second company's cost is only slightly above.

1 implicitly assumes that stock price will be driven to book value over time. However, such
 2 a proposition is not rational when viewed in the context of an investor purchasing stock
 3 above book value. It is not rational to assume that an investor would expect share price to
 4 decrease 56% ($100\% \div 228\% = 44\% - 100\% = 56\%$) in value to equal book value.

5 Utility stocks do not trade in a vacuum. Utility stock prices, whether they are above
 6 or below book value, reflect worldwide market sentiment and are not reflective of only one
 7 element.

8
 9 **Q. What do you mean by your statement that utility stocks are not traded in a vacuum?**

10 A. Utility stocks cannot be viewed solely by themselves. They must be viewed in the context
 11 of the market environment. Table 7 summarizes recent market-to-book ratios (“M/B”) for
 12 well-known measures of market value reported in the June 3, 2024 issue of Barron’s and
 13 the Water Group’s average M/B as shown on page 1 of Schedule 14.

	<u>M/B Ratios(%)</u>
Dow Jones Industrials	505
Dow Jones Transportation	434
Dow Jones Utilities	210
S&P 500	477
S&P Industrials	636
Vs.	
Water Group	228

14 **Table 7**

15
 16 Utility stock investors view their investment decisions compared with other investment
 17 alternatives, including those of the various market measures shown in Table 7.

1 **Q. How does a traditional DCF implicitly assume that market price will equal book**
2 **value?**

3 A. Under traditional DCF theory, price will equal book value ($M/B=1.00$) only when a
4 company is earning its cost of capital. Traditional DCF theory maintains that a company
5 is under-earning its cost of capital when the market price is below book value ($M/B<1.00$),
6 while a company over-earning its cost of capital will have a market price above its book
7 value ($M/B>1.00$). If this were true, it would imply that the capitalistic free-market is not
8 efficient because the overwhelming majority of stocks would currently be earning more
9 than their cost of capital. Table 7 shows that most stocks sell at an M/B that is greater than
10 1.0.

11
12 **Q. Please explain why such a phenomenon would show that the capitalistic free-market**
13 **is not efficient.**

14 A. Historically, the S&P 500, which represented the largest 500 companies listed on
15 exchanges in the United States, have not sold at an M/B of 1.0 during the last 25-years,
16 1999-2023. Based upon the traditional DCF assumption, which suggests that companies
17 with M/Bs greater than 1.0 earn more than their cost of capital, this data would suggest that
18 the S&P 500 companies have earned more than their cost of capital while competing in a
19 competitive environment over the 25-year period. In a competitive market, new companies
20 would continually enter the market up to the point that the earnings rate was at least equal
21 to their cost of capital.

22 During this period the S&P 500 sold at an average M/B of 311% while experiencing
23 a ROE of 19.4% over a period in which interest rates averaged 4.1%. It is important to

1 note that during this period the S&P 500 M/B ranged from 206% to 460%, all while
2 competing in competitive markets.

3
4 **Q. What is the significance of S&P 500 M/B and the cost of capital for a water utility?**

5 A. As stated previously, utility stocks do not trade in a vacuum. They must compete for capital
6 with other firms including the S&P 500 stocks. Over time, there has been a relationship
7 between M/Bs of S&P 500 stocks and utility stocks. Although S&P 500 stocks have
8 generally sold at a higher multiple of book value than utility stocks, both have tracked in
9 similar directions. Because utility and S&P 500 stock prices relative to book values move
10 in similar directions, it is irrational to conclude that stock prices that are different from
11 book value, either higher or lower, suggests that a firm is over-or under-earning its cost of
12 capital when competitive, free-markets exist.

13
14 **Q. Does the market value DCF provide a reasonable estimate of the Water Group's
15 common equity cost rate?**

16 A. No, the DCF only provides a reasonable estimate of the Comparable Group's common
17 equity cost rate when their market price and book value are similar (M/B=100%).³⁰ A DCF
18 will overstate a common equity cost rate when M/Bs are below 100% and understate when
19 they are above 100%. Since the Comparable Group's current M/Bs average 228%, the
20 DCF understates their common equity cost rate. Schedule 15 provides a numerical
21 illustration of the impact of M/Bs on investors' market returns and DCF returns. The
22 reason that DCF understates or overstates investors' return requirements depending upon
23 M/B levels is because a DCF-derived equity cost rate is applied to a book value rate base

³⁰Roger A Morin, Regulatory Finance - Utilities' Cost of Capital, Public Utility Reports, Inc., 1994, pp. 236-237.

1 while investors' returns are measured relative to stock price levels. Based upon this, I
2 recommend that less weight be given to the market value DCF cost rate unless the increased
3 financial risk, resulting from applying a market value cost rate to a book value, is accounted
4 for.

5
6 **Q. How do you resolve the financial risk difference between market value cost rates and**
7 **book value cost rates?**

8 A. The basic proposition of financial theory regarding the economic value of a company is
9 based on market value. That is, a company's value is based on its **market value** weighted
10 average cost of capital.³¹ The American Society of Appraisers, ASA Business Valuation
11 Standards, 2009, and the National Association of Certified Valuation Analysts,
12 Professional Standards, 2007, use the same definition:

13
14 Weighted Average Cost of Capital (WACC). The cost of capital (discount
15 rate) determined by the weighted average, **at market values**, of the cost of
16 all financing sources in the business enterprise's capital structure. (Emphasis
17 added)
18

19 Accordingly, the market value derived cost rate reflects the financial risk or leverage
20 associated with **capitalization ratios based on market value**, not book value.

21 As shown on page 1 of Schedule 16, for the Water Group there is a large difference
22 in leverage as a result of the average \$3.557 **billion** difference in market value common
23 equity and book value common equity. This difference in market values and book values
24 results in debt/equity ratios based on market value of 32.2%/67.8% (debt/equity) verses

³¹For other examples, see <http://www.investinganswers.com/financial-dictionary/financial-statement-analysis/weighted-average-cost-capital-wacc-2905>. Also see <http://www.wallstreetmojo.com/weighted-average-cost-capital-wacc/>, or <http://accountingexplained.com/misc/corporate-finance/wacc>.

1 50.6%/49.4% (debt/equity) based on book value as shown on page 1 of Schedule 16. The
2 larger the difference between market values and book values the less reliable the models'
3 results are because **the models provide an estimate of the cost of capital of market**
4 **value**, not book value.

5 Financial theory concludes that capital structure and firm value are related. Since
6 capital structure and firm value are related, an adjustment is required when a cost of
7 common equity model is based on market value and if its results are then applied to book
8 value. As explained previously, the market value derived cost rate reflects the financial
9 risk or leverage associated with **capitalization ratios based on market value**, not book
10 value. The authors Brealey, Myers and Allen provide a similar definition of the cost of
11 capital being based on market capitalization, not book value,

12
13 The values of debt and equity add up to overall firm value ($D + E = V$) and
14 firm value V equals asset value. **These figures are all market values, not**
15 **book (accounting) values**. The market value of equity is often much larger
16 than the book value, so the market debt ratio D/V is often much lower than
17 a debt ratio computed from the book balance sheet.³²

18 The work of Modigliani and Miller concludes that the market value of any firm is
19 independent of its capital structure and this is precisely the reason why an adjustment is
20 appropriate. The only way for the market value of a firm to remain independent of its
21 capital structure is if the capital cost rates change to offset changes in the capital structure.
22 If the capital cost rates do not change to offset changes in the capital structure, then the
23 value of the firm will change. Clearly an adjustment is required when a cost of common
24 equity model is based on **market value** and if its results are then applied to **book value**
25 because the capital structure is changed from **market value** capitalization to **book value**
26 capitalization.

³²Brealey, Myers and Allen, Principles of Corporate Finance, 10th edition, page 216 (emphasis added).

1 Differences in the amount of leverage employed can be quantified based upon the
2 Comparable Group's leveraged beta being "unleveraged" through the application of the
3 "Hamada Model."

4 The Hamada equation is a fundamental analysis method of analyzing a
5 firm's cost of capital as it uses additional financial leverage, and how that
6 relates to the overall riskiness of the firm. The measure is used to
7 summarize the effects this type of leverage has on a firm's cost of capital—
8 over and above the cost of capital as if the firm had no debt.³³

9 The Hamada Model combines two financial theorems: the Modigliani-Miller Theorem and
10 the CAPM.³⁴ On page 2 of Schedule 16 I used two Hamada Models including the original
11 Hamada formula and the Harris-Pringle formula to account for the 18.4 percentage point
12 (67.8% - 49.4% = 18.4%) change in common equity ratio that results from changing from
13 market value capitalization to book value capitalization. The results of the application of
14 the original Hamada formula and the Harris-Pringle formula determine a range of
15 adjustment of 0.72% to 1.06%, and average 0.89%. The details of the application of the
16 two Hamada models are shown on page 2 of Schedule 16.

17 For example, the inputs to the original Hamada formula for the Water Group market
18 value capitalization consist of their raw leveraged beta of 0.72, debt ratio of 32.2%,
19 preferred stock ratio of 0.0%, common equity ratio of 67.8% and combined tax rate of
20 26.14%. The group's unleveraged beta is determined to be 0.53 through the use of the
21 following original Hamada formula:

³³ Hargrave, Marshall. "Hamada Equation Definition, Formula, Example," *Investopedia*. Accessed 3/14/23.
<https://www.investopedia.com/terms/h/hamadaequation.asp>.

³⁴ "Hamada's Equation," Corporate Finance Institute. Accessed 3/14/23.
<https://corporatefinanceinstitute.com/resources/valuation/hamadas-equation/>.

1
$$B_l = B_u (1 + (1 - t) D/E + P/E)$$

2 where:

3 B_l = observed, leveraged beta

4 B_u = calculated, unleveraged beta

5 t = income tax rate

6 D = debt ratio

7 P = preferred stock ratio

8 E = common equity ratio

9 Applying the unleveraged beta of 0.53 along with the Water Group's book value
 10 capitalization ratios of 50.6% long-term debt, 0.0% preferred stock and 49.4% common
 11 equity and combined tax rate of 26.14% results in a leveraged beta of 0.94 applicable to
 12 the group's book value capitalization. Based upon the Water Group's risk premium of
 13 4.8% and the difference between Water Group's market value leveraged beta, their book
 14 value leveraged beta of 0.22 (0.94 - 0.72) indicates that the Water Group's common equity
 15 cost rate must be increased by 1.06 (0.22 x 4.8 = 1.06) in recognition of their book value's
 16 exposure to more financial risk.

17 The inputs to the Harris-Pringle formula for the Water Group market value
 18 capitalization consist of their raw leveraged beta of 0.72, debt ratio of 32.2%, preferred
 19 stock ratio of 0.0%, common equity ratio of 67.8% and debt beta of 0.32. The group's
 20 unleveraged beta is determined to be 0.59 through the use of the following Harris-Pringle
 21 formula:

22
$$B_l = B_u + (B_u - B_d)(D/E)$$

23 where:

24 B_l = observed, leveraged beta

25 B_u = calculated, unleveraged beta

26 B_d = debt beta

27 D = debt ratio

28 P = preferred stock ratio

29 E = common equity ratio

1 Applying the unleveraged beta of 0.59 along with the Water Group's book value
2 capitalization ratios of 50.6% long-term debt, 0.0% preferred stock and 49.4% common
3 equity and debt beta of 0.32 results in a leveraged beta of 0.87 applicable to the group's
4 book value capitalization. Based upon the Water Group's risk premium of 4.8% and the
5 difference between Water Group's market value leveraged beta, their book value leveraged
6 beta of 0.15 ($0.87 - 0.72$) indicates that the Water Group's common equity cost rate must
7 be increased by 0.72 ($0.15 \times 4.8 = 0.72$) in recognition of their book value's exposure to
8 more financial risk.

9
10 **Q. Is there another way to reflect the financial risk difference that exists as a result of**
11 **market capitalization ratios being significantly different from book value**
12 **capitalization ratios?**

13 A. Yes, generally speaking. Although it is possible to know the direction of a financial risk
14 adjustment on common equity cost rate, a specific quantification of financial risk
15 differences is very difficult. Although the end result of a financial risk adjustment is very
16 subjective and specific quantification very difficult, the direction of the adjustment is
17 clearly known. However, hypothetically if the Comparable Group's debt were rated based
18 on market value debt ratios they would command an Aaa rating. The Comparison Group
19 currently has bonds rated A based upon their book value debt ratios. The yield spread on
20 a bond rated Aaa versus A rated bonds averages about 55 basis points or 0.55% as shown
21 on page 3 of Schedule 16.

22 The end result of the application of the Hamada Model and the bond yield spread
23 indicates that the Water Group market value common equity cost rate equity cost rate

1 should be adjusted upward by at least 0.70% (0.89% hamada est. + 0.55% yield spread =
2 1.44% ÷ 2 = 0.7%) since it is going to be applied to a book value.

3 Accounting for the increased amount of leverage between market value derived
4 DCF cost rates and book value cost rates indicates a book value DCF cost rate of 9.80%
5 for the Water Group (9.1% + 0.70% = 9.80%).
6

7 CAPITAL ASSET PRICING MODEL

8 **Q. Please briefly describe the theory of the capital asset pricing model.**

9 A. The CAPM is based upon the assumption that investors hold diversified portfolios and that
10 the market only recognizes or rewards non-diversifiable (or systematic) risk when
11 determining the price of a security because company-specific risk (or non-systematic) is
12 removed through diversification. Further, investors are assumed to require additional or
13 higher returns for assuming additional or higher risk. This assumption is captured by using
14 a beta that provides an incremental cost of additional risk above the base risk-free rate
15 available to investors. The beta of a security reflects the market risk or systematic risk of
16 the security relative to the market. The beta for the market is always equal to 1.00;
17 therefore, a company whose stock has a beta greater than 1.00 is considered riskier than
18 the market, and a company with a beta less than 1.00 is considered less risky than the
19 market. The base risk-free rate is assumed to be a U.S. Government treasury security
20 because they are assumed to be free of default risk.

21
22 **Q. What risk-free rate and beta have you used in your CAPM calculation?**

23 A. The risk-free rate used in CAPM should have approximately the same maturity as the life
24 of the asset for which the cost rate is being determined. Because utility assets are long-

1 lived, a long-term Treasury Bond yield serves as an appropriate proxy. Previously, I
2 estimated an appropriate risk-free rate of 4.5% based upon the recent and forward long-
3 term Treasury yields. I used the average beta of 0.83 for the Water Group as shown on
4 page 1 of Schedule 17. However, as stated previously, the Comparable Group's betas are
5 understated due to their small size which affects their stock price changes.

6
7 **Q. After developing an appropriate beta and risk-free rate, what else is necessary to**
8 **calculate a CAPM derived cost rate?**

9 A. A market premium is necessary to determine a traditional CAPM derived cost rate. The
10 market return rate is the return expected for the entire market. The market premium is then
11 multiplied by the company specific beta to capture the incremental cost of additional risk
12 (market premium) above the base risk-free rate (long-term treasury securities) to develop
13 a risk adjusted market premium. For example, if you conclude that the expected return on
14 the market as a whole is 15% and further assume that the risk-free rate is 8%, then the
15 market premium is shown to be 7% ($15\% - 8\% = 7\%$).

16 Further, assume there are two companies, one of which is considered less risky than
17 the market, and therefore has a beta of less than 1.00 or 0.80. The second company has a
18 beta that is greater than 1.00 or 1.20, and is therefore considered riskier than the market.
19 By multiplying the hypothetical 7.0% market premium by the respective betas of 0.80 and
20 1.20, risk adjusted market premiums of 5.6% ($7.0\% \times 0.80$) and 8.4% ($7.0\% \times 1.20$) are
21 shown for the company considered less risky than the market and for the company
22 considered riskier than the market, respectively.

23 Adding the assumed risk-free rate of 8% to the risk adjusted market premiums
24 results in the CAPM derived cost rates of 13.6% ($5.6\% + 8.0\%$) for the less risky company

1 and 16.4% (8.4% + 8.0%) for the company considered of greater risk than the market. In
2 fact, the result of this hypothetical CAPM calculation shows that: (1) the least risky
3 company, with the beta of 0.80, has a cost rate of 13.6%; (2) the market, with the beta of
4 1.00, has a cost rate of 15.0%; and (3) that the higher risk company, with a beta of 1.20,
5 has a cost rate of 16.4%.

6
7 **Q. How did you develop a market premium for your CAPM?**

8 A. The average projected market premium of 7.40% is developed on page 2 of Schedule 17.
9 It is based upon Value Line's average projected total market return for the next three to
10 five years of 11.80% less the risk free rate of 4.5% and the S&P 500's average projected
11 total market return for the next three to five years of 11.93% less the risk free rate of 4.5%
12 from S&P Global Market Intelligence. I also reviewed market premiums derived from
13 Ibbotson Associates' most recent publication concerning asset returns that show a market
14 premium of 7.5%. The Ibbotson Associates' market premium may be on the low side
15 reflective of the higher interest rate environment found during their study, which averaged
16 5.0%. The Value Line market premium reflects the Federal Reserve's current artificial
17 interest rate levels while the Ibbotson Associates' market premiums reflect a higher interest
18 rate environment.

19
20 **Q. How did you adjust for the impact that size has on the Comparable Group's beta?**

21 A. The adjustment is reflected in the CAPM size premium. The CAPM size premium is
22 developed on page 4 of Schedule 17. The size premium reflects the risks associated with
23 the Comparable Group's small size and its impact on the determination of their beta. This
24 adjustment is necessary because beta (systematic risk) does not capture or reflect the

1 Comparable Group's small size. I reduced the size premium by the ratio of the Comparison
2 Group's beta to their respective market quartile's beta and estimated credit spreads for the
3 comparison companies and the quartile companies.

4
5 **Q. What is the comparison group's market cost of equity based upon your CAPM
6 calculation?**

7 A. The CAPM based on Ibbotson Associates' historical market returns shows a market cost
8 rate range of 10.7% to 11.4% for the Water Group. The CAPM based on projected market
9 returns shows a range of 10.6% to 11.3% for the Water Group, as shown on page 1 of
10 Schedule 17. The Comparable Group's market value CAPM of 11.0% is based 50.0% on
11 the results of the historical market returns and 50.0% on the projected market returns.
12 Adjusting the market value CAPM based upon the end result of the application of the
13 Hamada Model and the bond yield spread to account for the difference in leverage between
14 market value capitalization ratios and book value ratios discussed previously indicates a
15 cost rate of 11.70% for the Water Group applicable to book value ($11.0\% + 0.70\% =$
16 11.70%).

17 18 **RISK PREMIUM**

19 **Q. What is a risk premium?**

20 A. A risk premium is the common equity investors' required premium over the long-term debt
21 cost rate for the same company, in recognition of the added risk to which the common
22 stockholder is exposed versus long-term debtholders. Long-term debtholders have a stated
23 contract concerning the receipt of dividend and principal repayment whereas common
24 stock investors do not. Further, long-term debtholders have the first claim on assets in case

1 of bankruptcy. A risk premium recognizes the higher risk to which a common stock
2 investor is exposed. The risk premium-derived cost rate for common equity is the simplest
3 form of deriving the cost rate for common equity because it is nothing more than a premium
4 above the prospective level of long-term corporate debt.

5
6 **Q. What is the appropriate estimated future long-term borrowing rate for the**
7 **Comparable Companies?**

8 A. The estimated near term long-term borrowing rate for the Comparable Companies is 5.7%
9 based upon their credit profile that supports an A bond rating

10
11 **Q. What is the appropriate risk premium to be added to the future long-term borrowing**
12 **rate?**

13 A. To determine a common equity cost rate, it is necessary to estimate a risk premium to be
14 added to the Comparable Group's prospective long-term debt rate. Investors may rely upon
15 published projected premiums; they also rely upon their experiences of investing in
16 ultimately determining a probabilistic forecasted risk premium.

17 Projections of total market returns of 11.90% are shown on page 9 of Schedule 18.
18 A projected risk premium for the market can be derived by subtracting the debt cost rate
19 from the projected market return as shown on page 9 of Schedule 18. However, the derived
20 risk premium for the market is not directly applicable to the Comparable Companies
21 because they are less risky than the market. The use of 85% of the market's risk is a
22 conservative estimation of their level of risk as compared to the market. Based on this, a
23 reasonable estimate of a longer term projected risk premium is 5.3% as shown on page 9
24 of Schedule 18.

1 **Q. How do investors' experiences affect their determination of a risk premium?**

2 A. Returns on various assets are studied to determine a probabilistic risk premium. The most
3 noted asset return studies and resultant risk premium studies are those performed by
4 Ibbotson Associates. However, Ibbotson Associates has not performed asset return studies
5 concerning public utility common stocks. Based upon Ibbotson Associates' methodology
6 of computing asset returns, I calculated annual returns for the S&P utilities and bonds for
7 the period 1928-2023. The resultant annual returns were then compared to determine a
8 recent risk premium from a recent 20-year period, 2004-2023 and subsequent periods that
9 were each increased by ten years until the entire study period was reviewed (pages 2 and 3
10 of Schedule 18).

11 A long-term analysis of rates of return is necessary because it assumes that
12 investors' expectations are, on average, equal to realized long-run rates of return and
13 resultant risk premium. Observing a single year's risk premium, either high or low, may
14 not be consistent with investors' requirements. Further, studies show a mean reversion in
15 risk premiums. In other words, over time, risk premiums revert to a longer-term average
16 premium. Moreover, since the expected rate of return is defined as "the rate of return
17 expected to be realized from an investment; the mean value of the probability distribution
18 of possible results,"³⁵ a long-term analysis of annual returns is appropriate.

19

20 **Q. What do you conclude from the information shown on pages 2 and 3 of Schedule 18?**

21 A. The average of the absolute range of the S&P Utilities' appropriate average risk premium
22 (i.e., bonds rated AAA to A) was 4.5% during the seven periods studied, as calculated from
23 page 2 of Schedule 18. The credit adjusted longer term risk premiums (i.e., bonds rated

³⁵Eugene F. Brigham, Fundamentals of Financial Management, Fifth Edition, The Dryden Press, 1989, p. 106.

1 A), 1928-2023, averages 4.4%. The appropriate average (i.e., bonds rated AAA to A)
2 longer term risk premiums, 1928-2023, have an absolute range of 4.4% to 5.0%, and
3 averages 4.7%.

4 The aforementioned premiums are based on total returns for bonds; and reflect their
5 price risk. A bond's price risk is not related to its credit quality and is eliminated when a
6 bond is held to maturity from time of purchase. Using the income returns, page 4 of
7 Schedule 18, for bonds eliminates price risk and better measures an investor's required
8 return based on credit quality. The appropriate average risk premium (i.e., bonds rated
9 AAA to A) based on income returns was 5.2% during the seven periods studied. The credit
10 adjusted longer term risk premiums (i.e., bonds rated A), 1928-2023, averages 4.7%. The
11 appropriate average (i.e., bonds rated AAA to A) longer term risk premiums, 1928-2023,
12 have an absolute range of 4.7% to 5.1%, and averages 4.9%.

13
14 **Q. What information is shown on page 4 of Schedule 18?**

15 A. Page 4 of Schedule 18 proves and measures the negative relationship between interest rate
16 levels and the resulting risk premium. That is, risk premiums are generally higher when
17 interest rates are low and risk premiums are generally lower when interest rates are high.
18 This was proven by sorting the 96-year period, 1928 to 2023, annual returns based on
19 interest rate level from lowest interest rate to highest interest rate and distributing the
20 results into two groups, a 48-year low interest rate environment group and a 48-year high
21 interest rate environment group.

22 During the period 1928-2023, the 48 years with the lowest interest rates had an
23 average interest rate of 2.9% and reflected a range of interest rates from 1.4% to 4.1%.
24 This period resembles the current interest rate environment of 4.5% discussed previously

1 regarding the CAPM's risk free rate. The risk premium based on total returns during this
2 low interest rate environment produced the appropriate average (i.e., bonds rated AAA to
3 A) longer term risk premium of 6.7% and a credit adjusted longer term risk premium (i.e.,
4 bonds rated A) of 6.2%. The annual income return based risk premium during this low
5 interest rate environment produced the appropriate average (i.e., bonds rated AAA to A)
6 longer term risk premium of 7.4% and a credit adjusted longer term risk premium (i.e.,
7 bonds rated A) of 7.1%.

8 However, during the period 1928-2023, the 48 years with the highest interest rates
9 had an average interest rate of 7.1% and reflected a range of interest rates from 4.1% to
10 13.5%. This period is far different from the current interest rate environment of 4.5%. The
11 risk premium based on total returns during the highest interest rate environment produced
12 an average longer term risk premium of 2.7% over bonds rated AAA to A and a credit
13 adjusted longer term risk premium (i.e., bonds rated A) of only 2.7%. The annual income
14 return based risk premium during the highest interest rate environment produced an
15 average longer term risk premium of 2.5% over bonds rated AAA to A and a credit adjusted
16 longer term risk premium (i.e., bonds rated A) of only 2.4%.

17 Over time, risk premiums are mean reverting. They constantly move toward a long-
18 term average reflecting a long-term level of interest rates. That is, an above-average risk
19 premium will decrease toward a long-term average while a below-average risk premium
20 will increase toward a long-term average. In any single year, of course, investor-required
21 rates of return may not be realized and in certain instances, a single year's risk premiums
22 may be negative. Negative risk premiums are not indicative of investors' expectations and
23 violate the basic premise of finance concerning risk and return. Negative risk premiums

1 usually occur only in the stock market's down years (*i.e.*, the years in which the stock
2 markets' return was negative).

3 When interest rate levels are not considered the credit adjusted longer term risk
4 premium (*i.e.*, bonds rated A), 1928-2023, averages 4.7%, discussed previously regarding
5 page 4 of Schedule 18. However, the annual income return based risk premium during the
6 low interest rate environment produced a credit adjusted longer term risk premium (*i.e.*,
7 bonds rated A) of 7.1%. Since this period more closely resembles the current interest rate
8 environment of 4.5%, a reasonable estimate of investors risk premium based on historical
9 returns is based on a 50% weighting on the results of the entire 1928-2023 historical market
10 returns and a 50% weighting on the results of the low interest rate environment to produce
11 a 5.9% historical risk premium. However, the projected risk premium is 5.3% (page 9 of
12 Schedule 18) and I recognize that the current interest rate environment of 4.5% is above
13 the upper end of the low interest rate environment, which ranged from 1.4% to 4.1%, and
14 have lowered my estimate of the risk premium to 4.8%.

15 Adding the risk premium of 4.8% for the Comparable Group to the prospective cost
16 of newly-issued long-term debt of 5.7% results in a market value risk premium derived
17 cost rate for common equity of 10.5% as reflected on page 1 of Schedule 18. Adjusting
18 the market value risk premium based upon the end result of the application of the Hamada
19 Model and the bond yield spread to account for the difference in leverage between market
20 value capitalization and book value ratios discussed previously indicates a cost rate of
21 11.20% applicable to book value ($10.5\% + 0.70\% = 11.20\%$).

SUMMARY OF COMMON EQUITY COST RATE

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Q. What is your Comparable Group’s common equity cost rate?

A. Based upon the results of the models employed, the Water Group’s common equity cost rate is in the range of 9.80% to 11.70% as reflected on Schedule 19. Based upon this data, the common equity cost rate for the Water Group is at least 10.80%. My recommendation is based upon the Water Group’s 10.80% common equity cost rate.

Q. Do you recommend a cost of common equity of 10.80% for NAWC?

A. Yes. Based upon the financial analysis and risk analysis, I conclude that NAWC is exposed to overall similar investment risk as the Comparable Group. This is evidenced by the factors summarized in Table 5 discussed previously.

The results of the three models employed for the Water Group show a current range of common equity cost applicable to book value of NAWC of 9.80% (DCF), 11.70% (CAPM), and 11.20% (RP) as shown in Table 8.

Summary of the NAWC’s Equity Cost Rates	
DCF	9.80
CAPM	11.70
RP	11.20

Table 8

Q. What is your common equity cost rate recommendation for NAWC?

A. As discussed above and as shown in Schedule 19, I recommend a 10.80% common equity cost rate for NAWC.

1 **Q. Have you checked the reasonableness of your recommended common equity rate for**
2 **NAWC?**

3 A. Yes. Page 2 of Schedule 14 reflects the average projected earned return on average book
4 common equity for the companies in the Comparable Group for the period 2027-2029,
5 which is shown to average 10.6% and have median of 10.8%. Given the large degree to
6 which regulatory lag and attrition impacts water utilities' earning, the range of the
7 comparable utilities' projected earned returns suggests that my recommendation that
8 NAWC be permitted an opportunity to earn 10.80% is reasonable, if not conservative.

9

10 **OVERALL RATE OF RETURN RECOMMENDATION**

11 **Q. What is your overall fair rate of return recommendation for the NAWC?**

12 A. Based upon the recommended capital structure and my estimate of the NAWC's common
13 equity cost rate, I recommend an overall fair rate of return of 8.03%. The details of my
14 recommendation are shown on Schedule 1.

15

16 **Q. Have you tested the reasonableness of your overall fair rate of return**
17 **recommendation?**

18 A. Yes. If my recommended overall rate of return is actually earned, it will give NAWC ratios
19 that will allow NAWC to present a financial profile that will enable it to attract capital
20 necessary to provide safe and reliable water service, at reasonable terms.

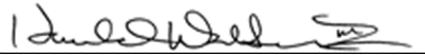
21

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

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

VERIFICATION

I, Harold Walker, III, Manager, Financial Studies of Gannett Fleming Valuation and Rate Consultants, LLC, hereby state that the testimony set forth in The Newtown Artesian Water Company Statement No. 3 and Statement No. 3R (including Exhibit Nos. HW-1 and HW-1R) in the matter at PaPUC Docket No. R-2024-3050208 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 hereby state that the aforementioned testimony and exhibits are true and correct to the best of my knowledge information and belief. I am also sponsoring any discovery responses attached to the other parties' testimony, in which I am the sponsoring witness. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).



Harold Walker, III
Manager, Financial Studies
Gannett Fleming Valuation and Rate
Consultants, LLC

Dated: November 19, 2024

APPENDIX A

Professional Qualifications
of
Harold Walker, III
Manager, Financial Studies
Gannett Fleming Valuation and Rate Consultants, LLC.

EDUCATION

Mr. Walker graduated from Pennsylvania State University in 1984 with a Bachelor of Science Degree in Finance. His studies concentrated on securities analysis and portfolio management with an emphasis on economics and quantitative business analysis. He has also completed the regulation and the rate-making process courses presented by the College of Business Administration and Economics Center for Public Utilities at New Mexico State University. Additionally, he has attended programs presented by The Institute of Chartered Financial Analysts (CFA).

Mr. Walker was awarded the professional designation “Certified Rate of Return Analyst” (CRRA) by the Society of Utility and Regulatory Financial Analysts. This designation is based upon education, experience and the successful completion of a comprehensive examination. He is also a member of the Society of Utility and Regulatory Financial Analysts (SURFA) and has attended numerous financial forums sponsored by the Society. The SURFA forums are recognized by the Association for Investment Management and Research (AIMR) and the National Association of State Boards of Accountancy for continuing education credits.

Mr. Walker obtained a license as a Municipal Advisor Representative (Series 50) by Municipal Securities Rulemaking Board (MSRB) and Financial Industry Regulatory Authority (FINRA).

BUSINESS EXPERIENCE

Prior to joining Gannett Fleming Valuation and Rate Consultants, LLC., Mr. Walker was employed by AUS Consultants - Utility Services. He held various positions during his eleven years with AUS, concluding his employment there as a Vice President. His duties included providing and supervising financial and economic studies on behalf of investor owned and municipally owned water, wastewater, electric, natural gas distribution and transmission, oil pipeline and telephone utilities as well as resource recovery companies.

In 1996, Mr. Walker joined Gannett Fleming Valuation and Rate Consultants, LLC. In his capacity as Manager, Financial Studies and for the past twenty years, he has continuously studied rates of return requirements for regulated firms. In this regard, he supervised the preparation of rate of return studies in connection with his testimony and in the past, for other individuals. He also assisted and/or developed dividend policy studies, nuclear prudence studies, calculated fixed charge rates for avoided costs involving cogeneration projects, financial decision studies for capital budgeting purposes and developed financial models for determining future capital requirements and the effect of those requirements on investors and ratepayers, valued utility property and common stock for acquisition and divestiture, and assisted in the private placement of fixed capital securities for public utilities.

Head, Gannett Fleming GASB 34 Task Force responsible for developing Governmental Accounting Standards Board (GASB) 34 services and educating Gannett Fleming personnel and Gannett Fleming clients on GASB 34 and how it may affect them. The GASB 34 related services include inventory of assets, valuation of assets, salvage estimation, annual depreciation rate determination, estimation of depreciation reserve, asset service life determination, asset condition assessment, condition assessment documentation, maintenance estimate for asset preservation, establishment of condition level index, geographic information system (GIS) and data management services, management discussion and analysis (MD&A) reporting, required supplemental information (RSI) reporting, auditor interface, and GASB 34 compliance review.

In 2004, Mr. Walker was elected to serve on the Board of Directors of SURFA. Previously, he served as an ex-officio directors as an advisor to SURFA's existing President. In 2000, Mr. Walker was elected President of SURFA for the 2001-2002 term. Prior to that, he was elected to serve on the Board of Directors of SURFA during the period 1997-1998 and 1999-2000. He also served on the Pennsylvania Municipal Authorities Association, Electric Deregulation Committee.

EXPERT TESTIMONY

Mr. Walker has submitted testimony or been deposed on various topics before regulatory commissions and courts in 27 states including: Alaska, Arizona, California, Colorado, Connecticut, Delaware, Hawaii, Idaho, Illinois, Indiana, Kentucky, Maryland, Massachusetts, Michigan, Missouri, New Hampshire, Nevada, New Jersey, New York, North Carolina, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Vermont, Virginia, and West Virginia. His testimonies covered various subjects including fair rate of return, lead-lag studies, fair market value, the taking of natural resources, benchmarking, appropriate capital structure and fixed capital cost rates, depreciation, purchased water adjustments, synchronization of interest charges for income tax purposes, valuation, cash working capital, financial analyses of investment alternatives, and fair value. The following tabulation provides a listing of the electric power, natural gas distribution, telephone, wastewater, and water service utility cases in which he has been involved as a witness.

<u>Client</u>	<u>Docket No.</u>
Alpena Power Company	U-10020
Armstrong Telephone Company - Northern Division	92-0884-T-42T
Armstrong Telephone Company - Northern Division	95-0571-T-42T
Artesian Water Company, Inc.	90 10
Artesian Water Company, Inc.	06 158
Aqua Illinois Consolidated Water Divisions and Consolidated Sewer Divisions	11-0436
Aqua Illinois Hawthorn Woods Wastewater Division	07 0620/07 0621/08 0067
Aqua Illinois Hawthorn Woods Water Division	07 0620/07 0621/08 0067
Aqua Illinois Kankakee Water Division	10-0194
Aqua Illinois Kankakee Water Division	14-0419
Aqua Illinois Vermilion Division	07 0620/07 0621/08 0067
Aqua Illinois Willowbrook Wastewater Division	07 0620/07 0621/08 0067
Aqua Illinois Willowbrook Water Division	07 0620/07 0621/08 0067
Aqua Pennsylvania, Inc	A-2022-3034143
Aqua Pennsylvania Wastewater Inc	A-2016-2580061
Aqua Pennsylvania Wastewater Inc	A-2017-2605434
Aqua Pennsylvania Wastewater Inc	A-2018-3001582
Aqua Pennsylvania Wastewater Inc	A-2019-3008491
Aqua Pennsylvania Wastewater Inc	A-2019-3009052
Aqua Pennsylvania Wastewater Inc	A-2019-3015173
Aqua Pennsylvania Wastewater Inc	A-2021-3024267
Aqua Pennsylvania Wastewater Inc	A-2021-3026132
Aqua Pennsylvania Wastewater Inc	A-2021-3027268
Aqua Pennsylvania Wastewater Inc	A-2023-3041695
Aqua Virginia - Alpha Water Corporation	Pue-2009-00059
Aqua Virginia - Blue Ridge Utility Company, Inc.	Pue-2009-00059
Aqua Virginia - Caroline Utilities, Inc. (Wastewater)	Pue-2009-00059
Aqua Virginia - Caroline Utilities, Inc. (Water)	Pue-2009-00059
Aqua Virginia - Earlysville Forest Water Company	Pue-2009-00059
Aqua Virginia - Heritage Homes of Virginia	Pue-2009-00059
Aqua Virginia - Indian River Water Company	Pue-2009-00059
Aqua Virginia - James River Service Corp.	Pue-2009-00059

<u>Client</u>	<u>Docket No.</u>
Aqua Virginia - Lake Holiday Utilities, Inc. (Wastewater)	Pue-2009-00059
Aqua Virginia - Lake Holiday Utilities, Inc. (Water)	Pue-2009-00059
Aqua Virginia - Lake Monticello Services Co. (Wastewater)	Pue-2009-00059
Aqua Virginia - Lake Monticello Services Co. (Water)	Pue-2009-00059
Aqua Virginia - Lake Shawnee	Pue-2009-00059
Aqua Virginia - Land'or Utility Company (Wastewater)	Pue-2009-00059
Aqua Virginia - Land'or Utility Company (Water)	Pue-2009-00059
Aqua Virginia - Mountainview Water Company, Inc.	Pue-2009-00059
Aqua Virginia - Powhatan Water Works, Inc.	Pue-2009-00059
Aqua Virginia - Rainbow Forest Water Corporation	Pue-2009-00059
Aqua Virginia - Shawnee Land	Pue-2009-00059
Aqua Virginia - Sydnor Water Corporation	Pue-2009-00059
Aqua Virginia - Water Distributors, Inc.	Pue-2009-00059
Atlantic City Sewerage Company	WR21071006
Berkshire Gas Company	18-40
Berkshire Gas Company	22-20
Bermuda Water Company, Inc	W-01812A-22-0256
Borough of Brentwood	A-2021-3024058
Borough of Hanover	R-2009-2106908
Borough of Hanover	R-2012-2311725
Borough of Hanover	R-2014-242830
Borough of Hanover	R-2021-3026116
Borough of Hanover	P-2021-3026854
Borough of Royersford	A-2020-3019634
Butler Area Sewer Authority	A-2020-3019634
Chaparral City Water Company	W 02113a 04 0616
California-American Water Company	CIVCV156413
Citizens Utilities Company Colorado Gas Division	-
Citizens Utilities Company Vermont Electric Division	5426
Citizens Utilities Home Water Company	R 901664
Citizens Utilities Water Company of Pennsylvania	R 901663

<u>Client</u>	<u>Docket No.</u>
City of Beaver Falls	A-2022-3033138
City of Bethlehem - Bureau of Water	R-00984375
City of Bethlehem - Bureau of Water	R 00072492
City of Bethlehem - Bureau of Water	R-2013-2390244
City of Bethlehem - Bureau of Water	R-2020-3020256
City of Dubois – Bureau of Water	R-2013-2350509
City of Dubois – Bureau of Water	R-2016-2554150
City of Lancaster Sewer Fund	R-00005109
City of Lancaster Sewer Fund	R-00049862
City of Lancaster Sewer Fund	R-2012-2310366
City of Lancaster Sewer Fund	R-2019-3010955
City of Lancaster Sewer Fund	R-2019-3010955
City of Lancaster Water Fund	R-00984567
City of Lancaster Water Fund	R-00016114
City of Lancaster Water Fund	R 00051167
City of Lancaster Water Fund	R-2010-2179103
City of Lancaster Water Fund	R-2014-2418872
City of Lancaster Water Fund	R-2021-3026682
City of Lancaster Water Fund	P-2022-3035591
Coastland Corporation	15-cvs-216
Commonwealth Edison Company	23-0728
Commonwealth Edison Company	24-0087
Community Utilities of Pennsylvania-Water	R-2023-3042804
Community Utilities of Pennsylvania-Wastewater	R-2023-3042805
Connecticut-American Water Company	99-08-32
Connecticut Water Company	06 07 08
Consumers Pennsylvania Water Company Roaring Creek Division	R-00973869
Consumers Pennsylvania Water Company Shenango Valley Division	R-00973972
Country Knolls Water Works, Inc.	90 W 0458
East Resources, Inc. - West Virginia Utility	06 0445 G 42T
Elizabeth Borough Municipal Authority	A-2023-3038717
Elizabethtown Water Company	WR06030257
ENSTAR Natural Gas Company	U-22-081
Falls Water Company, Inc.	FLS-W-23-01
Forest Park, Inc.	19-W-0168 & 19-W-0269

<u>Client</u>	<u>Docket No.</u>
Hampton Water Works Company	DW 99-057
Hidden Valley Utility Services, LP	R-2018-3001306
Hidden Valley Utility Services, LP	R-2018-3001307
Illinois American Water Company	16-0093
Illinois American Water Company	22-0210
Indian Rock Water Company	R-911971
Indiana Natural Gas Corporation	38891
Jamaica Water Supply Company	-
Kane Borough Authority	A-2019-3014248
Kentucky American Water Company, Inc.	2007 00134
Kentucky American Water Company, Inc.	2023-00191
Middlesex Water Company	WR 89030266J
Millcreek Township Water Authority	55 198 Y 00021 11
Missouri-American Water Company	WR 2000-281
Missouri-American Water Company	SR 2000-282
Missouri-American Water Company	WR-2022-0303
Missouri-American Water Company	SR-2022-0304
Mount Holly Water Company	WR06030257
Nevada Power Company d/b/a NV Energy	20-06003
Nevada Power Company d/b/a NV Energy	23-06007
New Jersey American Water Company	WR 89080702J
New Jersey American Water Company	WR 90090950J
New Jersey American Water Company	WR 03070511
New Jersey American Water Company	WR-06030257
New Jersey American Water Company	WR08010020
New Jersey American Water Company	WR10040260
New Jersey American Water Company	WR11070460
New Jersey American Water Company	WR15010035
New Jersey American Water Company	WR17090985
New Jersey American Water Company	WR19121516
New Jersey American Water Company	WR22010019
New Jersey Natural Gas Company	GR19030420
New Jersey Natural Gas Company	GR21030679
Newtown Artesian Water Company	R-911977
Newtown Artesian Water Company	R-00943157
Newtown Artesian Water Company	R-2009-2117550
Newtown Artesian Water Company	R-2011-2230259

<u>Client</u>	<u>Docket No.</u>
Newtown Artesian Water Company	R-2017-2624240
Newtown Artesian Water Company	R-2019-3006904
North Maine Utilities	14-0396
Northern Indiana Fuel & Light Company	38770
Oklahoma Natural Gas Company	PUD-940000477
Palmetto Utilities, Inc.	2020-281-S
Palmetto Wastewater Reclamation, LLC	2018-82-S
Pennichuck Water Works, Inc.	DW 04 048
Pennichuck Water Works, Inc.	DW 06 073
Pennichuck Water Works, Inc.	DW 08 073
Pennsylvania-American Water Company	A-2023-3039900
Pennsylvania Gas & Water Company (Gas)	R-891261
Pennsylvania Gas & Water Co. (Water)	R 901726
Pennsylvania Gas & Water Co. (Water)	R-911966
Pennsylvania Gas & Water Co. (Water)	R-22404
Pennsylvania Gas & Water Co. (Water)	R-00922482
Pennsylvania Gas & Water Co. (Water)	R-00932667
Philadelphia Gas Works	R-2020-3017206
Philadelphia Gas Works	R-2023-3037933
Public Service Company of North Carolina, Inc.	G-5, Sub 565
Public Service Electric and Gas Company	ER181010029
Public Service Electric and Gas Company	GR18010030
Presque Isle Harbor Water Company	U-9702
Sierra Pacific Power Company d/b/a NV Energy	19-06002
Sierra Pacific Power Company d/b/a NV Energy	22-06014
St. Louis County Water Company	WR-2000-844
Suez Water Delaware, Inc.	19-0615
Suez Water Idaho, Inc.	SUZ-W-20-02
Suez Water New Jersey, Inc.	WR18050593
Suez Water New Jersey, Inc.	WR20110729
Suez Water Owego-Nichols, Inc.	17-W-0528
Suez Water Pennsylvania, Inc.	R-2018-3000834
Suez Water Pennsylvania, Inc.	A-2018-3003519
Suez Water Pennsylvania, Inc.	A-2018-3003517
Suez Water Rhode Island, Inc.	Docket No. 4800
Suez Water Owego-Nichols, Inc.	19-W-0168 & 19-W-0269
Suez Water New York, Inc.	19-W-0168 & 19-W-0269

<u>Client</u>	<u>Docket No.</u>
Suez Westchester, Inc.	19-W-0168 & 19-W-0269
Town of North East Water Fund	9190
Township of Exeter	A-2018-3004933
United Water New Rochelle	W-95-W-1168
United Water Toms River	WR-95050219
Upper Pottsgrove Township	A-2020-3021460
Valley Township (water)	A-2020-3019859
Valley Township (wastewater)	A-2020-3020178
Valley Water Systems, Inc.	06 10 07
Veolia Water Idaho, Inc.	VEO-W-22-02
Veolia Water Delaware, Inc.	23-0598
Veolia Water New Jersey, Inc.	WR23110790
Veolia Water New York, Inc.	23-W-0111
Veolia Water Pennsylvania, Inc.	R-2024-3045192
Veolia Water Pennsylvania, Inc.	R-2024-3045193
Virginia American Water Company	PUR-2018-00175
Virginia American Water Company	PUR-2021-00255
Virginia American Water Company	PUR-2023-00194
West Virginia-American Water Company	15-0676-W-42T
West Virginia-American Water Company	15-0675-S-42T
Wilmington Suburban Water Corporation	94-149
York Water Company	R-901813
York Water Company	R-922168
York Water Company	R-943053
York Water Company	R-963619
York Water Company	R-994605
York Water Company	R-00016236
Young Brothers, LLC	2019-0117

NEWTOWN ARTESIAN WATER COMPANY
NEWTOWN, PENNSYLVANIA

RATE OF RETURN

EXHIBIT

TO ACCOMPANY THE
DIRECT TESTIMONY

JUNE 2024

Prepared by:
GANNETT FLEMING
VALUATION AND RATE CONSULTANTS, LLC



Valley Forge, Pennsylvania

Newtown Artesian Water Company
 Cost of Capital and Fair Rate of Return
Projected at March 31, 2026

<u>Type of Capital</u>	<u>Ratios*</u>	<u>Cost Rate*</u> (%)	<u>Weighted Cost Rate</u> (%)
Debt	45.0%	4.64	2.09%
Preferred Stock	0.0	0.00	0.00
Common Equity	<u>55.0</u>	10.80	<u>5.94</u>
Overall Cost of Capital	<u>100.0%</u>		<u>8.03%</u>
Before Income Tax Interest Coverage (x) (Based on effective income tax rate of 26.92%.)		4.9x	

*

Ratios and embedded cost rates are from Schedule 2, page 1.

Newtown Artesian Water Company
Development of Capital Structure Ratios for Rate Making Purposes and Effective Cost of Debt
Projected at March 31, 2026

Development of Capital Structure Ratios for Rate Making Purposes

	As of 3/31/2024	As of 3/31/2024 Ratios	Projected at 3/31/2026 Ratios
Long Term Debt	\$6,065,291	42%	45%
Total Common Equity	8,292,719	58%	55%
	<u>\$14,358,010</u>	<u>100%</u>	<u>100%</u>

Effective Cost of Long Term Debt

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>I</u>
<u>Date</u>	<u>Face Amt. Outstanding</u>	<u>Unamortized Discount or Premium</u>	<u>Unamortized Debt Expense</u>	<u>Carrying Value (A-B-C)</u>	<u>Annualized Interest</u>	<u>Annualized Amort. Of Discount or Premium</u>	<u>Annualized Amort. Of Debt Exp.</u>	<u>Annualized Debt Expense (E+F+G)</u>	<u>Weighted Cost Rate at Carrying Value (H/D)</u>
3/31/2024	\$6,065,291	\$7,366	\$0	\$6,057,925	\$272,938	\$1,142	\$6,860	\$280,940	4.64%
3/31/2026	5,358,292	5,577	0	5,352,715	241,123	894	6,600	248,617	4.64%

Capital Structure Ratios for
The Water Group Followed by Analysts
At 12/31/2023 and Estimated for 2028

	<u>12/31/2023</u>	Est.(1) <u>2028</u>
<u>Water Group Followed by Analysts</u>		
Long-term Debt	50.6 %	44.7 %
Preferred Stock	0.0	0.0
Common Equity	<u>49.4</u>	<u>55.3</u>
Total	<u>100.0</u> %	<u>100.0</u> %

Notes: (1) Project by Value Line for the period 2027 to 2029.

Source of Information: Value Line Investment Survey, 4/5/24, and S&P Capital IQ

Capital Structure Ratios for
The Water Group Followed by Analysts
At 12/31/2023 and Estimated for 2028

	Actual at 12/31/23		
	Long-term Debt	Preferred Stock	Common Equity
<u>Water Group Followed by Analysts</u>			
American States Water Co	54.2	0.0	45.8
American Water Works Co Inc	55.6	0.0	44.4
California Water Service Gp	42.7	0.0	57.3
Essential Utilities, Inc.	54.0	0.0	46.0
Middlesex Water Co	46.5	0.3	53.2
SJW Corp	56.1	0.0	43.9
York Water Co	<u>45.0</u>	<u>0.0</u>	<u>55.0</u>
Average	<u>50.6</u>	<u>0.0</u>	<u>49.4</u>

	Estimated at 2028		
	Long-term Debt	Preferred Stock	Common Equity
<u>Water Group Followed by Analysts</u>			
American States Water Co	52.5	0.0	47.5
American Water Works Co Inc	40.0	0.0	60.0
California Water Service Gp	37.0	0.0	63.0
Essential Utilities, Inc.	55.0	0.0	45.0
Middlesex Water Co	40.5	0.0	59.5
SJW Corp	43.0	0.0	57.0
York Water Co	<u>NA</u>	<u>NA</u>	<u>NA</u>
Average	<u>44.7</u>	<u>0.0</u>	<u>55.3</u>

Source of Information: Value Line Investment Survey, 4/5/24, and S&P Capital IQ

Newtown Artesian Water Company
Five Year Analysis
2019 - 2023 (1)

<u>Ln #</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Average Ann. Chg(%)</u>	<u>Average Central Values(9)</u>	
	(Millions of \$)							
	Investor Provided Capital(\$)							
1	Permanent Capital	13.091	14.653	11.412	11.366	10.932	5.5	
2	Short-Term Debt	<u>0.000</u>	<u>0.000</u>	<u>1.831</u>	<u>2.236</u>	<u>2.240</u>		
3	Total Capital	<u>13.091</u>	<u>14.653</u>	<u>13.243</u>	<u>13.602</u>	<u>13.172</u>	0.2	
4	Total Revenue(\$)	6.141	6.513	4.062	3.977	5.653	6.8	
5	Construction(\$)	1.393	1.407	0.674	1.617	1.181	21.6	
6	Effective Income Tax Rate(%)	60.0	(1.1)	0.3	7.8	(38.6)	5.7	
	Capitalization Ratios(%)							
7	Long-Term Debt	47.0	44.7	34.8	39.4	44.9	42.2	
8	Preferred Stock	0.0	0.0	0.0	0.0	0.0	0.0	
9	Common Equity	<u>53.0</u>	<u>55.3</u>	<u>65.2</u>	<u>60.6</u>	<u>55.1</u>	57.8	
	Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	57.0	
10	Total Debt	47.0	44.7	43.8	49.3	54.3	47.8	
11	Preferred Stock	0.0	0.0	0.0	0.0	0.0	0.0	
12	Common Equity	<u>53.0</u>	<u>55.3</u>	<u>56.2</u>	<u>50.7</u>	<u>45.7</u>	52.2	
	Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	53.0	
	Rates on Average Capital(2)(%)							
13	Total Debt	4.7	4.7	3.8	4.2	4.9	4.5	
14	Long-Term Debt	4.7	5.5	5.6	6.2	6.4	5.8	
15	Preferred Stock	0.0	0.0	0.0	0.0	0.0	0.0	
	Coverage - Including AFC(3)(x)							
16	PreTax Interest	3.5	4.6	5.0	5.6	1.9	4.1	
17	PreTax Interest + Pref. Div	3.5	4.6	5.0	5.6	1.9	4.4	
18	PostTax Interest + Pref. Div	2.0	4.6	4.9	5.2	2.2	3.9	
	Coverage - Excluding AFC(3)(x)							
19	PreTax Interest	3.5	4.6	5.0	5.6	1.9	4.4	
20	PreTax Interest + Pref. Div	3.5	4.6	5.0	5.6	1.9	4.4	
21	PostTax Interest + Pref. Div	2.0	4.6	4.9	5.2	2.2	3.9	
22	GCF / Interest Coverage(4)(x)	5.6	6.6	7.3	7.4	3.5	6.1	
23	Coverage of Common Dividends(5)(x)	3.4	4.0	4.0	5.1	2.3	3.8	
24	Construction / Avg. Tot. Capital(%)	10.0	10.1	5.0	12.1	9.2	9.3	
25	NCF / Construction(6)(%)	69.5	87.3	163.6	92.8	38.6	90.4	
26	AFC / Income for Common Stock	0.0	0.0	0.0	0.0	0.0	0.0	
27	GCF / Avg. Tot. Debt(7)(%)	21.5	26.5	23.6	26.9	12.1	23.9	
28	GCF / Permanent Capital(8)(%)	10.4	11.1	12.9	16.4	7.5	11.5	

See page 2 of this Schedule for notes.

Newtown Artesian Water Company
Five Year Analysis
2019-2023

Notes:

- (1) Based upon the achieved results as originally reported.
- (2) Computed by relating total debt interest, long-term debt interest and preferred dividend expense to average of beginning and ending balance of the respective capital outstanding.
- (3) The coverage calculations, both including and excluding AFC, represent the number of times available earnings cover the various fixed charges.
- (4) GCF or gross cash flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less AFC), plus interest charges, divided by interest charges.
- (5) GCF (see note 4) less all preferred dividends which cover common dividends.
- (6) The percent of GCF (see note 4) less all cash dividends which cover gross construction expenditures.
- (7) GCF (see note 4) as a percentage of Permanent Capital (long-term debt, current maturities and preferred, preference and common equity).
- (8) GCF (see note 4) as a percentage of average total debt.
- (9) Average of the second, third and fourth quintile values.

Source of Information: Annual Reports filed with the PUC

Water Group Followed by Analysts
Five Year Analysis
2019 - 2023 (1)

<u>Ln #</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	Average <u>Ann. Chg(%)</u>		
	(Millions of \$)							
	Investor Provided Capital(\$)							
1	Permanent Capital	6,157.328	5,496.176	5,149.929	4,667.439	3,933.051	11.9	
2	Short-Term Debt	<u>106.676</u>	<u>245.325</u>	<u>120.245</u>	<u>278.756</u>	<u>162.140</u>		
3	Total Capital	6,264.004	5,741.501	5,270.175	4,946.196	4,095.190	11.4	
4	Total Revenue(\$)	1,226.546	1,180.169	1,124.265	1,040.317	899.254	8.2	
5	Construction(\$)	682.346	603.652	511.706	488.708	414.853	13.4	
6	Effective Income Tax Rate(%)	4.4	8.9	7.1	8.9	13.4	<u>Five Year Average</u> 8.5	<u>Average Central Values(9)</u> 8.9
	Book Capitalization Ratios(%)							
7	Long-Term Debt	50.6	50.2	51.9	51.5	49.3	50.7	50.6
8	Preferred Stock	0.0	0.0	0.0	0.0	0.1	0.0	0.0
9	Common Equity	<u>49.4</u>	<u>49.7</u>	<u>48.0</u>	<u>48.4</u>	<u>50.6</u>	49.2	49.4
	Total	100.0	100.0	100.0	100.0	100.0		
10	Total Debt	52.0	51.9	52.6	53.8	50.9	52.2	52.0
11	Preferred Stock	0.0	0.0	0.0	0.0	0.1	0.0	0.0
12	Common Equity	<u>47.9</u>	<u>48.1</u>	<u>47.4</u>	<u>46.1</u>	<u>49.0</u>	47.7	47.9
	Total	100.0	100.0	100.0	100.0	100.0		
	Rates on Average Capital(2)(%)							
13	Total Debt	4.1	3.6	3.5	3.8	4.4	3.9	3.8
14	Long-Term Debt	3.9	3.6	NA	4.3	4.2	4.0	3.9
15	Preferred Stock	5.8	5.8	5.8	5.8	5.8	5.8	5.8
	Coverage - Including AFC(3)(x)							
16	PreTax Interest	3.3	3.9	4.2	4.0	3.6	3.8	3.9
17	PreTax Interest + Pref. Div	3.3	3.9	4.2	4.0	3.6	3.8	3.9
18	PostTax Interest + Pref. Div	3.1	3.6	3.9	3.7	3.3	3.5	3.6
	Coverage - Excluding AFC(3)(x)							
19	PreTax Interest	3.2	3.8	4.1	3.9	3.5	3.7	3.8
20	PreTax Interest + Pref. Div	3.2	3.8	4.1	3.9	3.5	3.7	3.8
21	PostTax Interest + Pref. Div	3.0	3.5	3.8	3.6	3.2	3.4	3.5
22	GCF / Interest Coverage(4)(x)	4.6	5.5	6.0	5.5	5.1	5.3	5.5
23	Coverage of Common Dividends(5)(x)	2.9	3.1	3.5	3.3	3.0	3.2	3.1
24	Construction / Avg. Tot. Capital(%)	12.8	12.3	12.0	12.9	12.8	12.6	12.8
25	NCF / Construction(6)(%)	41.4	45.9	55.3	48.9	46.7	47.7	46.7
26	AFC / Income for Common Stock	5.8	4.1	4.2	4.3	6.5	5.0	4.3
27	GCF / Avg. Tot. Debt(7)(%)	15.0	15.9	17.1	16.9	17.7	16.5	16.9
28	GCF / Permanent Capital(8)(%)	7.5	8.0	8.7	8.6	8.3	8.2	8.3

See page 2 of this Schedule for notes.

Water Group Followed by Analysts
Five Year Analysis
2019-2023

Notes:

- (1) Average of the achieved results for each individual company based upon the financials as originally reported.
- (2) Computed by relating total debt interest, long-term debt interest and preferred dividend expense to average of beginning and ending balance of the respective capital outstanding.
- (3) The coverage calculations, both including and excluding AFC, represent the number of times available earnings cover the various fixed charges.
- (4) GCF or gross cash flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less AFC), plus interest charges, divided by interest charges.
- (5) GCF (see note 4) less all preferred dividends which cover common dividends.
- (6) The percent of GCF (see note 4) less all cash dividends which cover gross construction expenditures.
- (7) GCF (see note 4) as a percentage of Permanent Capital (long-term debt, current maturities and preferred, preference and common equity).
- (8) GCF (see note 4) as a percentage of average total debt.
- (9) Average of the second, third and fourth quintile values.

Source of Information: Standard & Poor's and Annual Reports

S&P Utilities
Five Year Analysis
2019 - 2023 (1)

<u>Ln #</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	Average <u>Ann. Chg(%)</u>		
	(Millions of \$)							
	Investor Provided Capital(\$)							
1	Permanent Capital	65,507.440	61,319.477	58,569.168	54,096.938	49,657.526	7.2	
2	Short-Term Debt	<u>2,393.247</u>	<u>2,255.166</u>	<u>1,702.705</u>	<u>1,459.606</u>	<u>1,583.442</u>		
3	Total Capital	67,900.687	63,574.643	60,271.874	55,556.544	51,240.968	7.3	
4	Total Revenue(\$)	17,916.430	17,023.665	14,267.276	13,234.956	14,461.345	6.0	
5	Construction(\$)	8,913.403	7,539.074	6,780.629	6,323.839	6,157.879	9.8	
6	Effective Income Tax Rate(%)	13.7	14.7	12.4	8.4	14.8	Five Year <u>Average</u> 12.8	
	Book Capitalization Ratios(%)							Average Central <u>Values(9)</u> 13.7
7	Long-Term Debt	58.7	58.2	57.3	57.1	54.4	57.1	
8	Preferred Stock	0.6	0.8	1.0	0.9	0.9	0.8	
9	Common Equity	<u>40.6</u>	<u>41.0</u>	<u>41.8</u>	<u>42.0</u>	<u>44.7</u>	42.0	
	Total	100.0	100.0	100.0	100.0	100.0	41.8	
10	Total Debt	60.2	59.9	58.6	58.3	55.8	58.6	
11	Preferred Stock	0.6	0.7	0.9	0.9	0.8	0.8	
12	Common Equity	<u>39.1</u>	<u>39.4</u>	<u>40.5</u>	<u>40.8</u>	<u>43.4</u>	40.6	
	Total	100.0	100.0	100.0	100.0	100.0	40.5	
	Rates on Average Capital(2)(%)							
13	Total Debt	4.2	3.1	3.4	3.9	4.4	3.8	
14	Long-Term Debt	4.4	NA	NA	NA	NA	4.4	
15	Preferred Stock	4.5	3.8	3.1	1.9	3.7	3.4	
	Coverage - Including AFC(3)(x)							
16	PreTax Interest	3.0	3.7	3.0	2.7	3.0	3.1	
17	PreTax Interest + Pref. Div	3.0	3.7	3.0	2.7	3.0	3.1	
18	PostTax Interest + Pref. Div	2.7	3.4	2.8	2.5	2.8	2.8	
	Coverage - Excluding AFC(3)(x)							
19	PreTax Interest	2.9	3.6	3.0	2.6	3.0	3.0	
20	PreTax Interest + Pref. Div	2.9	3.6	2.9	2.6	2.9	3.0	
21	PostTax Interest + Pref. Div	2.6	3.3	2.7	2.4	2.8	2.8	
22	GCF / Interest Coverage(4)(x)	4.8	6.9	5.5	4.9	5.0	5.4	
23	Coverage of Common Dividends(5)(x)	3.7	3.2	3.1	3.2	4.2	3.5	
24	Construction / Avg. Tot. Capital(%)	13.5	12.1	11.4	12.2	12.6	12.4	
25	NCF / Construction(6)(%)	54.4	54.4	63.5	54.5	71.1	59.6	
26	AFC / Income for Common Stock	6.7	3.6	0.4	12.6	5.2	5.7	
27	GCF / Avg. Tot. Debt(7)(%)	15.9	13.9	14.4	14.8	17.2	15.3	
28	GCF / Permanent Capital(8)(%)	9.1	8.2	8.4	8.2	9.6	8.7	

See page 2 of this Schedule for notes.

S&P Public Utilities
Five Year Analysis
2019-2023

Notes:

- (1) Market value weighted achieved results for each individual company based upon the financials as originally reported.
- (2) Computed by relating total debt interest, long-term debt interest and preferred dividend expense to average of beginning and ending balance of the respective capital outstanding.
- (3) The coverage calculations, both including and excluding AFC, represent the number of times available earnings cover the various fixed charges.
- (4) GCF or gross cash flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less AFC), plus interest charges, divided by interest charges.
- (5) GCF (see note 4) less all preferred dividends which cover common dividends.
- (6) The percent of GCF (see note 4) less all cash dividends which cover gross construction expenditures.
- (7) GCF (see note 4) as a percentage of Permanent Capital (long-term debt, current maturities and preferred, preference and common equity).
- (8) GCF (see note 4) as a percentage of average total debt.
- (9) Average of the second, third and fourth quintile values.

Source of Information: Standard & Poor's, Moody's and Annual Reports

Risk Measures for the Common Stock of
The Water Group Followed by Analysts and the S&P Utilities

	Recent S&P Issuer Credit Rating	Stock Exchange	Recent S&P Quality Ranking	Value Line Beta	Recent Market Value 5/31/24 (Mill \$)	Market Quartile	Market Quartile Name
<u>Water Group Followed by Analysts</u>							
American States Water Co	A	NYSE	High (A)	0.70	2,739.674	2	Mid-Cap
American Water Works Co Inc	A	NYSE	High (A)	0.95	25,476.947	1	Large-Cap
California Water Service Gp	A+	NYSE	Above Average (A-)	0.75	2,881.352	2	Mid-Cap
Essential Utilities, Inc.	A-	NYSE	High (A)	1.00	10,320.043	2	Mid-Cap
Middlesex Water Co	A	NasdaqGS	High (A)	0.75	960.605	3	Low-Cap
SJW Corp	A-	NYSE	Average (B+)	0.85	1,763.548	3	Low-Cap
York Water Co	<u>A-</u>	NasdaqGS	<u>High (A)</u>	<u>0.80</u>	<u>531.324</u>	<u>3</u>	<u>Low-Cap</u>
Average	<u>A</u>		<u>High (A)</u>	<u>0.83</u>	<u>2,739.674</u>	<u>2</u>	<u>Mid-Cap</u>
<u>S&P Public Utilities</u>							
AES Corporation (The)	BBB-	NYSE	Lower (B-)	1.20	15,343.293	1	Large-Cap
Alliant Energy Corporation	A-	NasdaqGS	High (A)	0.90	13,200.956	1	Large-Cap
Ameren Corporation	BBB+	NYSE	High (A)	0.90	19,565.605	1	Large-Cap
American Electric Power Company, Inc	BBB+	NasdaqGS	Above Average (A-)	0.85	47,572.739	1	Large-Cap
American Water Works Company, Inc.	A	NYSE	High (A)	0.95	25,476.947	1	Large-Cap
Atmos Energy Corporation	A-	NYSE	High (A)	0.85	17,489.668	1	Large-Cap
CenterPoint Energy, Inc.	BBB+	NYSE	Average (B+)	1.15	19,517.984	1	Large-Cap
CMS Energy Corporation	BBB+	NYSE	High (A)	0.85	18,792.026	1	Large-Cap
Consolidated Edison, Inc.	A-	NYSE	Above Average (A-)	0.80	32,698.672	1	Large-Cap
Constellation Energy Corporation	-	NasdaqGS	NA	NMF	68,484.771	1	Large-Cap
Dominion Energy, Inc.	BBB+	NYSE	Below Average (B)	0.90	45,196.320	1	Large-Cap
DTE Energy Company	BBB+	NYSE	Above Average (A-)	1.00	24,114.397	1	Large-Cap
Duke Energy Corporation	BBB+	NYSE	Average (B+)	0.90	79,932.075	1	Large-Cap
Edison International	BBB	NYSE	Below Average (B)	1.00	29,568.273	1	Large-Cap
Entergy Corporation	BBB+	NYSE	Average (B+)	1.00	24,020.770	1	Large-Cap
Eversource Energy	BBB+	NasdaqGS	Above Average (A-)	0.95	12,567.925	2	Mid-Cap
Exelon Corporation	A-	NYSE	Above Average (A-)	0.95	20,864.078	1	Large-Cap
Exelon Corporation	BBB+	NasdaqGS	Average (B+)	NMF	37,550.943	1	Large-Cap
FirstEnergy Corp.	BBB	NYSE	Below Average (B)	0.90	23,170.293	1	Large-Cap
NextEra Energy, Inc.	A-	NYSE	Above Average (A-)	1.05	164,403.695	1	Large-Cap
NiSource Inc.	BBB+	NYSE	Below Average (B)	0.95	13,027.753	2	Mid-Cap
NRG Energy, Inc.	BB	NYSE	Below Average (B)	1.10	16,886.527	1	Large-Cap
PG&E Corporation	BB	NYSE	In Reorganization (D)	1.10	39,620.561	1	Large-Cap
Pinnacle West Capital Corporation	BBB+	NYSE	Above Average (A-)	0.95	8,955.254	2	Mid-Cap
PPL Corporation	A-	NYSE	Below Average (B)	1.15	21,637.939	1	Large-Cap
Public Service Enterprise Group Incorp	BBB+	NYSE	Average (B+)	0.95	37,734.576	1	Large-Cap
Sempra Energy	BBB+	NYSE	Average (B+)	1.00	48,748.108	1	Large-Cap
Southern Co (The)	A-	NYSE	Average (B+)	0.95	87,627.169	1	Large-Cap
Vistra Corp.	BB	NYSE	NA	1.10	34,426.337	1	Large-Cap
WEC Energy Group, Inc.	A-	NYSE	High (A)	0.85	25,591.104	1	Large-Cap
Xcel Energy Inc.	<u>BBB+</u>	NasdaqGS	<u>High (A)</u>	<u>0.85</u>	<u>30,810.207</u>	<u>1</u>	<u>Large-Cap</u>
Average	<u>BBB+</u>		<u>Average (B+)</u>	<u>0.97</u>	<u>25,476.947</u>	<u>1</u>	<u>Large-Cap</u>

Comparative Ratios
For Newtown Artesian Water Company,
For the Water Group Followed by Analysts,
S&P Utilities, and S&P 500
For the Years 2019-2023(1)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Five Year Average</u>
<u>Return on Common Equity(2)</u>						
Newtown Artesian Water Company	3.9	13.7	12.9	19.1	6.7	11.3
Water Group Followed by Analysts	9.4	9.6	11.3	10.5	9.5	10.1
S&P Utilities	10.4	8.2	8.3	7.3	8.5	8.5
S&P 500	18.2	17.0	20.5	10.3	15.8	16.4
<u>Market/Book Multiple(3)</u>						
Water Group Followed by Analysts	2.8	3.3	3.6	3.3	3.4	3.3
S&P Utilities	2.2	2.6	2.6	2.2	2.6	2.4
S&P 500	4.0	4.1	4.4	3.3	3.2	3.6
<u>Earnings/Price Ratio(4)</u>						
Water Group Followed by Analysts	3.4	3.0	3.1	3.2	2.7	3.1
S&P Utilities	5.4	3.7	3.5	3.5	4.1	4.0
S&P 500	4.5	4.1	4.7	3.2	4.9	4.3
<u>Dividend Payout Ratio(5)</u>						
Newtown Artesian Water Company	136.5	38.1	40.1	29.4	90.5	66.9
Water Group Followed by Analysts	65.8	58.9	53.7	57.4	73.2	61.8
S&P Utilities	54.4	72.2	80.0	76.8	60.8	68.8
S&P 500	35.8	38.3	30.2	60.4	42.0	41.3
<u>Dividend Yield(6)</u>						
Water Group Followed by Analysts	2.1	1.8	1.7	1.8	1.8	1.8
S&P Utilities	3.4	3.1	3.2	3.5	3.3	3.3
S&P 500	1.6	1.6	1.4	1.9	2.1	1.7

See next page for Notes.

Comparative Ratios For
Newtown Artesian Water Company,
The Water Group Followed by Analysts,
The S&P Utilities, and the S&P 500
For the Years 2019-2023 (1)

Notes:

- (1) The average of achieved results for the companies in each group. The information for the S&P Public Utilities is market weighted. The information for the S&P 500 is based upon per share information adjusted to price index level.
- (2) Rate of Return on Average Book Common Equity - income available for common equity divided by average beginning and ending year's balance of book common equity.
- (3) Market/Book Ratio - average of yearly high-low market price divided by the average of beginning and ending year's book value per share.
- (4) Earnings/Price Ratio - reported earnings per share yearly divided by the average of yearly high-low market price.
- (5) Dividend Payout Ratio is computed by dividing the yearly reported dividends paid by the yearly income available for common equity.
- (6) Dividend Yield - yearly dividend per share divided by the average yearly high-low market price.

Source of Information: Standard & Poor's and Annual Reports

Capital Intensity and Capital Recovery
Newtown Artesian Water Company
The Water Group Followed by Analysts, and S&P Utilities
For the Year 2023

	<u>Capital Intensity</u>	<u>Rate of Capital Recovery</u>	<u>Capital Recovery Years</u>
Newtown Artesian Water Company	<u>\$8.62</u>	<u>1.27%</u>	<u>78.5</u>
Water Group Followed by Analysts	<u>\$6.81</u>	<u>2.15%</u>	<u>47.3</u>
S&P Utilities	<u>\$4.70</u>	<u>4.26%</u>	<u>31.5</u>

Relative Size of
 Newtown Artesian Water Company
 Versus the Water Group Followed by Analysts
For the Year 2023

	<u>Newtown Artesian Water Company</u>	<u>Water Group Followed by Analysts</u>	Water Group Followed by Analysts Vs. <u>Newtown Artesian Water Company</u>
Total Capitalization (000's)	\$13,091	\$6,157,000	470.3 x
Total Operating Revenues (000's)	\$6,141	\$1,227,000	199.8 x
Number of Customers	10,566	970,639	91.9 x

Institutional Holdings, Insider Holdings and Percentage of Shares Traded Annually for
The Water Group Followed by Analysts, and the S&P Utilities

	Water Group Followed by <u>Analysts</u>	S&P <u>Public Utilities</u>
Percentage of common shares held by insiders (1)	3.0%	0.3%
Percentage of common shares held by institutions (2)	77%	85%
Percentage of Common Shares Traded in 2022	122%	172%
Percentage of Common Shares Traded in 2023	133%	171%
Average Number of Months For All Common Shares to Turnover (3)	10.4	7.4

Notes: (1) An insider is a director or an officer who has a policy-making role or a person who is directly or indirectly the beneficial owner of more than 10% of a certain company's stock. An insider may be either an individual or a corporation. Insiders are required to disclose their purchase/sale transactions to the SEC in which a change in beneficial ownership has occurred. The filings must be submitted before the end of the second business day following the day on which the transaction had been executed.

(2) Institutional holders are those investment managers having a fair market value of equity assets under management of \$100 million or more. Certain banks, insurance companies, investment advisers, investment companies, foundations and pension funds are included in this category.

(3) Based on average turnover (shares traded) over the past five years.

Bond and Credit Ratings for
Newtown Artesian Water Company and
The Water Group Followed by Analysts

	<u>S&P Credit Rating</u>
Newtown Artesian Water Company	<u>NA</u>
<u>Water Group Followed by Analysts</u>	
American States Water Co	A+
American Water Works Co Inc	A
California Water Service Gp *	A+
Essential Utilities, Inc.	A
Middlesex Water Co	A
SJW Corp	A-
York Water Co	A-
Average	<u>A</u>

* - The A+ bond rating is that for California Water Service, Inc.

Comparison of Credit Measures of Financial Risk
Newtown Artesian Water Company and
For the Water Group Followed by Analysts(1)

	Spot in Credit Measures of Financial Risk (For the Year 2023)			Trend in Credit Measures of Financial Risk (Five-Year Average 2019-23)		
	Credit Implication	Subject Company	Water Group Followed by Analysts	Credit Implication	Subject Company	Water Group Followed by Analysts
1. Base Credit Metrics						
2. PreTax Interest Coverage(2)(x)	Higher	3.5x	3.2x	Higher	4.1x	3.7x
3. Total Debt/Total Capital(%)	Higher	47.0%	52.0%	Higher	47.8%	52.2%
4. GCF / Interest Coverage(3)(x)	Higher	5.6x	4.6x	Higher	6.1x	5.3x
5. GCF / Average Total Debt(4)(%)	Higher	21.5%	15.0%	Higher	22.1%	16.5%
6. NCF / Construction(5)(%)	Higher	69.5%	41.4%	Higher	90.4%	47.7%
7. Construction / Average Total Capital(6)(%)	Higher	10.0%	12.4%	Higher	9.3%	12.1%
8. Standard & Poor's Credit Metrics						
9. Funds from Operation / Average Total Debt(7)(%)	Higher	21.5%	14.5%	Higher	22.1%	16.0%
10. Average Total Debt / EBITDA(8)(x)	Higher	3.7x	5.4x	Higher	3.9x	5.2x
11. FFO / Interest Coverage(9)(x)	Higher	5.6x	4.5x	Higher	6.1x	5.2x
12. EBITDA / Interest(10)(x)	Higher	5.7x	4.7x	Higher	6.1x	5.3x
13. CFO / Average Total Debt(11)(%)	Higher	26.7%	15.0%	Higher	26.7%	16.5%
14. FOCF / Average Total Debt(12)(%)	Higher	4.8%	-9.7%	Higher	7.5%	-7.5%
15. DCF / Average Total Debt(13)(%)	Higher	-1.5%	-15.0%	Higher	1.6%	-13.0%
16. Moody's Credit Metrics						
17. Cash Flow Interest Coverage(3) (x)	Higher	5.6x	4.6x	Higher	6.1x	5.3x
18. Cash Flow / Average Total Debt(4)(%)	Higher	21.5%	15.0%	Higher	22.1%	16.5%
19. Retained Cash Flow / Average Total Debt(14)(%)	Higher	15.0%	9.7%	Higher	16.4%	11.0%
20. Average Total Debt / Average Adjusted Total Capital(15)(%)	Higher	35.0%	46.7%	Higher	37.8%	46.6%
21. Capital Credit Metrics						
22. Standard & Poor's Credit Metrics - Adjusted to Total Capital						
23. Funds from Operation / Average Total Capital(16)(%)	Higher	9.9%	7.4%	Higher	10.6%	8.1%
24. Average Total Capital / EBITDA(17)(x)	Higher	8.2x	10.5x	Higher	8.1x	9.9x
25. CFO / Average Total Capital(18)(%)	Higher	12.2%	7.7%	Higher	12.8%	8.4%
26. FOCF / Average Total Capital(19)(%)	Higher	2.2%	-4.7%	Higher	3.5%	-3.7%
27. DCF / Average Total Capital(20)(%)	Higher	-0.7%	-7.4%	Higher	0.7%	-6.5%
28. Moody's Credit Metrics - Adjusted to Total Capital						
29. Cash Flow / Average Total Capital(21)(%)	Higher	9.9%	7.7%	Higher	10.6%	8.4%
30. Retained Cash Flow / Average Total Capital(22)(%)	Higher	7.0%	5.0%	Higher	7.8%	5.6%

See the next page for notes.

Comparison of Credit Market Financial Risk Metrics
For Newtown Artesian Water Company and
The Water Group Followed by Analysts
2019 - 2023

Notes:

- (1) Average of the achieved results for each individual company based upon the financials as originally reported.
- (2) Represents the number of times available pretax earnings (“EBIT”), excluding AFC, cover all interest charges.
- (3) GCF or gross cash flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less AFC), plus interest charges, divided by interest charges.
- (4) GCF (see note 3) as a percentage of average total debt.
- (5) The percent of GCF (see note 3) less all cash dividends which cover gross construction expenditures.
- (6) Construction expenditures as a percentage of average total capital.
- (7) Funds from operations (“FFO”), revenue minus operating expenses, plus depreciation and amortization expenses (“EBITDA”) less net interest expense less current tax expense, as a percentage of average total debt.
- (8) Average total debt divided by EBITDA (see note 7).
- (9) FFO (see note 7) plus interest charges, divided by interest charges.
- (10) EBITDA (see note 7) divided by interest charges.
- (11) Cash flow from operations (“CFO”), GCF (see note 3) plus changes in operating assets and liabilities (working capital), as a percentage of average total debt.
- (12) Free operating cash flow (“FOCF”), CFO (see note 11) minus capital expenditures, as a percentage of average total debt.
- (13) Discretionary cash flow (“DCF”), FOCF (see note 12) minus cash dividends as a percentage of average total debt.
- (14) The percent of GCF (see note 3) less all cash dividends as a percentage of average total debt.
- (15) Average total debt divided by average of total capital plus deferred taxes (balance sheet).
- (16) Funds from operations (“FFO”), revenue minus operating expenses, plus depreciation and amortization expenses (“EBITDA”) less net interest expense less current tax expense, as a percentage of average total capital.
- (17) Average total capital divided by EBITDA (see note 7).
- (18) Cash flow from operations (“CFO”), GCF (see note 3) plus changes in operating assets and liabilities (working capital), as a percentage of average total capital.
- (19) Free operating cash flow (“FOCF”), CFO (see note 11) minus capital expenditures, as a percentage of average total capital.
- (20) Discretionary cash flow (“DCF”), FOCF (see note 12) minus cash dividends as a percentage of average total capital.
- (21) GCF (see note 3) as a percentage of average total capital.
- (22) The percent of GCF (see note 3) less all cash dividends as a percentage of average total capital.

Source of Information: Standard & Poor's, Moody's and Annual Reports

Distribution of Bond and Credit Ratings for
All Companies Contained in S&P's *Capital IQ* Database (1)

Number of Companies In Each Grouping	S&P Bond and Credit Ratings				Range of Reported Permanent Capital By Groupings (Million \$)		
	Average	Median	Maximum	Minimum	Smallest	Average	Largest
	100	B+	B+	AA-	CCC	41.700	697.813
100	BB	BB-	AA-	CCC+	1,131.700	1,480.706	1,834.800
100	BB	BB	AA	CCC+	1,842.800	2,160.662	2,445.300
100	BB+	BB	A+	B-	2,451.900	2,821.080	3,272.000
100	BB+	BB+	AA	CCC-	3,276.000	3,780.821	4,304.600
100	BB+	BB+	AA+	CCC+	4,333.000	4,898.788	5,379.400
100	BBB-	BBB-	A+	CCC+	5,382.000	6,054.457	6,812.000
100	BBB-	BBB-	AA-	CCC-	6,817.000	7,934.041	8,982.900
100	BBB	BBB	A+	CCC+	8,986.000	10,214.092	11,605.000
100	BBB	BBB	A+	CCC+	11,646.476	13,376.106	15,748.800
100	BBB	BBB+	AA	CCC+	15,912.000	19,600.155	23,202.900
100	BBB+	BBB+	AA+	CCC+	23,315.200	29,233.122	36,209.000
100	BBB+	BBB+	AA+	CCC-	36,893.000	53,142.581	76,211.000
56	A-	A-	AAA	BB	76,489.000	150,571.448	363,302.000
Total	1,356						

Number of Companies In Each Grouping	Range of Reported Permanent Capital By Groupings (Million \$)			Distribution of S&P Bond and Credit Ratings By Size Grouping							
	Smallest	Average	Largest	AAA	AA	A	BBB	BB	B	CCC	CC
100	41.700	697.813	1,126.040	0%	1%	4%	8%	16%	58%	13%	0%
100	1,131.700	1,480.706	1,834.800	0%	2%	4%	15%	39%	35%	5%	0%
100	1,842.800	2,160.662	2,445.300	0%	1%	8%	13%	44%	33%	1%	0%
100	2,451.900	2,821.080	3,272.000	0%	0%	7%	26%	40%	27%	0%	0%
100	3,276.000	3,780.821	4,304.600	0%	3%	13%	31%	35%	16%	2%	0%
100	4,333.000	4,898.788	5,379.400	0%	3%	11%	32%	38%	15%	1%	0%
100	5,382.000	6,054.457	6,812.000	0%	0%	11%	46%	31%	10%	2%	0%
100	6,817.000	7,934.041	8,982.900	0%	1%	15%	48%	25%	6%	5%	0%
100	8,986.000	10,214.092	11,605.000	0%	0%	17%	55%	24%	2%	2%	0%
100	11,646.476	13,376.106	15,748.800	0%	0%	18%	56%	22%	3%	1%	0%
100	15,912.000	19,600.155	23,202.900	0%	5%	26%	54%	8%	4%	3%	0%
100	23,315.200	29,233.122	36,209.000	0%	6%	35%	48%	5%	4%	2%	0%
100	36,893.000	53,142.581	76,211.000	0%	12%	37%	42%	6%	1%	2%	0%
56	76,489.000	150,571.448	363,302.000	4%	16%	41%	30%	9%	0%	0%	0%
1,356											

Note: (1) Includes all non-financial public and private companies located in the US that are contained in S&P's *Capital IQ* Database that have a S&P bond or credit ratings of CC or higher and reported permanent capital for the year 2023 (as of 6/11/24). Companies were sorted based on amount of reported permanent capital and then separated into groups of 100 companies from smallest to largest.

Interest Rate Trends for
Investor-Owned Public Utility Bonds
Yearly for 2018-2022 Monthly for the Years 2023 and 2024

<u>Years</u>	<u>Aaa Rated</u>	<u>Aa Rated</u>	<u>A Rated</u>	<u>Baa Rated</u>
2018	NA	4.09	4.25	4.67
2019	NA	3.61	3.77	4.19
2020	NA	2.79	3.02	3.39
2021	NA	2.97	3.11	3.36
2022	NA	4.53	4.72	5.03
Average	NA	3.60	3.77	4.13
Jan 2023	NA	4.98	5.20	5.49
Feb 2023	NA	5.12	5.29	5.54
Mar 2023	NA	5.24	5.39	5.68
Apr 2023	NA	5.00	5.13	5.47
May 2023	NA	5.24	5.36	5.71
Jun 2023	NA	5.26	5.38	5.73
Jul 2023	NA	5.30	5.41	5.73
Aug 2023	NA	5.58	5.71	6.01
Sep 2023	NA	5.72	5.86	6.15
Oct 2023	NA	6.19	6.34	6.61
Nov 2023	NA	5.90	6.05	6.29
Dec 2023	NA	5.27	5.42	5.68
Avg 2023	NA	5.40	5.55	5.84
Jan 2024	NA	5.34	5.48	5.73
Feb 2024	NA	5.42	5.56	5.79
Mar 2024	NA	5.43	5.55	5.79
Apr 2024	NA	5.67	5.79	6.01
May 2024	NA	5.62	5.74	5.97

Source of Information: MERGENT BOND RECORD

Credit Risk Spreads of
Investor-Owned Public Utility Bonds
Yearly for 2018-2022 Monthly for the Years 2023 and 2024

	<u>Years</u>	Aa Over <u>Aaa</u>	A Over <u>Aa</u>	Baa Over <u>A</u>	Baa Over <u>Aaa</u>
	2018	NA	0.16	0.42	NA
	2019	NA	0.16	0.42	NA
	2020	NA	0.23	0.37	NA
	2021	NA	0.14	0.25	NA
	2022	NA	0.19	0.31	NA
	Average	NA	0.18	0.35	NA
Jan	2023	NA	0.22	0.29	NA
Feb	2023	NA	0.17	0.25	NA
Mar	2023	NA	0.15	0.29	NA
Apr	2023	NA	0.13	0.34	NA
May	2023	NA	0.12	0.35	NA
Jun	2023	NA	0.12	0.35	NA
Jul	2023	NA	0.11	0.32	NA
Aug	2023	NA	0.13	0.30	NA
Sep	2023	NA	0.14	0.29	NA
Oct	2023	NA	0.15	0.27	NA
Nov	2023	NA	0.15	0.24	NA
Dec	2023	NA	0.15	0.26	NA
Avg	2023	NA	0.15	0.29	NA
Jan	2024	NA	0.14	0.25	NA
Feb	2024	NA	0.14	0.23	NA
Mar	2024	NA	0.12	0.24	NA
Apr	2024	NA	0.12	0.22	NA
May	2024	NA	0.12	0.23	NA

Source of Information: MERGENT BOND RECORD

Interest Rate Trends
Of Long-Term Treasury Constant
Yearly for 2018-2022 Monthly for the Years 2023 and 2024

<u>Years</u>	<u>10-Year T-Bond</u>	<u>20-Year T-Bond</u>	<u>30-Year T-Bond</u>	<u>Long-term T-Bond Yield</u>
2018	2.91	3.02	3.11	3.01
2019	2.14	2.40	2.58	2.37
2020	0.89	1.35	1.56	1.27
2021	1.44	1.98	2.05	1.82
2022	2.95	3.30	3.12	3.30
Average	2.07	2.41	2.48	2.36
Jan 2023	3.53	3.81	3.66	3.74
Feb 2023	3.75	3.95	3.80	3.88
Mar 2023	3.66	3.94	3.77	3.86
Apr 2023	3.46	3.80	3.68	3.74
May 2023	3.57	3.96	3.86	3.91
Jun 2023	3.75	4.04	3.87	3.96
Jul 2023	3.90	4.15	3.96	4.06
Aug 2023	4.17	4.46	4.28	4.37
Sep 2023	4.38	4.65	4.47	4.56
Oct 2023	4.80	5.13	4.95	5.04
Nov 2023	4.50	4.84	4.66	4.75
Dec 2023	4.02	4.32	4.14	4.23
Avg 2023	3.96	4.25	4.09	4.17
Jan 2024	4.06	4.39	4.26	4.33
Feb 2024	4.21	4.49	4.38	4.44
Mar 2024	4.21	4.46	4.36	4.41
Apr 2024	4.54	4.77	4.66	4.72
May 2024	4.48	4.71	4.62	4.67

Source of Information: Federal Reserve Bulletin

Spread in Average Long-Term Bond Yields
Versus Public Utility Bond Yields
Yearly for 2018-2022 Monthly for the Years 2023 and 2024

<u>Spread in Average Long-Term T-Bond Yields Versus Public Utility Bonds:</u>					
<u>Years</u>	<u>Aaa Rated</u>	<u>Aa Rated</u>	<u>A Rated</u>	<u>Baa Rated</u>	
2018	NA	1.08	1.24	1.66	
2019	NA	1.24	1.40	1.82	
2020	NA	1.52	1.75	2.12	
2021	NA	1.15	1.29	1.54	
2022	NA	1.23	1.42	1.73	
Average	NA	1.24	1.42	1.77	
Jan	2023	NA	1.25	1.47	1.76
Feb	2023	NA	1.25	1.42	1.67
Mar	2023	NA	1.39	1.54	1.83
Apr	2023	NA	1.26	1.39	1.73
May	2023	NA	1.33	1.45	1.80
Jun	2023	NA	1.31	1.43	1.78
Jul	2023	NA	1.25	1.36	1.68
Aug	2023	NA	1.21	1.34	1.64
Sep	2023	NA	1.16	1.30	1.59
Oct	2023	NA	1.15	1.30	1.57
Nov	2023	NA	1.15	1.30	1.54
Dec	2023	NA	1.04	1.19	1.45
Avg	2023	NA	1.23	1.37	1.67
Jan	2024	NA	1.02	1.16	1.41
Feb	2024	NA	0.98	1.13	1.36
Mar	2024	NA	1.02	1.14	1.38
Apr	2024	NA	0.96	1.08	1.30
May	2024	NA	0.96	1.08	1.31

Comment: Derived from the information on pages 1 and 3 of this Schedule.

Interest Rate Trends for
Federal Funds Rate and Prime Rate
Yearly for 2018-2022 Monthly for the Years 2023 and 2024

<u>Years</u>	<u>Fed Funds Rate</u>	<u>Prime Rate</u>
2018	1.83	4.90
2019	2.16	5.28
2020	0.38	3.54
2021	0.08	3.25
2022	1.68	4.85
Average	1.23	4.36
Jan 2023	4.33	7.50
Feb 2023	4.57	7.74
Mar 2023	4.65	7.83
Apr 2023	4.83	8.00
May 2023	5.05	8.22
Jun 2023	5.08	8.25
Jul 2023	5.12	8.29
Aug 2023	5.33	8.50
Sep 2023	5.33	8.50
Oct 2023	5.33	8.50
Nov 2023	5.33	8.50
Dec 2023	5.33	8.50
Avg 2023	5.02	8.19
Jan 2024	5.33	8.50
Feb 2024	5.33	8.50
Mar 2024	5.33	8.50
Apr 2024	5.33	8.50
May 2024	5.33	8.50

Source of Information: Federal Reserve Bulletin

Blue Chip Financial Forecasts - June 1, 2024

	Third Quarter <u>2023</u>	Fourth Quarter <u>2023</u>	First Quarter <u>2024</u>	Second Quarter <u>2024</u>	Third Quarter <u>2024</u>	Five Quarter <u>Average</u>
<u>Prime Rate</u>						
Top Ten Average	8.5 %	8.5 %	8.3 %	8.1 %	8.1 %	8.3 %
Group Average	8.5	8.4	8.1	7.8	7.8	8.1
Bottom Ten Average	8.5	8.2	7.9	7.5	7.5	7.9
<u>Three-Month Treasury Bills</u>						
Top Ten Average	5.5	5.4	5.2	4.9	4.9	5.2
Group Average	5.4	5.2	5.0	4.6	4.6	5.0
Bottom Ten Average	5.3	5.0	4.7	4.2	4.2	4.7
<u>Ten Year Treasury Notes</u>						
Top Ten Average	4.6	4.6	4.5	4.5	4.5	4.5
Group Average	4.5	4.4	4.3	4.2	4.2	4.3
Bottom Ten Average	4.4	4.2	4.1	3.9	3.9	4.1
<u>Thirty Year Treasury Bonds</u>						
Top Ten Average	4.8	4.7	4.7	4.7	4.7	4.7
Group Average	4.6	4.5	4.5	4.4	4.4	4.5
Bottom Ten Average	4.5	4.4	4.3	4.1	4.1	4.2
<u>Aaa-Rated Corporate Bonds</u>						
Top Ten Average	5.5	5.4	5.4	5.5	5.5	5.4
Group Average	5.3	5.2	5.1	5.1	5.1	5.2
Bottom Ten Average	5.2	5.0	4.8	4.7	4.7	4.9
<u>Baa-Rated Corporate Bonds</u>						
Top Ten Average	5.1	5.1	5.1	5.1	5.1	5.1
Group Average	6.1	6.0	6.0	5.9	5.9	6.0
Bottom Ten Average	4.6	4.6	4.6	4.6	4.6	4.6

Derived Public Utility Bond Yield Forecasts Based on Aaa and Baa Corporate Yields

Aa-Rated Public Utility Bonds

Top Ten Average	5.3	5.3	5.3	5.3	5.3	5.3
Group Average	5.8	5.7	5.6	5.6	5.6	5.7
Bottom Ten Average	4.9	4.9	4.8	4.7	4.7	4.8

A-Rated Public Utility Bonds

Top Ten Average	5.5	5.4	5.4	5.5	5.5	5.5
Group Average	5.9	5.8	5.7	5.7	5.7	5.8
Bottom Ten Average	5.1	5.0	4.9	4.9	4.9	5.0

Baa-Rated Public Utility Bonds

Top Ten Average	5.7	5.7	5.7	5.8	5.8	5.7
Group Average	6.2	6.1	6.0	6.0	6.0	6.1
Bottom Ten Average	5.3	5.3	5.2	5.1	5.1	5.2

Settled Yields on Treasury Bond
Future Contracts
Traded on the Chicago Board of Trade
at the Close of June 3, 2024

<u>Delivery Date</u>	<u>Treasury Bonds (CBOT)</u>
Jun-24	4.508 %
Sep-24	4.498
Dec-24	<u>4.437</u>
Average	<u><u>4.481</u></u> %

Source of Information: Chicago Board of Trade

Market Value Discounted Cash Flow for
The Water Group Followed by Analysts

	Water Group Followed by <u>Analysts</u>
Dividend Yield(1)	2.5 %
Growth in Dividends(2)	<u>0.1</u>
Adjusted Dividend Yield	2.6
Stock Appreciation(3)	<u>6.5</u>
Market Value DCF Cost Rate	<u><u>9.1 %</u></u>

- Notes: (1) Developed on page 2 of this Schedule.
(2) Equal to one-half the assumed growth in value.
(3) As explained in the direct testimony, the growth in value is supported by the information shown on Schedules 13 and 14.

Market Value Dividend Yield for
the Water Group Followed by Analysts
For the Twelve Months Ended May 2024

	<u>Recent Dividend Yields(1)</u>	<u>Longer Term Dividend Yields(2)</u>	<u>Average Yields</u>
<u>Water Group Followed by Analysts</u>			
American States Water Co	2.3 %	2.2 %	
American Water Works Co Inc	2.4	2.2	
California Water Service Gp	2.2	2.2	
Essential Utilities, Inc.	3.3	3.3	
Middlesex Water Co	2.4	2.0	
SJW Corp	2.8	2.5	
York Water Co	<u>2.3</u>	<u>2.2</u>	
Average	<u>2.5 %</u>	<u>2.4 %</u>	<u>2.5 %</u>

Notes: (1) Average of the high and the low dividend yield for the month of May 2024.

(2) Average of the high and the low dividend yield for each of the twelve months ended May 2024.

Source of Information: S&P Capital IQ

Development of Long Term Projected Growth in Value
Based Upon Growth Over The Next Five Years
For the Water Group Followed by Analysts

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>
	Analysts' Projected Growth in EPS				Other Projected Growth			
	First Call EPS <u>Growth</u>	S&P EPS <u>Growth</u>	ZACK's EPS <u>Growth</u>	Value Line EPS <u>Growth</u>	Value Line DPS <u>Growth</u>	Value Line Cash Flow <u>Growth</u>	Average EPS <u>Growth</u>	Average All <u>Growth</u>
<u>Water Group Followed by Analysts</u>								
American States Water Co	4.4 %	8.0 %	6.3 %	6.5 %	8.5 %	5.5 %	6.3 %	6.5 %
American Water Works Co Inc	7.5	7.3	8.0	3.0	8.5	3.0	6.5	6.2
California Water Service Gp	10.8	9.0	NA	10.0	6.0	3.5	9.9	7.9
Essential Utilities, Inc.	5.2	6.4	5.8	7.0	8.0	6.5	6.1	6.5
Middlesex Water Co	2.7	NA	NA	6.5	5.0	3.0	4.6	4.3
SJW Corp	7.5	NA	7.5	6.5	4.5	-1.5	7.2	4.9
York Water Co	<u>4.9</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>4.9</u>	<u>4.9</u>
Average	<u>6.1 %</u>	<u>7.7 %</u>	<u>6.9 %</u>	<u>6.6 %</u>	<u>6.8 %</u>	<u>3.3 %</u>	<u>6.5 %</u>	<u>5.9 %</u>
Industry Specific Average Projected Growth Rates			<u>11.4 %</u>				<u>11.4 %</u>	<u>11.4 %</u>

	Historical 5-Year Growth in EPS			
	First Call EPS <u>Growth</u>	ZACK's EPS <u>Growth</u>	Value Line EPS <u>Growth</u>	Average EPS <u>Growth</u>
<u>Water Group Followed by Analysts</u>				
American States Water Co	7.0 %	8.9 %	9.0 %	8.3 %
American Water Works Co Inc	8.2	8.1	15.0	10.4
California Water Service Gp	4.0	-7.7	4.0	0.1
Essential Utilities, Inc.	7.7	5.6	7.0	6.8
Middlesex Water Co	-0.9	-0.3	5.5	1.4
SJW Corp	16.3	4.2	-0.5	6.7
York Water Co	<u>7.8</u>	<u>9.5</u>	<u>0.0</u>	<u>5.8</u>
Average	<u>7.2 %</u>	<u>4.0 %</u>	<u>5.7 %</u>	<u>5.6 %</u>

Source of Information: Value Line Investment Survey, 4/5/24; S&P Capital IQ 6/4/24;
FirstCall 6/4/24; and
Zacks Investment Research 6/4/24

Recent Payout Ratios,
ROEs, P-E Multiples, Market/Book Multiples, and Market Value
For the Water Group Followed by Analysts

	Current Dividend <u>Payout</u>	Current Return on Equity	PE Mult	Market to Book Mult	Current Market Value (Mill \$)
<u>Water Group Followed by Analysts</u>					
American States Water Co	49	16.8	21.8	3.51	2,739.674
American Water Works Co Inc	57	10.6	26.7	2.60	25,476.947
California Water Service Gp	114	3.8	54.7	2.02	2,881.352
Essential Utilities, Inc.	64	8.9	20.2	1.75	10,320.043
Middlesex Water Co	71	7.6	30.4	2.27	960.605
SJW Corp	56	7.2	20.3	1.42	1,763.548
York Water Co	<u>49</u>	<u>11.1</u>	<u>22.3</u>	<u>2.40</u>	<u>531.324</u>
Average	<u>66</u>	<u>9.4</u>	<u>28.1</u>	<u>2.28</u>	<u>6,381.928</u>

Source of Information: S&P Capital IQ, spot date of 5/31/2024

Value Line Projected ROE Based on Year-End and Average,
Dividend Payout Ratio, and Common Equity Ratio for
The Water Group Followed by Analysts for 2027 - 2029

	Value Line Projected <u>ROE</u>	Projected Average ROE <u>(1)</u>	Value Line Projected Dividend <u>Payout</u>	Value Line Projected Common Equity <u>Ratio</u>
<u>Water Group Followed by Analysts</u>				
American States Water Co	12.0 %	12.5 %	64.1 %	47.5 %
American Water Works Co Inc	11.0	11.7	58.6	60.0
California Water Service Gp	9.0	9.1	50.9	63.0
Essential Utilities, Inc.	9.5	9.8	66.0	45.0
Middlesex Water Co	12.5	12.5	53.3	59.5
SJW Corp	8.0	8.1	53.6	57.0
York Water Co	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>
Average	<u>10.3</u> %	<u>10.6</u> %	<u>57.8</u> %	<u>55.3</u> %
Median		<u>10.8</u> %		

Notes: (1) Value Line ROE, which is a year-end ROE, is converted to average ROE by the factor derived from the following formula: $2((1+g)/(2+g))$, where "g" is the rate of growth in common equity.

Source of Information: Value Line Investment Survey, 4/5/24

Illustration of the
Effect of Market-To-Book Ratio on Market Return

<u>Ln #</u>	<u>Situation 1</u>	<u>Situation 2</u>	<u>Situation 3</u>
1 M/B Ratio	50%	100%	200%
2 Market Purchase Price	\$25.00	\$50.00	\$100.00
3 Book Value	\$50.00	\$50.00	\$50.00
4 DCF Return	10.0%	10.0%	10.0%
5 DCF Dollar Return	\$5.00	\$5.00	\$5.00
6 Dividend Yield	5.0%	5.0%	5.0%
7 DPS	\$1.25	\$2.50	\$5.00
8 Dollar Growth in Value	\$3.75	\$2.50	\$0.00
9 Market Sale Price	\$28.75	\$52.50	\$100.00
10 Total Market Return	20.0%	10.0%	5.0%

"The simple numerical illustration....demonstrates the impact of market-to-book ratios on the DCF market return....The DCF cost rate of 10%, made up of a 5% dividend yield and a 5% growth rate, is applied to the book value rate base of \$50 to produce \$5.00 of earnings. Of the \$5.00 of earnings, the full \$5.00 are required for dividends to produce a dividend yield of 5.0% on a stock price of \$100.00, and no dollars are available for growth. The investor's return is therefore only 5% versus his required return of 10%. A DCF cost rate of 10%, which implies \$10.00 of earnings, translates to only \$5.00 of earnings on book value, or a 5% return....Therefore, the DCF cost rate understates the investor's required return when stock prices are well above book, as is the case presently."

The above illustration is taken from Roger A Morin, Regulatory Finance - Utilities' Cost of Capital, Public Utility Reports, Inc., 1994, pp. 236-237.

Differences in Book Value and Market Values for the
Water Group Followed by Analysts

	Recent Book Value Capitalization Ratios <u>(12/31/23)</u>	Recent Market Value Capitalization Ratios <u>(5/31/24)</u>	Average Book Value of Common Equity <u>(Millions)</u>	Average Market Value of Common Equity <u>(Millions)</u>	Difference in Market Value and Book Value Common Equity <u></u>
<u>Water Group Followed by Analysts:</u>					
Long Term Debt	50.6 %	32.2 %			
Preferred Stock	0.0	0.0			
Common Equity	<u>49.4</u>	<u>67.8</u>	<u>\$2,824.799</u>	<u>\$6,381.928</u>	<u>\$3,557.129</u>
Total	<u>100.0 %</u>	<u>100.0 %</u>			
			Difference in Common Equity Ratio		<u>18.4%</u>

Water Group Followed by Analysts
Financial Risk Adjustment Using the "Hamada Models"

Original Hamada Formulas						Harris-Pringle Formulas							
<u>Market Value @ (5/31/24)</u>						<u>Market Value @ (5/31/24)</u>							
Line No.	<u>DEBT</u> (D)	<u>PREF</u> (P)	<u>CE</u> (E)	<u>TAX</u> (t)	<u>BETA</u> (BI)	Line No.	<u>DEBT</u> (D)	<u>PREF</u> (P)	<u>CE</u> (E)	<u>TAX</u> (t)	<u>BETA</u> (BI)	<u>DEBT BETA</u> (Bd)	
1.						1.							
2.	32.2%	0.0%	67.8%	26.14%	0.72	2.	32.2%	0.0%	67.8%	26.14%	0.72	0.32	
3.	BI = Bu (1+(1-t)D/E+P/E)					3.	BI = Bu + (Bu - Bd)(D/E)						
4.		1-t = 0.7386				4.		BI = 0.72					
5.		D/E = 0.4749				5.		Bd = 0.32					
6.		P/E = 0.0000				6.		D/E = 0.4749					
7.		BI = Bu *		1.3508		7.	BI + Bd(D/E) = 0.8720						
8.		Bu = 0.53				8.	1 + D/E = 1.4749						
9.						9.	Bu = 0.59						
<u>Book Value @ (12/31/23)</u>						<u>Book Value @ (12/31/23)</u>							
	<u>DEBT</u> (D)	<u>PREF</u> (P)	<u>CE</u> (E)	<u>TAX</u> (t)	<u>BETA UNLEVERED</u> (Bu)		<u>DEBT</u> (D)	<u>PREF</u> (P)	<u>CE</u> (E)		<u>BETA UNLEVERED</u> (Bu)		
10.						10.							
11.						11.							
12.	50.60%	0.00%	49.40%	26.140%	0.53	12.	50.60%	0.00%	49.40%		0.59		
13.	BI = Bu (1+(1-t)D/E+P/E)					13.	BI = Bu + (Bu - Bd)(D/E)						
14.		1-t = 0.7386				14.		Bu = 0.59					
15.		D/E = 1.0243				15.		Bd = 0.32					
16.		P/E = 0.0000				16.		Bu - Bd = 0.2712					
17.		BI = Bu *		1.7565		17.		D/E = 1.0243					
18.		BI = 0.94				18.		BI = 0.87					
<u>Cost Adjustment Based on Original Hamada</u>						<u>Cost Adjustment Based on Harris-Pringle</u>							
19.	Book Beta (Raw)	=	0.94			19.	Book Beta (Raw)	=	0.87				
20.	Market Beta (Raw)	=	<u>0.72</u>			20.	Market Beta (Raw)	=	<u>0.72</u>				
21.	Beta difference	=	0.22			21.	Beta difference	=	0.15				
22.	Risk premium	=	<u>4.8</u>			22.	Risk premium	=	<u>4.8</u>				
23.	Risk adjustment	=	<u>1.06</u>			23.	Risk adjustment	=	<u>0.72</u>				

Default Spread for
Aaa Rated Corporate Bonds and A Rated Investor-Owned Public Utility Bonds
Yearly for 2018-2022 Monthly for the Years 2023 and 2024

	<u>Years</u>	<u>Corporate Aaa Rated</u>	<u>Public Utility A Rated</u>	<u>A Over Aaa</u>
	2018	3.93	4.25	0.32
	2019	3.39	3.77	0.38
	2020	2.50	3.02	0.52
	2021	2.71	3.11	0.40
	2022	4.09	4.72	0.63
	Average	3.32	3.77	0.45
Jan	2023	4.40	5.20	0.80
Feb	2023	4.56	5.29	0.73
Mar	2023	4.60	5.39	0.79
Apr	2023	4.47	5.13	0.66
May	2023	4.67	5.36	0.69
Jun	2023	4.65	5.38	0.73
Jul	2023	4.66	5.41	0.75
Aug	2023	4.95	5.71	0.76
Sep	2023	5.13	5.86	0.73
Oct	2023	5.61	6.34	0.73
Nov	2023	5.28	6.05	0.77
Dec	2023	4.74	5.42	0.68
Avg	2023	4.81	5.55	0.74
Jan	2024	4.87	5.48	0.61
Feb	2024	5.03	5.56	0.53
Mar	2024	5.01	5.55	0.54
Apr	2024	5.28	5.79	0.51
May	2024	5.25	5.74	0.49

Source of Information: MERGENT BOND RECORD

Market Value CAPM for
The Water Group Followed by Analysts

Water Group
Followed by
Analysts

Estimation Based Upon Historical Information

Market Premium(1)	7.5 %	7.5 %
x Beta(2)	<u>0.83</u>	<u>0.83</u>
Risk Adjusted Market Premium	6.2	6.2
Size Adjustment Premium(2)	0.7	
Plus Risk Free Rate(1)	<u>4.5</u>	<u>4.5</u>
Market Value CAPM Cost Rate	<u>11.4 %</u>	<u>10.7 %</u>

Estimation Based Upon Projected Information

Market Premium(1)	7.4 %	7.4 %
x Beta(2)	<u>0.83</u>	<u>0.83</u>
Risk Adjusted Market Premium	6.1	6.1
Size Adjustment Premium(2)	0.7	
Plus Risk Free Rate(1)	<u>4.5</u>	<u>4.5</u>
Market Value CAPM Cost Rate	<u>11.3 %</u>	<u>10.6 %</u>

Market Value CAPM is: 11.0%

Notes: (1) Developed on page 2 of this Schedule.
(2) Developed on page 4 of this Schedule.

Development of Market Premiums for Use in a CAPM Model

Estimated Based Upon Projected Information

Value Line Summary and Index Project Return

Date	5/31/24
Market's Price Appreciation Next 3-5 Years (1)	<u>45</u> %
Annual Price Appreciation (1)	9.70 %
Forecasted Market Dividend Yield (1)	<u>2.10</u>
Value Line's Annual Total Return (1)	<u>11.80</u> %

S&P 500 Projected Market Return

S&P 500's Projected Growth Rate in EPS (2)	10.52 %
S&P 500's Dividend Yield (3)	<u>1.41</u>
S&P 500 Projected Market Return (4)	<u>11.93</u> %
Average Projected Total Market Return (5)	11.90 %
Less Risk Free Rate (6)	<u>4.50</u>
Estimated Market Premium Based Upon Projected Information	<u>7.40</u> %

Estimated Based Upon Historical Information

Estimated Market Premium Based Upon Historical Information (7)	<u>7.50</u> %
----------------------------------------------------------------	---------------

See next page of this Schedule for Notes.

CAPMThe Water Group Followed by Analysts

- Notes: (1) A projected market premium is based upon the projected market return rate derived from the Value Line Summary and Index for the various dates shown. For example, Value Line projects (May-24) that the market will appreciate in price 45% over the next three to five years. Using a four-year midpoint estimate, Value Line's appreciation potential equates to 9.7% annually ($[1.45]^{.25}$). Additionally, Value Line estimates the market will have a dividend yield of 2.1%. Combining the market dividend yield of 2.1% with the market appreciation results in a projected market return rate of 11.8% (9.7% + 2.1%).
- (2) S&P Global Market Intelligence, S&P Capital IQ (May. 31, 2024) reports projected 5-year EPS growth rate for the S&P 500 of 10.52%.
- (3) Barron's Market Lab (Jun. 3, 2024) reports S&P 500's dividend yield of 1.41%.
- (4) Combining the S&P 500 market dividend yield of 1.41% with the S&P 500 market appreciation results in a projected market return rate of 11.93% (10.52% + 1.41%).
- (5) Average of Value Line 's projected total market return and projected total market return for the S&P
- (6) As discussed in the direct testimony, the risk-free rate is 4.5%.
- (7) The historical market premium is based upon studies conducted by Ibbotson Associates concerning asset returns. Ibbotson Associates' asset return studies are the most noted asset return rate studies available today. The results are widely disseminated throughout the investment public. Ibbotson Associates' long-term common stock total market return is 12.33% which, when reduced by the long-term historic risk-free rate of 4.87% results in a market premium of 7.5% (12.33% - 4.87%).

Recent Market Values and
Beta Adjusted Ibbotson Associates Size Premiums For
The Water Group Followed by Analysts

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>
	Recent Market Value <u>5/31/24</u> (Mill \$)	Market Quartile Name	Market Quartile	Quartile Size Premium	Quartile Beta	Value Line Beta	Size Premium Ratio *	Adjusted Quartile Size Premium
<u>Water Group Followed by Analysts</u>								
American States Water Co	\$2,739.674	Mid-Cap	2	2.48	1.13	0.70	25%	0.62
American Water Works Co Inc	25,476.947	Large-Cap	1	0.00	1.00	0.95	0%	0.00
California Water Service Gp	2,881.352	Mid-Cap	2	2.48	1.13	0.75	25%	0.62
Essential Utilities, Inc.	10,320.043	Mid-Cap	2	2.48	1.13	1.00	25%	0.62
Middlesex Water Co	960.605	Low-Cap	3	3.95	1.23	0.75	25%	0.99
SJW Corp	1,763.548	Low-Cap	3	3.95	1.23	0.85	25%	0.99
York Water Co	531.324	<u>Low-Cap</u>	<u>3</u>	<u>3.95</u>	<u>1.23</u>	<u>0.80</u>	<u>25%</u>	<u>0.99</u>
Average		<u>Mid-Cap</u>	<u>2</u>	<u>2.48</u>	<u>1.13</u>	<u>0.83</u>	<u>21%</u>	<u>0.69</u>

* - Estimated based on differences in raw betas and credit spreads for the comparison companies and the quartile companies.

Source of Information: 2022 SBBI Yearbook, Stocks, Bonds, Bills, and Inflation, and Value Line

Market Value Risk Premium
For the Water Group Followed by Analysts

	Water Group Followed by <u>Analysts</u>
Prospective Public Utility Bond Yields(1)	5.7 %
Estimated Risk Premium(2)	<u>4.8</u>
Market Value Risk Premium Indicated Cost Rate	<u><u>10.5</u></u> %

Notes: (1) Based upon the current and prospective long-term debt cost rates, it is reasonable to expect that if the comparable group (i.e., Water Group) issued new long-term bonds, it would both be priced to yield about 5.7% based upon credit profiles of A for the Water Group.

(2) A 4.8% risk premium is concluded for the Group after reviewing the tabulation of risk spreads shown on pages 2-5 and 9 of this Schedule.

Annual Total Returns and Risk Premiums of
S&P Public Utility Stocks and Bonds
for the Years 2004-2023, 1994-2023, 1984-2023, 1974-2023, 1964-2023, 1954-2023 and 1928-2023

Annual Total Returns							
Periods	Public Utility Stock	L-Term T-Bonds	Public Utility Bonds				
			AAA	AAA & AA	AA	A	BBB
Average Annual Rates of Return							
2004 to 2023	0.1216	0.0479	0.0000	0.0577	0.0577	0.0578	0.0649
1994 to 2023	0.1095	0.0611	0.0746	0.0696	0.0698	0.0711	0.0769
1984 to 2023	0.1285	0.0855	0.1253	0.0929	0.0932	0.0931	0.0997
1974 to 2023	0.1328	0.0805	0.1033	0.0880	0.0888	0.0894	0.0957
1964 to 2023	0.1140	0.0698	0.0815	0.0768	0.0775	0.0782	0.0840
1954 to 2023	0.1197	0.0620	0.0687	0.0687	0.0694	0.0705	0.0763
1928 to 2023	0.1095	0.0533	0.0594	0.0621	0.0630	0.0653	0.0722
Average Risk Premiums							
2004 to 2023		0.0737	0.1216	0.0640	0.0640	0.0638	0.0567
1994 to 2023		0.0484	0.0349	0.0399	0.0397	0.0384	0.0326
1984 to 2023		0.0430	0.0031	0.0355	0.0353	0.0354	0.0287
1974 to 2023		0.0442	0.0325	0.0372	0.0365	0.0357	0.0300
1964 to 2023		0.0442	0.0325	0.0372	0.0365	0.0357	0.0300
1954 to 2023		0.0578	0.0511	0.0510	0.0503	0.0492	0.0435
1928 to 2023		0.0561	0.0500	0.0474	0.0464	0.0442	0.0373

Annual Total Returns, Annual Income Returns and Risk Premiums of
S&P Public Utility Stocks and Bonds
for the Years 2004-2023, 1994-2023, 1984-2023, 1974-2023, 1964-2023, 1954-2023 and 1928-2023

<u>Periods</u>	<u>Annual Total Returns Public Utility Stock</u>	<u>Annual Income Returns</u>					
		<u>L-Term T-Bonds</u>	<u>Public Utility Bonds</u>				
			<u>AAA</u>	<u>AAA & AA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>
<u>Average Rates of Return</u>							
2004 to 2023	0.1216	0.0342	0.0000	0.0462	0.0462	0.0482	0.0530
1994 to 2023	0.1095	0.0433	0.0749	0.0556	0.0557	0.0574	0.0618
1984 to 2023	0.1285	0.0546	0.0870	0.0664	0.0666	0.0685	0.0726
1974 to 2023	0.1328	0.0633	0.0936	0.0745	0.0750	0.0773	0.0817
1964 to 2023	0.1140	0.0621	0.0858	0.0728	0.0733	0.0755	0.0797
1954 to 2023	0.1197	0.0583	0.0761	0.0680	0.0685	0.0706	0.0745
1928 to 2023	0.1095	0.0498	0.0609	0.0588	0.0595	0.0620	0.0667
<u>Average Risk Premiums</u>							
2004 to 2023		0.0875	0.1216	0.0754	0.0754	0.0734	0.0686
1994 to 2023		0.0663	0.0346	0.0539	0.0538	0.0521	0.0477
1984 to 2023		0.0738	0.0414	0.0621	0.0618	0.0599	0.0558
1974 to 2023		0.0519	0.0282	0.0412	0.0406	0.0385	0.0343
1964 to 2023		0.0519	0.0282	0.0412	0.0406	0.0385	0.0343
1954 to 2023		0.0614	0.0437	0.0517	0.0512	0.0491	0.0452
1928 to 2023		0.0597	0.0486	0.0507	0.0500	0.0474	0.0427

Annual Total Returns, Annual Income Returns and Risk Premiums of
S&P Public Utility Stocks and Bonds
For the 48 Years of the Lowest Interest Rate Environment and the 48 Years of the Highest Interest Rate Environment
For The Years 1928-2023

Current Interest Rate Environment: 4.5%

Periods	Public Utility Stock	L-Term T-Bonds	Public Utility Bonds				
			AAA	AAA & AA	AA	A	BBB

Annual Total Returns

Low Interest Rate Environment:

48 Years of the Lowest Interest Rates, Ranging from 1.4% to 4.1% with an Average Rate of 2.9%

Average Rates of Return

0.1113	0.0268	0.0366	0.0438	0.0450	0.0498	0.0613
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Average Risk Premiums

0.0845	0.0747	0.0675	0.0663	0.0615	0.0500
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High Interest Rate Environment:

48 Years of the Highest Interest Rates, Ranging from 4.1% to 13.5% with an Average Rate of 7.1%

Average Risk Premiums

0.1076	0.0799	0.0788	0.0803	0.0811	0.0808	0.0831
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Average Risk Premiums

0.0277	0.0288	0.0273	0.0265	0.0268	0.0245
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Annual Income Returns

Low Interest Rate Environment:

48 Years of the Lowest Interest Rates, Ranging from 1.4% to 4.1% with an Average Rate of 2.9%

Average Rates of Return

0.1113	0.0286	0.0340	0.0367	0.0374	0.0402	0.0460
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Average Risk Premiums

0.0827	0.0773	0.0746	0.0739	0.0711	0.0653
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High Interest Rate Environment:

48 Years of the Highest Interest Rates, Ranging from 4.1% to 13.5% with an Average Rate of 7.1%

Average Risk Premiums

0.1076	0.0710	0.0837	0.0809	0.0816	0.0838	0.0875
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Average Risk Premiums

0.0366	0.0239	0.0267	0.0260	0.0238	0.0201
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Annual Total Returns of
S&P Public Utility Stocks and Bonds
for the Years 1928-2023

Years	Annual Total Returns						
	Public Utility Stocks	L-Term T-Bonds	Public Utility Bonds				BBB
			AAA	AAA & AA	AA	A	
1928	0.5431	-0.0030	0.0370	0.0388	0.0406	0.0372	0.0392
1929	0.1376	0.0410	0.0209	0.0193	0.0178	0.0163	-0.0076
1930	-0.2149	0.0509	0.0917	0.0892	0.0869	0.0820	0.0378
1931	-0.3193	-0.0782	0.0058	-0.0059	-0.0171	-0.0608	-0.1089
1932	-0.0724	0.1736	0.1073	0.1037	0.1003	0.0685	0.0570
1933	-0.2170	0.0090	0.0142	-0.0145	-0.0401	-0.0686	-0.0601
1934	-0.1743	0.0962	0.1712	0.2000	0.2272	0.3264	0.4593
1935	0.6914	0.0610	0.1053	0.1243	0.1427	0.1760	0.2885
1936	0.2357	0.0691	0.0783	0.0916	0.1046	0.1079	0.1078
1937	-0.3337	-0.0091	0.0290	0.0323	0.0357	0.0272	-0.0626
1938	0.1020	0.0662	0.0720	0.0773	0.0825	0.0884	0.1505
1939	0.1538	0.0692	0.0435	0.0473	0.0510	0.0851	0.0923
1940	-0.1643	0.0910	0.0480	0.0506	0.0532	0.0949	0.1359
1941	-0.3050	0.0234	0.0255	0.0291	0.0327	0.0428	0.0681
1942	0.1079	-0.0735	0.0261	0.0287	0.0313	0.0314	0.0590
1943	0.4750	0.0228	0.0312	0.0346	0.0380	0.0405	0.0564
1944	0.1879	0.0268	0.0343	0.0353	0.0362	0.0303	0.0459
1945	0.5665	0.1075	0.0298	0.0349	0.0383	0.0683	0.0805
1946	-0.0130	-0.0006	0.0233	0.0238	0.0242	0.0267	0.0377
1947	-0.1236	-0.0165	-0.0139	-0.0187	-0.0234	-0.0213	-0.0105
1948	0.0451	0.0202	0.0287	0.0317	0.0347	0.0225	0.0073
1949	0.3074	0.0760	0.0718	0.0746	0.0773	0.0892	0.0757
1950	0.0152	-0.0034	0.0126	0.0131	0.0135	0.0107	0.0233
1951	0.2075	-0.0541	-0.0393	-0.0393	-0.0393	-0.0468	-0.0268
1952	0.1947	0.0101	0.0373	0.0390	0.0407	0.0442	0.0399
1953	0.0918	0.0062	0.0078	0.0063	0.0048	0.0107	0.0037
1954	0.2269	0.0676	0.0668	0.0701	0.0733	0.0745	0.0909
1955	0.1357	-0.0264	-0.0107	-0.0127	-0.0147	-0.0100	0.0146
1956	0.0416	-0.0484	-0.0703	-0.0703	-0.0703	-0.0714	-0.0816
1957	0.0541	0.0472	0.0246	0.0229	0.0213	0.0054	-0.0131
1958	0.3827	-0.0439	-0.0081	-0.0032	0.0017	0.0123	0.0339
1959	0.0958	-0.0320	-0.0231	-0.0234	-0.0237	-0.0120	-0.0102
1960	0.1680	0.1106	0.0764	0.0735	0.0705	0.0791	0.0994
1961	0.3646	0.0135	0.0432	0.0448	0.0464	0.0502	0.0442
1962	-0.0519	0.0650	0.0831	0.0829	0.0828	0.0852	0.0891
1963	0.1261	-0.0022	0.0171	0.0202	0.0232	0.0294	0.0329
1964	0.1685	0.0439	0.0394	0.0391	0.0387	0.0409	0.0396
1965	0.0489	-0.0064	-0.0010	-0.0014	-0.0018	-0.0044	0.0050
1966	-0.0504	0.0085	-0.0501	-0.0509	-0.0518	-0.0602	-0.0990
1967	-0.0216	-0.0650	-0.0525	-0.0539	-0.0553	-0.0592	-0.0271
1968	0.1419	0.0149	0.0268	0.0224	0.0181	0.0286	0.0243
1969	-0.1769	-0.0640	-0.0792	-0.0839	-0.0885	-0.0960	-0.0892
1970	0.1494	0.1537	0.0970	0.0978	0.0987	0.0952	0.0761
1971	0.0050	0.0999	0.1168	0.1241	0.1313	0.1510	0.1681
1972	0.1464	0.0661	0.0912	0.0980	0.1047	0.1103	0.1387
1973	-0.2106	-0.0893	0.0158	0.0138	0.0118	0.0156	0.0150
1974	-0.2135	0.0092	-0.0315	-0.0360	-0.0405	-0.0683	-0.1033
1975	0.4364	0.0465	0.0915	0.0863	0.0813	0.0872	0.0940

Annual Total Returns of
S&P Public Utility Stocks and Bonds
for the Years 1928-2023

Years	Annual Total Returns						
	Public Utility Stocks	L-Term T-Bonds	Public Utility Bonds				BBB
			AAA	AAA & AA	AA	A	
1976	0.3245	0.1955	0.1976	0.2017	0.2058	0.2475	0.2806
1977	0.1076	0.0074	0.0459	0.0545	0.0629	0.0683	0.0903
1978	-0.0174	-0.0189	-0.0083	-0.0055	-0.0027	-0.0026	0.0000
1979	0.1221	-0.0289	-0.0424	-0.0509	-0.0590	-0.0655	-0.0823
1980	0.1275	-0.0804	-0.0782	-0.0778	-0.0773	-0.0702	-0.0649
1981	0.1464	0.0472	0.0616	0.0674	0.0730	0.0416	0.0674
1982	0.2292	0.4323	0.3294	0.3750	0.3942	0.3708	0.3808
1983	0.2372	-0.0049	0.0721	0.0691	0.0763	0.1406	0.1347
1984	0.2219	0.1611	0.1770	0.1796	0.1768	0.1783	0.2075
1985	0.3232	0.3143	0.3473	0.3276	0.3259	0.3143	0.3098
1986	0.3575	0.3692	0.2994	0.2720	0.2698	0.2835	0.2933
1987	-0.0544	-0.1013	-0.1132	-0.0637	-0.0566	-0.0435	-0.0505
1988	0.1849	0.1026	0.2027	0.1615	0.1594	0.1643	0.1919
1989	0.4351	0.2176	0.1770	0.1743	0.1715	0.1692	0.1781
1990	0.0069	0.0482	0.0685	0.0689	0.0722	0.0738	0.0728
1991	0.0931	0.1472	0.1813	0.1647	0.1624	0.1715	0.1878
1992	0.1183	0.1093	0.1264	0.1312	0.1324	0.1355	0.1315
1993	0.1661	0.2162	0.1926	0.2126	0.2190	0.1429	0.1590
1994	-0.0825	-0.1075	-0.0802	-0.0656	-0.0657	0.0065	-0.0351
1995	0.3772	0.3268	0.2860	0.3074	0.3089	0.2164	0.2442
1996	0.0550	0.0020	0.0279	0.0211	0.0214	0.0279	0.0415
1997	0.1959	0.1454	0.1181	0.1157	0.1169	0.1238	0.1496
1998	0.1896	0.1786	0.1431	0.0365	0.0289	0.1074	0.0981
1999	-0.0998	-0.1062	-0.0792	-0.0275	-0.0237	-0.0921	-0.0684
2000	0.5475	0.1922	0.1076	0.1150	0.1146	0.1101	0.1196
2001	-0.2877	0.0596	0.0734	0.0788	0.0873	0.0780	0.0534
2002	-0.2934	0.1362		0.1851	0.1851	0.2461	0.1746
2003	0.2509	0.0488		0.1678	0.1678	0.1529	0.2329
2004	0.2763	0.0861		0.1162	0.1162	0.0782	0.0919
2005	0.2151	0.0520		0.0869	0.0869	0.0732	0.0541
2006	0.2323	0.0421		0.0486	0.0486	0.0596	0.0759
2007	0.1434	0.0814		0.0043	0.0043	0.0143	0.0042
2008	-0.3160	0.2953		0.0733	0.0733	0.0132	-0.1109
2009	0.1801	-0.1460		0.1159	0.1159	0.1662	0.3279
2010	0.0795	0.0755		0.0809	0.0809	0.0871	0.0893
2011	0.2051	0.3271		0.2701	0.2701	0.2505	0.2019
2012	0.1272	0.0622		0.0801	0.0801	0.0955	0.1287
2013	0.1363	-0.1592		-0.0850	-0.0850	-0.0758	-0.0494
2014	0.3017	0.2419		0.1577	0.1577	0.1872	0.1333
2015	-0.0629	0.0115		-0.0031	-0.0031	-0.0227	-0.0682
2016	0.1834	-0.0224		0.0443	0.0443	0.0512	0.1625
2017	0.1966	0.0714		0.1224	0.1224	0.1211	0.1505
2018	0.0644	-0.0579		-0.0566	-0.0566	-0.0477	-0.0680
2019	0.2690	0.2127		0.2209	0.2209	0.2098	0.2471
2020	0.0301	0.1584		0.1505	0.1505	0.1465	0.1557
2021	0.1510	-0.0679		-0.0499	-0.0499	-0.0335	-0.0210
2022	0.0763	-0.2760		-0.2457	-0.2457	-0.2515	-0.2493
2023	-0.0562	-0.0302		0.0218	0.0218	0.0337	0.0417

Annual Total Returns of S&P Public Utility Stocks
 And Annual Income Returns of Bonds
 for the Years 1928-2023

Years	Annual Total Returns		Income Returns				
	Public Utility Stocks	L-Term T-Bonds	Public Utility Bonds				
			AAA	AAA & AA	AA	A	BBB
1928	0.5431	0.0329	0.0451	0.0460	0.0470	0.0499	0.0541
1929	0.1376	0.0361	0.0468	0.0479	0.0490	0.0522	0.0578
1930	-0.2149	0.0332	0.0458	0.0470	0.0482	0.0514	0.0591
1931	-0.3193	0.0338	0.0434	0.0449	0.0463	0.0511	0.0635
1932	-0.0724	0.0350	0.0474	0.0504	0.0535	0.0640	0.0815
1933	-0.2170	0.0315	0.0436	0.0468	0.0499	0.0604	0.0833
1934	-0.1743	0.0306	0.0402	0.0436	0.0471	0.0559	0.0713
1935	0.6914	0.0278	0.0351	0.0376	0.0402	0.0466	0.0544
1936	0.2357	0.0273	0.0324	0.0343	0.0362	0.0415	0.0465
1937	-0.3337	0.0275	0.0320	0.0334	0.0347	0.0395	0.0486
1938	0.1020	0.0263	0.0303	0.0316	0.0329	0.0392	0.0510
1939	0.1538	0.0239	0.0286	0.0296	0.0305	0.0360	0.0448
1940	-0.1643	0.0224	0.0277	0.0285	0.0293	0.0331	0.0410
1941	-0.3050	0.0197	0.0269	0.0276	0.0283	0.0304	0.0366
1942	0.1079	0.0239	0.0272	0.0279	0.0287	0.0305	0.0358
1943	0.4750	0.0246	0.0264	0.0269	0.0273	0.0296	0.0338
1944	0.1879	0.0248	0.0265	0.0268	0.0272	0.0294	0.0333
1945	0.5665	0.0229	0.0256	0.0261	0.0266	0.0285	0.0318
1946	-0.0130	0.0208	0.0250	0.0254	0.0257	0.0268	0.0293
1947	-0.1236	0.0215	0.0257	0.0261	0.0264	0.0273	0.0297
1948	0.0451	0.0240	0.0282	0.0287	0.0292	0.0301	0.0327
1949	0.3074	0.0223	0.0270	0.0274	0.0277	0.0291	0.0324
1950	0.0152	0.0216	0.0262	0.0264	0.0267	0.0276	0.0312
1951	0.2075	0.0244	0.0285	0.0288	0.0291	0.0307	0.0334
1952	0.1947	0.0265	0.0300	0.0303	0.0305	0.0324	0.0351
1953	0.0918	0.0300	0.0325	0.0328	0.0331	0.0347	0.0371
1954	0.2269	0.0266	0.0296	0.0298	0.0301	0.0317	0.0348
1955	0.1357	0.0287	0.0307	0.0309	0.0311	0.0324	0.0341
1956	0.0416	0.0310	0.0335	0.0337	0.0340	0.0357	0.0374
1957	0.0541	0.0355	0.0397	0.0400	0.0403	0.0428	0.0452
1958	0.3827	0.0344	0.0384	0.0386	0.0389	0.0414	0.0447
1959	0.0958	0.0409	0.0445	0.0448	0.0451	0.0470	0.0494
1960	0.1680	0.0409	0.0450	0.0453	0.0455	0.0473	0.0489
1961	0.3646	0.0391	0.0442	0.0445	0.0449	0.0462	0.0476
1962	-0.0519	0.0401	0.0434	0.0437	0.0439	0.0450	0.0466
1963	0.1261	0.0403	0.0427	0.0429	0.0431	0.0437	0.0456
1964	0.1685	0.0419	0.0441	0.0442	0.0443	0.0450	0.0466
1965	0.0489	0.0424	0.0448	0.0450	0.0451	0.0458	0.0475
1966	-0.0504	0.0475	0.0513	0.0515	0.0518	0.0531	0.0552
1967	-0.0216	0.0494	0.0553	0.0556	0.0559	0.0576	0.0605
1968	0.1419	0.0543	0.0621	0.0627	0.0633	0.0651	0.0684
1969	-0.1769	0.0624	0.0706	0.0716	0.0725	0.0743	0.0778
1970	0.1494	0.0692	0.0822	0.0833	0.0844	0.0870	0.0913
1971	0.0050	0.0614	0.0766	0.0777	0.0789	0.0825	0.0868
1972	0.1464	0.0601	0.0744	0.0751	0.0758	0.0778	0.0815
1973	-0.2106	0.0701	0.0762	0.0767	0.0773	0.0789	0.0812
1974	-0.2135	0.0800	0.0849	0.0861	0.0873	0.0899	0.0929
1975	0.4364	0.0817	0.0894	0.0912	0.0929	0.0978	0.1057

Annual Total Returns of S&P Public Utility Stocks
 And Annual Income Returns of Bonds
 for the Years 1928-2023

Years	Annual Total Returns		Income Returns				
	Public Utility Stocks	L-Term T-Bonds	Public Utility Bonds				
			AAA	AAA & AA	AA	A	BBB
1976	0.3245	0.0794	0.0864	0.0880	0.0895	0.0928	0.0987
1977	0.1076	0.0765	0.0814	0.0829	0.0845	0.0859	0.0896
1978	-0.0174	0.0840	0.0877	0.0888	0.0900	0.0917	0.0947
1979	0.1221	0.0921	0.0962	0.0978	0.0995	0.1017	0.1064
1980	0.1275	0.1115	0.1182	0.1211	0.1241	0.1271	0.1352
1981	0.1464	0.1349	0.1427	0.1458	0.1489	0.1529	0.1616
1982	0.2292	0.1309	0.1439	0.1448	0.1464	0.1532	0.1610
1983	0.2372	0.1115	0.1247	0.1229	0.1237	0.1298	0.1350
1984	0.2219	0.1247	0.1297	0.1339	0.1341	0.1374	0.1434
1985	0.3232	0.1104	0.1187	0.1179	0.1189	0.1228	0.1270
1986	0.3575	0.0802	0.0908	0.0930	0.0940	0.0973	0.1015
1987	-0.0544	0.0843	0.0934	0.0946	0.0953	0.0985	0.1027
1988	0.1849	0.0897	0.1013	0.1009	0.1014	0.1040	0.1083
1989	0.4351	0.0854	0.0938	0.0949	0.0955	0.0980	0.1001
1990	0.0069	0.0858	0.0943	0.0959	0.0964	0.0985	0.1009
1991	0.0931	0.0818	0.0891	0.0915	0.0921	0.0943	0.0961
1992	0.1183	0.0769	0.0822	0.0860	0.0869	0.0887	0.0897
1993	0.1661	0.0671	0.0737	0.0776	0.0780	0.0805	0.0816
1994	-0.0825	0.0730	0.0794	0.0799	0.0802	0.0826	0.0868
1995	0.3772	0.0708	0.0781	0.0774	0.0776	0.0813	0.0857
1996	0.0550	0.0672	0.0745	0.0742	0.0745	0.0762	0.0805
1997	0.1959	0.0670	0.0746	0.0743	0.0746	0.0747	0.0782
1998	0.1896	0.0572	0.0682	0.0674	0.0677	0.0687	0.0710
1999	-0.0998	0.0592	0.0710	0.0740	0.0748	0.0743	0.0766
2000	0.5475	0.0607	0.0790	0.0817	0.0821	0.0830	0.0839
2001	-0.2877	0.0557	0.0747	0.0777	0.0780	0.0787	0.0810
2002	-0.2934	0.0542		0.0730	0.0730	0.0754	0.0818
2003	0.2509	0.0496		0.0646	0.0646	0.0623	0.0673
2004	0.2763	0.0505		0.0608	0.0608	0.0617	0.0641
2005	0.2151	0.0465		0.0546	0.0546	0.0566	0.0592
2006	0.2323	0.0499		0.0583	0.0583	0.0607	0.0632
2007	0.1434	0.0493		0.0591	0.0591	0.0605	0.0629
2008	-0.3160	0.0448		0.0619	0.0619	0.0650	0.0711
2009	0.1801	0.0401		0.0579	0.0579	0.0610	0.0721
2010	0.0795	0.0405		0.0525	0.0525	0.0548	0.0598
2011	0.2051	0.0375		0.0489	0.0489	0.0514	0.0565
2012	0.1272	0.0256		0.0385	0.0385	0.0416	0.0490
2013	0.1363	0.0302		0.0417	0.0417	0.0441	0.0492
2014	0.3017	0.0316		0.0424	0.0424	0.0435	0.0485
2015	-0.0629	0.0254		0.0397	0.0397	0.0408	0.0496
2016	0.1834	0.0221		0.0373	0.0373	0.0394	0.0474
2017	0.1966	0.0267		0.0386	0.0386	0.0404	0.0443
2018	0.0644	0.0307		0.0404	0.0404	0.0420	0.0460
2019	0.2690	0.0248		0.0369	0.0369	0.0385	0.0429
2020	0.0301	0.0141		0.0285	0.0285	0.0307	0.0345
2021	0.1510	0.0194		0.0293	0.0293	0.0308	0.0334
2022	0.0763	0.0314		0.0436	0.0436	0.0454	0.0485
2023	-0.0562	0.0422		0.0538	0.0538	0.0553	0.0583

Development of the Projected Risk Premium

Value Line Summary and Index Project Return

Date	5/31/24
Market's Price Appreciation Next 3-5 Years	<u>45 %</u>
Annual Price Appreciation	9.70 %
Forecasted Market Dividend Yield	<u>2.10</u>
Value Line's Annual Total Return	<u>11.80 %</u>

S&P 500 Projected Market Return

S&P 500's Projected Growth Rate in EPS	10.52 %
S&P 500's Dividend Yield	<u>1.41</u>
S&P 500 Projected Market Return	<u>11.93 %</u>

Average Projected Total Market Return 11.90 %

Less Prospective Public Utility Bond Yields 5.70

Forecasted Equity Premium 6.20 %

Estimated Risk Adjustment 85%

Forecasted Risk Premium 5.30 %

Newtown Artesian Water Company
Common Equity Cost Rate Summary

	Water Group Followed by Analysts		
	<u>DCF(1)</u>	<u>CAPM(2)</u>	<u>RP(3)</u>
Common Equity Cost Rate Range	9.80 %	11.70 %	11.20 %
Investment Risk Adjustments (4)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Newtown Artesian Water Company Adjusted Common Equity Cost Rate Range:	<u>9.80</u>	<u>11.70</u>	<u>11.20</u>
Newtown Artesian Water Company Recommended Common Equity Cost Rate (5)	<u><u>10.80 %</u></u>		
Check of Reasonableness of Common Equity Cost Rate (6)	10.6 % to 10.8 %		

Notes: (1) From Schedule 12 and explained in the Direct Testimony.

(2) From Schedule 17 and explained in the Direct Testimony.

(3) From Schedule 18 and explained in the Direct Testimony.

(4) As explained in the Direct Testimony.

(5) As explained in the Direct Testimony, the recommendation is only applicable to a rate making common equity ratio of 55%.

(6) See page 2 of Schedule 14.

NAWCO STATEMENT NO. 4
Docket No. R-2024-3050208

DIRECT TESTIMONY OF
JOHN J. SPANOS, PRESIDENT
GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

ON BEHALF OF
THE NEWTOWN ARTESIAN WATER COMPANY

Addressing: Depreciation

July 19, 2024

**Direct Testimony
of
John J. Spanos**

1 **I. INTRODUCTION**

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

3 A. John J. Spanos. My business address is 207 Senate Avenue, Camp Hill, Pennsylvania.

4 **Q. WITH WHAT FIRM ARE YOU ASSOCIATED?**

5 A. I am associated with Gannett Fleming Valuation and Rate Division Consultants, LLC.

6 **Q. HOW LONG HAVE YOU BEEN ASSOCIATED WITH GANNETT FLEMING?**

7 A. I have been associated with the firm since June 1986.

8 **Q. WHAT IS YOUR POSITION IN THE FIRM?**

9 A. I am President.

10 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

11 A. I have Bachelor of Science degrees in Industrial Management and Mathematics from
12 Carnegie-Mellon University and a Master of Business Administration from York
13 College of Pennsylvania.

14 **Q. PLEASE STATE YOUR QUALIFICATIONS.**

15 A. I have over 38 years of utility depreciation experience, which includes providing expert
16 testimony in over 470 cases before approximately 46 regulatory commissions,
17 including this Commission. These cases have included depreciation studies in the
18 electric, gas, water, wastewater and pipeline industries. In addition to the cases where I
19 have submitted testimony, I have supervised over 800 other depreciation or valuation
20 assignments. Please refer to Appendix A for my qualifications statement, which
21 includes further information regarding my work history, case experience and leadership
22 in the Society of Depreciation Professionals.

1 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
2 **PROCEEDING?**

3 A. My Direct Testimony in this proceeding is in support of the depreciation studies
4 conducted under my direction and supervision for the Newtown Artesian Water
5 Company (“NAWCO” or the “Company”) for water assets with regards to plant in
6 service as of March 31, 2024, March 31, 2025, and March 31, 2026. The studies also
7 incorporate an updated service life study.

8 **Q. HAVE YOU PREPARED EXHIBITS PRESENTING THE RESULTS OF YOUR**
9 **STUDIES?**

10 A. Yes. Exhibit Nos. JJS-1, JJS-2, and JJS-3 present the results of the depreciation
11 studies. Exhibit No. JJS-1 presents the results of the study as of March 31, 2024.
12 Exhibit No. JJS-2 presents a description of the methods used and the results of the
13 study as of March 31, 2025, and Exhibit No. JJS-3 presents the results of the study as of
14 March 31, 2026.

15 **II. DEPRECIATION STUDIES**

16 **Q. PLEASE SUMMARIZE THE CONTENTS OF EXHIBIT NO. JJS-1.**

17 A. The contents of Exhibit No. JJS-1 include a summary table and detailed tabulations of
18 the results of the depreciation calculations related to water plant in service as of March
19 31, 2024. Exhibit No. JJS-1, Table 1, pages I-3 and I-4, presents a summary of the
20 results of the depreciation calculations by depreciable group related to the original cost
21 of Utility Plant in Service and Contributions in Aid of Construction. The table shows
22 the estimated survivor curve, original cost, book depreciation reserve, future book
23 accruals, composite remaining life and the calculated annual accrual rate and amount.

1 For Exhibit No. JJS-1, the detailed depreciation calculations by account are presented
2 in the section beginning on page II-7.

3 **Q. PLEASE DESCRIBE EXHIBIT NOS. JJS-2 AND JJS-3.**

4 A. Exhibit No. JJS-2 titled, “2025 Depreciation Study - Calculated Annual Depreciation
5 Accruals Related to Water Plant as of March 31, 2025” includes the results of the water
6 depreciation study as related to the estimated original cost as of March 31, 2025. This
7 report also includes explanatory text and the detailed tabulations of the annual
8 depreciation accruals. Exhibit No. JJS-3 titled “2026 Depreciation Study - Calculated
9 Annual Depreciation Accruals Related to Water Plant as of March 31, 2026” includes
10 the results of the depreciation study related to the estimated water assets as of March
11 31, 2026.

12 **Q. WHAT WAS THE PURPOSE OF YOUR DEPRECIATION STUDIES?**

13 A. The purpose of the depreciation studies was to estimate the book depreciation reserve
14 and the annual depreciation accruals related to water plant as of March 31, 2025 and
15 March 31, 2026 for ratemaking purposes.

16 **Q. HOW WAS THE BOOK RESERVE USED IN THE CALCULATION OF
17 ANNUAL DEPRECIATION?**

18 A. The book reserve by account was allocated to vintages to determine the remaining
19 undepreciated original cost by vintage. The total annual accrual is the sum of the
20 results of dividing the remaining undepreciated original costs by the vintage composite
21 remaining lives.

22 **Q. HOW WAS THE BOOK RESERVE AS OF MARCH 31, 2025 ESTIMATED?**

23 A. The book reserve as of March 31, 2025, by account, was projected by adding estimated
24 accruals and subtracting estimated retirements from the book reserve as of March 31,

1 2024. Annual accruals were estimated using annual accruals calculated as of March 31,
2 2024. The projected book reserve by account was allocated to vintages for the purpose
3 of the annual accrual calculation based on calculated accrued depreciation as of March
4 31, 2025.

5 **Q. BRIEFLY OUTLINE THE PROCEDURE USED IN PERFORMING THE**
6 **SERVICE LIFE STUDY.**

7 A. The service life study, which incorporates plant accounting data through 2023,
8 consisted of assembling and compiling historical data from the records related to the
9 water utility plant of NAWCO; statistically analyzing such data to obtain historical
10 trends of survivor characteristics; obtaining supplementary information from
11 management and operating personnel concerning Company practices and plans as they
12 relate to plant operations; observing the features of the visible plant in the field; and
13 interpreting the above data to form judgments of service life characteristics.

14 Iowa type survivor curves were used to describe the estimated survivor
15 characteristics of the mass property groups.

16 **Q. HAVE YOU PHYSICALLY OBSERVED THE COMPANY'S PLANT AND**
17 **EQUIPMENT IN THE FIELD?**

18 A. Yes, a field review was conducted in January 2024, and is listed on page III-2 of
19 Exhibit No. JJS-2.

20 **Q. WHAT STATISTICAL DATA WERE EMPLOYED IN THE HISTORICAL**
21 **ANALYSES PERFORMED FOR THE PURPOSE OF ESTIMATING SERVICE**
22 **LIFE CHARACTERISTICS?**

23 A. The data consisted of the entries made to record retirements and other transactions
24 related to the water plant during the period 1995-2023. These entries were classified by

1 depreciable group, type of transaction, the year in which the transaction took place, and
2 the year in which the plant was installed. Types of transactions included in the data
3 were plant additions, retirements and transfers. The year end surviving age distribution
4 are the remaining entries within the historical data.

5 **Q. WHAT WAS THE SOURCE OF THESE DATA?**

6 A. They were assembled from Company records related to its utility plant in service.

7 **Q. WERE THE METHODS USED IN THE SERVICE LIFE STUDY THE SAME**
8 **AS THOSE USED IN OTHER DEPRECIATION STUDIES FOR WATER**
9 **UTILITY PLANT PRESENTED BEFORE THIS COMMISSION?**

10 A. Yes. The methods are the same ones that have been presented previously by our firm
11 for other water companies before the Commission and that have been accepted by the
12 Commission in its past orders concerning water utilities.

13 **Q. ARE THE FACTORS CONSIDERED IN YOUR ESTIMATES OF SERVICE**
14 **LIFE PRESENTED IN EXHIBIT NO. JJS-2?**

15 A. Yes. A discussion of the factors considered in the estimation of service lives is
16 presented on pages III-2 and III-3 of Exhibit No. JJS-2. I would emphasize that
17 consistent with prior Commission directives, my estimates of service life consider, but
18 are not exclusively based on historical experience.

19 **Q. PLEASE OUTLINE THE CONTENTS OF EXHIBIT NO. JJS-2.**

20 A. Exhibit No. JJS-2 is presented in seven parts. Part I, Introduction, sets forth the scope
21 and basis of the study. Part II, Estimation of Survivor Curves, includes a description of
22 the Iowa Curves and the formulation of the retirement rate method. Part III, Service
23 Life Considerations, and Part IV, Calculation of Annual and Accrued Depreciation,

1 include a description of the judgment utilized for life parameters and the explanation of
2 depreciation procedures.

3 Part V, Results of Study, presents a description of the results and summaries
4 of the depreciation calculations. Part VI, Service Life Statistics, presents the graphs
5 and tables which relate to the service life study. Part VII, Detailed Depreciation
6 Calculations, sets forth the detailed depreciation calculations by account.

7 Table 1, pages V-4 and V-5, presents the estimated survivor curve, the
8 original cost as of March 31, 2025, and the book reserve and calculated annual
9 depreciation for each account or subaccount of Utility Plant in Service and
10 Contributions in Aid of Construction. Table 2, pages V-6 and V-7, presents the
11 bringforward to March 31, 2025, of the book depreciation reserve as of March 31,
12 2024.

13 Table 3 on page V-8 presents the calculation of the depreciation accruals for
14 the twelve months ended March 31, 2025. Table 4, pages V-9 and V-10, presents the
15 summary of Plant in Service for the period ended March 31, 2025.

16 The section beginning on page VI-2 presents the results of the retirement rate
17 analyses prepared as the historical bases for the service life estimates.

18 The section beginning on page VII-2 presents the depreciation calculations
19 related to original cost. The tabulation on pages VII-3 through VII-5 presents the
20 cumulative depreciated original cost by year installed. The tabulations on pages VII-7
21 through VII-33 present the calculation of annual depreciation by vintage by account for
22 each classification of utility plant.
23

1 **Q. PLEASE USE AN EXAMPLE TO ILLUSTRATE THE MANNER IN WHICH**
2 **THE STUDIES ARE PRESENTED IN EXHIBIT NO. JJS-2.**

3 A. I will use Account 331.40, Transmission and Distribution Mains, in Exhibit No. JJS-2
4 as my example, inasmuch as it is a significant account. The retirement rate method was
5 used to analyze the survivor characteristics of this group. The life table for the 1995-
6 2023 experience band is presented on pages VI-29 through VI-32 of Exhibit No. JJS-2.
7 The life table, or original survivor curve, is plotted along with the estimated smooth
8 survivor curve, the 70-L4, on page VI-28. The 1995 through 2023 experience for
9 mains was selected as the basis for the survivor curve estimate, inasmuch as the
10 retirement levels during this period are anticipated to continue in the future. The lives
11 of 60 to 75 years are expected for this account and the 70-L4 based on the 1995-2023
12 experience is consistent with this outlook.

13 The calculation of the annual depreciation related to the original cost as of
14 March 31, 2025, of utility plant in service is presented on pages VII-18 through VII-20
15 of Exhibit No. JJS-2. The calculation is based on the 70-L4 survivor curve, the attained
16 age and the allocated book reserve. The tabulation sets forth the installation year, the
17 original cost, calculated accrued depreciation, allocated book reserve, future accruals,
18 remaining life and annual accrual. The totals are brought forward to Table 1 on page
19 V-4 of Exhibit No. JJS-2. The depreciation calculations for Contributions in Aid of
20 Construction are summarized in Table 1 on page V-5 of Exhibit No. JJS-2.

21

1 **Q. WERE THE METHODS AND PROCEDURES USED IN THE DEPRECIATION**
2 **CALCULATIONS AS OF MARCH 31, 2024, THE SAME AS THOSE USED IN**
3 **THE DEPRECIATION CALCULATIONS AS OF MARCH 31, 2025 AND**
4 **MARCH 31, 2026?**

5 A. Yes, they were.

6 **Q. WERE THE ESTIMATED SURVIVOR CURVES USED IN THE**
7 **DEPRECIATION CALCULATIONS AS OF MARCH 31, 2024, THE SAME AS**
8 **THOSE USED IN THE DEPRECIATION CALCULATIONS AS OF MARCH 31,**
9 **2025 AND MARCH 31, 2026?**

10 A. Yes, they were.

11 **Q. IN WHAT MANNER IS NET SALVAGE INCORPORATED IN THE**
12 **DEPRECIATION CALCULATIONS?**

13 A. As stated on page IV-5 of Exhibit No. JJS-2, no adjustment for net salvage was made to
14 the calculated annual depreciation amounts.

15 **III. CONCLUSION**

16 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

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

VERIFICATION

I, John J. Spanos, President of Gannett Fleming Valuation and Rate Consultants, LLC, hereby state that the testimony set forth in The Newtown Artesian Water Company Statement No. 4 (including Exhibit Nos. JJS-1, JJS-2, and JJS-3) in the matter at PaPUC Docket No. R-2024-3050208 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 hereby state that the aforementioned testimony and exhibits are true and correct to the best of my knowledge information and belief. I am also sponsoring any discovery responses attached to the other parties' testimony, in which I am the sponsoring witness. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).



John J. Spanos
President
Gannett Fleming Valuation and Rate
Consultants, LLC

Dated: November 19, 2024

Appendix A

JOHN SPANOS

DEPRECIATION EXPERIENCE

Q. Please state your name.

A. My name is John J. Spanos.

Q. What is your educational background?

A. I have Bachelor of Science degrees in Industrial Management and Mathematics from Carnegie-Mellon University and a Master of Business Administration from York College.

Q. Do you belong to any professional societies?

A. Yes. I am a member and past President of the Society of Depreciation Professionals and a member of the American Gas Association/Edison Electric Institute Industry Accounting Committee.

Q. Do you hold any special certification as a depreciation expert?

A. Yes. The Society of Depreciation Professionals has established national standards for depreciation professionals. The Society administers an examination to become certified in this field. I passed the certification exam in September 1997 and was recertified in August 2003, February 2008, January 2013, February 2018 and February 2023.

Q. Please outline your experience in the field of depreciation.

A. In June 1986, I was employed by Gannett Fleming Valuation and Rate Consultants, Inc. as a Depreciation Analyst. During the period from June 1986 through December 1995, I helped prepare numerous depreciation and original cost studies for utility companies in various industries. I helped perform depreciation studies for the following telephone companies: United Telephone of Pennsylvania, United Telephone of New Jersey, and Anchorage Telephone Utility. I helped perform depreciation studies for the following companies in

the railroad industry: Union Pacific Railroad, Burlington Northern Railroad, and Wisconsin Central Transportation Corporation.

I helped perform depreciation studies for the following organizations in the electric utility industry: Chugach Electric Association, The Cincinnati Gas and Electric Company (CG&E), The Union Light, Heat and Power Company (ULH&P), Northwest Territories Power Corporation, and the City of Calgary - Electric System.

I helped perform depreciation studies for the following pipeline companies: TransCanada Pipelines Limited, Trans Mountain Pipe Line Company Ltd., Interprovincial Pipe Line Inc., Nova Gas Transmission Limited and Lakehead Pipeline Company.

I helped perform depreciation studies for the following gas utility companies: Columbia Gas of Pennsylvania, Columbia Gas of Maryland, The Peoples Natural Gas Company, T. W. Phillips Gas & Oil Company, CG&E, ULH&P, Lawrenceburg Gas Company and Penn Fuel Gas, Inc.

I helped perform depreciation studies for the following water utility companies: Indiana-American Water Company, Consumers Pennsylvania Water Company and The York Water Company; and depreciation and original cost studies for Philadelphia Suburban Water Company and Pennsylvania-American Water Company.

In each of the above studies, I assembled and analyzed historical and simulated data, performed field reviews, developed preliminary estimates of service life and net salvage, calculated annual depreciation, and prepared reports for submission to state public utility commissions or federal regulatory agencies. I performed these studies under the general direction of William M. Stout, P.E.

In January 1996, I was assigned to the position of Supervisor of Depreciation Studies. In July 1999, I was promoted to the position of Manager, Depreciation and

Valuation Studies. In December 2000, I was promoted to the position as Vice-President of Gannett Fleming Valuation and Rate Consultants, Inc., in April 2012, I was promoted to the position as Senior Vice President of the Valuation and Rate Division of Gannett Fleming Inc. (now doing business as Gannett Fleming Valuation and Rate Consultants, LLC) and in January of 2019, I was promoted to my present position of President of Gannett Fleming Valuation and Rate Consultants, LLC. In my current position I am responsible for conducting all depreciation, valuation and original cost studies, including the preparation of final exhibits and responses to data requests for submission to the appropriate regulatory bodies.

Since January 1996, I have conducted depreciation studies similar to those previously listed including assignments for Pennsylvania-American Water Company; Aqua Pennsylvania; Kentucky-American Water Company; Virginia-American Water Company; Indiana-American Water Company; Iowa-American Water Company; New Jersey-American Water Company; Hampton Water Works Company; Omaha Public Power District; Enbridge Pipe Line Company; Inc.; Columbia Gas of Virginia, Inc.; Virginia Natural Gas Company National Fuel Gas Distribution Corporation - New York and Pennsylvania Divisions; The City of Bethlehem - Bureau of Water; The City of Coatesville Authority; The City of Lancaster - Bureau of Water; Peoples Energy Corporation; The York Water Company; Public Service Company of Colorado; Enbridge Pipelines; Enbridge Gas Distribution, Inc.; Reliant Energy-HLP; Massachusetts-American Water Company; St. Louis County Water Company; Missouri-American Water Company; Chugach Electric Association; Alliant Energy; Oklahoma Gas & Electric Company; Nevada Power Company; Dominion Virginia Power; NUI-Virginia Gas Companies; Pacific Gas & Electric Company; PSI Energy; NUI - Elizabethtown Gas Company; Cinergy Corporation – CG&E; Cinergy

Corporation – ULH&P; Columbia Gas of Kentucky; South Carolina Electric & Gas Company; Idaho Power Company; El Paso Electric Company; Aqua North Carolina; Aqua Ohio; Aqua Texas, Inc.; Aqua Illinois, Inc.; Ameren Missouri; Central Hudson Gas & Electric; Centennial Pipeline Company; CenterPoint Energy-Arkansas; CenterPoint Energy – Oklahoma; CenterPoint Energy – Entex; CenterPoint Energy - Louisiana; NSTAR – Boston Edison Company; Westar Energy, Inc.; United Water Pennsylvania; PPL Electric Utilities; PPL Gas Utilities; Wisconsin Power & Light Company; TransAlaska Pipeline; Avista Corporation; Northwest Natural Gas; Allegheny Energy Supply, Inc.; Public Service Company of North Carolina; South Jersey Gas Company; Duquesne Light Company; MidAmerican Energy Company; Laclede Gas; Duke Energy Company; E.ON U.S. Services Inc.; Elkton Gas Services; Anchorage Water and Wastewater Utility; Kansas City Power and Light; Duke Energy North Carolina; Duke Energy South Carolina; Monongahela Power Company; Potomac Edison Company; Duke Energy Ohio Gas; Duke Energy Kentucky; Duke Energy Indiana; Duke Energy Progress; Northern Indiana Public Service Company; Tennessee- American Water Company; Columbia Gas of Maryland; Maryland-American Water Company; Bonneville Power Administration; NSTAR Electric and Gas Company; EPCOR Distribution, Inc.; B. C. Gas Utility, Ltd; Entergy Arkansas; Entergy Texas; Entergy Mississippi; Entergy Louisiana; Entergy Gulf States Louisiana; the Borough of Hanover; Louisville Gas and Electric Company; Kentucky Utilities Company; Madison Gas and Electric; Central Maine Power; PEPCO; PacifiCorp; Minnesota Energy Resource Group; Jersey Central Power & Light Company; Cheyenne Light, Fuel and Power Company; United Water Arkansas; Central Vermont Public Service Corporation; Green Mountain Power; Portland General Electric Company; Atlantic City Electric; Nicor Gas Company; Black Hills Power; Black Hills Colorado Gas; Black Hills Energy Arkansas, Inc.; Black Hills Kansas

Gas; Black Hills Service Company; Black Hills Utility Holdings; Public Service Company of Oklahoma; City of Dubois; Peoples Gas Light and Coke Company; North Shore Gas Company; Connecticut Light and Power; New York State Electric and Gas Corporation; Rochester Gas and Electric Corporation; Greater Missouri Operations; Tennessee Valley Authority; Omaha Public Power District; Indianapolis Power & Light Company; Vermont Gas Systems, Inc.; Metropolitan Edison; Pennsylvania Electric; West Penn Power; Pennsylvania Power; PHI Service Company - Delmarva Power and Light; Atmos Energy Corporation; Citizens Energy Group; PSE&G Company; Berkshire Gas Company; Alabama Gas Corporation; Mid-Atlantic Interstate Transmission, LLC; SUEZ Water; WEC Energy Group; Rocky Mountain Natural Gas, LLC; Illinois-American Water Company; Northern Illinois Gas Company; Public Service of New Hampshire; FirstEnergy Service Corporation; Northeast Ohio Natural Gas Corporation; Blue Granite Water Company; Spire Missouri, Inc.; Dominion Energy South Carolina, Inc.; South FirstEnergy Operating Companies; Dayton Power and Light Company; Liberty Utilities; East Kentucky Power Cooperative; Bangor Natural Gas; Hanover Borough Municipal Water Works; West Virginia American Water Company; Evergy Metro; Evergy Missouri West; Granite State Electric; Bluegrass Water; The Borough of Ambler; Newtown Artesian Water Company and Connecticut Water Company.

My additional duties include determining final life and salvage estimates, conducting field reviews, presenting recommended depreciation rates to management for its consideration and supporting such rates before regulatory bodies.

Q. Have you submitted testimony to any state utility commission on the subject of utility plant depreciation?

A. Yes. I have submitted testimony to the Pennsylvania Public Utility Commission; the

Commonwealth of Kentucky Public Service Commission; the Public Utilities Commission of Ohio; the Nevada Public Utility Commission; the Public Utilities Board of New Jersey; the Missouri Public Service Commission; the Massachusetts Department of Telecommunications and Energy; the Alberta Energy & Utility Board; the Idaho Public Utility Commission; the Louisiana Public Service Commission; the State Corporation Commission of Kansas; the Oklahoma Corporate Commission; the Public Service Commission of South Carolina; Railroad Commission of Texas – Gas Services Division; the New York Public Service Commission; Illinois Commerce Commission; the Indiana Utility Regulatory Commission; the California Public Utilities Commission; the Federal Energy Regulatory Commission (“FERC”); the Arkansas Public Service Commission; the Public Utility Commission of Texas; Maryland Public Service Commission; Washington Utilities and Transportation Commission; The Tennessee Regulatory Commission; the Regulatory Commission of Alaska; Minnesota Public Utility Commission; Utah Public Service Commission; District of Columbia Public Service Commission; the Mississippi Public Service Commission; Delaware Public Service Commission; Virginia State Corporation Commission; Colorado Public Utility Commission; Oregon Public Utility Commission; South Dakota Public Utilities Commission; Wisconsin Public Service Commission; Wyoming Public Service Commission; the Public Service Commission of West Virginia; Maine Public Utility Commission; Iowa Utility Board; Connecticut Public Utilities Regulatory Authority; New Mexico Public Regulation Commission; Commonwealth of Massachusetts Department of Public Utilities; Rhode Island Public Utilities Commission and the North Carolina Utilities Commission.

Q. Have you had any additional education relating to utility plant depreciation?

A. Yes. I have completed the following courses conducted by Depreciation Programs, Inc.:

“Techniques of Life Analysis,” “Techniques of Salvage and Depreciation Analysis,” “Forecasting Life and Salvage,” “Modeling and Life Analysis Using Simulation,” and “Managing a Depreciation Study.” I have also completed the “Introduction to Public Utility Accounting” program conducted by the American Gas Association.

Q. Does this conclude your qualification statement?

A. Yes.

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY

	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client Utility</u>	<u>Subject</u>
01.	1998	PA PUC	R-00984375	City of Bethlehem – Bureau of Water	Original Cost and Depreciation
02.	1998	PA PUC	R-00984567	City of Lancaster	Original Cost and Depreciation
03.	1999	PA PUC	R-00994605	The York Water Company	Depreciation
04.	2000	D.T.&E.	DTE 00-105	Massachusetts-American Water Company	Depreciation
05.	2001	PA PUC	R-00016114	City of Lancaster	Original Cost and Depreciation
06.	2001	PA PUC	R-00017236	The York Water Company	Depreciation
07.	2001	PA PUC	R-00016339	Pennsylvania-American Water Company	Depreciation
08.	2001	OH PUC	01-1228-GA-AIR	Cinergy Corp – Cincinnati Gas & Elect Company	Depreciation
09.	2001	KY PSC	2001-092	Cinergy Corp – Union Light, Heat & Power Co.	Depreciation
10.	2002	PA PUC	R-00016750	Philadelphia Suburban Water Company	Depreciation
11.	2002	KY PSC	2002-00145	Columbia Gas of Kentucky	Depreciation
12.	2002	NJ BPU	GF02040245	NUI Corporation/Elizabethtown Gas Company	Depreciation
13.	2002	ID PUC	IPC-E-03-7	Idaho Power Company	Depreciation
14.	2003	PA PUC	R-0027975	The York Water Company	Depreciation
15.	2003	IN URC	R-0027975	Cinergy Corp – PSI Energy, Inc.	Depreciation
16.	2003	PA PUC	R-00038304	Pennsylvania-American Water Company	Depreciation
17.	2003	MO PSC	WR-2003-0500	Missouri-American Water Company	Depreciation
18.	2003	FERC	ER03-1274-000	NSTAR-Boston Edison Company	Depreciation
19.	2003	NJ BPU	BPU 03080683	South Jersey Gas Company	Depreciation
20.	2003	NV PUC	03-10001	Nevada Power Company	Depreciation
21.	2003	LA PSC	U-27676	CenterPoint Energy – Arkla	Depreciation
22.	2003	PA PUC	R-00038805	Pennsylvania Suburban Water Company	Depreciation
23.	2004	AB En/Util Bd	1306821	EPCOR Distribution, Inc.	Depreciation
24.	2004	PA PUC	R-00038168	National Fuel Gas Distribution Corp (PA)	Depreciation
25.	2004	PA PUC	R-00049255	PPL Electric Utilities	Depreciation
26.	2004	PA PUC	R-00049165	The York Water Company	Depreciation
27.	2004	OK Corp Cm	PUC 200400187	CenterPoint Energy – Arkla	Depreciation
28.	2004	OH PUC	04-680-EI-AIR	Cinergy Corp. – Cincinnati Gas and Electric Company	Depreciation
29.	2004	RR Com of TX	GUD#	CenterPoint Energy – Entex Gas Services Div.	Depreciation
30.	2004	NY PUC	04-G-1047	National Fuel Gas Distribution Gas (NY)	Depreciation
31.	2004	AR PSC	04-121-U	CenterPoint Energy – Arkla	Depreciation
32.	2005	IL CC	05-ICC-06	North Shore Gas Company	Depreciation
33.	2005	IL CC	05-ICC-06	Peoples Gas Light and Coke Company	Depreciation
34.	2005	KY PSC	2005-00042	Union Light Heat & Power	Depreciation

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY, cont.

	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client Utility</u>	<u>Subject</u>
35.	2005	IL CC	05-0308	MidAmerican Energy Company	Depreciation
36.	2005	MO PSC	GF-2005	Laclede Gas Company	Depreciation
37.	2005	KS CC	05-WSEE-981-RTS	Westar Energy	Depreciation
38.	2005	RR Com of TX	GUD #	CenterPoint Energy – Entex Gas Services Div.	Depreciation
39.	2005	US District Court	Cause No. 1:99-CV-1693- LJM/VSS	Cinergy Corporation	Accounting
40.	2005	OK CC	PUD 200500151	Oklahoma Gas and Electric Company	Depreciation
41.	2005	MA Dept Tele- com & Ergy	DTE 05-85	NSTAR	Depreciation
42.	2005	NY PUC	05-E-934/05-G-0935	Central Hudson Gas & Electric Company	Depreciation
43.	2005	AK Reg Com	U-04-102	Chugach Electric Association	Depreciation
44.	2005	CA PUC	A05-12-002	Pacific Gas & Electric	Depreciation
45.	2006	PA PUC	R-00051030	Aqua Pennsylvania, Inc.	Depreciation
46.	2006	PA PUC	R-00051178	T.W. Phillips Gas and Oil Company	Depreciation
47.	2006	NC Util Cm.	G-5, Sub522	Pub. Service Company of North Carolina	Depreciation
48.	2006	PA PUC	R-00051167	City of Lancaster	Depreciation
49.	2006	PA PUC	R00061346	Duquesne Light Company	Depreciation
50.	2006	PA PUC	R-00061322	The York Water Company	Depreciation
51.	2006	PA PUC	R-00051298	PPL GAS Utilities	Depreciation
52.	2006	PUC of TX	32093	CenterPoint Energy – Houston Electric	Depreciation
53.	2006	KY PSC	2006-00172	Duke Energy Kentucky	Depreciation
54.	2006	SC PSC		SCANA	Accounting
55.	2006	AK Reg Com	U-06-6	Municipal Light and Power	Depreciation
56.	2006	DE PSC	06-284	Delmarva Power and Light	Depreciation
57.	2006	IN URC	IURC43081	Indiana American Water Company	Depreciation
58.	2006	AK Reg Com	U-06-134	Chugach Electric Association	Depreciation
59.	2006	MO PSC	WR-2007-0216	Missouri American Water Company	Depreciation
60.	2006	FERC	IS05-82-002, et al	TransAlaska Pipeline	Depreciation
61.	2006	PA PUC	R-00061493	National Fuel Gas Distribution Corp. (PA)	Depreciation
62.	2007	NC Util Com.	E-7 SUB 828	Duke Energy Carolinas, LLC	Depreciation
63.	2007	OH PSC	08-709-EL-AIR	Duke Energy Ohio Gas	Depreciation
64.	2007	PA PUC	R-00072155	PPL Electric Utilities Corporation	Depreciation
65.	2007	KY PSC	2007-00143	Kentucky American Water Company	Depreciation

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY, cont.

	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client Utility</u>	<u>Subject</u>
66.	2007	PA PUC	R-00072229	Pennsylvania American Water Company	Depreciation
67.	2007	KY PSC	2007-0008	NiSource – Columbia Gas of Kentucky	Depreciation
68.	2007	NY PSC	07-G-0141	National Fuel Gas Distribution Corp (NY)	Depreciation
69.	2008	AK PSC	U-08-004	Anchorage Water & Wastewater Utility	Depreciation
70.	2008	TN Reg Auth	08-00039	Tennessee-American Water Company	Depreciation
71.	2008	DE PSC	08-96	Artesian Water Company	Depreciation
72.	2008	PA PUC	R-2008-2023067	The York Water Company	Depreciation
73.	2008	KS CC	08-WSEE1-RTS	Westar Energy	Depreciation
74.	2008	IN URC	43526	Northern Indiana Public Service Company	Depreciation
75.	2008	IN URC	43501	Duke Energy Indiana	Depreciation
76.	2008	MD PSC	9159	NiSource – Columbia Gas of Maryland	Depreciation
77.	2008	KY PSC	2008-000251	Kentucky Utilities	Depreciation
78.	2008	KY PSC	2008-000252	Louisville Gas & Electric	Depreciation
79.	2008	PA PUC	2008-20322689	Pennsylvania American Water Co. - Wastewater	Depreciation
80.	2008	NY PSC	08-E887/08-00888	Central Hudson	Depreciation
81.	2008	WV TC	VE-080416/VG-8080417	Avista Corporation	Depreciation
82.	2008	IL CC	ICC-09-166	Peoples Gas, Light and Coke Company	Depreciation
83.	2009	IL CC	ICC-09-167	North Shore Gas Company	Depreciation
84.	2009	DC PSC	1076	Potomac Electric Power Company	Depreciation
85.	2009	KY PSC	2009-00141	NiSource – Columbia Gas of Kentucky	Depreciation
86.	2009	FERC	ER08-1056-002	Entergy Services	Depreciation
87.	2009	PA PUC	R-2009-2097323	Pennsylvania American Water Company	Depreciation
88.	2009	NC Util Cm	E-7, Sub 090	Duke Energy Carolinas, LLC	Depreciation
89.	2009	KY PSC	2009-00202	Duke Energy Kentucky	Depreciation
90.	2009	VA St. CC	PUE-2009-00059	Aqua Virginia, Inc.	Depreciation
91.	2009	PA PUC	2009-2132019	Aqua Pennsylvania, Inc.	Depreciation
92.	2009	MS PSC	Docket No. 2011-UA-183	Entergy Mississippi	Depreciation
93.	2009	AK PSC	09-08-U	Entergy Arkansas	Depreciation
94.	2009	TX PUC	37744	Entergy Texas	Depreciation
95.	2009	TX PUC	37690	El Paso Electric Company	Depreciation
96.	2009	PA PUC	R-2009-2106908	The Borough of Hanover	Depreciation
97.	2009	KS CC	10-KCPE-415-RTS	Kansas City Power & Light	Depreciation
98.	2009	PA PUC	R-2009-	United Water Pennsylvania	Depreciation

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY, cont.

	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client Utility</u>	<u>Subject</u>
99.	2009	OH PUC		Aqua Ohio Water Company	Depreciation
100.	2009	WI PSC	3270-DU-103	Madison Gas & Electric Company	Depreciation
101.	2009	MO PSC	WR-2010	Missouri American Water Company	Depreciation
102.	2009	AK Reg Cm	U-09-097	Chugach Electric Association	Depreciation
103.	2010	IN URC	43969	Northern Indiana Public Service Company	Depreciation
104.	2010	WI PSC	6690-DU-104	Wisconsin Public Service Corp.	Depreciation
105.	2010	PA PUC	R-2010-2161694	PPL Electric Utilities Corp.	Depreciation
106.	2010	KY PSC	2010-00036	Kentucky American Water Company	Depreciation
107.	2010	PA PUC	R-2009-2149262	Columbia Gas of Pennsylvania	Depreciation
108.	2010	MO PSC	GR-2010-0171	Laclede Gas Company	Depreciation
109.	2010	SC PSC	2009-489-E	South Carolina Electric & Gas Company	Depreciation
110.	2010	NJ BD OF PU	ER09080664	Atlantic City Electric	Depreciation
111.	2010	VA St. CC	PUE-2010-00001	Virginia American Water Company	Depreciation
112.	2010	PA PUC	R-2010-2157140	The York Water Company	Depreciation
113.	2010	MO PSC	ER-2010-0356	Greater Missouri Operations Company	Depreciation
114.	2010	MO PSC	ER-2010-0355	Kansas City Power and Light	Depreciation
115.	2010	PA PUC	R-2010-2167797	T.W. Phillips Gas and Oil Company	Depreciation
116.	2010	PSC SC	2009-489-E	SCANA – Electric	Depreciation
117.	2010	PA PUC	R-2010-22010702	Peoples Natural Gas, LLC	Depreciation
118.	2010	AK PSC	10-067-U	Oklahoma Gas and Electric Company	Depreciation
119.	2010	IN URC	Cause No. 43894	Northern Indiana Public Serv. Company - NIFL	Depreciation
120.	2010	IN URC	Cause No. 43894	Northern Indiana Public Serv. Co. - Kokomo	Depreciation
121.	2010	PA PUC	R-2010-2166212	Pennsylvania American Water Co. - WW	Depreciation
122.	2010	NC Util Cn.	W-218,SUB310	Aqua North Carolina, Inc.	Depreciation
123.	2011	OH PUC	11-4161-WS-AIR	Ohio American Water Company	Depreciation
124.	2011	MS PSC	EC-123-0082-00	Entergy Mississippi	Depreciation
125.	2011	CO PUC	11AL-387E	Black Hills Colorado	Depreciation
126.	2011	PA PUC	R-2010-2215623	Columbia Gas of Pennsylvania	Depreciation
127.	2011	PA PUC	R-2010-2179103	City of Lancaster – Bureau of Water	Depreciation
128.	2011	IN URC	43114 IGCC 4S	Duke Energy Indiana	Depreciation
129.	2011	FERC	IS11-146-000	Enbridge Pipelines (Southern Lights)	Depreciation
130.	2011	IL CC	11-0217	MidAmerican Energy Corporation	Depreciation
131.	2011	OK CC	201100087	Oklahoma Gas & Electric Company	Depreciation
132.	2011	PA PUC	2011-2232243	Pennsylvania American Water Company	Depreciation

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY, cont.

	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client Utility</u>	<u>Subject</u>
133.	2011	FERC	RP11-___-000	Carolina Gas Transmission	Depreciation
134.	2012	WA UTC	UE-120436/UG-120437	Avista Corporation	Depreciation
135.	2012	AK Reg Cm	U-12-009	Chugach Electric Association	Depreciation
136.	2012	MA PUC	DPU 12-25	Columbia Gas of Massachusetts	Depreciation
137.	2012	TX PUC	40094	El Paso Electric Company	Depreciation
138.	2012	ID PUC	IPC-E-12	Idaho Power Company	Depreciation
139.	2012	PA PUC	R-2012-2290597	PPL Electric Utilities	Depreciation
140.	2012	PA PUC	R-2012-2311725	Borough of Hanover – Bureau of Water	Depreciation
141.	2012	KY PSC	2012-00222	Louisville Gas and Electric Company	Depreciation
142.	2012	KY PSC	2012-00221	Kentucky Utilities Company	Depreciation
143.	2012	PA PUC	R-2012-2285985	Peoples Natural Gas Company	Depreciation
144.	2012	DC PSC	Case 1087	Potomac Electric Power Company	Depreciation
145.	2012	OH PSC	12-1682-EL-AIR	Duke Energy Ohio (Electric)	Depreciation
146.	2012	OH PSC	12-1685-GA-AIR	Duke Energy Ohio (Gas)	Depreciation
147.	2012	PA PUC	R-2012-2310366	City of Lancaster – Sewer Fund	Depreciation
148.	2012	PA PUC	R-2012-2321748	Columbia Gas of Pennsylvania	Depreciation
149.	2012	FERC	ER-12-2681-000	ITC Holdings	Depreciation
150.	2012	MO PSC	ER-2012-0174	Kansas City Power and Light	Depreciation
151.	2012	MO PSC	ER-2012-0175	KCPL Greater Missouri Operations Company	Depreciation
152.	2012	MO PSC	GO-2012-0363	Laclede Gas Company	Depreciation
153.	2012	MN PUC	G007,001/D-12-533	Integrus – MN Energy Resource Group	Depreciation
154.	2012	TX PUC	SOAH 582-14-1051/ TECQ 2013-2007-UCR	Aqua Texas	Depreciation
155.	2012	PA PUC	2012-2336379	York Water Company	Depreciation
156.	2013	NJ BPU	ER12121071	PHI Service Company– Atlantic City Electric	Depreciation
157.	2013	KY PSC	2013-00167	Columbia Gas of Kentucky	Depreciation
158.	2013	VA St CC	2013-00020	Virginia Electric and Power Company	Depreciation
159.	2013	IA Util Bd	2013-0004	MidAmerican Energy Corporation	Depreciation
160.	2013	PA PUC	2013-2355276	Pennsylvania American Water Company	Depreciation
161.	2013	NY PSC	13-E-0030, 13-G-0031, 13-S-0032	Consolidated Edison of New York	Depreciation
162.	2013	PA PUC	2013-2355886	Peoples TWP LLC	Depreciation
163.	2013	TN Reg Auth	12-0504	Tennessee American Water	Depreciation
164.	2013	ME PUC	2013-168	Central Maine Power Company	Depreciation
165.	2013	DC PSC	Case 1103	PHI Service Company – PEPCO	Depreciation

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY, cont.

	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client Utility</u>	<u>Subject</u>
166.	2013	WY PSC	2003-ER-13	Cheyenne Light, Fuel and Power Company	Depreciation
167.	2013	FERC	ER13-2428-0000	Kentucky Utilities	Depreciation
168.	2013	FERC	ER13- -0000	MidAmerican Energy Company	Depreciation
169.	2013	FERC	ER13-2410-0000	PPL Utilities	Depreciation
170.	2013	PA PUC	R-2013-2372129	Duquesne Light Company	Depreciation
171.	2013	NJ BPU	ER12111052	Jersey Central Power and Light Company	Depreciation
172.	2013	PA PUC	R-2013-2390244	Bethlehem, City of – Bureau of Water	Depreciation
173.	2013	OK CC	UM 1679	Oklahoma, Public Service Company of	Depreciation
174.	2013	IL CC	13-0500	Nicor Gas Company	Depreciation
175.	2013	WY PSC	20000-427-EA-13	PacifiCorp	Depreciation
176.	2013	UT PSC	13-035-02	PacifiCorp	Depreciation
177.	2013	OR PUC	UM 1647	PacifiCorp	Depreciation
178.	2013	PA PUC	2013-2350509	Dubois, City of	Depreciation
179.	2014	IL CC	14-0224	North Shore Gas Company	Depreciation
180.	2014	FERC	ER14- -0000	Duquesne Light Company	Depreciation
181.	2014	SD PUC	EL14-026	Black Hills Power Company	Depreciation
182.	2014	WY PSC	20002-91-ER-14	Black Hills Power Company	Depreciation
183.	2014	PA PUC	2014-2428304	Borough of Hanover – Municipal Water Works	Depreciation
184.	2014	PA PUC	2014-2406274	Columbia Gas of Pennsylvania	Depreciation
185.	2014	IL CC	14-0225	Peoples Gas Light and Coke Company	Depreciation
186.	2014	MO PSC	ER-2014-0258	Ameren Missouri	Depreciation
187.	2014	KS CC	14-BHCG-502-RTS	Black Hills Service Company	Depreciation
188.	2014	KS CC	14-BHCG-502-RTS	Black Hills Utility Holdings	Depreciation
189.	2014	KS CC	14-BHCG-502-RTS	Black Hills Kansas Gas	Depreciation
190.	2014	PA PUC	2014-2418872	Lancaster, City of – Bureau of Water	Depreciation
191.	2014	WV PSC	14-0701-E-D	First Energy – MonPower/PotomacEdison	Depreciation
192.	2014	VA St CC	PUC-2014-00045	Aqua Virginia	Depreciation
193.	2014	VA St CC	PUE-2013	Virginia American Water Company	Depreciation
194.	2014	OK CC	PUD201400229	Oklahoma Gas and Electric Company	Depreciation
195.	2014	OR PUC	UM1679	Portland General Electric	Depreciation
196.	2014	IN URC	Cause No. 44576	Indianapolis Power & Light	Depreciation
197.	2014	MA DPU	DPU. 14-150	NSTAR Gas	Depreciation
198.	2014	CT PURA	14-05-06	Connecticut Light and Power	Depreciation
199.	2014	MO PSC	ER-2014-0370	Kansas City Power & Light	Depreciation

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY, cont.

	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client Utility</u>	<u>Subject</u>
200.	2014	KY PSC	2014-00371	Kentucky Utilities Company	Depreciation
201.	2014	KY PSC	2014-00372	Louisville Gas and Electric Company	Depreciation
202.	2015	PA PUC	R-2015-2462723	United Water Pennsylvania Inc.	Depreciation
203.	2015	PA PUC	R-2015-2468056	NiSource - Columbia Gas of Pennsylvania	Depreciation
204.	2015	NY PSC	15-E-0283/15-G-0284	New York State Electric and Gas Corporation	Depreciation
205.	2015	NY PSC	15-E-0285/15-G-0286	Rochester Gas and Electric Corporation	Depreciation
206.	2015	MO PSC	WR-2015-0301/SR-2015-0302	Missouri American Water Company	Depreciation
207.	2015	OK CC	PUD 201500208	Oklahoma, Public Service Company of	Depreciation
208.	2015	WV PSC	15-0676-W-42T	West Virginia American Water Company	Depreciation
209.	2015	PA PUC	2015-2469275	PPL Electric Utilities	Depreciation
210.	2015	IN URC	Cause No. 44688	Northern Indiana Public Service Company	Depreciation
211.	2015	OH PSC	14-1929-EL-RDR	First Energy-Ohio Edison/Cleveland Electric/ Toledo Edison	Depreciation
212.	2015	NM PRC	15-00127-UT	El Paso Electric	Depreciation
213.	2015	TX PUC	PUC-44941; SOAH 473-15-5257	El Paso Electric	Depreciation
214.	2015	WI PSC	3270-DU-104	Madison Gas and Electric Company	Depreciation
215.	2015	OK CC	PUD 201500273	Oklahoma Gas and Electric	Depreciation
216.	2015	KY PSC	Doc. No. 2015-00418	Kentucky American Water Company	Depreciation
217.	2015	NC UC	Doc. No. G-5, Sub 565	Public Service Company of North Carolina	Depreciation
218.	2016	WA UTC	Docket UE-17	Puget Sound Energy	Depreciation
219.	2016	NY PSC	Case No. 16-W-0130	SUEZ Water New York, Inc.	Depreciation
220.	2016	MO PSC	ER-2016-0156	KCPL – Greater Missouri	Depreciation
221.	2016	WI PSC		Wisconsin Public Service Corporation	Depreciation
222.	2016	KY PSC	Case No. 2016-00026	Kentucky Utilities Company	Depreciation
223.	2016	KY PSC	Case No. 2016-00027	Louisville Gas and Electric Company	Depreciation
224.	2016	OH PUC	Case No. 16-0907-WW-AIR	Aqua Ohio	Depreciation
225.	2016	MD PSC	Case 9417	NiSource - Columbia Gas of Maryland	Depreciation
226.	2016	KY PSC	2016-00162	Columbia Gas of Kentucky	Depreciation
227.	2016	DE PSC	16-0649	Delmarva Power and Light Company – Electric	Depreciation
228.	2016	DE PSC	16-0650	Delmarva Power and Light Company – Gas	Depreciation
229.	2016	NY PSC	Case 16-G-0257	National Fuel Gas Distribution Corp – NY Div	Depreciation
230.	2016	PA PUC	R-2016-2537349	Metropolitan Edison Company	Depreciation
231.	2016	PA PUC	R-2016-2537352	Pennsylvania Electric Company	Depreciation
232.	2016	PA PUC	R-2016-2537355	Pennsylvania Power Company	Depreciation

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY, cont.

	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client Utility</u>	<u>Subject</u>
233.	2016	PA PUC	R-2016-2537359	West Penn Power Company	Depreciation
234.	2016	PA PUC	R-2016-2529660	NiSource - Columbia Gas of PA	Depreciation
235.	2016	KY PSC	Case No. 2016-00063	Kentucky Utilities / Louisville Gas & Electric Co	Depreciation
236.	2016	MO PSC	ER-2016-0285	KCPL Missouri	Depreciation
237.	2016	AR PSC	16-052-U	Oklahoma Gas & Electric Co	Depreciation
238.	2016	PSCW	6680-DU-104	Wisconsin Power and Light	Depreciation
239.	2016	ID PUC	IPC-E-16-23	Idaho Power Company	Depreciation
240.	2016	OR PUC	UM1801	Idaho Power Company	Depreciation
241.	2016	ILL CC	16-	MidAmerican Energy Company	Depreciation
242.	2016	KY PSC	Case No. 2016-00370	Kentucky Utilities Company	Depreciation
243.	2016	KY PSC	Case No. 2016-00371	Louisville Gas and Electric Company	Depreciation
244.	2016	IN URC	Cause No. 45029	Indianapolis Power & Light	Depreciation
245.	2016	AL RC	U-16-081	Chugach Electric Association	Depreciation
246.	2017	MA DPU	D.P.U. 17-05	NSTAR Electric Company and Western Massachusetts Electric Company	Depreciation
247.	2017	TX PUC	PUC-26831, SOAH 973-17-2686	El Paso Electric Company	Depreciation
248.	2017	WA UTC	UE-17033 and UG-170034	Puget Sound Energy	Depreciation
249.	2017	OH PUC	Case No. 17-0032-EL-AIR	Duke Energy Ohio	Depreciation
250.	2017	VA SCC	Case No. PUE-2016-00413	Virginia Natural Gas, Inc.	Depreciation
251.	2017	OK CC	Case No. PUD201700151	Public Service Company of Oklahoma	Depreciation
252.	2017	MD PSC	Case No. 9447	Columbia Gas of Maryland	Depreciation
253.	2017	NC UC	Docket No. E-2, Sub 1142	Duke Energy Progress	Depreciation
254.	2017	VA SCC	Case No. PUR-2017-00090	Dominion Virginia Electric and Power Company	Depreciation
255.	2017	FERC	ER17-1162	MidAmerican Energy Company	Depreciation
256.	2017	PA PUC	R-2017-2595853	Pennsylvania American Water Company	Depreciation
257.	2017	OR PUC	UM1809	Portland General Electric	Depreciation
258.	2017	FERC	ER17-217-000	Jersey Central Power & Light	Depreciation
259.	2017	FERC	ER17-211-000	Mid-Atlantic Interstate Transmission, LLC	Depreciation
260.	2017	MN PUC	Docket No. G007/D-17-442	Minnesota Energy Resources Corporation	Depreciation
261.	2017	IL CC	Docket No. 17-0124	Northern Illinois Gas Company	Depreciation
262.	2017	OR PUC	UM1808	Northwest Natural Gas Company	Depreciation
263.	2017	NY PSC	Case No. 17-W-0528	SUEZ Water Owego-Nichols	Depreciation
264.	2017	MO PSC	GR-2017-0215	Laclede Gas Company	Depreciation
265.	2017	MO PSC	GR-2017-0216	Missouri Gas Energy	Depreciation

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY, cont.

	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client Utility</u>	<u>Subject</u>
266.	2017	ILL CC	Docket No. 17-0337	Illinois-American Water Company	Depreciation
267.	2017	FERC	Docket No. ER18-22-000	PPL Electric Utilities Corporation	Depreciation
268.	2017	IN URC	Cause No. 44988	Northern Indiana Public Service Company	Depreciation
269.	2017	NJ BPU	BPU Docket No. WR17090985	New Jersey American Water Company, Inc.	Depreciation
270.	2017	RI PUC	Docket No. 4800	SUEZ Water Rhode Island	Depreciation
271.	2017	OK CC	Cause No. PUD 201700496	Oklahoma Gas and Electric Company	Depreciation
272.	2017	NJ BPU	ER18010029 & GR18010030	Public Service Electric and Gas Company	Depreciation
273.	2017	NC Util Com.	Docket No. E-7, SUB 1146	Duke Energy Carolinas, LLC	Depreciation
274.	2017	KY PSC	Case No. 2017-00321	Duke Energy Kentucky, Inc.	Depreciation
275.	2017	MA DPU	D.P.U. 18-40	Berkshire Gas Company	Depreciation
276.	2018	IN IURC	Cause No. 44992	Indiana-American Water Company, Inc.	Depreciation
277.	2018	IN IURC	Cause No. 45029	Indianapolis Power and Light	Depreciation
278.	2018	NC Util Com.	Docket No. W-218, Sub 497	Aqua North Carolina, Inc.	Depreciation
279.	2018	PA PUC	Docket No. R-2018-2647577	NiSource - Columbia Gas of Pennsylvania, Inc.	Depreciation
280.	2018	OR PUC	Docket UM 1933	Avista Corporation	Depreciation
281.	2018	WA UTC	Docket No. UE-108167	Avista Corporation	Depreciation
282.	2018	ID PUC	AVU-E-18-03, AVU-G-18-02	Avista Corporation	Depreciation
283.	2018	IN URC	Cause No. 45039	Citizens Energy Group	Depreciation
284.	2018	FERC	Docket No. ER18-	Duke Energy Progress	Depreciation
285.	2018	PA PUC	Docket No. R-2018-3000124	Duquesne Light Company	Depreciation
286.	2018	MD PSC	Case No. 948	NiSource - Columbia Gas of Maryland	Depreciation
287.	2018	MA DPU	D.P.U. 18-45	NiSource - Columbia Gas of Massachusetts	Depreciation
288.	2018	OH PUC	Case No. 18-0299-GA-ALT	Vectren Energy Delivery of Ohio	Depreciation
289.	2018	PA PUC	Docket No. R-2018-3000834	SUEZ Water Pennsylvania Inc.	Depreciation
290.	2018	MD PSC	Case No. 9847	Maryland-American Water Company	Depreciation
291.	2018	PA PUC	Docket No. R-2018-3000019	The York Water Company	Depreciation
292.	2018	FERC	ER-18-2231-000	Duke Energy Carolinas, LLC	Depreciation
293.	2018	KY PSC	Case No. 2018-00261	Duke Energy Kentucky, Inc.	Depreciation
294.	2018	NJ BPU	BPU Docket No. WR18050593	SUEZ Water New Jersey	Depreciation
295.	2018	WA UTC	Docket No. UE-180778	PacifiCorp	Depreciation
296.	2018	UT PSC	Docket No. 18-035-36	PacifiCorp	Depreciation
297.	2018	OR PUC	Docket No. UM-1968	PacifiCorp	Depreciation
298.	2018	ID PUC	Case No. PAC-E-18-08	PacifiCorp	Depreciation
299.	2018	WY PSC	20000-539-EA-18	PacifiCorp	Depreciation
300.	2018	PA PUC	Docket No. R-2018-3003068	Aqua Pennsylvania, Inc.	Depreciation

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	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client Utility</u>	<u>Subject</u>
301.	2018	IL CC	Docket No. 18-1467	Aqua Illinois, Inc.	Depreciation
302.	2018	KY PSC	Case No. 2018-00294	Louisville Gas & Electric Company	Depreciation
303.	2018	KY PSC	Case No. 2018-00295	Kentucky Utilities Company	Depreciation
304.	2018	IN URC	Cause No. 45159	Northern Indiana Public Service Company	Depreciation
305.	2018	VA SCC	Case No. PUR-2019-00175	Virginia American Water Company	Depreciation
306.	2019	PA PUC	Docket No. R-2018-3006818	Peoples Natural Gas Company, LLC	Depreciation
307.	2019	OK CC	Cause No. PUD201800140	Oklahoma Gas and Electric Company	Depreciation
308.	2019	MD PSC	Case No. 9490	FirstEnergy – Potomac Edison	Depreciation
309.	2019	SC PSC	Docket No. 2018-318-E	Duke Energy Progress	Depreciation
310.	2019	SC PSC	Docket No. 2018-319-E	Duke Energy Carolinas	Depreciation
311.	2019	DE PSC	DE 19-057	Public Service of New Hampshire	Depreciation
312.	2019	NY PSC	Case No. 19-W-0168 & 19-W-	SUEZ Water New York	Depreciation
313.	2019	PA PUC	Docket No. R-2019-3006904	Newtown Artesian Water Company	Depreciation
314.	2019	MO PSC	ER-2019-0335	Ameren Missouri	Depreciation
315.	2019	MO PSC	EC-2019-0200	KCP&L Greater Missouri Operations Company	Depreciation
316.	2019	MN DOC	G011/D-19-377	Minnesota Energy Resource Corp.	Depreciation
317.	2019	NY PSC	Case 19-E-0378 & 19-G-0379	New York State Electric and Gas Corporation	Depreciation
318.	2019	NY PSC	Case 19-E-0380 & 19-G-0381	Rochester Gas and Electric Corporation	Depreciation
319.	2019	WA UTC	Docket UE-190529 / UG-190530	Puget Sound Energy	Depreciation
320.	2019	PA PUC	Docket No. R-2019-3010955	City of Lancaster	Depreciation
321.	2019	IURC	Cause No. 45253	Duke Energy Indiana	Depreciation
322.	2019	KY PSC	Case No. 2019-00271	Duke Energy Kentucky, Inc.	Depreciation
323.	2019	OH PUC	Case No. 18-1720-GA-AIR	Northeast Ohio Natural Gas Corp	Depreciation
324.	2019	NC Util.	Docket No. E-2, Sub 1219	Duke Energy Carolinas	Depreciation
325.	2019	FERC	Docket No. ER20-277-000	Jersey Central Power & Light Company	Depreciation
326.	2019	MA DPU	D.P.U. 19-120	NSTAR Gas Company	Depreciation
327.	2019	SC PSC	Docket No. 2019-290-WS	Blue Granite Water Company	Depreciation
328.	2019	NC Util.	Docket No. E-2, Sub 1219	Duke Energy Progress	Depreciation
329.	2019	MD PSC	Case No. 9609	NiSource Columbia Gas of Maryland, Inc.	Depreciation
330.	2019	HI PUC	Docket No. 2019-0117	Young Brothers, LLC	Depreciation
331.	2020	NJ BPU	Docket No. ER20020146	Jersey Central Power & Light Company	Depreciation
332.	2020	PA PUC	Docket No. R-2020-3018835	NiSource - Columbia Gas of Pennsylvania, Inc.	Depreciation
333.	2020	PA PUC	Docket No. R-2020-3019369	Pennsylvania-American Water Company	Depreciation
334.	2020	PA PUC	Docket No. R-2020-3019371	Pennsylvania-American Water Company	Depreciation
335.	2020	MO PSC	GO-2018-0309, GO-2018-0310	Spire Missouri, Inc.	Depreciation
336.	2020	NM PRC	Case No. 20-00104-UT	El Paso Electric Company	Depreciation
337.	2020	MD PSC	Case No. 9644	Columbia Gas of Maryland, Inc.	Depreciation
338.	2020	MO PSC	GO-2018-0309, GO-2018-0310	Spire Missouri, Inc.	Depreciation

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	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client Utility</u>	<u>Subject</u>
339.	2020	VA St CC	Case No. PUR-2020-00095	Virginia Natural Gas Company	Depreciation
340.	2020	SC PSC	Docket No. 2020-125-E	Dominion Energy South Carolina, Inc.	Depreciation
341.	2020	WV PSC	Case No. 20-0745-G-D	Hope Gas, Inc. d/b/a Dominion Energy West Virginia	Depreciation
342.	2020	VA St CC	Case No. PUR-2020-00106	Aqua Virginia, Inc.	Depreciation
343.	2020	PA PUC	Docket No. R-2020-3020256	City of Bethlehem – Bureau of Water	Depreciation
344.	2020	NE PSC	Docket No. NG-109	Black Hills Nebraska	Depreciation
345.	2020	NY PSC	Case No. 20-E-0428 & 20-G-0429	Central Hudson Gas & Electric Corporation	Depreciation
346.	2020	FERC	ER20-598	Duke Energy Indiana	Depreciation
347.	2020	FERC	ER20-855	Northern Indiana Public Service Company	Depreciation
348.3	2020	OR PSC	UE 374	PacifiCorp	Depreciation
349.	2020	MD PSC	Case No. 9490 Phase II	Potomac Edison – Maryland	Depreciation
350.	2020	IN URC	Case No. 45447	Southern Indiana Gas and Electric Company	Depreciation
351.	2020	IN URC	IURC Cause No. 45468	Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery	Depreciation
352.	2020	KY PSC	Case No. 2020-00349	Kentucky Utilities Company	Depreciation
353.	2020	KY PSC	Case No. 2020-00350	Louisville Gas and Electric Company	Depreciation
354.	2020	FERC	Docket No. ER21- 000	South FirstEnergy Operating Companies	Depreciation
355.	2020	OH PUC	Case Nos 20-1651-EL-AIR, 20-1652-EL-AAM & 20-1653-EL-ATA	Dayton Power and Light Company	Depreciation
356.	2020	OR PSC	UG 388	Northwest Natural Gas Company	Depreciation
357.	2020	MO PSC	Case No. GR-2021-0241	Ameren Missouri Gas	Depreciation
358.	2021	KY PSC	Case No. 2021-00103	East Kentucky Power Cooperative	Depreciation
359.	2021	MPUC	Docket No. 2021-00024	Bangor Natural Gas	Depreciation
360.	2021	PA PUC	Docket No. R-2021-3024296	Columbia Gas of Pennsylvania, Inc.	Depreciation
361.	2021	NC Util.	Doc. No. G-5, Sub 632	Public Service of North Carolina	Depreciation
362.	2021	MO PSC	ER-2021-0240	Ameren Missouri	Depreciation
363.	2021	PA PUC	Docket No. R-2021-3024750	Duquesne Light Company	Depreciation
364.	2021	KS PSC	21-BHCG-418-RTS	Black Hills Kansas Gas	Depreciation
365.	2021	KY PSC	Case No. 2021-00190	Duke Energy Kentucky	Depreciation
366.	2021	OR PSC	Docket UM 2152	Portland General Electric	Depreciation
367.	2021	ILL CC	Docket No. 20-0810	North Shore Gas Company	Depreciation
368.	2021	FERC	ER21-1939-000	Duke Energy Progress	Depreciation
369.	2021	FERC	ER21-1940-000	Duke Energy Carolina	Depreciation
370.	2021	KY PSC	Case No. 2021-00183	NiSource Columbia Gas of Kentucky	Depreciation
371.	2021	MD PSC	Case No. 9664	NiSource Columbia Gas of Maryland	Depreciation
372.	2021	OH PUC	Case No. 21-0596-ST-AIR	Aqua Ohio	Depreciation
373.	2021	PA PUC	Docket No. R-2021-3026116	Hanover Borough Municipal Water Works	Depreciation
374.	2021	OR PSC	UM-2180	Idaho Power Company	Depreciation
375.	2021	ID PUC	Case No. IPC-E-21-18	Idaho Power Company	Depreciation

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY, cont.

	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client Utility</u>	<u>Subject</u>
376.	2021	WPSC	6690-DU-104	Wisconsin Public Service Company	Depreciation
377.	2021	PAPUC	Docket No. R-2021-3026116	Borough of Hanover	Depreciation
378.	2021	OH PUC	Case No. 21-637-GA-AIR; Case No. 21-638-GA-ALT; Case No. 21-639-GA-UNC; Case No. 21-640-GA-AAM	NiSource Columbia Gas of Ohio	Depreciation
379.	2021	TX PUC	Texas PUC Docket No. 52195; SOHA Docket No. 473-21-2606	El Paso Electric	Depreciation
380.	2021	MO PSC	Case No. GR.2021-0108	Spire Missouri	Depreciation
381.	2021	WV PSC	Case No. 21-0215-WS-P	West Virginia American Water Company	Depreciation
382.	2021	FERC	ER21-2736	Duke Energy Carolinas	Depreciation
383.	2021	FERC	ER21-2737	Duke Energy Progress	Depreciation
384.	2021	IN URC	Cause #45621	Northern Indiana Public Service Company	Depreciation
385.	2021	PA PUC	Docket No. R-2021-3026682	City of Lancaster	Depreciation
386.	2021	OH PUC	Case No. 21-887-EL-AIR; Case No. 21-888-EL-ATA; Case No. 889-EL-AAM	Duke Energy Ohio	Depreciation
387.	2021	AK PSC	Docket No. 21-097-U	Black Hills Energy Arkansas, Inc.	Depreciation
388.	2021	OK CC	Cause No. PUD202100164	Oklahoma Gas & Electric	Depreciation
389.	2021	FERC	Case ER-22-392-001	El Paso Electric	Depreciation
390.	2021	FERC	Case ER-21-XXX	MidAmerican Electric	Depreciation
391.	2021	PA PUC	Docket Nos. R-2021-3027385, R-2021-3027386	Aqua Pennsylvania, Inc. Aqua Pennsylvania Wastewater, Inc.	Depreciation
392.	2022	FERC	Case ER-22-282-000	El Paso Electric	Depreciation
393.	2022	ILL CC	Docket No. 22-0154	MidAmerican Gas	Depreciation
394.	2022	MO PSC	Case No. ER-2022-0129	Evergy Metro	Depreciation
395.	2022	MO PSC	Case No. ER-2022-0130	Evergy Missouri West	Depreciation
396.	2022	PA PUC	Docket No. R-2022-3031211	NiSource Columbia Gas of Pennsylvania, Inc.	Depreciation
397.	2022	MA DPU	D.P.U. 22-20	The Berkshire Gas Company	Depreciation
398.	2022	PA PUC	R-2022-3031672; R-2022-	Pennsylvania-American Water Company	Depreciation
399.	2022	SD PUC	Docket No. NG22-	MidAmerican Gas	Depreciation
400.	2022	MD PSC	Case No. 9680	NiSource Columbia Gas of Maryland	Depreciation
401.	2022	WYPSC	Docket No. 20003-214-ER-22	Black Hills Energy – Cheyenne Light, Fuel and Power	Depreciation
402.	2022	MA DPU	D.P.U. 22.22	NSTAR Electric Company d/b/a Eversource Energy	Depreciation
403.	2022	NC Util Com	Docket No. W-218, Sub 573	Aqua North Carolina, Inc.	Depreciation
404.	2022	OR PUC	UM2213	Northwest Natural Gas	Depreciation

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	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client Utility</u>	<u>Subject</u>
405.	2022	OR PUC	UM2214	Northwest Natural Gas	Depreciation
406.	2022	ME PUC	Docket No. 2022-00152	Central Maine Power	Depreciation
407.	2022	SC PSC	Docket No. 2022-254-E	Duke Energy Progress	Depreciation
408.	2022	NC Util Com	Docket No. E-2, SUB 1300	Duke Energy Progress	Depreciation
409.	2022	IN URC	Cause #45772	Northern Indiana Public Service Company	Depreciation
410.	2022	PA PUC	R-2022-3031340	The York Water Company	Depreciation
411.	2022	PA PUC	R-2022-3032806	The York Water Company	Depreciation
412.	2022	PA PUC	R-2022-3031704	Borough of Ambler	Depreciation
413.	2022	MO PSC	ER-2022-0337	Ameren Missouri	Depreciation
414.	2022	OH PUC	Case No. 22-507-GA-AIR	Duke Energy Ohio	Depreciation
415.	2022	PA PUC	R-2022-3035730	National Fuel Gas Distribution Corporation – PA Division	Depreciation
416.	2022	NC Util Com	Docket No. E-22, Sub 493	Virginia Electric and Power Company	Depreciation
417.	2022	WY PSC	20003-214-ER-22	Cheyenne Light, Fuel and Power Company	Depreciation
418.	2022	NJ BPU	BPU Docket No. ER2303144	Jersey Central Power & Light Company	Depreciation
419.	2022	KY PSC	Case No. 2022-00372	Duke Energy Kentucky	Depreciation
420.	2022	TX PUC	SOAH Docket No. 473-23-04521	Aqua Texas, Inc.	Depreciation
421.	2022	NC Util Com	Docket No. E-7, Sub 1276	Duke Energy Carolinas, LLC	Depreciation
422.	2022	KY PSC	Case No. 2022-00432	Bluegrass Water	Depreciation
423.	2023	ILL CC	Docket No. 23-0069	The Peoples Gas Light and Coke Company	Depreciation
424.	2023	ILL CC	Docket No. 23-0068	North Shore Gas Company	Depreciation
425.	2023	WV PSC	Case No. 23-0030-E-D	Monongahela Power Company and The Potomac Edison	Depreciation
426.	2023	ID PUC	AVU-E-23-01; AVU-G-23-01	Avista Corporation	Depreciation
427.	2023	ILL CC	Docket No. 23-0066	Northern Illinois Gas Company d/b/a Nicor Gas Company	Depreciation
428.	2023	SC PSC	Docket No. 2023-70-G	Dominion Energy South Carolina, Inc.	Depreciation
429.	2023	FERC	Docket No. ER23-xxx-00	Duke Energy Ohio, Inc.	Depreciation
430.	2023	WY PSC	Docket No. 30036-78-GR-23	Black Hills Wyoming Gas Company d/b/a Black Hills Energy	Depreciation
431.	2023	PSC MD	Case No. 9695	The Potomac Edison Company	Depreciation
432.	2023	OR PUC	Case No. UM2277	Avista Corporation	Depreciation
433.	2023	FERC	Docket No. ER23-xxx-000	PPL Electric Utilities	Depreciation
434.	2023	OH PUC	Case No. 23-0154-GA-AIR	Northeast Ohio Natural Gas Corporation	Depreciation
435.	2023	DE PSC	PSC Docket No. 23-0601	Artesian Water Company	Depreciation
436.	2023	CO PUC	No. 23AL-0231G	Black Hills Colorado d/b/a Black Hills Energy	Depreciation
437.	2023	NH PUC	Docket No. DE 23-039	Granite State Electric d/b/a Liberty Utilities	Depreciation
438.	2023	MD PSC	Case No. 9701	Columbia Gas of Maryland	Depreciation
439.	2023	NY PSC	Case Nos. 23-E-0418; 23-G-0419	Central Hudson Gas and Electric	Depreciation
440.	2023	FERC	Docket No. ER23-xxx-000	Central Maine Power Company	Depreciation
441.	2023	SD PUC	Docket Number EL23-016	Northwestern Energy	Depreciation

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	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client Utility</u>	<u>Subject</u>
442.	2023	CT PURA	Docket No. 23-08-32	Connecticut Water Company	Depreciation
443.	2023	OH PUC	Case 23-0894-GA-AIR	The East Ohio Gas Company d/b/a Dominion Energy Ohio	Depreciation
444.	2023	IN URC	Cause No. 45911	Indianapolis Power & Light	Depreciation
445.	2023	IN URC	Cause No. 45967	Northern Indiana Public Service Company	Depreciation
446.	2023	PA PUC	Docket No. R-2023-3043189 and Docket No. R-2023-3043190	Pennsylvania-American Water Company	Depreciation
447.	2023	IN URC	Cause No. 45988	Citizens Energy Group	Depreciation
448.	2023	NY PSC	Case No. 23-G-0627	National Fuel Gas Distribution Corporation	Depreciation
449.	2023	IN URC	Cause No. 45990	Southern Indiana Gas and Electric Company d/b/a Centerpoint Energy Indiana South	Depreciation
450.	2023	PA PUC	Docket No. R-2023-3044549	Peoples Natural Gas Company LLC	Depreciation
451.	2023	OR PUC	Docket No. UM-2312	Northwest Natural Gas Company	Depreciation
452.	2023	AZ PCC	Docket No. WS-21182A-23-2092	Northwest Natural Water Company, LLC	Depreciation
453.	2023	SC PSC	Docket No. 2023-388-E	Duke Energy Carolinas	Depreciation
454.	2024	FERC	Docket No. ER24-768-000	Duke Energy Progress	Depreciation
455.	2024	FERC	Docket No. ER24-2057	Duke Energy Carolina	Depreciation
456.	2024	FERC	Docket No. SPP-0007	Evergy Metro, Inc. and Evergy Missouri West, Inc.	Depreciation
457.	2024	NJ BPU	Docket No. WR24010057	Aqua New Jersey, Inc.	Depreciation
458.	2024	ILL CC	Docket No. 24-0044	Aqua Illinois, Inc.	Depreciation
459.	2024	PA PUC	Docket No. R-2024-3046519	NiSource – Columbia Gas of Pennsylvania, Inc.	Depreciation
460.	2024	KY PSC	Case No. 2024-00092	NiSource – Columbia Gas of Kentucky, Inc.	Depreciation
461.	2024	VA SCC	Case No. PUR-2024-00030	NiSource – Columbia Gas of Virginia, Inc.	Depreciation
462.	2024	IA Util Bd	Docket No. RPU-2023-0002	Alliant - Interstate Power and Light Company	Depreciation
463.	2024	PA PUC	Docket No. R-2024-3047068	FirstEnergy Pennsylvania – Metropolitan Edison; Pennsylvania Electric; Pennsylvania Power; West Penn Power	Depreciation
464.	2024	PA PUC	Docket No. R-2024-3046523	Duquesne Light Company	Depreciation
465.	2024	NC Util Com	Docket No. E-22, Sub 694	Dominion Energy North Carolina	Depreciation
466.	2024	IN URC	IURC Cause No. 46038	Duke Energy Indiana	Depreciation
467.	2024	NJ BPU	Docket Nos. ER23120924 and GF 23120925	Public Service Electric and Gas Company	Depreciation
468.	2024	CO PUC	Docket No. 24-AL-0275E	Black Hills Colorado Electric, LLC	Depreciation
469.	2024	OH PUC	Case No. 24-0468-EL-AIR, Case No. 24-0469-EL-ATA, Case No. 24-0470-EL-AAM, Case No. 24-0471-EL-UNC	FirstEnergy Ohio	Depreciation
470.	2024	SD PUC	Docket No. NG24-005	Northwestern Energy	Depreciation

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY, cont.

	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client Utility</u>	<u>Subject</u>
471.	2024	PA PUC	Docket No. R-2024-3047824	Aqua Pennsylvania Wastewater, Inc	Depreciation
472.	2024	NH PUC	Docket No. DE 24-070	Eversource Energy - Public Service of New Hampshire	Depreciation

Exhibit JJS-1



2024 DEPRECIATION STUDY

CALCULATED ANNUAL DEPRECIATION ACCRUALS
RELATED TO WATER PLANT
AS OF MARCH 31, 2024

Prepared by:



GANNETT FLEMING

Excellence Delivered As Promised

NEWTOWN ARTESIAN WATER COMPANY

Newtown, Pennsylvania

2024 DEPRECIATION STUDY

CALCULATED ANNUAL DEPRECIATION ACCRUALS
RELATED TO WATER PLANT
AS OF MARCH 31, 2024

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

Camp Hill, Pennsylvania



Gannett Fleming
Valuation and Rate Consultants, LLC

Corporate Headquarters
207 Senate Avenue
Camp Hill, PA 17011
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gannettfleming.com

July 11, 2024

Newtown Artesian Water Company
201 N. Lincoln Avenue
Newtown, PA 18940

Attention: Mr. Dan Angove
Assistant General Manager

Ladies and Gentlemen:

Pursuant to your request, we have determined the annual depreciation accruals applicable to water plant as of March 31, 2024. The summary of the original cost, annual accruals and the book depreciation reserve is presented in Table 1, beginning on page I-3 of the attached report.

A description of the methods and procedures upon which the study was based, as well as support for the service life estimates, is set forth in a companion report "2025 Depreciation Study - Calculated Annual Depreciation Accruals Related to Water Plant as of March 31, 2025".

Respectfully submitted,

GANNETT FLEMING VALUATION
AND RATE CONSULTANTS, LLC

A handwritten signature in blue ink that reads "John J. Spanos".

JOHN J. SPANOS
President

A handwritten signature in blue ink that reads "Jason A. Power".

JASON A. POWERY
Assistant Project Manager

JJS:mle
076356.100

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PART I. RESULTS OF STUDY

NEWTOWN ARTESIAN WATER COMPANY

DEPRECIATION STUDY

PART I. RESULTS OF STUDY

SUMMARY OF RESULTS

Table 1 summarizes the results of the depreciation study, which sets forth the book depreciation reserve and the calculated annual depreciation related to original cost as of March 31, 2024. Table 1 also summarizes the results of the calculated annual depreciation related to contributions in aid of construction. There has been no recorded net salvage over the last five years.

DETAILED TABULATIONS OF DEPRECIATION CALCULATIONS

The supporting data for the depreciation calculations are presented in account sequence in the section beginning on page II-6. The original cost, calculated accrued depreciation, allocated book reserve, future accruals, remaining life and annual accrual are shown for each vintage of each account or subaccount. A cumulative summary, by year installed, for water plant and the supporting data for the original cost depreciation calculations are presented in the section beginning on page II-2.

NEWTOWN ARTESIAN WATER COMPANY

TABLE 1. SUMMARY OF ESTIMATED SURVIVOR CURVE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO WATER PLANT AS OF MARCH 31, 2024

ACCOUNT (1)	SURVIVOR CURVE (2)	ORIGINAL COST AS OF MARCH 31, 2024 (3)	BOOK DEPRECIATION RESERVE (4)	FUTURE ACCRUALS (5)	CALCULATED ANNUAL		COMPOSITE REMAINING LIFE (8)=(5)/(6)
					ACCRUAL AMOUNT (6)	ACCURUAL RATE (7)=(6)/(3)	
DEPRECIABLE PLANT							
SOURCE OF SUPPLY AND PUMPING PLANT							
304.20 STRUCTURES AND IMPROVEMENTS	50-R4	1,027,484.37	359,953	667,532	27,401	2.67	24.4
307.20 WELLS AND SPRINGS	40-R1.5	497,923.76	314,548	183,376	8,225	1.65	22.3
310.20 POWER GENERATION EQUIPMENT	35-R2	350,481.72	45,419	305,063	14,055	4.01	21.7
311.20 PUMPING EQUIPMENT	50-R1.5	2,662,096.99	1,072,526	1,589,571	46,338	1.74	34.3
TOTAL SOURCE OF SUPPLY AND PUMPING PLANT		4,537,986.84	1,792,446	2,745,542	96,019	2.12	28.6
WATER TREATMENT EQUIPMENT							
304.30 STRUCTURES AND IMPROVEMENTS	55-R4	4,321.85	4,093	228	8	0.19	28.5
320.30 WATER TREATMENT EQUIPMENT	25-S0	466,473.70	291,901	174,573	10,760	2.31	16.2
TOTAL WATER TREATMENT EQUIPMENT		470,795.55	295,994	174,801	10,768	2.29	16.2
TRANSMISSION AND DISTRIBUTION PLANT							
330.40 DISTRIBUTION RESERVOIRS AND STANDPIPES	60-R3	4,605,523.59	1,613,695	2,991,829	86,577	1.88	34.6
331.40 TRANSMISSION AND DISTRIBUTION MAINS	70-L4	26,967,968.49	3,395,964	23,572,004	569,053	2.11	41.4
333.40 SERVICES	70-R4	5,414,732.22	798,518	4,616,214	102,976	1.90	44.8
334.40 METERS AND METER INSTALLATIONS	27-L3	3,378,704.81	1,710,269	1,668,436	72,394	2.14	23.0
335.40 HYDRANTS	60-R4	2,555,119.02	200,334	2,354,785	68,038	2.66	34.6
339.40 OTHER PLANT AND MISCELLANEOUS EQUIPMENT	45-R3	639,171.26	124,304	514,867	17,412	2.72	29.6
TOTAL TRANSMISSION AND DISTRIBUTION PLANT		43,561,219.39	7,843,084	35,718,135	916,450	2.10	39.0
GENERAL PLANT							
304.50 STRUCTURES AND IMPROVEMENTS	55-R2	1,248,432.24	805,069	443,364	11,156	0.89	39.7
340.50 OFFICE FURNITURE AND EQUIPMENT	20-SQ	547,517.54	286,844	260,674	26,474	4.84	9.8
341.50 TRANSPORTATION EQUIPMENT	11-L2	569,575.44	247,763	321,812	46,416	8.15	6.9
343.50 TOOLS, SHOP AND GARAGE EQUIPMENT	25-SQ	277,695.50	195,085	82,610	5,374	1.94	15.4
346.50 COMMUNICATION EQUIPMENT	15-SQ	72,172.61	25,442	46,730	3,644	5.05	12.8
TOTAL GENERAL PLANT		2,715,393.33	1,560,203	1,155,190	93,064	3.43	12.4
TOTAL DEPRECIABLE PLANT		51,285,395.11	11,491,727	39,793,668	1,116,301	2.18	35.6

NEWTOWN ARTESIAN WATER COMPANY

TABLE 1. SUMMARY OF ESTIMATED SURVIVOR CURVE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO WATER PLANT AS OF MARCH 31, 2024

(1) ACCOUNT	(2) SURVIVOR CURVE	(3) ORIGINAL COST AS OF MARCH 31, 2024	(4) BOOK DEPRECIATION RESERVE	(5) FUTURE ACCRUALS	(6) CALCULATED ANNUAL ACCRUAL		(8)=(5)/(6) COMPOSITE REMAINING LIFE
					AMOUNT	RATE (7)=(6)/(3)	
CONTRIBUTIONS IN AID OF CONSTRUCTION							
304.50	STRUCTURES AND IMPROVEMENTS	454,734.45	70,131	384,603	4,047	0.89	95.0
310.20	POWER GENERATION EQUIPMENT	96,840.80	18,187	78,654	3,883	4.01	20.3
311.20	PUMPING EQUIPMENT	438,703.43	38,507	400,196	7,633	1.74	52.4
320.30	WATER TREATMENT EQUIPMENT	21,043.46	2,589	18,454	486	2.31	38.0
330.40	DISTRIBUTION RESERVOIRS AND STANDPIPES	818,870.80	70,587	748,284	15,395	1.88	48.6
331.40	TRANSMISSION AND DISTRIBUTION MAINS	14,729,699.35	1,562,636	13,167,063	310,797	2.11	42.4
333.40	SERVICES	2,473,363.93	225,869	2,247,495	46,994	1.90	47.8
334.40	METERS AND METER INSTALLATIONS	15,315.75	1,117	14,199	328	2.14	43.3
335.40	HYDRANTS	1,615,775.75	192,222	1,423,554	42,980	2.66	33.1
339.40	OTHER PLANT AND MISCELLANEOUS EQUIPMENT	330,443.50	48,851	281,592	8,988	2.72	31.3
348.00	OTHER INTANGIBLE PROPERTY	3,988,978.84	419,235	3,569,744	99,724	2.50	35.8
TOTAL CONTRIBUTIONS IN AID OF CONSTRUCTION		24,983,770.06	2,649,931	22,333,839	541,255	2.17	41.3
TOTAL DEPRECIABLE PLANT		26,301,625.05	8,841,796	17,459,829	575,046	2.19	30.4
NONDEPRECIABLE PLANT							
301.00	ORGANIZATION	694.00					
302.00	FRANCHISES	25,677.66					
303.40	LAND	1,247,949.89					
TOTAL NONDEPRECIABLE PLANT		1,274,321.55					
TOTAL WATER PLANT		27,575,946.60					

PART II. DETAILED DEPRECIATION CALCULATIONS

CUMULATIVE DEPRECIATED ORIGINAL COST

NEWTOWN ARTESIAN WATER COMPANY

CUMULATIVE DEPRECIATED ORIGINAL COST BY YEAR INSTALLED
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR INST (1)	ORIGINAL COST (2)	ACCRUED DEPRECIATION (3)	AMOUNT		DEPRECIATED ORIGINAL COST	PCT OF
			(2) -	(3)	CUMULATIVE AMOUNT (5)	COL 4 TOTAL (6)
			(4)			
1888	1,760	1,760				0.0
1889	20	20				0.0
1890	50	50				0.0
1891	84	41	43		43	0.0
1894	82	27	55		98	0.0
1895	12	4	8		106	0.0
1896	996	996			106	0.0
1898	10	3	7		113	0.0
1900	531	510	21		134	0.0
1909	152	82	70		204	0.0
1910	374	117	257		461	0.0
1911	162	50	112		573	0.0
1913	1,543	1,513	30		603	0.0
1915	159	49	110		713	0.0
1918	183	83	100		813	0.0
1919	129	39	90		903	0.0
1920					903	0.0
1923	102	31	71		974	0.0
1925	107	32	75		1,049	0.0
1929	20	9	11		1,060	0.0
1930	334	120	214		1,274	0.0
1931	178	81	97		1,371	0.0
1932	204	145	59		1,430	0.0
1933	148	64	84		1,514	0.0
1934	23	10	13		1,527	0.0
1935	189	93	96		1,623	0.0
1936	129	44	85		1,708	0.0
1937	171	73	98		1,806	0.0
1938	242	87	155		1,961	0.0
1939	243	101	142		2,103	0.0
1940	343	121	222		2,325	0.0
1941	159	63	96		2,421	0.0
1942	100	42	58		2,479	0.0
1945	67	27	40		2,519	0.0
1946	2,538	714	1,824		4,343	0.0
1947	78	32	46		4,389	0.0
1948	881	357	524		4,913	0.0
1949	4,410	3,625	785		5,698	0.0
1950	1,189	396	793		6,491	0.0
1951	2,406	669	1,737		8,228	0.0
1952	1,622	531	1,091		9,319	0.0
1953	1,918	665	1,253		10,572	0.0
1954	2,623	893	1,730		12,302	0.0
1955	231	89	142		12,444	0.0
1956	362	139	223		12,667	0.0
1957	2	2			12,667	0.0

NEWTOWN ARTESIAN WATER COMPANY

CUMULATIVE DEPRECIATED ORIGINAL COST BY YEAR INSTALLED
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR INST (1)	ORIGINAL COST (2)	ACCRUED DEPRECIATION (3)	AMOUNT		DEPRECIATED ORIGINAL COST	PCT OF
			(2)	(3)	CUMULATIVE AMOUNT (5)	COL 4 TOTAL (6)
1958	3,755	2,918		837	13,504	0.0
1959	2,702	2,483		219	13,723	0.0
1960	4,784	4,591		193	13,916	0.0
1961	7,166	1,992		5,174	19,090	0.0
1962	8,249	7,676		573	19,663	0.0
1963	50,724	32,815		17,909	37,572	0.1
1964	3,076	1,304		1,772	39,344	0.1
1965	7,263	1,968		5,295	44,639	0.1
1966	51,009	13,267		37,742	82,381	0.2
1967	32,603	8,487		24,116	106,497	0.3
1968	6,179	2,680		3,499	109,996	0.3
1969	13,799	3,762		10,037	120,033	0.3
1970	58,527	14,790		43,737	163,770	0.4
1971	139,186	33,507		105,679	269,449	0.7
1972	311,200	75,301		235,899	505,348	1.3
1973	37,438	24,577		12,861	518,209	1.3
1974	146,983	35,275		111,708	629,917	1.6
1975	26,680	6,511		20,169	650,086	1.6
1976	347,295	82,728		264,567	914,653	2.3
1977	5,028	2,184		2,844	917,497	2.3
1978	314,462	72,550		241,912	1,159,409	2.9
1979	523,704	148,179		375,525	1,534,934	3.9
1980	2,122,920	894,091		1,228,829	2,763,763	6.9
1981	502,692	140,544		362,148	3,125,911	7.9
1982	475,346	282,458		192,888	3,318,799	8.3
1983	376,501	139,566		236,935	3,555,734	8.9
1984	211,629	53,694		157,935	3,713,669	9.3
1985	1,680,204	325,480		1,354,724	5,068,393	12.7
1986	697,379	165,857		531,522	5,599,915	14.1
1987	2,837,487	777,964		2,059,523	7,659,438	19.2
1988	2,623,988	697,026		1,926,962	9,586,400	24.1
1989	1,343,894	246,272		1,097,622	10,684,022	26.8
1990	1,482,396	264,225		1,218,171	11,902,193	29.9
1991	445,997	94,357		351,640	12,253,833	30.8
1992	286,640	76,447		210,193	12,464,026	31.3
1993	976,533	249,630		726,903	13,190,929	33.1
1994	609,901	228,329		381,572	13,572,501	34.1
1995	2,013,943	596,361		1,417,582	14,990,083	37.7
1996	596,450	124,905		471,545	15,461,628	38.9
1997	741,255	235,646		505,609	15,967,237	40.1
1998	1,240,335	235,963		1,004,372	16,971,609	42.6
1999	1,510,138	401,251		1,108,887	18,080,496	45.4
2000	1,486,328	292,230		1,194,098	19,274,594	48.4
2001	1,017,843	239,865		777,978	20,052,572	50.4
2002	918,075	337,425		580,650	20,633,222	51.9
2003	1,061,207	214,793		846,414	21,479,636	54.0

NEWTOWN ARTESIAN WATER COMPANY

CUMULATIVE DEPRECIATED ORIGINAL COST BY YEAR INSTALLED
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR INST (1)	ORIGINAL COST (2)	ACCRUED DEPRECIATION (3)	AMOUNT		DEPRECIATED ORIGINAL COST	PCT OF
			(2)	(3)	CUMULATIVE AMOUNT (5)	COL 4 TOTAL (6)
2004	947,148	175,486	771,662		22,251,298	55.9
2005	2,061,050	487,904	1,573,146		23,824,444	59.9
2006	1,155,671	193,674	961,997		24,786,441	62.3
2007	2,518,477	412,433	2,106,044		26,892,485	67.6
2008	982,666	169,126	813,540		27,706,025	69.6
2009	841,922	128,191	713,731		28,419,756	71.4
2010	282,151	67,624	214,527		28,634,283	72.0
2011	1,105,225	219,662	885,563		29,519,846	74.2
2012	470,604	204,258	266,346		29,786,192	74.9
2013	397,420	114,176	283,244		30,069,436	75.6
2014	423,164	113,162	310,002		30,379,438	76.3
2015	1,820,665	206,529	1,614,136		31,993,574	80.4
2016	1,256,571	261,595	994,976		32,988,550	82.9
2017	1,183,324	261,035	922,289		33,910,839	85.2
2018	681,655	144,752	536,903		34,447,742	86.6
2019	1,179,019	178,258	1,000,761		35,448,503	89.1
2020	974,666	64,611	910,055		36,358,558	91.4
2021	672,579	72,882	599,697		36,958,255	92.9
2022	1,425,191	63,058	1,362,133		38,320,388	96.3
2023	1,394,784	44,786	1,349,998		39,670,386	99.7
2024	123,282	2	123,280		39,793,666	100.0
9999	24,983,770-	2,649,931-	22,333,839-		17,459,829	
SUBTOTAL	26,301,625	8,841,796	17,459,829			
NONDEPR.	1,274,322					
TOTAL	27,575,947	8,841,796	17,459,829			

UTILITY PLANT IN SERVICE

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 304.20 SOURCE OF SUPPLY AND PUMPING EQUIPMENT - STRUCTURES AND IMPROVEMENTS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 50-R4						
1888	1,716.75	1,717	1,717			
1896	996.12	996	996			
1963	907.93	842	605	303	3.63	83
1973	650.61	560	402	249	6.98	36
1976	106.00	88	63	43	8.45	5
1978	5.90	5	4	2	9.59	
1986	2,045.12	1,431	1,028	1,017	15.01	68
1987	302,846.95	207,390	149,047	153,800	15.76	9,759
1988	2,292.00	1,535	1,103	1,189	16.52	72
1990	3,045.41	1,944	1,397	1,648	18.09	91
1991	995.00	619	445	550	18.89	29
1993	53,790.93	31,683	22,770	31,021	20.55	1,510
1994	8,565.04	4,899	3,521	5,044	21.40	236
1995	499.71	277	199	301	22.26	14
1997	1,087.50	565	406	682	24.02	28
1998	1,188.30	596	428	760	24.92	30
1999	358,505.38	173,302	124,549	233,956	25.83	9,058
2000	14,746.84	6,857	4,928	9,819	26.75	367
2001	33,920.03	15,142	10,882	23,038	27.68	832
2002	11,117.07	4,756	3,418	7,699	28.61	269
2003	7,523.05	3,075	2,210	5,313	29.56	180
2004	23,806.26	9,280	6,669	17,137	30.51	562
2005	5,673.99	2,103	1,511	4,163	31.47	132
2007	1,685.00	559	402	1,283	33.40	38
2008	2,230.65	697	501	1,730	34.37	50
2009	6,881.36	2,016	1,449	5,432	35.35	154
2010	8,697.00	2,378	1,709	6,988	36.33	192
2011	2,612.68	663	476	2,137	37.32	57
2012	35,881.49	8,396	6,034	29,847	38.30	779
2013	9,991.25	2,140	1,538	8,453	39.29	215
2014	11,873.78	2,308	1,659	10,215	40.28	254
2015	8,781.00	1,533	1,102	7,679	41.27	186
2016	990.00	153	110	880	42.27	21
2017	19,745.66	2,662	1,913	17,833	43.26	412
2018	9,463.62	1,086	781	8,683	44.26	196
2019	5,350.00	507	364	4,986	45.26	110
2020	67,268.99	5,032	3,617	63,652	46.26	1,376
	1,027,484.37	499,792	359,953	667,532		27,401

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 24.4 2.67

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 304.30 WATER TREATMENT EQUIPMENT - STRUCTURES AND IMPROVEMENTS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 55-R4						
1980	1.82	1	2			
1994	2,725.00	1,430	2,611	114	26.13	4
1995	1,595.03	811	1,480	115	27.03	4
	4,321.85	2,242	4,093	228		8

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 28.5 0.19

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 304.50 GENERAL PLANT - STRUCTURES AND IMPROVEMENTS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 55-R2						
1949	3,156.12	2,714	3,156			
1958	43.66	35	44			
1959	2,352.99	1,879	2,353			
1960	3,386.94	2,681	3,387			
1962	1,319.12	1,025	1,319			
1964	538.58	410	539			
1966	301.88	225	302			
1973	42.22	29	42			
1974	1,227.32	829	1,227			
1976	2,798.25	1,834	2,798			
1977	276.15	178	276			
1979	43,524.69	27,175	43,525			
1980	500.00	307	500			
1982	213,520.65	126,327	213,521			
1983	759.92	441	760			
1984	2,885.01	1,641	2,848	37	23.71	2
1986	14,072.03	7,678	13,326	746	24.99	30
1987	444.76	237	411	34	25.65	1
1989	257.64	131	227	31	26.99	1
1990	2,495.28	1,239	2,150	345	27.68	12
1991	3,238.58	1,568	2,721	518	28.37	18
1992	8,133.00	3,834	6,654	1,479	29.07	51
1993	20,708.84	9,496	16,481	4,228	29.78	142
1994	125,486.62	55,898	97,016	28,471	30.50	933
1995	7,188.53	3,107	5,392	1,797	31.23	58
1996	33,748.32	14,138	24,538	9,210	31.96	288
1997	8,540.05	3,461	6,007	2,533	32.71	77
1998	10,700.16	4,191	7,274	3,426	33.46	102
1999	542.02	205	356	186	34.21	5
2000	83,682.86	30,461	52,868	30,815	34.98	881
2001	23,233.26	8,132	14,114	9,119	35.75	255
2002	333,519.77	112,003	194,391	139,129	36.53	3,809
2003	16,879.87	5,429	9,422	7,458	37.31	200
2004	10,522.81	3,231	5,608	4,915	38.11	129
2005	54,466.16	15,934	27,655	26,811	38.91	689
2006	3,224.58	896	1,555	1,670	39.71	42
2007	12,095.00	3,182	5,523	6,572	40.53	162
2008	9,828.00	2,441	4,237	5,591	41.34	135
2011	775.00	157	272	503	43.84	11
2012	7,495.01	1,406	2,440	5,055	44.68	113
2013	1,493.75	257	446	1,048	45.53	23
2014	27,761.89	4,346	7,543	20,219	46.39	436
2015	8,812.96	1,242	2,156	6,657	47.25	141
2016	10,785.00	1,351	2,345	8,440	48.11	175

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 304.50 GENERAL PLANT - STRUCTURES AND IMPROVEMENTS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 55-R2						
2017	40,188.51	4,391	7,621	32,568	48.99	665
2018	6,663.31	623	1,081	5,582	49.86	112
2019	14,030.00	1,084	1,881	12,149	50.75	239
2020	11,315.70	693	1,203	10,113	51.63	196
2021	31,743.44	1,431	2,483	29,260	52.52	557
2022	13,212.49	380	660	12,552	53.42	235
2023	12,888.54	239	414	12,475	53.98	231
2024	1,625.00		1	1,624		
	1,248,432.24	472,222	805,069	443,364		11,156
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..						39.7 0.89

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 307.20 WELLS AND SPRINGS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 40-R1.5						
1900	500.00	500	500			
1913	1,500.00	1,500	1,500			
1968	20.00	17	20			
1980	131,053.07	94,391	117,086	13,967	11.19	1,248
1981	40,571.99	28,786	35,707	4,865	11.62	419
1983	39,408.57	27,084	33,596	5,813	12.51	465
1987	1,820.00	1,163	1,443	377	14.45	26
1989	4,947.67	3,030	3,758	1,190	15.50	77
1993	221.34	123	153	68	17.76	4
1994	402.33	218	270	132	18.35	7
1996	13,294.31	6,790	8,422	4,872	19.57	249
1997	877.82	435	540	338	20.20	17
1998	3,450.24	1,654	2,052	1,398	20.83	67
1999	5,315.10	2,461	3,053	2,262	21.48	105
2000	12,336.58	5,508	6,832	5,505	22.14	249
2001	46,242.26	19,873	24,651	21,591	22.81	947
2002	12,115.83	5,001	6,203	5,913	23.49	252
2003	4,439.28	1,757	2,179	2,260	24.17	94
2004	9,108.23	3,445	4,273	4,835	24.87	194
2005	93,942.73	33,890	42,039	51,904	25.57	2,030
2006	20,334.85	6,975	8,652	11,683	26.28	445
2008	2,548.30	782	970	1,578	27.73	57
2009	6,725.78	1,940	2,406	4,320	28.46	152
2011	4,470.47	1,123	1,393	3,077	29.95	103
2016	10,551.25	1,641	2,036	8,515	33.78	252
2017	27,697.33	3,767	4,672	23,025	34.56	666
2022	1,629.22	59	73	1,556	38.56	40
2023	2,399.21	55	69	2,330	39.08	60
	497,923.76	253,968	314,548	183,376		8,225

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 22.3 1.65

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 310.20 POWER AND PUMPING STRUCTURES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 35-R2						
1961	66.85	66	27	40	0.58	40
1980	4,730.00	3,900	1,577	3,153	6.14	514
1983	1,126.14	894	361	765	7.22	106
1993	6,324.33	4,181	1,690	4,634	11.86	391
1994	550.00	355	144	406	12.41	33
1999	56,212.96	31,431	12,708	43,505	15.43	2,820
2000	29,612.50	16,008	6,472	23,140	16.08	1,439
2001	6,500.00	3,389	1,370	5,130	16.75	306
2002	500.00	251	101	399	17.43	23
2005	14,726.75	6,505	2,630	12,097	19.54	619
2008	93,185.84	35,224	14,242	78,944	21.77	3,626
2009	13,352.76	4,754	1,922	11,431	22.54	507
2018	13,440.00	1,955	791	12,649	29.91	423
2019	2,329.88	281	114	2,216	30.78	72
2023	107,823.71	3,142	1,270	106,554	33.98	3,136
	350,481.72	112,336	45,419	305,063		14,055

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 21.7 4.01

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 311.20 PUMPING EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 50-R1.5						
1958	2,596.27	2,083	2,494	102	9.89	10
1962	6,798.09	5,269	6,309	489	11.25	43
1963	2,932.15	2,251	2,695	237	11.61	20
1973	25,090.78	17,202	20,598	4,493	15.72	286
1980	225,854.35	139,081	166,536	59,318	19.21	3,088
1981	8,082.64	4,890	5,855	2,228	19.75	113
1982	1,465.20	870	1,042	423	20.30	21
1983	42,966.89	25,041	29,984	12,983	20.86	622
1984	6,453.19	3,687	4,415	2,038	21.43	95
1987	356,200.65	190,924	228,612	127,589	23.20	5,500
1988	16,698.00	8,746	10,472	6,226	23.81	261
1989	12,241.51	6,263	7,499	4,743	24.42	194
1990	4,075.70	2,034	2,436	1,640	25.05	65
1991	5,341.00	2,598	3,111	2,230	25.68	87
1992	760.50	360	431	330	26.32	13
1993	91,626.74	42,185	50,512	41,115	26.98	1,524
1994	25,475.06	11,398	13,648	11,827	27.63	428
1995	2,367.29	1,027	1,230	1,137	28.30	40
1996	850.43	358	429	421	28.97	15
1997	265,986.90	108,203	129,562	136,425	29.66	4,600
1998	45,991.00	18,084	21,654	24,337	30.34	802
1999	99,595.73	37,767	45,222	54,374	31.04	1,752
2000	73,846.65	26,969	32,293	41,554	31.74	1,309
2001	30,594.65	10,739	12,859	17,736	32.45	547
2002	37,875.84	12,749	15,266	22,610	33.17	682
2003	32,902.80	10,601	12,694	20,209	33.89	596
2004	52,845.92	16,255	19,464	33,382	34.62	964
2005	104,293.30	30,558	36,590	67,703	35.35	1,915
2006	14,891.16	4,143	4,961	9,930	36.09	275
2007	116,946.09	30,804	36,884	80,062	36.83	2,174
2008	64,259.33	15,962	19,113	45,146	37.58	1,201
2009	25,402.62	5,929	7,099	18,304	38.33	478
2010	32,004.35	6,983	8,361	23,643	39.09	605
2011	4,591.00	932	1,116	3,475	39.85	87
2012	125,835.77	23,607	28,267	97,569	40.62	2,402
2013	85,131.36	14,643	17,534	67,597	41.40	1,633
2014	129,358.67	20,258	24,257	105,102	42.17	2,492
2015	39,077.26	5,502	6,588	32,489	42.96	756
2016	81,054.45	10,148	12,151	68,903	43.74	1,575
2017	59,166.80	6,473	7,751	51,416	44.53	1,155
2018	43,241.06	4,039	4,836	38,405	45.33	847
2019	22,482.70	1,740	2,083	20,400	46.13	442

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 311.20 PUMPING EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 50-R1.5						
2020	47,744.95	2,922	3,499	44,246	46.94	943
2023	184,732.79	3,436	4,114	180,619	49.07	3,681
2024	4,367.40		0	4,367		
	2,662,096.99	895,713	1,072,526	1,589,571		46,338
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..					34.3	1.74

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 320.30 WATER TREATMENT EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 25-S0						
1963	48.25	48	48			
1974	132.30	132	132			
1987	4,308.20	3,443	4,308			
1991	157.37	116	157			
1992	625.40	449	625			
1994	5,362.58	3,672	5,363			
1995	15,845.71	10,585	15,846			
1996	1,944.64	1,266	1,945			
1997	2,319.50	1,469	2,283	36	9.17	4
1999	12,880.00	7,702	11,969	911	10.05	91
2000	509.00	295	458	51	10.50	5
2001	15,466.87	8,686	13,498	1,969	10.96	180
2002	7,936.64	4,308	6,695	1,242	11.43	109
2004	4,214.77	2,128	3,307	908	12.38	73
2005	107,554.33	52,185	81,095	26,459	12.87	2,056
2006	2,907.78	1,354	2,104	804	13.36	60
2007	56,271.55	25,052	38,931	17,341	13.87	1,250
2008	4,646.08	1,974	3,068	1,578	14.38	110
2009	11,476.53	4,632	7,198	4,279	14.91	287
2010	9,996.51	3,819	5,935	4,062	15.45	263
2011	2,992.00	1,077	1,674	1,318	16.00	82
2012	114,984.54	38,773	60,252	54,733	16.57	3,303
2013	9,434.22	2,962	4,603	4,831	17.15	282
2015	805.55	214	333	473	18.36	26
2016	42,572.87	10,235	15,904	26,669	18.99	1,404
2017	1,546.18	331	514	1,032	19.65	53
2018	1,394.55	261	406	989	20.33	49
2019	5,057.00	799	1,242	3,815	21.05	181
2022	14,692.84	940	1,461	13,232	23.40	565
2023	8,389.94	352	547	7,843	23.95	327
	466,473.70	189,259	291,901	174,573		10,760

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 16.2 2.31

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 330.40 DISTRIBUTION RESEVOIR AND STANDPIPES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 60-R3						
1963	40,979.96	32,948	27,994	12,986	11.76	1,104
1980	708,152.56	451,801	383,871	324,282	21.72	14,930
1981	1,650.05	1,033	878	772	22.42	34
1983	38,784.68	23,361	19,849	18,936	23.86	794
1988	745,993.23	402,337	341,844	404,149	27.64	14,622
1989	166.00	87	74	92	28.43	3
1993	72,711.57	34,344	29,180	43,532	31.66	1,375
1994	13,193.82	6,052	5,142	8,052	32.48	248
1995	1,044,994.14	464,678	394,813	650,181	33.32	19,513
1996	4,650.74	2,003	1,702	2,949	34.16	86
1997	19,326.00	8,046	6,836	12,490	35.02	357
1999	15,320.32	5,939	5,046	10,274	36.74	280
2001	1,152.50	413	351	802	38.50	21
2003	141,040.94	46,356	39,386	101,655	40.28	2,524
2004	15,550.61	4,878	4,145	11,406	41.18	277
2005	211,930.10	63,261	53,750	158,180	42.09	3,758
2006	810.70	230	195	616	43.01	14
2007	595,884.88	159,596	135,600	460,285	43.93	10,478
2011	932,977.19	191,885	163,035	769,942	47.66	16,155
2023	253.60	5	4	250	58.89	4
	4,605,523.59	1,899,253	1,613,695	2,991,829		86,577

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 34.6 1.88

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 331.40 TRANSMISSION AND DISTRIBUTION MAINS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 70-L4						
1888	3.47	3	3			
1891	63.74	61	21	43	3.07	14
1894	81.99	78	27	55	3.45	16
1895	12.00	11	4	8	3.59	2
1898	9.60	9	3	7	3.98	2
1900	31.19	29	10	21	4.26	5
1909	101.95	94	32	70	5.58	13
1910	374.14	344	117	257	5.73	45
1911	161.92	148	50	112	5.89	19
1913	42.93	39	13	30	6.22	5
1915	159.01	144	49	110	6.55	17
1919	128.75	115	39	90	7.25	12
1920	0.17					
1923	102.45	91	31	71	8.01	9
1925	106.63	94	32	75	8.40	9
1930	242.94	210	72	171	9.44	18
1931	78.32	68	23	55	9.66	6
1935	15.41	13	4	11	10.54	1
1936	80.75	68	23	58	10.76	5
1938	71.13	60	20	51	11.20	5
1939	36.54	31	11	26	11.41	2
1940	171.65	143	49	123	11.62	11
1941	29.83	25	9	21	11.82	2
1946	2,499.60	2,047	698	1,802	12.68	142
1949	283.42	230	78	205	13.09	16
1950	647.46	525	179	468	13.23	35
1951	2,348.53	1,900	648	1,701	13.37	127
1952	916.33	739	252	664	13.51	49
1953	746.19	601	205	541	13.66	40
1954	1,116.16	896	306	810	13.82	59
1960	61.48	48	16	45	15.24	3
1961	6,267.69	4,874	1,663	4,605	15.57	296
1963	4,822.84	3,696	1,261	3,562	16.36	218
1965	3,585.90	2,700	921	2,665	17.29	154
1966	49,889.24	37,189	12,685	37,204	17.82	2,088
1967	29,317.00	21,623	7,376	21,941	18.37	1,194
1969	8,823.81	6,354	2,167	6,657	19.59	340
1970	47,863.40	34,024	11,606	36,257	20.24	1,791
1971	135,751.80	95,181	32,467	103,285	20.92	4,937
1972	288,829.18	199,621	68,092	220,737	21.62	10,210
1973	5,307.91	3,614	1,233	4,075	22.34	182
1974	135,221.51	90,638	30,917	104,305	23.08	4,519
1975	23,878.10	15,746	5,371	18,507	23.84	776
1976	276,906.92	179,594	61,261	215,646	24.60	8,766

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 331.40 TRANSMISSION AND DISTRIBUTION MAINS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 70-L4						
1978	206,457.31	129,242	44,085	162,372	26.18	6,202
1979	374,293.39	229,977	78,447	295,846	26.99	10,961
1980	934,593.76	563,289	192,142	742,452	27.81	26,697
1981	367,565.23	217,180	74,082	293,483	28.64	10,247
1982	185,028.94	107,106	36,535	148,494	29.48	5,037
1983	199,402.71	113,004	38,547	160,856	30.33	5,304
1984	131,000.31	72,612	24,769	106,231	31.20	3,405
1985	1,438,463.92	779,446	265,875	1,172,589	32.07	36,563
1986	447,737.90	236,916	80,814	366,924	32.96	11,132
1987	1,829,913.60	945,022	322,355	1,507,559	33.85	44,536
1988	1,306,201.47	657,581	224,306	1,081,895	34.76	31,125
1989	1,117,447.41	548,030	186,937	930,510	35.67	26,087
1990	1,097,353.15	523,591	178,601	918,752	36.60	25,103
1991	261,581.03	121,337	41,389	220,192	37.53	5,867
1992	150,721.96	67,890	23,158	127,564	38.47	3,316
1993	548,717.04	239,630	81,740	466,977	39.43	11,843
1994	297,010.27	125,677	42,869	254,141	40.38	6,294
1995	779,325.67	318,970	108,803	670,523	41.35	16,216
1996	436,516.58	172,612	58,879	377,638	42.32	8,923
1997	330,565.71	126,088	43,010	287,556	43.30	6,641
1998	886,156.30	325,476	111,023	775,133	44.29	17,501
1999	747,639.19	264,133	90,098	657,541	45.27	14,525
2000	1,014,583.77	344,086	117,370	897,214	46.26	19,395
2001	610,304.73	198,264	67,629	542,676	47.26	11,483
2002	385,029.34	119,632	40,807	344,222	48.25	7,134
2003	666,536.68	197,581	67,397	599,140	49.25	12,165
2004	546,281.71	154,128	52,574	493,708	50.25	9,825
2005	1,127,130.08	301,913	102,985	1,024,145	51.25	19,983
2006	681,049.00	172,694	58,907	622,142	52.25	11,907
2007	1,073,363.82	256,845	87,612	985,752	53.25	18,512
2008	546,100.94	122,873	41,913	504,188	54.25	9,294
2009	479,008.09	100,932	34,429	444,579	55.25	8,047
2010	149,590.56	29,384	10,023	139,568	56.25	2,481
2011	51,928.54	9,458	3,226	48,703	57.25	851
2012	10,750.66	1,805	616	10,135	58.25	174
2013	74,872.82	11,498	3,922	70,951	59.25	1,197
2014	18,815.32	2,621	894	17,921	60.25	297
2015	1,133,577.01	141,697	48,334	1,085,243	61.25	17,718
2016	552,621.62	61,181	20,870	531,752	62.25	8,542
2017	372,335.35	35,904	12,247	360,088	63.25	5,693
2018	204,783.40	16,821	5,738	199,045	64.25	3,098
2019	476,886.64	32,362	11,039	465,848	65.25	7,139
2020	514,734.84	27,574	9,406	505,329	66.25	7,628
2021	167,205.69	6,570	2,241	164,965	67.25	2,453

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 331.40 TRANSMISSION AND DISTRIBUTION MAINS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 70-L4						
2022	609,927.37	15,248	5,201	604,726	68.25	8,860
2023	380,355.92	6,086	2,076	378,280	68.88	5,492
2024	19,310.76		0	19,311		
	26,967,968.49	9,955,684	3,395,964	23,572,004		569,053
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..						41.4 2.11

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 333.40 SERVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 70-R4						
1918	182.54	182	83	100	0.36	100
1929	19.81	19	9	11	2.58	4
1930	76.11	73	33	43	2.83	15
1931	74.99	72	33	42	3.07	14
1932	103.74	99	45	59	3.32	18
1933	148.34	141	64	84	3.57	24
1934	22.74	21	10	13	3.83	3
1935	148.13	139	64	84	4.09	21
1936	47.88	45	21	27	4.35	6
1937	170.69	159	73	98	4.62	21
1938	145.55	135	62	84	4.89	17
1939	201.73	187	85	117	5.16	23
1940	171.35	158	72	99	5.44	18
1941	129.45	119	54	75	5.72	13
1942	100.29	92	42	58	6.00	10
1945	66.91	60	27	40	6.91	6
1946	37.91	34	16	22	7.23	3
1947	77.76	69	32	46	7.56	6
1948	880.86	781	357	524	7.91	66
1949	970.32	856	391	579	8.27	70
1950	541.95	475	217	325	8.65	38
1951	51.05	44	20	31	9.05	3
1952	705.35	610	279	426	9.46	45
1953	1,172.08	1,006	460	712	9.90	72
1954	1,507.02	1,284	587	920	10.36	89
1955	230.74	195	89	142	10.84	13
1956	362.42	304	139	223	11.35	20
1957	1.95	2	2			
1958	902.84	743	339	564	12.43	45
1959	349.44	284	130	219	13.01	17
1961	831.05	662	302	529	14.22	37
1962	131.60	104	48	84	14.85	6
1963	114.56	89	41	74	15.50	5
1964	1,785.94	1,373	627	1,159	16.17	72
1965	2,285.60	1,736	793	1,493	16.84	89
1966	818.05	613	280	538	17.53	31
1967	3,285.80	2,431	1,111	2,175	18.22	119
1968	2,973.27	2,170	991	1,982	18.92	105
1969	4,713.07	3,391	1,549	3,164	19.64	161
1970	8,879.16	6,297	2,877	6,002	20.36	295
1971	3,053.71	2,134	975	2,079	21.09	99
1972	9,074.95	6,244	2,853	6,222	21.84	285
1973	4,488.98	3,040	1,389	3,100	22.59	137
1974	4,808.06	3,204	1,464	3,344	23.36	143

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 333.40 SERVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 70-R4						
1975	2,371.61	1,554	710	1,662	24.14	69
1976	53,390.20	34,383	15,708	37,682	24.92	1,512
1977	3,411.32	2,158	986	2,425	25.72	94
1978	78,020.65	48,451	22,134	55,887	26.53	2,107
1979	76,343.36	46,515	21,250	55,093	27.35	2,014
1980	69,894.20	41,757	19,076	50,818	28.18	1,803
1981	52,854.80	30,943	14,136	38,719	29.02	1,334
1982	35,584.48	20,400	9,320	26,264	29.87	879
1983	37,720.08	21,161	9,667	28,053	30.73	913
1984	63,066.90	34,597	15,805	47,262	31.60	1,496
1985	162,359.63	87,025	39,757	122,603	32.48	3,775
1986	141,273.32	73,947	33,782	107,491	33.36	3,222
1987	233,284.06	119,108	54,414	178,870	34.26	5,221
1988	382,843.46	190,545	87,049	295,794	35.16	8,413
1989	133,341.10	64,632	29,527	103,814	36.07	2,878
1990	232,918.35	109,837	50,178	182,740	36.99	4,940
1991	146,932.66	67,358	30,772	116,161	37.91	3,064
1992	78,112.63	34,771	15,885	62,228	38.84	1,602
1993	89,200.49	38,509	17,592	71,608	39.78	1,800
1994	61,821.91	25,859	11,813	50,009	40.72	1,228
1995	69,738.42	28,234	12,898	56,840	41.66	1,364
1996	71,578.17	27,997	12,790	58,788	42.62	1,379
1997	39,022.70	14,734	6,731	32,292	43.57	741
1998	141,951.49	51,650	23,596	118,355	44.53	2,658
1999	62,638.01	21,923	10,015	52,623	45.50	1,157
2000	107,304.39	36,069	16,478	90,826	46.47	1,955
2001	63,010.49	20,308	9,278	53,732	47.44	1,133
2002	36,332.96	11,206	5,119	31,214	48.41	645
2003	78,631.80	23,152	10,577	68,055	49.39	1,378
2004	132,316.34	37,105	16,951	115,365	50.37	2,290
2005	70,041.33	18,651	8,521	61,520	51.36	1,198
2006	279,994.62	70,640	32,271	247,724	52.34	4,733
2007	399,395.52	95,112	43,451	355,945	53.33	6,674
2008	96,886.08	21,702	9,915	86,971	54.32	1,601
2009	140,034.05	29,407	13,434	126,600	55.30	2,289
2010	4,604.24	901	412	4,192	56.30	74
2011	6,466.46	1,174	536	5,930	57.29	104
2012	6,737.74	1,128	515	6,223	58.28	107
2013	66,527.33	10,188	4,654	61,873	59.28	1,044
2014	31,877.97	4,431	2,024	29,854	60.27	495
2015	242,606.47	30,255	13,822	228,784	61.27	3,734
2016	108,599.38	12,008	5,486	103,113	62.26	1,656
2017	171,089.23	16,474	7,526	163,563	63.26	2,586
2018	34,104.03	2,797	1,278	32,826	64.26	511

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 333.40 SERVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 70-R4						
2019	128,678.04	8,713	3,981	124,697	65.26	1,911
2020	97,320.16	5,213	2,382	94,938	66.25	1,433
2021	43,223.00	1,698	776	42,447	67.25	631
2022	241,266.25	6,032	2,755	238,511	68.25	3,495
2023	225,664.81	3,611	1,650	224,015	68.88	3,252
2024	25,499.79		0	25,500		
	5,414,732.22	1,747,899	798,518	4,616,214		102,976
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..						44.8 1.90

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 334.40 METERS AND METER INSTALLATIONS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 27-L3						
1978	187.75	161	188			
1979	626.56	533	627			
1980	5,646.97	4,754	5,647			
1981	4,656.82	3,879	4,657			
1982	9,411.48	7,752	9,411			
1983	2,565.89	2,090	2,566			
1984	3,265.72	2,630	3,266			
1985	1,334.97	1,062	1,335			
1986	1,048.10	824	1,048			
1987	55.51	43	56			
1988	2,617.35	2,007	2,617			
1989	6,957.38	5,270	6,957			
1990	5,803.83	4,342	5,804			
1991	7,390.83	5,466	7,391			
1992	8,268.53	6,048	8,269			
1993	8,140.74	5,894	8,141			
1994	22,519.14	16,147	22,519			
1995	30,651.48	21,785	30,651			
1996	6,706.88	4,725	6,707			
1997	28,914.96	20,187	28,915			
1998	36,893.65	25,525	36,894			
1999	36,633.45	25,073	36,633			
2000	24,673.05	16,686	24,673			
2001	31,915.42	21,277	31,915			
2002	49,321.73	32,315	49,322			
2003	36,580.66	23,479	36,581			
2004	38,917.30	24,360	38,917			
2005	53,299.79	32,395	53,300			
2006	63,855.20	37,486	63,855			
2007	38,674.03	21,801	38,674			
2008	34,758.71	18,705	34,759			
2009	30,667.14	15,663	30,667			
2010	35,417.44	17,053	33,422	1,995	14.00	142
2011	29,064.40	13,100	25,674	3,390	14.83	229
2012	92,288.75	38,659	75,767	16,522	15.69	1,053
2013	73,915.90	28,554	55,963	17,953	16.57	1,083
2014	73,250.20	25,827	50,618	22,632	17.48	1,295
2015	193,978.82	61,786	121,093	72,886	18.40	3,961
2016	305,622.11	86,705	169,932	135,690	19.34	7,016
2017	350,717.82	87,031	170,571	180,147	20.30	8,874
2018	227,258.95	48,229	94,523	132,736	21.27	6,241
2019	410,832.06	72,126	141,358	269,474	22.26	12,106
2020	156,246.60	21,701	42,532	113,715	23.25	4,891
2021	192,706.56	19,627	38,467	154,240	24.25	6,360

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 334.40 METERS AND METER INSTALLATIONS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 27-L3						
2022	278,986.25	18,081	35,436	243,550	25.25	9,646
2023	267,626.59	11,200	21,951	245,676	25.87	9,497
2024	57,831.34		0	57,832		
	3,378,704.81	960,043	1,710,269	1,668,436		72,394
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..						23.0 2.14

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 335.40 HYDRANTS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 60-R4						
1888	40.00	40	40			
1889	20.00	20	20			
1890	50.00	50	50			
1891	20.00	20	20			
1909	50.00	50	50			
1930	15.00	15	15			
1931	25.00	25	25			
1932	100.00	100	100			
1935	25.00	25	25			
1938	25.00	24	5	20	1.20	17
1939	5.00	5	5			
1951	6.73	6	1	6	4.39	1
1958	212.38	189	41	171	6.49	26
1960	182.53	161	35	148	7.21	21
1963	918.72	789	171	748	8.44	89
1964	751.13	640	138	613	8.90	69
1965	1,391.30	1,174	254	1,137	9.38	121
1968	288.56	236	51	238	11.00	22
1969	262.30	212	46	216	11.60	19
1970	1,784.11	1,421	307	1,477	12.21	121
1971	380.68	299	65	316	12.85	25
1972	10,739.27	8,323	1,799	8,940	13.50	662
1973	1,130.03	863	186	944	14.17	67
1974	4,506.60	3,391	733	3,774	14.85	254
1976	12,803.53	9,338	2,018	10,786	16.24	664
1978	27,904.58	19,677	4,252	23,653	17.69	1,337
1979	28,916.46	20,039	4,330	24,586	18.42	1,335
1980	39,879.34	27,131	5,863	34,016	19.18	1,774
1981	24,990.14	16,685	3,606	21,384	19.94	1,072
1982	20,624.02	13,502	2,918	17,706	20.72	855
1983	10,345.44	6,637	1,434	8,911	21.51	414
1984	2,736.98	1,719	371	2,366	22.31	106
1985	68,127.60	41,876	9,049	59,079	23.12	2,555
1986	58,350.09	35,058	7,576	50,774	23.95	2,120
1987	104,554.53	61,356	13,259	91,296	24.79	3,683
1988	150,107.76	85,962	18,576	131,532	25.64	5,130
1989	63,388.30	35,392	7,648	55,740	26.50	2,103
1990	126,129.78	68,593	14,823	111,307	27.37	4,067
1991	10,841.21	5,737	1,240	9,601	28.25	340
1992	19,828.07	10,198	2,204	17,624	29.14	605
1993	63,133.65	31,525	6,812	56,322	30.04	1,875
1994	25,518.46	12,355	2,670	22,848	30.95	738
1995	37,309.74	17,492	3,780	33,530	31.87	1,052
1996	18,524.79	8,401	1,815	16,710	32.79	510

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 335.40 HYDRANTS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 60-R4						
1997	31,230.09	13,673	2,955	28,275	33.73	838
1998	75,176.12	31,749	6,861	68,315	34.66	1,971
1999	46,309.62	18,825	4,068	42,242	35.61	1,186
2000	96,807.84	37,820	8,173	88,635	36.56	2,424
2001	79,751.66	29,881	6,457	73,295	37.52	1,953
2002	21,792.20	7,816	1,689	20,103	38.48	522
2003	37,989.99	13,012	2,812	35,178	39.45	892
2004	81,303.80	26,532	5,734	75,570	40.42	1,870
2005	113,746.21	35,281	7,624	106,122	41.39	2,564
2006	62,060.21	18,235	3,941	58,119	42.37	1,372
2007	165,446.66	45,911	9,921	155,526	43.35	3,588
2008	63,593.90	16,598	3,587	60,007	44.34	1,353
2009	70,458.17	17,239	3,725	66,733	45.32	1,472
2010	28,562.67	6,517	1,408	27,155	46.31	586
2011	27,115.82	5,740	1,240	25,876	47.30	547
2012	15,702.30	3,065	662	15,040	48.29	311
2013	20,545.11	3,671	793	19,752	49.28	401
2014	14,178.79	2,297	496	13,683	50.28	272
2015	155,780.81	22,666	4,899	150,882	51.27	2,943
2016	34,273.95	4,416	954	33,320	52.27	637
2017	10,882.71	1,222	264	10,619	53.26	199
2018	28,729.40	2,749	594	28,135	54.26	519
2019	46,301.49	3,658	791	45,510	55.26	824
2020	70,779.20	4,424	956	69,823	56.25	1,241
2021	28,314.89	1,298	281	28,034	57.25	490
2022	114,877.67	3,351	724	114,154	58.25	1,960
2023	74,155.64	1,384	299	73,857	58.88	1,254
2024	2,308.29		0	2,308		
	2,555,119.02	925,781	200,334	2,354,785		68,038

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 34.6 2.66

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 339.40 OTHER PLANT AND MISCELLANEOUS EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 45-R3						
1968	2,897.52	2,567	1,618	1,280	5.14	249
1974	608.23	513	323	285	7.08	40
1976	854.00	705	444	410	7.87	52
1977	860.70	702	442	419	8.29	51
1980	1,630.37	1,280	807	823	9.68	85
1981	1,361.63	1,053	664	698	10.19	68
1983	1,173.80	880	555	619	11.27	55
1985	836.49	606	382	454	12.42	37
1986	8,273.90	5,878	3,704	4,570	13.03	351
1988	10,832.73	7,390	4,657	6,176	14.30	432
1989	2,592.00	1,730	1,090	1,502	14.96	100
1990	2,953.24	1,927	1,214	1,739	15.64	111
1991	3,990.73	2,543	1,602	2,389	16.33	146
1992	1,592.50	989	623	970	17.04	57
1993	11,959.64	7,240	4,562	7,398	17.76	417
1994	839.80	495	312	528	18.50	29
1995	4,939.68	2,827	1,781	3,159	19.25	164
1996	1,456.05	809	510	946	20.01	47
1997	7,538.18	4,057	2,556	4,982	20.78	240
1998	18,822.96	9,801	6,176	12,647	21.57	586
1999	11,645.93	5,857	3,691	7,955	22.37	356
2000	9,418.25	4,567	2,878	6,540	23.18	282
2001	40,886.43	19,080	12,023	28,863	24.00	1,203
2002	11,315.89	5,072	3,196	8,120	24.83	327
2003	8,567.68	3,678	2,318	6,250	25.68	243
2004	16,904.22	6,938	4,372	12,532	26.53	472
2005	28,033.36	10,970	6,912	21,121	27.39	771
2006	6,927.84	2,576	1,623	5,305	28.27	188
2007	54,289.33	19,122	12,049	42,240	29.15	1,449
2008	14,367.40	4,776	3,009	11,358	30.04	378
2009	25,802.67	8,062	5,080	20,723	30.94	670
2010	3,613.68	1,056	665	2,949	31.85	93
2011	7,798.11	2,119	1,335	6,463	32.77	197
2012	11,738.99	2,948	1,858	9,881	33.70	293
2013	19,105.30	4,403	2,774	16,331	34.63	472
2014	79,831.95	16,730	10,542	69,290	35.57	1,948
2015	22,635.71	4,265	2,688	19,948	36.52	546
2016	53,983.14	9,033	5,692	48,291	37.47	1,289
2017	24,357.93	3,556	2,241	22,117	38.43	576
2018	27,034.62	3,370	2,124	24,911	39.39	632
2019	26,347.97	2,723	1,716	24,632	40.35	610

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 339.40 OTHER PLANT AND MISCELLANEOUS EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 45-R3						
2020	4,230.78	345	217	4,014	41.33	97
2021	15,425.23	926	583	14,842	42.30	351
2022	28,894.70	1,104	696	28,199	43.28	652
	639,171.26	197,268	124,304	514,867		17,412
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 29.6 2.72						

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 340.50 OFFICE FURNITURE AND EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. 20-SQUARE						
1960	1,153.43	1,153	1,153			
1972	106.42	106	106			
1973	695.90	696	696			
1974	478.82	479	479			
1976	436.25	436	436			
1977	479.50	480	480			
1978	1,016.54	1,017	1,017			
1980	984.00	984	984			
1981	959.00	959	959			
1982	8,583.62	8,584	8,584			
1983	65.00	65	65			
1984	2,004.36	2,004	2,004			
1985	2,274.87	2,275	2,275			
1986	21,848.12	21,848	21,848			
1987	1,558.72	1,559	1,559			
1988	201.47	201	201			
1989	288.00	288	288			
1990	2,706.62	2,707	2,707			
1991	956.11	956	956			
1992	13,711.53	13,712	13,712			
1993	2,719.40	2,719	2,719			
1994	4,438.32	4,438	4,438			
1995	8,663.20	8,663	8,663			
1996	534.51	535	535			
1997	4,223.89	4,224	4,224			
1998	6,537.55	6,538	6,538			
1999	1,383.19	1,383	1,383			
2000	5,680.91	5,681	5,681			
2001	32,875.93	32,876	32,876			
2002	3,873.82	3,874	3,874			
2003	8,154.54	8,155	8,155			
2004	6,283.42	6,205	5,266	1,017	0.25	1,017
2005	16,319.59	15,300	12,985	3,335	1.25	2,668
2006	7,286.47	6,467	5,489	1,797	2.25	799
2007	2,879.05	2,411	2,046	833	3.25	256
2008	46,647.08	36,735	31,177	15,470	4.25	3,640
2009	20,082.53	14,811	12,570	7,513	5.25	1,431
2010	8,716.19	5,992	5,085	3,631	6.25	581
2011	26,603.43	16,960	14,394	12,209	7.25	1,684
2012	14,436.97	8,482	7,199	7,238	8.25	877
2013	5,014.27	2,695	2,287	2,727	9.25	295
2014	32,361.46	15,776	13,390	18,971	10.25	1,851
2015	11,978.32	5,241	4,448	7,530	11.25	669
2016	8,818.33	3,417	2,900	5,918	12.25	483

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 340.50 OFFICE FURNITURE AND EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. 20-SQUARE						
2017	17,142.29	5,786	4,911	12,231	13.25	923
2018	22,775.32	6,548	5,557	17,218	14.25	1,208
2019	12,280.55	2,917	2,476	9,805	15.25	643
2020	5,024.85	942	799	4,226	16.25	260
2021	99,204.07	13,641	11,578	87,626	17.25	5,080
2022	26,632.94	2,330	1,977	24,656	18.25	1,351
2023	15,031.72	842	715	14,317	18.88	758
2024	2,405.15		0	2,405		
	547,517.54	313,093	286,844	260,674		26,474

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 9.8 4.84

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 341.50 TRANSPORTATION EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 11-L2						
1990	381.60	382	382			
1996	2,499.34	2,354	2,488	11	0.64	11
1999	54,108.13	48,304	51,051	3,057	1.18	2,591
2001	275.25	236	249	26	1.56	17
2003	474.46	390	412	62	1.96	32
2004	1,601.72	1,286	1,359	243	2.17	112
2005	41,111.63	32,179	34,009	7,103	2.39	2,972
2006	364.21	277	293	71	2.62	27
2011	6,996.00	4,541	4,799	2,197	3.86	569
2012	16,370.45	10,269	10,853	5,517	4.10	1,346
2013	29,474.79	17,846	18,861	10,614	4.34	2,446
2016	33,035.40	17,449	18,442	14,593	5.19	2,812
2017	63,509.08	31,235	33,012	30,497	5.59	5,456
2018	50,755.82	22,563	23,846	26,910	6.11	4,404
2019	26,453.14	10,196	10,776	15,677	6.76	2,319
2021	47,816.50	11,389	12,037	35,780	8.38	4,270
2022	82,374.96	12,805	13,534	68,841	9.29	7,410
2023	106,519.96	10,749	11,360	95,160	9.89	9,622
2024	5,453.00		0	5,453		
	569,575.44	234,450	247,763	321,812		46,416

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 6.9 8.15

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 343.50 TOOLS, SHOP AND GARAGE EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. 25-SQUARE						
1982	198.44	198	198			
1983	2,182.15	2,182	2,182			
1984	216.30	216	216			
1985	5,287.54	5,288	5,288			
1986	552.00	552	552			
1987	2,500.00	2,500	2,500			
1988	5,275.54	5,276	5,276			
1989	1,832.07	1,832	1,832			
1990	2,034.58	2,035	2,035			
1991	4,572.83	4,573	4,573			
1992	3,924.91	3,925	3,925			
1993	7,278.37	7,278	7,278			
1994	15,992.66	15,993	15,993			
1995	9,145.62	9,146	9,146			
1996	3,103.70	3,104	3,104			
1997	1,621.22	1,621	1,621			
1998	11,484.04	11,484	11,484			
1999	309.33	306	309			
2000	13,125.58	12,469	13,126			
2001	1,713.29	1,559	1,713			
2002	4,959.49	4,315	4,959			
2003	21,040.75	17,464	20,206	835	4.25	196
2004	7,491.22	5,918	6,847	644	5.25	123
2005	18,780.77	14,086	16,298	2,483	6.25	397
2006	11,964.08	8,494	9,828	2,136	7.25	295
2007	915.29	613	709	206	8.25	25
2008	3,614.08	2,277	2,635	979	9.25	106
2009	12,029.96	7,098	8,212	3,818	10.25	372
2010	948.43	522	604	344	11.25	31
2011	833.76	425	492	342	12.25	28
2012	17,598.38	8,271	9,570	8,028	13.25	606
2013	1,269.76	546	632	638	14.25	45
2014	3,853.87	1,503	1,739	2,115	15.25	139
2015	2,630.63	921	1,066	1,565	16.25	96
2016	12,912.87	4,003	4,631	8,282	17.25	480
2017	24,945.23	6,735	7,792	17,153	18.25	940
2018	12,010.99	2,763	3,197	8,814	19.25	458
2019	1,989.81	378	437	1,553	20.25	77

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 343.50 TOOLS, SHOP AND GARAGE EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. 25-SQUARE						
2021	21,389.52	2,353	2,723	18,667	22.25	839
2023	3,041.30	136	157	2,884	23.88	121
2024	1,125.14		0	1,125		
	277,695.50	180,358	195,085	82,610		5,374

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 15.4 1.94

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 346.50 COMMUNICATION EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2024

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. 15-SQUARE						
1972	2,450.61	2,451	2,451			
1973	31.40	31	31			
1975	430.20	430	430			
1978	869.56	870	870			
1982	929.27	929	929			
1985	1,519.00	1,519	1,519			
1986	2,178.56	2,179	2,179			
1988	924.85	925	925			
1989	434.60	435	435			
1990	2,498.46	2,498	2,498			
1992	961.42	961	961			
1995	1,679.15	1,679	1,679			
1996	1,041.04	1,041	1,041			
1998	1,983.06	1,983	1,983			
1999	1,099.50	1,100	1,100			
2002	2,384.91	2,385	2,385			
2003	444.12	444	444			
2007	631.02	631	631			
2012	783.34	614	225	558	3.25	172
2013	644.50	462	169	476	4.25	112
2016	750.92	388	142	609	7.25	84
2021	25,550.52	4,684	1,713	23,838	12.25	1,946
2022	12,696.47	1,481	541	12,155	13.25	917
2023	5,900.29	441	161	5,739	13.88	413
2024	3,355.84		0	3,355		
	72,172.61	30,561	25,442	46,730		3,644

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 12.8 5.05

Exhibit JJS-2



2025 DEPRECIATION STUDY

CALCULATED ANNUAL DEPRECIATION ACCRUALS
RELATED TO WATER PLANT
AS OF MARCH 31, 2025

Prepared by:



GANNETT FLEMING

Excellence Delivered As Promised

NEWTOWN ARTESIAN WATER COMPANY

Newtown, Pennsylvania

2025 DEPRECIATION STUDY

CALCULATED ANNUAL DEPRECIATION ACCRUALS
RELATED TO WATER PLANT
AS OF MARCH 31, 2025

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

Camp Hill, Pennsylvania



Gannett Fleming
Valuation and Rate Consultants, LLC

Corporate Headquarters
207 Senate Avenue
Camp Hill, PA 17011
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gannettfleming.com

July 11, 2024

Newtown Artesian Water Company
201 N. Lincoln Avenue
Newtown, PA 18940

Attention: Mr. Dan Angove
Assistant General Manager

Ladies and Gentlemen:

Pursuant to your request, we have determined the annual depreciation accruals applicable to water plant. The results of our study as of March 31, 2025, are presented in the attached report. The results of our study as of March 31, 2024, are presented in our report, "2024 Depreciation Study - Calculated Annual Depreciation Accruals Related to Water Plant as of March 31, 2024." The same methods, procedures and estimates are used in both studies.

The attached report sets forth a description of the methods and procedures upon which the studies were based, the estimates of survivor curves, and the calculated annual depreciation as of March 31, 2025.

Respectfully submitted,

GANNETT FLEMING VALUATION
AND RATE CONSULTANTS, LLC

A handwritten signature in blue ink that reads "John J. Spanos".

JOHN J. SPANOS
President

A handwritten signature in blue ink that reads "Jason A. Power".

JASON A. POWERY
Assistant Project Manager

JJS:mle
076356.100

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PART I. INTRODUCTION

NEWTOWN ARTESIAN WATER COMPANY

DEPRECIATION STUDY

PART I. INTRODUCTION

SCOPE

This report sets forth the results of the depreciation study for Newtown Artesian Water Company to determine the annual depreciation accrual rates and amounts applicable to the original cost of water plant as of March 31, 2025. The rates and amounts are based on the straight line remaining life method of depreciation. This report also describes the concepts, methods and judgments which underlie the recommended annual depreciation accrual rates related to water plant in service as of March 31, 2025.

Part I, Introduction, contains statements with respect to the basis of the study. Part II, Estimation of Survivor Curves, presents descriptions of the considerations and methods used in the service life study. Part III, Service Life Considerations, presents the results of the average service life analysis. Part IV, Calculation of Annual and Accrued Depreciation, describes the procedures used in the calculation of group depreciation. Part V, Results of Study, presents summaries by depreciable group of annual depreciation accrual rates and amounts, as well as composite remaining lives. Part VI, Service Life Statistics presents the statistical analysis of service life estimates, and Part VII, Detailed Depreciation Calculations presents the detailed tabulations of annual depreciation.

BASIS OF THE STUDY

The purpose of the depreciation study was to determine the annual depreciation accruals applicable to the original cost of water plant in service as of March 31, 2025. For most accounts, the straight line remaining life method using attained ages, the book

depreciation reserve and estimated survivor curves, was the basis for the calculation of annual depreciation. For certain accounts, the annual and accrued amortization amounts were based on the age of the property and the selected amortization period.

The survivor curve estimates were based on judgment which incorporated (1) analyses of historical data related to water assets; (2) consideration of the character, use and location of the property; (3) probable future events and management plans; and (4) a general knowledge of water property lives. The use of Iowa type survivor curves is a generally-accepted method of estimating average service life when the actual lives of individual property units are dispersed.

PART II. ESTIMATION OF SURVIVOR CURVES

PART II. ESTIMATION OF SURVIVOR CURVES

The calculation of annual depreciation based on the straight line method requires the estimation of survivor curves and the selection of group depreciation procedures. The estimation of survivor curves is discussed below and the development of net salvage is discussed in later sections of this report.

SURVIVOR CURVES

The use of an average service life for a property group implies that the various units in the group have different lives. Thus, the average life may be obtained by determining the separate lives of each of the units or by constructing a survivor curve by plotting the number of units which survive at successive ages.

The survivor curve graphically depicts the amount of property existing at each age throughout the life of an original group. From the survivor curve, the average life of the group, the remaining life expectancy, the probable life, and the frequency curve can be calculated. In Figure 1, a typical smooth survivor curve and the derived curves are illustrated. The average life is obtained by calculating the area under the survivor curve, from age zero to the maximum age, and dividing this area by the ordinate at age zero. The remaining life expectancy at any age can be calculated by obtaining the area under the curve, from the observation age to the maximum age, and dividing this area by the percent surviving at the observation age. For example, in Figure 1, the remaining life at age 30 is equal to the crosshatched area under the survivor curve divided by 29.5 percent surviving at age 30. The probable life at any age is developed by adding the age and remaining life. If the probable life of the property is calculated for each year of age, the probable life curve shown in the chart can be developed. The frequency curve presents the number of units retired in each age interval. It is derived by obtaining the differences between the amount of property surviving at the beginning and at the end of each interval.

This study has incorporated the use of Iowa curves developed from a retirement rate analysis of historical retirement history. A discussion of the concepts of survivor curves and of the development of survivor curves using the retirement rate method is presented below.

Iowa Type Curves

The range of survivor characteristics usually experienced by utility and industrial properties is encompassed by a system of generalized survivor curves known as the Iowa type curves. There are four families in the Iowa system, labeled in accordance with the location of the modes of the retirements (or the portion of the frequency curve with the highest level of retirements) in relationship to the average life and the relative height of the modes. The left moded curves, presented in Figure 2, are those in which the greatest frequency of retirement occurs to the left of, or prior to, average service life. The symmetrical moded curves, presented in Figure 3, are those in which the greatest frequency of retirement occurs at average service life. The right moded curves, presented in Figure 4, are those in which the greatest frequency occurs to the right of, or after, average service life. The origin moded curves, presented in Figure 5, are those in which the greatest frequency of retirement occurs at the origin, or immediately after age zero. The letter designation of each family of curves (L, S, R or O) represents the location of the mode of the associated frequency curve with respect to the average service life. The numbers represent the relative heights of the modes of the frequency curves within each family. A higher number designates a higher mode curve.

The Iowa curves were developed at the Iowa State College Engineering Experiment Station through an extensive process of observation and classification of the ages at which industrial property had been retired. A report of the study which resulted in the classification of property survivor characteristics into 18 type curves, which constitute three of the four families, was published in 1935 in the form of the Experiment Station's Bulletin 125.

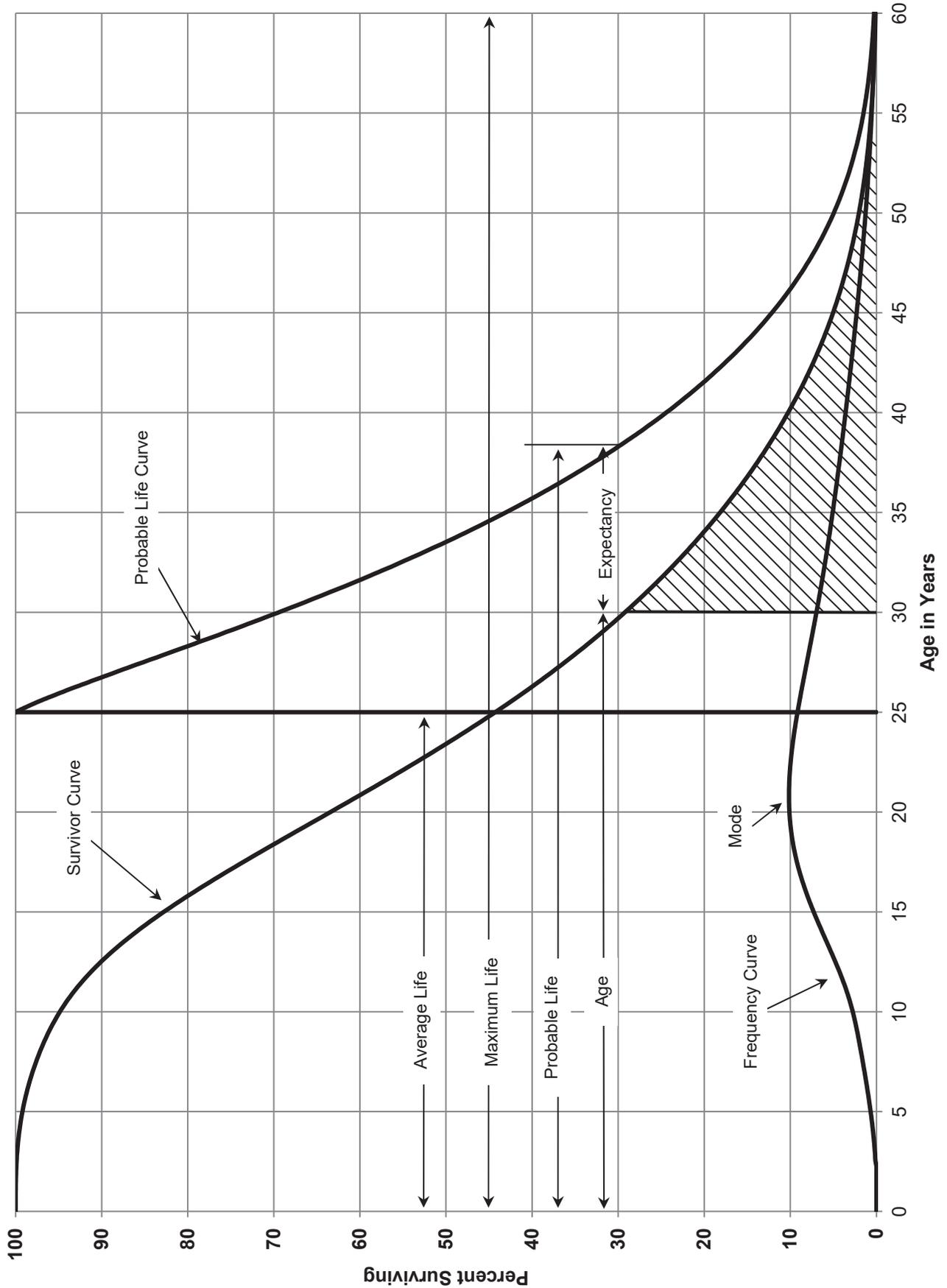


FIGURE 1. TYPICAL SURVIVOR CURVE AND DERIVED CURVES

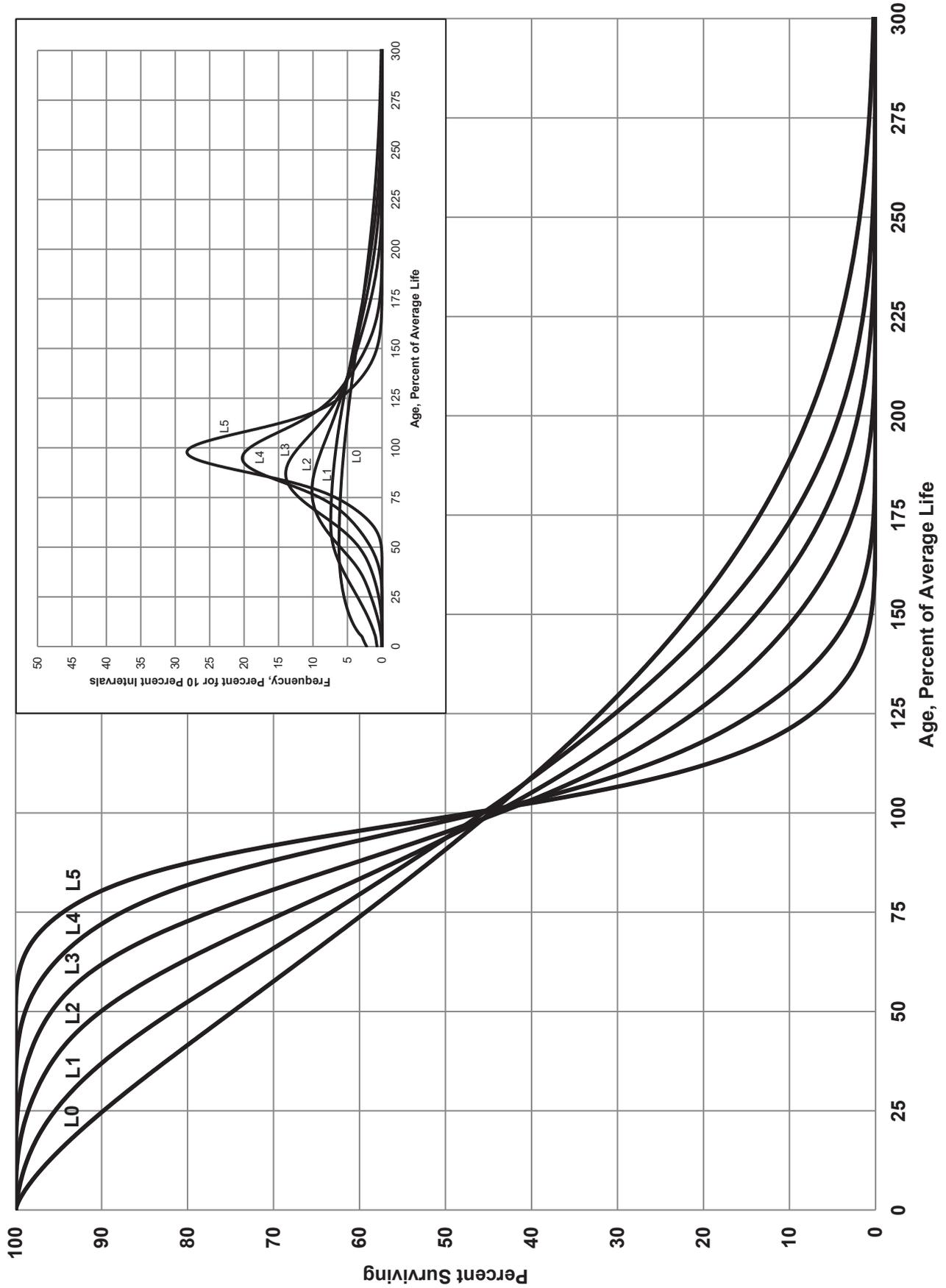


FIGURE 2. LEFT MODAL OR "L" IOWA TYPE SURVIVOR CURVES

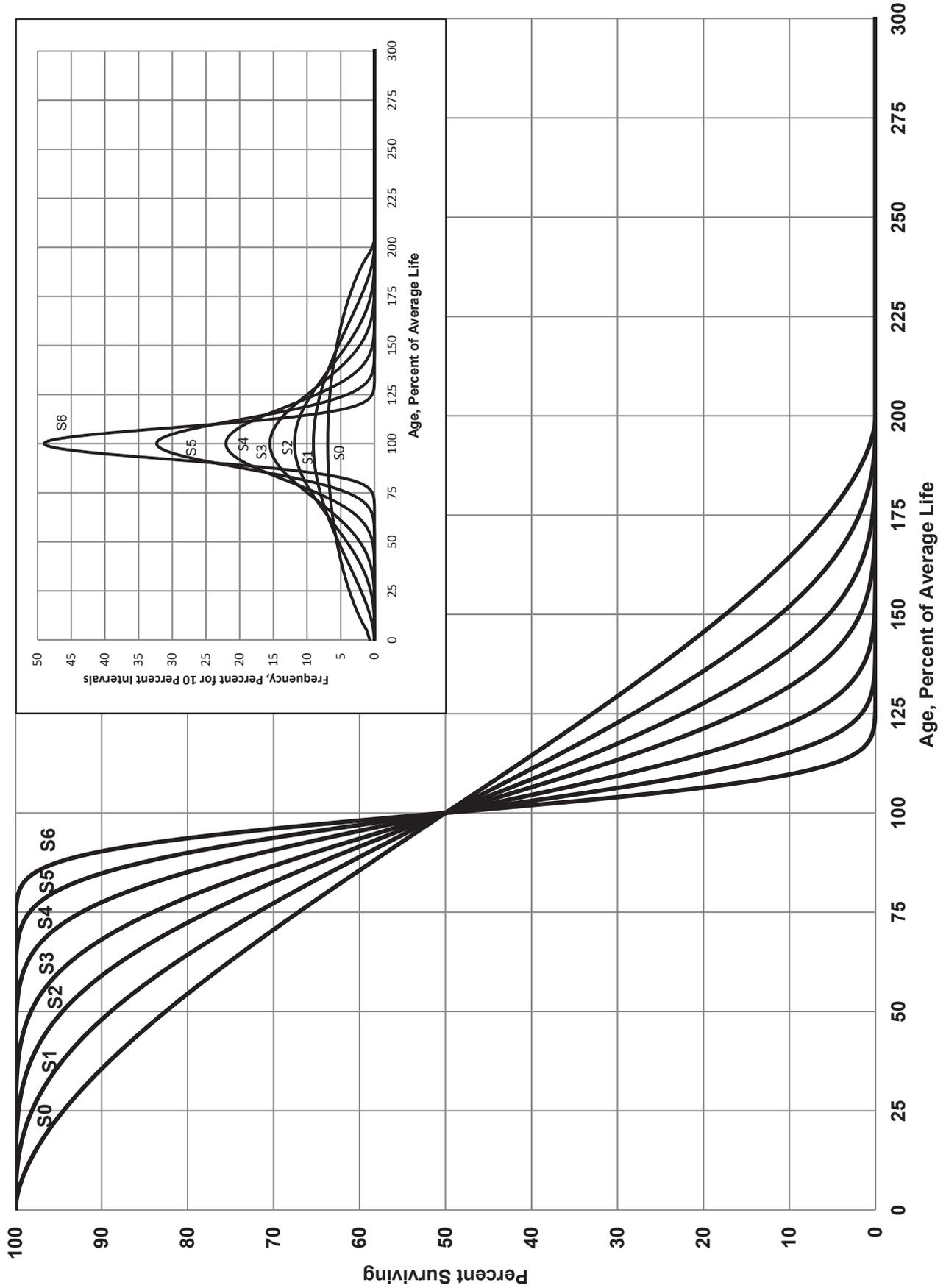


FIGURE 3. SYMMETRICAL OR "S" IOWA TYPE SURVIVOR CURVES

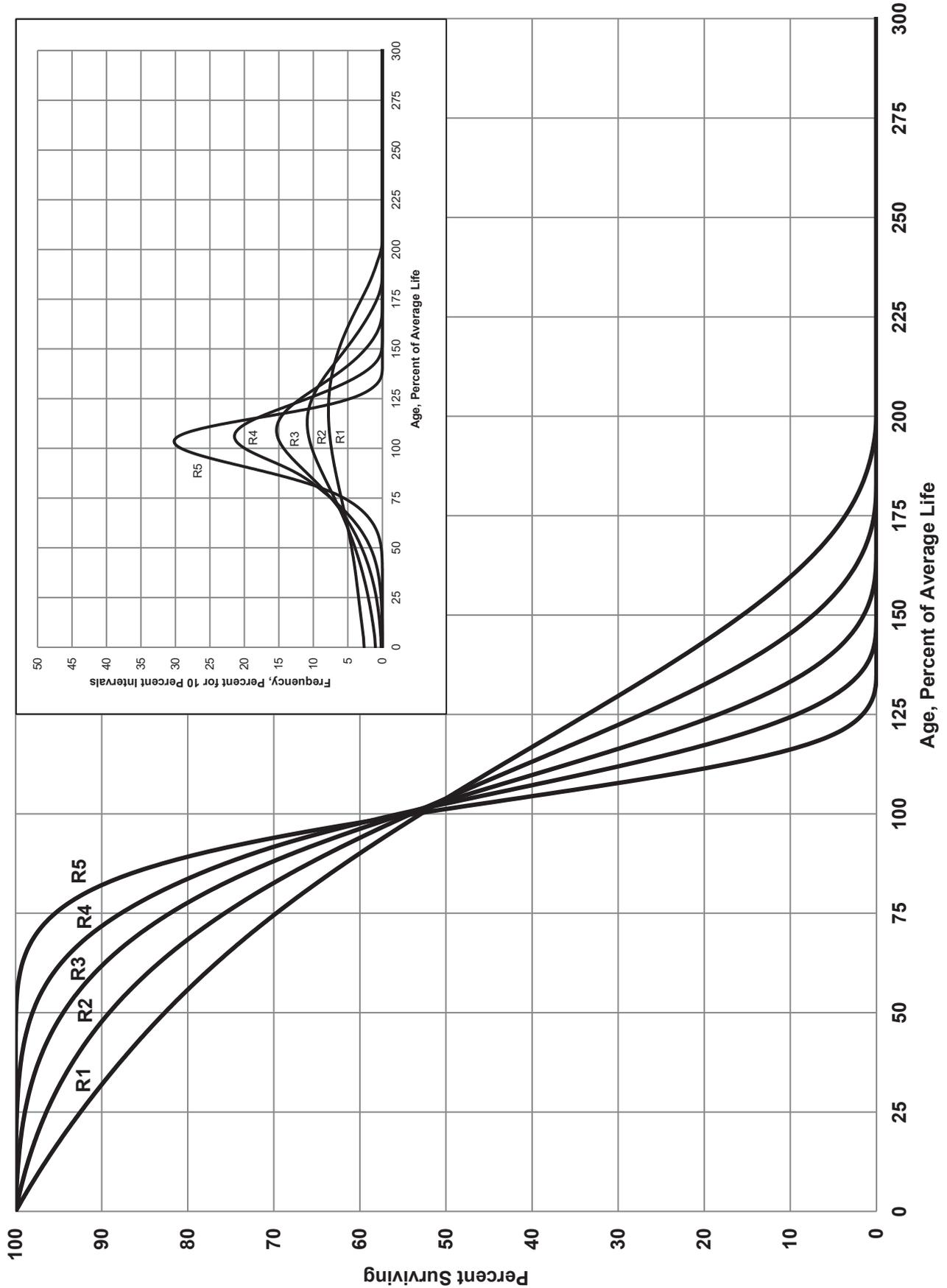


FIGURE 4. RIGHT MODAL OR "R" IOWA TYPE SURVIVOR CURVES

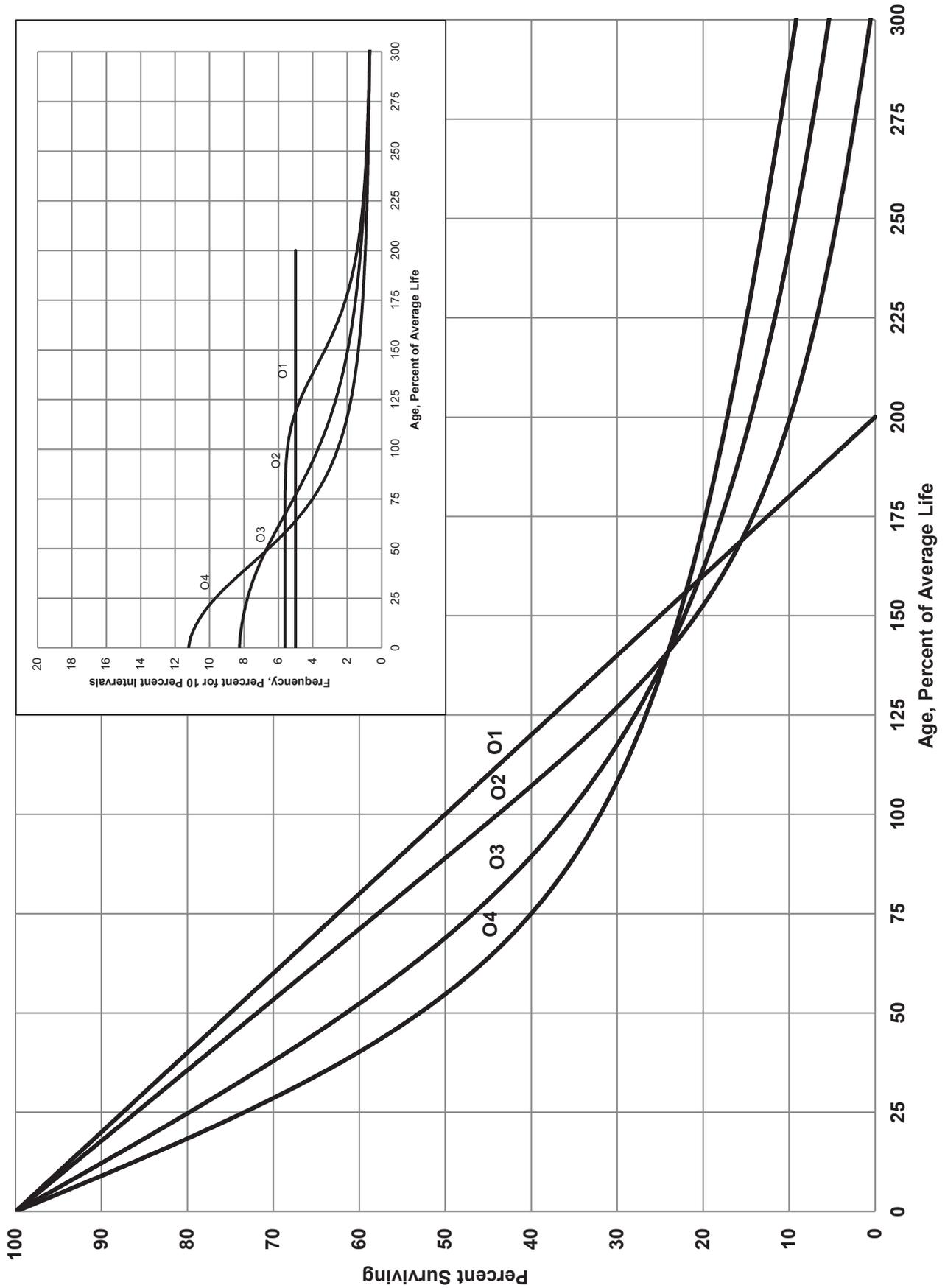


FIGURE 5. ORIGIN MODAL OR "O" IOWA TYPE SURVIVOR CURVES

These curve types have also been presented in subsequent Experiment Station bulletins and in the text, "Engineering Valuation and Depreciation."¹ In 1957, Frank V. B. Couch, Jr., an Iowa State College graduate student, submitted a thesis presenting his development of the fourth family consisting of the four O type survivor curves.

Retirement Rate Method of Analysis

The retirement rate method is an actuarial method of deriving survivor curves using the average rates at which property of each age group is retired. The method relates to property groups for which aged accounting experience is available and is the method used to develop the original stub survivor curves in this study. The method (also known as the annual rate method) is illustrated through the use of an example in the following text and is also explained in several publications including "Statistical Analyses of Industrial Property Retirements,"² "Engineering Valuation and Depreciation,"³ and "Depreciation Systems."⁴

The average rate of retirement used in the calculation of the percent surviving for the survivor curve (life table) requires two sets of data: first, the property retired during a period of observation, identified by the property's age at retirement; and second, the property exposed to retirement at the beginning of the age intervals during the same period. The period of observation is referred to as the experience band. The band of years which represent the installation dates of the property exposed to retirement during the experience band is referred to as the placement band. An example of the calculations used in the development of a life table follows. The example includes schedules of annual aged property transactions, a schedule of plant exposed to retirement, a life table and illustrations of smoothing the stub survivor curve.

¹Marston, Anson, Robley Winfrey and Jean C. Hempstead. Engineering Valuation and Depreciation, 2nd Edition. New York, McGraw-Hill Book Company. 1953.

²Winfrey, Robley, Statistical Analyses of Industrial Property Retirements. Iowa State College, Engineering Experiment Station, Bulletin 125. 1935.

³Marston, Anson, Robley Winfrey, and Jean C. Hempstead, Supra Note 1.

⁴Wolf, Frank K. and W. Chester Fitch. Depreciation Systems. Iowa State University Press. 1994.

Schedules of Annual Transactions in Plant Records

The property group used to illustrate the retirement rate method is observed for the experience band 2014-2023 for which there were placements during the years 2009-2023. In order to illustrate the summation of the aged data by age interval, the data were compiled in the manner presented in Schedules 1 and 2 on pages II-11 and II-12. In Schedule 1, the year of installation (year placed) and the year of retirement are shown. The age interval during which a retirement occurred is determined from this information. In the example which follows, \$10,000 of the dollars invested in 2009 were retired in 2014. The \$10,000 retirement occurred during the age interval between 4½ and 5½ years on the basis that approximately one-half of the amount of property was installed prior to and subsequent to July 1 of each year. That is, on the average, property installed during a year is placed in service at the midpoint of the year for the purpose of the analysis. All retirements also are stated as occurring at the midpoint of a one-year age interval of time, except the first age interval which encompasses only one-half year.

The total retirements occurring in each age interval in a band are determined by summing the amounts for each transaction year-installation year combination for that age interval. For example, the total of \$143,000 retired for age interval 4½-5½ is the sum of the retirements entered on Schedule 1 immediately above the stair step line drawn on the table beginning with the 2014 retirements of 2009 installations and ending with the 2023 retirements of the 2018 installations. Thus, the total amount of 143 for age interval 4½-5½ equals the sum of:

$$10 + 12 + 13 + 11 + 13 + 13 + 15 + 17 + 19 + 20.$$

SCHEDULE 1. RETIREMENTS FOR EACH YEAR 2014-2023
SUMMARIZED BY AGE INTERVAL

Year	Retirements, Thousands of Dollars											Total During		Age Interval
	During Year											Age Interval	Interval	
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	(12)			
Placed	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)		
2009	10	11	12	13	14	16	23	24	25	26	26	26	13½-14½	
2010	11	12	13	15	16	18	20	21	22	19	19	44	12½-13½	
2011	11	12	13	14	16	17	19	21	22	18	64	64	11½-12½	
2012	8	9	10	11	11	13	14	15	16	17	83	83	10½-11½	
2013	9	10	11	12	13	14	16	17	19	20	93	93	9½-10½	
2014	4	9	10	11	12	13	14	15	16	20	105	105	8½-9½	
2015		5	11	12	13	14	15	16	18	20	113	113	7½-8½	
2016			6	12	13	15	16	17	19	19	124	124	6½-7½	
2017				6	13	15	16	17	19	19	131	131	5½-6½	
2018					13	15	16	17	19	20	143	143	4½-5½	
2019					7	14	16	17	22	23	146	146	3½-4½	
2020						8	18	20	22	25	150	150	2½-3½	
2021							9	11	23	25	151	151	1½-2½	
2022									11	24	153	153	½-1½	
2023										13	80	80	0-½	
Total	53	68	86	106	128	157	196	231	273	308	1,606	1,606		

Experience Band 2014-2023

Placement Band 2009-2023

SCHEDULE 2. OTHER TRANSACTIONS FOR EACH YEAR 2014-2023
SUMMARIZED BY AGE INTERVAL

Year Placed (1)	Acquisitions, Transfers and Sales, Thousands of Dollars													Total During Age Interval (12)	Age Interval (13)	
	During Year															
	2014 (2)	2015 (3)	2016 (4)	2017 (5)	2018 (6)	2019 (7)	2020 (8)	2021 (9)	2022 (10)	2023 (11)						
2009	-	-	-	-	-	-	60 ^a	-	-	-	-	-	-	-	-	13½-14½
2010	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12½-13½
2011	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11½-12½
2012	-	-	-	-	-	-	-	(5) ^b	-	-	-	-	-	60	-	10½-11½
2013	-	-	-	-	-	-	-	6 ^a	-	-	-	-	-	-	-	9½-10½
2014	-	-	-	-	-	-	-	-	-	-	-	-	-	(5)	-	8½-9½
2015	-	-	-	-	-	-	-	-	-	-	-	-	-	6	-	7½-8½
2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6½-7½
2017	-	-	-	-	-	-	-	-	-	-	-	(12) ^b	-	-	-	5½-6½
2018	-	-	-	-	-	-	-	-	-	-	-	-	22 ^a	-	-	4½-5½
2019	-	-	-	-	-	-	-	-	-	-	-	(19) ^b	-	10	-	3½-4½
2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2½-3½
2021	-	-	-	-	-	-	-	-	-	-	-	-	-	(121) ^c	-	1½-2½
2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	½-1½
2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0-½
Total	-	-	-	-	-	-	60	(30)	22	(102)	(50)	-	-	-	-	-

^a Transfer Affecting Exposures at Beginning of Year

^b Transfer Affecting Exposures at End of Year

^c Sale with Continued Use

Parentheses Denote Credit Amount.

In Schedule 2, other transactions which affect the group are recorded in a similar manner. The entries illustrated include transfers and sales. The entries which are credits to the plant account are shown in parentheses. The items recorded on this schedule are not totaled with the retirements, but are used in developing the exposures at the beginning of each age interval.

Schedule of Plant Exposed to Retirement

The development of the amount of plant exposed to retirement at the beginning of each age interval is illustrated in Schedule 3 on page II-14. The surviving plant at the beginning of each year from 2014 through 2023 is recorded by year in the portion of the table headed "Annual Survivors at the Beginning of the Year." The last amount entered in each column is the amount of new plant added to the group during the year. The amounts entered in Schedule 3 for each successive year following the beginning balance or addition are obtained by adding or subtracting the net entries shown on Schedules 1 and 2. For the purpose of determining the plant exposed to retirement, transfers-in are considered as being exposed to retirement in this group at the beginning of the year in which they occurred, and the sales and transfers-out are considered to be removed from the plant exposed to retirement at the beginning of the following year. Thus, the amounts of plant shown at the beginning of each year are the amounts of plant from each placement year considered to be exposed to retirement at the beginning of each successive transaction year. For example, the exposures for the installation year 2019 are calculated in the following manner:

Exposures at age 0	= amount of addition	= \$750,000
Exposures at age ½	= \$750,000 - \$ 8,000	= \$742,000
Exposures at age 1½	= \$742,000 - \$18,000	= \$724,000
Exposures at age 2½	= \$724,000 - \$20,000 - \$19,000	= \$685,000
Exposures at age 3½	= \$685,000 - \$22,000	= \$663,000

SCHEDULE 3. PLANT EXPOSED TO RETIREMENT
JANUARY 1 OF EACH YEAR 2014-2023
SUMMARIZED BY AGE INTERVAL

Year Placed	Exposures, Thousands of Dollars											Total at	
	Annual Survivors at the Beginning of the Year											Beginning of	
	2014 (1)	2015 (2)	2016 (3)	2017 (4)	2018 (5)	2019 (6)	2020 (7)	2021 (8)	2022 (9)	2023 (10)	2023 (11)	Age Interval (12)	Age Interval (13)
2009	255	245	234	222	209	195	239	216	192	167	167	13½-14½	
2010	279	268	256	243	228	212	194	174	153	131	323	12½-13½	
2011	307	296	284	271	257	241	224	205	184	162	531	11½-12½	
2012	338	330	321	311	300	289	276	262	242	226	823	10½-11½	
2013	376	367	357	346	334	321	307	297	280	261	1,097	9½-10½	
2014	420 ^a	416	407	397	386	374	361	347	332	316	1,503	8½-9½	
2015		460 ^a	455	444	432	419	405	390	374	356	1,952	7½-8½	
2016			510 ^a	504	492	479	464	448	431	412	2,463	6½-7½	
2017				580 ^a	574	561	546	530	501	482	3,057	5½-6½	
2018					660 ^a	653	639	623	628	609	3,789	4½-5½	
2019						750 ^a	742	724	685	663	4,332	3½-4½	
2020							850 ^a	841	821	799	4,955	2½-3½	
2021								960 ^a	949	926	5,719	1½-2½	
2022									1,080 ^a	1,069	6,579	½-1½	
2023										1,220 ^a	7,490	0-½	
Total	1,975	2,382	2,824	3,318	3,872	4,494	5,247	6,017	6,852	7,799	44,780		

^aAdditions during the year

For the entire experience band 2014-2023, the total exposures at the beginning of an age interval are obtained by summing diagonally in a manner similar to the summing of the retirements during an age interval (Schedule 1). For example, the figure of 3,789, shown as the total exposures at the beginning of age interval 4½-5½, is obtained by summing:

$$255 + 268 + 284 + 311 + 334 + 374 + 405 + 448 + 501 + 609.$$

Original Life Table

The original life table, illustrated in Schedule 4 on page II-16, is developed from the totals shown on the schedules of retirements and exposures, Schedules 1 and 3, respectively. The exposures at the beginning of the age interval are obtained from the corresponding age interval of the exposure schedule, and the retirements during the age interval are obtained from the corresponding age interval of the retirement schedule. The retirement ratio is the result of dividing the retirements during the age interval by the exposures at the beginning of the age interval. The percent surviving at the beginning of each age interval is derived from survivor ratios, each of which equals one minus the retirement ratio. The percent surviving is developed by starting with 100% at age zero and successively multiplying the percent surviving at the beginning of each interval by the survivor ratio, i.e., one minus the retirement ratio for that age interval. The calculations necessary to determine the percent surviving at age 5½ are as follows:

Percent surviving at age 4½	=	88.15	
Exposures at age 4½	=	3,789,000	
Retirements from age 4½ to 5½	=	143,000	
Retirement Ratio	=	143,000 ÷ 3,789,000	= 0.0377
Survivor Ratio	=	1.000 - 0.0377	= 0.9623
Percent surviving at age 5½	=	(88.15) x (0.9623)	= 84.83

The totals of the exposures and retirements (columns 2 and 3) are shown for the purpose of checking with the respective totals in Schedules 1 and 3. The ratio of the total retirements to the total exposures, other than for each age interval, is meaningless.

SCHEDULE 4. ORIGINAL LIFE TABLE
CALCULATED BY THE RETIREMENT RATE METHOD

Experience Band 2014-2023

Placement Band 2009-2023

(Exposure and Retirement Amounts are in Thousands of Dollars)

Age at Beginning of Interval	Exposures at Beginning of Age Interval	Retirements During Age Interval	Retirement Ratio	Survivor Ratio	Percent Surviving at Beginning of Age Interval
(1)	(2)	(3)	(4)	(5)	(6)
0.0	7,490	80	0.0107	0.9893	100.00
0.5	6,579	153	0.0233	0.9767	98.93
1.5	5,719	151	0.0264	0.9736	96.62
2.5	4,955	150	0.0303	0.9697	94.07
3.5	4,332	146	0.0337	0.9663	91.22
4.5	3,789	143	0.0377	0.9623	88.15
5.5	3,057	131	0.0429	0.9571	84.83
6.5	2,463	124	0.0503	0.9497	81.19
7.5	1,952	113	0.0579	0.9421	77.11
8.5	1,503	105	0.0699	0.9301	72.65
9.5	1,097	93	0.0848	0.9152	67.57
10.5	823	83	0.1009	0.8991	61.84
11.5	531	64	0.1205	0.8795	55.60
12.5	323	44	0.1362	0.8638	48.90
13.5	<u>167</u>	<u>26</u>	0.1557	0.8443	42.24
					35.66
Total	<u>44,780</u>	<u>1,606</u>			

Column 2 from Schedule 3, Column 12, Plant Exposed to Retirement.
 Column 3 from Schedule 1, Column 12, Retirements for Each Year.
 Column 4 = Column 3 Divided by Column 2.
 Column 5 = 1.0000 Minus Column 4.
 Column 6 = Column 5 Multiplied by Column 6 as of the Preceding Age Interval.

The original survivor curve is plotted from the original life table (column 6, Schedule 4). When the curve terminates at a percent surviving greater than zero, it is called a stub survivor curve. Survivor curves developed from retirement rate studies generally are stub curves.

Smoothing the Original Survivor Curve

The smoothing of the original survivor curve eliminates any irregularities and serves as the basis for the preliminary extrapolation to zero percent surviving of the original stub curve. Even if the original survivor curve is complete from 100% to zero percent, it is desirable to eliminate any irregularities, as there is still an extrapolation for the vintages which have not yet lived to the age at which the curve reaches zero percent. In this study, the smoothing of the original curve with established type curves was used to eliminate irregularities in the original curve.

The Iowa type curves are used in this study to smooth those original stub curves which are expressed as percents surviving at ages in years. Each original survivor curve was compared to the Iowa curves using visual and mathematical matching in order to determine the better fitting smooth curves. In Figures 6, 7, and 8, the original curve developed in Schedule 4 is compared with the L, S, and R Iowa type curves which most nearly fit the original survivor curve. In Figure 6, the L1 curve with an average life between 12 and 13 years appears to be the best fit. In Figure 7, the S0 type curve with a 12-year average life appears to be the best fit and appears to be better than the L1 fitting. In Figure 8, the R1 type curve with a 12-year average life appears to be the best fit and appears to be better than either the L1 or the S0.

In Figure 9, the three fittings, 12-L1, 12-S0 and 12-R1 are drawn for comparison purposes. It is probable that the 12-R1 Iowa curve would be selected as the most representative of the plotted survivor characteristics of the group.

FIGURE 6. ILLUSTRATION OF THE MATCHING OF AN ORIGINAL SURVIVOR CURVE WITH AN L1 IOWA TYPE CURVE ORIGINAL AND SMOOTH SURVIVOR CURVES

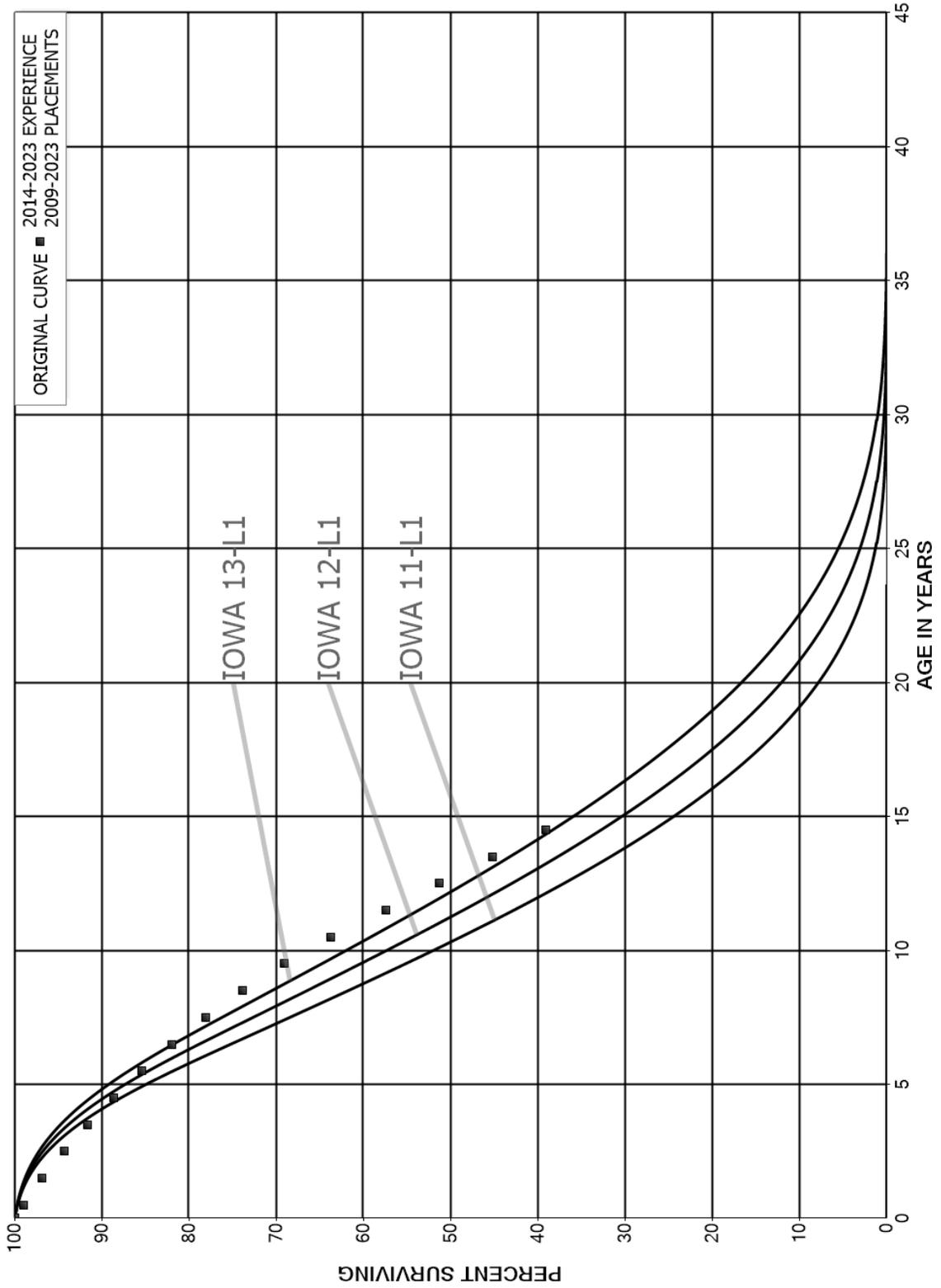


FIGURE 7. ILLUSTRATION OF THE MATCHING OF AN ORIGINAL SURVIVOR CURVE WITH AN S0 IOWA TYPE CURVE
ORIGINAL AND SMOOTH SURVIVOR CURVES

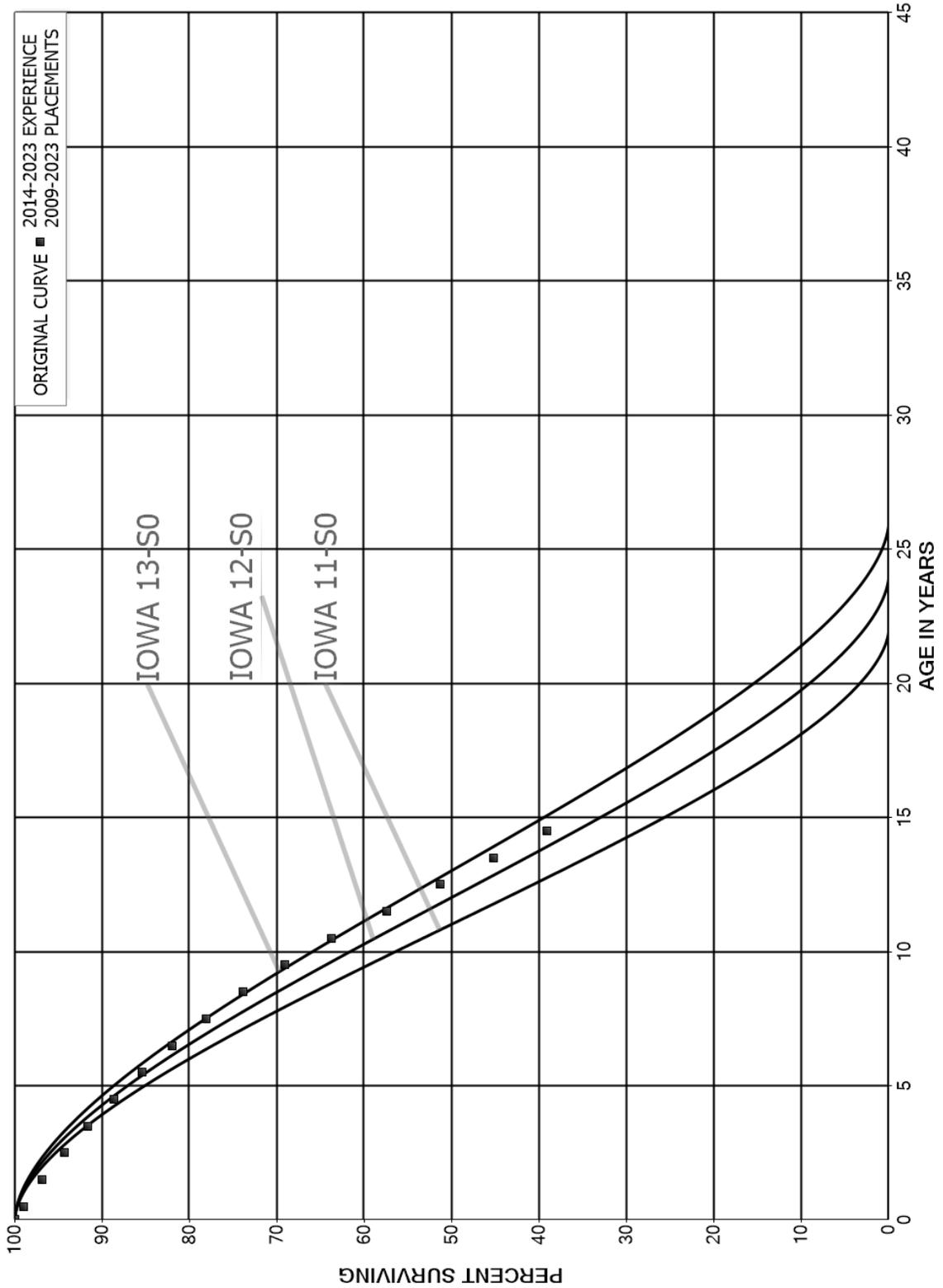


FIGURE 8. ILLUSTRATION OF THE MATCHING OF AN ORIGINAL SURVIVOR CURVE WITH AN R1 IOWA TYPE CURVE ORIGINAL AND SMOOTH SURVIVOR CURVES

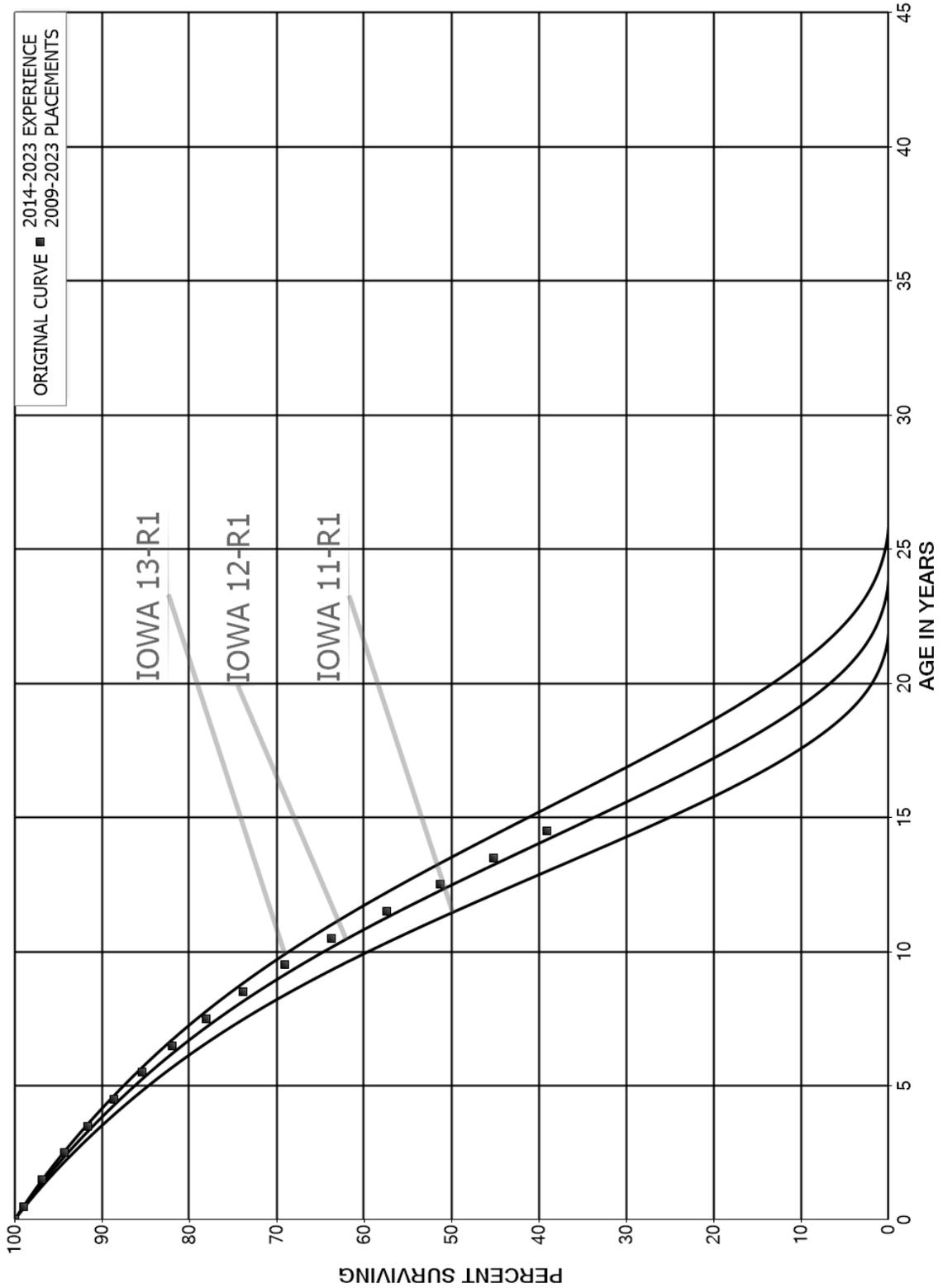
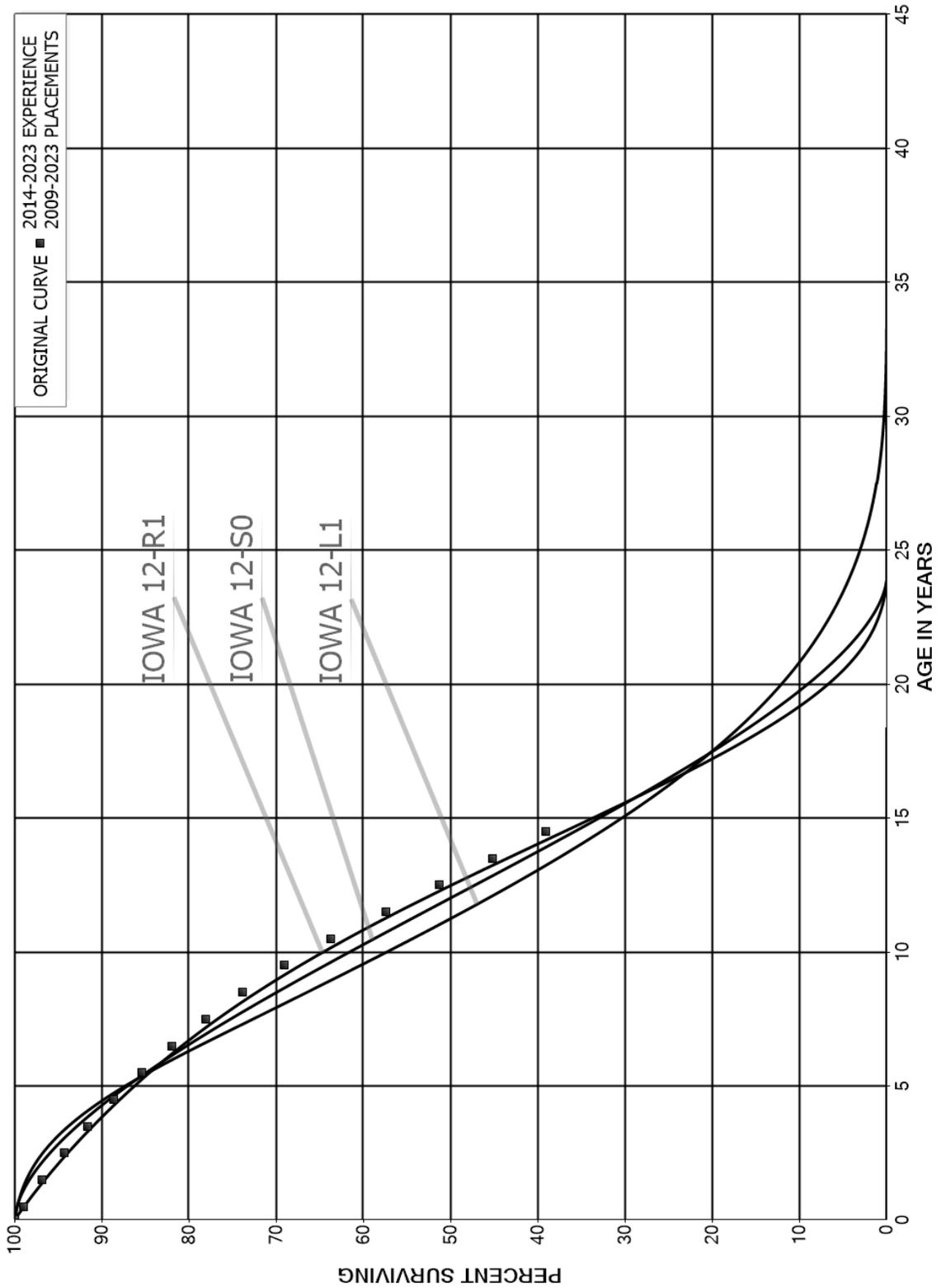


FIGURE 9. ILLUSTRATION OF THE MATCHING OF AN ORIGINAL SURVIVOR CURVE WITH AN I1, S0 AND R1 IOWA TYPE CURVE
ORIGINAL AND SMOOTH SURVIVOR CURVES



PART III. SERVICE LIFE CONSIDERATIONS

PART III. SERVICE LIFE CONSIDERATIONS

FIELD TRIPS

In order to be familiar with the operation of the Company and observe representative portions of the plant, field trips are conducted for each study. A general understanding of the function of the plant and information with respect to the reasons for past retirements and the expected future causes of retirements are obtained during field trips. This knowledge and information were incorporated in the interpretation and extrapolation of the statistical analyses.

The following is a list of the locations visited during the most recent field trips.

January 9, 2024

NAWC Main Office and Service Center
Frost Lane Booster Station and Tank
Linton Hill Station and Tank
Durham Road Booster Station and Tanks
Freedom Drive Pump Station

January 3, 2019

NAWC Main Office and Service Center
Newtown Artesian Treatment Plant
Frost Lane Booster Station and Tank
Linton Hill Station and Tank
Durham Road Booster Station and Tanks
Well No. 14 & 18 Site
Freedom Drive Pump Station
Yardley Interconnection

JUDGMENTS

The survivor curve estimates were based on judgment which considered factors including statistical analyses of retirements, Company policies and outlook as determined during discussions with management, and survivor curve estimates from previous studies, as well as other water companies. For depreciable groups which consist of numerous similar items of property, the distribution of the lives of

the units in the group was judged on the basis of an average survival pattern for the entire group.

The analyses of Account 331.40, Transmission and Distribution Mains, is used to illustrate the manner in which the study was conducted for the accounts in the preceding list. Aged plant accounting data have been compiled for the years through 2023. These data have been coded according to account or property group, type of transaction, year in which the transaction took place, and year in which the utility plant was placed in service. The retirements, other plant transactions and plant additions were analyzed by the retirement rate method.

The survivor curve estimate for this account is the 70-L4 and is based on the statistical indication for the period 1995-2023. The 70-L4 is a good fit of the significant portion of the original survivor curve as set forth on page VI-28, is consistent with management outlook for a continuation of the historical experience and is within the typical service life range of 60 to 100 years for water mains.

The amortization periods selected for general plant Accounts 340.50, 343.50 and 346.50 are discussed in the section, "Amortization of General Plant Accounts."

**PART IV. CALCULATION OF ANNUAL AND
ACCRUED DEPRECIATION**

PART IV. CALCULATION OF ANNUAL AND ACCRUED DEPRECIATION

BOOK RESERVE

The book reserve as of March 31, 2024, is the result of a bringforward of the book reserves established based on previously approved rates by account for all water assets. The projected book reserve as of March 31, 2025, is a bringforward of the March 31, 2024 book reserve based on the projected accruals, retirements and other credits.

GROUP DEPRECIATION PROCEDURES

A group procedure for depreciation is appropriate when considering more than a single item of property. Normally the items within a group do not have identical service lives but have lives that are dispersed over a range of time. There are two primary group procedures, namely, average service life and equal life group. In the average service life procedure, the rate of annual depreciation is based on the average life or average remaining life of the group, and this rate is applied to the surviving balances of the group's cost. A characteristic of this procedure is that the cost of plant retired prior to average life is not fully recouped at the time of retirement, whereas the cost of plant retired subsequent to average life is more than fully recouped. Over the entire life cycle, the portion of cost not recouped prior to average life is balanced by the cost recouped subsequent to average life.

Single Unit of Property

The calculation of straight line depreciation for a single unit of property is straightforward. For example, if a \$1,000 unit of property attains an age of four years and has a life expectancy of six years, the annual accrual over the total life is:

$$\frac{\$1,000}{(4 + 6)} = \$100 \text{ per year.}$$

The accrued depreciation is:

$$\$1,000 \left(1 - \frac{6}{10} \right) = \$400.$$

Remaining Life Annual Accruals

For the purpose of calculating remaining life accruals as of March 31, 2025, the depreciation reserve for each plant account is allocated among vintages in proportion to the calculated accrued depreciation for the account. Explanations of remaining life accruals and calculated accrued depreciation follow. The detailed calculations as of March 31, 2025, are set forth in the Results of Study section of the report.

Average Service Life Procedure

In the average service life procedure, the remaining life annual accrual for each vintage is determined by dividing future book accruals (original cost less book reserve) by the average remaining life of the vintage. The average remaining life is a directly weighted average derived from the estimated future survivor curve in accordance with the average service life procedure.

The calculated accrued depreciation for each depreciable property group represents that portion of the depreciable cost of the group which would not be allocated

to expense through future depreciation accruals if current forecasts of life characteristics are used as the basis for such accruals. The accrued depreciation calculation consists of applying an appropriate ratio to the surviving original cost of each vintage of each account based upon the attained age and service life. The straight line accrued depreciation ratios are calculated as follows for the average service life procedure:

$$\text{Ratio} = 1 - \frac{\text{Average Remaining Life}}{\text{Average Service Life}}$$

AMORTIZATION OF GENERAL PLANT ACCOUNTS

In order to use a more efficient and cost-effective accounting process for equipment recorded in general plant Accounts 340.50, 343.50 and 346.50 amounts capitalized in these accounts are amortized rather than depreciated. Amortization as defined in the Uniform System of Accounts is the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.

The primary reasons for the amortization of certain general plant accounts is that the effort required to unitize additions, periodically inventory equipment and determine amounts to be retired for equipment recorded in these accounts is disproportionate to the original cost of the equipment when compared to other water plant accounts.

Accounting for such equipment using an amortization concept consists of capitalization of amounts to these accounts based on the same criteria as used previously under depreciation accounting, amortization of the asset over a fixed period, retirement of the equipment at the end of the amortization period and recognition of any net salvage

related to disposition of equipment in these accounts as a gain or loss. For equipment in these accounts that was placed in service prior to implementation of amortization accounting, the net book value by vintage amortized over the remaining amortization period specified for each account and the original cost will be retired at the end of this period.

The amortization periods selected for each account or subaccount are based on a review of the existing depreciation rates for the accounts, typical service lives used for each type of equipment and a consideration of the period during which it is anticipated that most of the benefit of the equipment will be realized. The amortization periods are as follows:

<u>Account Number</u>	<u>Description</u>	<u>Amortization Period, Years</u>
340.50	Office Furniture and Equipment	20
343.50	Tools, Shop and Garage Equipment	25
346.50	Communication Equipment	15

NET SALVAGE

There was no experienced net salvage reported on the Company's books for the period January 1, 2020 through March 31, 2024 and estimated for the period April 1, 2024 through December 31, 2024.

PART V. RESULTS OF STUDY

PART V. RESULTS OF STUDY

DESCRIPTION OF SUMMARY TABULATIONS

Table 1 summarizes the results of the depreciation study which sets forth, by depreciable group, the estimated survivor curve, calculated annual accruals and book depreciation reserve related to original cost and contributions in aid of construction. Table 2 presents the bringforward to March 31, 2025 of the book reserve as of March 31, 2024. Table 3 sets forth the calculation of estimated depreciation accruals for the twelve months ended March 31, 2025. Table 4 presents the bringforward of the plant in service for the twelve months ended March 31, 2025.

DESCRIPTION OF DETAILED TABULATIONS

Supporting statistical data for the estimates of average service lives and survivor curves and the annual depreciation calculations are presented in two sections.

The section beginning on page VI-2 sets forth, for each depreciable group analyzed by the retirement rate method, a chart depicting the original and estimated survivor curves followed by a tabular presentation of the original life table plotted on the chart. A cumulative summary, by year installed, for utility plant and the supporting data for the original cost depreciation calculations are presented in the section beginning on page VII-3.

In the first section, the survivor curves estimated for the depreciable groups are shown as dark smooth curves on the charts. Each smooth survivor curve is denoted by a numeral followed by the type curve designation. The numeral used is the average life derived from the entire curve from 100 percent to zero percent surviving. In cases where only a segment of the estimated curve is used in the depreciation calculation, the numeral

used for identification purposes is not a designation of the average life of the group. The titles of the charts indicate the group, the symbol used to plot the points of the original life table, and the experience and placement bands of the life tables which were plotted. The experience band indicates the range of years for which the retirements were used to develop the stub survivor curve. The placements indicate, for the related experience band, the range of years of installations which appear in the experience.

The tables of the calculated annual depreciation related to original cost are presented in account sequence in the second section and indicate the estimated average survivor curves used in the calculations. The tables set forth, for each installation year, the original cost, calculated accrued depreciation, allocated book reserve, remaining life expectancy, and the calculated annual accrual.

NEWTOWN ARTESIAN WATER COMPANY

TABLE 1. SUMMARY OF ESTIMATED SURVIVOR CURVES, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO WATER PLANT AS OF MARCH 31, 2025

ACCOUNT (1)	SURVIVOR CURVE (2)	ORIGINAL COST AS OF MARCH 31, 2025 (3)	BOOK DEPRECIATION RESERVE (4)	FUTURE ACCRUALS (5)	CALCULATED ANNUAL ACCRUAL AMOUNT (6)	ANNUAL ACCRAU RATE (7)=(6)/(3)	COMPOSITE REMAINING LIFE (8)=(5)/(6)
DEPRECIABLE PLANT							
SOURCE OF SUPPLY AND PUMPING PLANT							
304.20	STRUCTURES AND IMPROVEMENTS	1,027,484.37	387,387	640,097	27,181	2.65	23.5
307.20	WELLS AND SPRINGS	497,923.76	322,764	175,160	8,025	1.61	21.8
310.20	POWER GENERATION EQUIPMENT	350,481.72	59,473	291,009	13,751	3.92	21.2
311.20	PUMPING EQUIPMENT	2,662,096.99	1,118,847	1,543,250	45,938	1.73	33.6
TOTAL SOURCE OF SUPPLY AND PUMPING PLANT		4,537,986.84	1,888,471	2,649,516	94,895	2.09	27.9
WATER TREATMENT EQUIPMENT							
304.30	STRUCTURES AND IMPROVEMENTS	18,091.68	4,115	13,977	269	1.49	52.0
320.30	WATER TREATMENT EQUIPMENT	466,473.70	302,676	163,798	10,444	2.24	15.7
320.31	WATER TREATMENT EQUIPMENT - PFAS	1,486,230.17	-	1,486,230	105,353	7.09	14.1
TOTAL WATER TREATMENT EQUIPMENT		1,970,795.55	306,791	1,664,005	116,066	5.89	14.3
TRANSMISSION AND DISTRIBUTION PLANT							
330.40	DISTRIBUTION RESERVOIRS AND STANDPIPES	4,605,523.59	1,700,279	2,905,245	86,029	1.87	33.8
331.40	TRANSMISSION AND DISTRIBUTION MAINS	27,930,343.13	3,929,616	24,000,727	581,381	2.08	41.3
333.40	SERVICES	5,469,047.04	901,229	4,567,818	103,787	1.90	44.0
334.40	METERS AND METER INSTALLATIONS	3,501,780.39	1,685,965	1,815,815	83,545	2.39	21.7
335.40	HYDRANTS	2,577,468.71	263,347	2,314,122	68,156	2.64	34.0
339.40	OTHER PLANT AND MISCELLANEOUS EQUIPMENT	639,171.26	141,689	497,482	17,268	2.70	28.8
TOTAL TRANSMISSION AND DISTRIBUTION PLANT		44,723,334.12	8,622,125	36,101,209	940,166	2.10	38.4
GENERAL PLANT							
304.50	STRUCTURES AND IMPROVEMENTS	1,248,432.24	816,180	432,252	11,140	0.89	38.8
340.50	OFFICE FURNITURE AND EQUIPMENT	401,640.58	163,937	237,704	25,717	6.40	9.2
341.50	TRANSPORTATION EQUIPMENT	610,650.37	281,932	328,718	47,010	7.70	7.0
343.50	TOOLS, SHOP AND GARAGE EQUIPMENT	200,184.20	122,209	77,975	5,504	2.75	14.2
346.50	COMMUNICATION EQUIPMENT	49,681.88	6,029	43,653	3,954	7.96	11.0
TOTAL GENERAL PLANT		2,510,589.27	1,390,287	1,120,302	93,325	3.72	12.0
TOTAL DEPRECIABLE PLANT		53,742,705.78	12,207,674	41,535,032	1,244,452	2.32	33.4

NEWTOWN ARTESIAN WATER COMPANY

TABLE 1. SUMMARY OF ESTIMATED SURVIVOR CURVES, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO WATER PLANT AS OF MARCH 31, 2025

ACCOUNT (1)	SURVIVOR CURVE (2)	ORIGINAL COST AS OF MARCH 31, 2025 (3)	BOOK DEPRECIATION RESERVE (4)	FUTURE ACCRUALS (5)	CALCULATED ANNUAL ACCRUAL AMOUNT (6)	ANNUAL ACCRUAL RATE (7)=(6)/(3)	COMPOSITE REMAINING LIFE (8)=(5)/(6)
CONTRIBUTIONS IN AID OF CONSTRUCTION							
304.50	STRUCTURES AND IMPROVEMENTS						
310.20	POWER GENERATION EQUIPMENT	454,734.45	74,179	380,555	4,047	0.89	94.0
311.20	PUMPING EQUIPMENT	96,840.80	22,070	74,771	3,796	3.92	19.7
320.30	WATER TREATMENT EQUIPMENT	438,703.43	46,141	392,562	7,590	1.73	51.7
330.40	DISTRIBUTION RESERVOIRS AND STANDPIPES	21,043.46	3,075	17,968	471	2.24	38.1
331.40	TRANSMISSION AND DISTRIBUTION MAINS	818,870.80	85,981	732,890	15,313	1.87	47.9
333.40	SERVICES	14,729,699.35	1,873,433	12,856,266	306,378	2.08	42.0
334.40	METERS AND METER INSTALLATIONS	2,473,363.93	272,863	2,200,501	46,994	1.90	46.8
335.40	HYDRANTS	15,315.75	1,444	13,872	366	2.39	37.9
339.40	OTHER PLANT AND MISCELLANEOUS EQUIPMENT	1,615,775.75	235,201	1,380,575	42,656	2.64	32.4
348.00	OTHER INTANGIBLE PROPERTY	330,443.50	57,839	272,605	8,922	2.70	30.6
		3,988,978.84	518,960	3,470,019	99,724	2.50	34.8
	TOTAL CONTRIBUTIONS IN AID OF CONSTRUCTION	24,983,770.06	3,191,186	21,792,584	536,257	2.15	40.6
	TOTAL DEPRECIABLE WATER PLANT	28,758,935.72	9,016,488	19,742,448	708,195	2.46	27.9
NONDEPRECIABLE PLANT							
301.00	ORGANIZATION	694.00					
302.00	FRANCHISES	25,677.66					
303.40	LAND	1,247,949.89					
	TOTAL NONDEPRECIABLE PLANT	1,274,321.55					
	TOTAL WATER PLANT	30,033,257.27					

NONDEPR. 694.00
NONDEPR. 25,677.66
NONDEPR. 1,247,949.89
1,274,321.55
30,033,257.27

NEWTOWN ARTESIAN WATER COMPANY

TABLE 2. BRINGFORWARD TO MARCH 31, 2025 OF BOOK RESERVE AS OF MARCH 31, 2024

ACCOUNT (1)	BOOK RESERVE AS OF MARCH 31, 2024 (2)	+ ANNUAL ACCRUAL (3)	- PROJECTED RETIREMENTS (4)	= BOOK RESERVE AS OF MARCH 31, 2025 (5)	BOOK RESERVE AS A PERCENT OF ORIGINAL COST (6)
DEPRECIABLE PLANT					
SOURCE OF SUPPLY AND PUMPING PLANT					
304.20 STRUCTURES AND IMPROVEMENTS	359,953	27,434		387,387	37.70
307.20 WELLS AND SPRINGS	314,548	8,216		322,764	64.82
310.20 POWER GENERATION EQUIPMENT	45,419	14,054		59,473	16.97
311.20 PUMPING EQUIPMENT	1,072,526	46,320		1,118,847	42.03
TOTAL SOURCE OF SUPPLY AND PUMPING PLANT	1,792,446	96,024	0	1,888,471	
WATER TREATMENT EQUIPMENT					
304.30 STRUCTURES AND IMPROVEMENTS	4,093	21		4,115	22.75
320.30 WATER TREATMENT EQUIPMENT	291,901	10,776		302,676	64.89
320.31 WATER TREATMENT EQUIPMENT - PFAS					
TOTAL WATER TREATMENT EQUIPMENT	295,994	10,797	0	306,791	
TRANSMISSION AND DISTRIBUTION PLANT					
330.40 DISTRIBUTION RESERVOIRS AND STANDPIPES	1,613,695	86,584		1,700,279	36.92
331.40 TRANSMISSION AND DISTRIBUTION MAINS	3,395,964	579,177	45,525	3,929,616	14.07
333.40 SERVICES	798,518	103,396	685	901,229	16.48
334.40 METERS AND METER INSTALLATIONS	1,710,269	73,621	97,924	1,685,965	48.15
335.40 HYDRANTS	200,334	68,263	5,250	263,347	10.22
339.40 OTHER PLANT AND MISCELLANEOUS EQUIPMENT	124,304	17,385		141,689	22.17
TOTAL TRANSMISSION AND DISTRIBUTION PLANT	7,843,084	928,427	149,385	8,622,125	
GENERAL PLANT					
304.50 STRUCTURES AND IMPROVEMENTS	805,069	11,111		816,180	65.38
340.50 OFFICE FURNITURE AND EQUIPMENT	286,844	22,970	145,877	163,937	40.82
341.50 TRANSPORTATION EQUIPMENT	247,763	48,094	13,925	281,932	46.17
343.50 TOOLS, SHOP AND GARAGE EQUIPMENT	195,085	4,635	77,511	122,209	61.05
346.50 COMMUNICATION EQUIPMENT	25,442	3,077	22,491	6,029	12.14
TOTAL GENERAL PLANT	1,560,203	89,887	259,804	1,390,287	
TOTAL DEPRECIABLE PLANT	11,491,727	1,125,135	409,189	12,207,674	

NEWTOWN ARTESIAN WATER COMPANY

TABLE 2. BRINGFORWARD TO MARCH 31, 2025 OF BOOK RESERVE AS OF MARCH 31, 2024

ACCOUNT	BOOK RESERVE AS OF MARCH 31, 2024		ANNUAL ACCRUAL	PROJECTED RETIREMENTS	BOOK RESERVE AS OF MARCH 31, 2025		BOOK RESERVE AS A PERCENT OF ORIGINAL COST
	(2)	(3)			(4)	(5)	
CONTRIBUTIONS IN AID OF CONSTRUCTION							
304.50	70,131	4,047			74,179	16.31	
310.20	18,187	3,883			22,070	22.79	
311.20	38,507	7,633			46,141	10.52	
320.30	2,589	486			3,075	14.61	
330.40	70,587	15,395			85,981	10.50	
331.40	1,562,636	310,797			1,873,433	12.72	
333.40	225,869	46,994			272,863	11.03	
334.40	1,117	328			1,444	9.43	
335.40	192,222	42,980			235,201	14.56	
339.40	48,851	8,988			57,839	17.50	
348.00	419,235	99,724			518,960	13.01	
TOTAL CONTRIBUTIONS IN AID OF CONSTRUCTION	2,649,931	541,255	0	409,189	3,191,186		
TOTAL WATER PLANT	8,841,796	583,880			9,016,488		

NEWTOWN ARTESIAN WATER COMPANY

TABLE 3. CALCULATION OF DEPRECIATION ACCRUALS FOR
THE TWELVE MONTHS ENDED MARCH 31, 2025

DEPRECIABLE GROUP		ORIGINAL COST AS OF MARCH 31, 2024	ORIGINAL COST AS OF MARCH 31, 2025	ANNUAL ACCRUAL RATE	ANNUAL ACCRUAL AMOUNT
(1)		(2)	(3)	(4)	(5)
SOURCE OF SUPPLY AND PUMPING PLANT					
304.20	STRUCTURES AND IMPROVEMENTS	1,027,484.37	1,027,484.37	2.67	27,434
307.20	WELLS AND SPRINGS	497,923.76	497,923.76	1.65	8,216
310.20	POWER GENERATION EQUIPMENT	350,481.72	350,481.72	4.01	14,054
311.20	PUMPING EQUIPMENT	2,662,096.99	2,662,096.99	1.74	46,320
TOTAL SOURCE OF SUPPLY AND PUMPING PLANT		4,537,986.84	4,537,986.84		96,024
WATER TREATMENT EQUIPMENT					
304.30	STRUCTURES AND IMPROVEMENTS	4,321.85	18,091.68	0.19	21
320.30	WATER TREATMENT EQUIPMENT	466,473.70	466,473.70	2.31	10,776
320.31	WATER TREATMENT EQUIPMENT - PFAS	-	1,486,230.17	-	-
TOTAL WATER TREATMENT EQUIPMENT		470,795.55	1,970,795.55		10,797
TRANSMISSION AND DISTRIBUTION PLANT					
330.40	DISTRIBUTION RESERVOIRS AND STANDPIPES	4,605,523.59	4,605,523.59	1.88	86,584
331.40	TRANSMISSION AND DISTRIBUTION MAINS	26,967,968.49	27,930,343.13	2.11	579,177
333.40	SERVICES	5,414,732.22	5,469,047.04	1.90	103,396
334.40	METERS AND METER INSTALLATIONS	3,378,704.81	3,501,780.39	2.14	73,621
335.40	HYDRANTS	2,555,119.02	2,577,468.71	2.66	68,263
339.40	OTHER PLANT AND MISCELLANEOUS EQUIPMENT	639,171.26	639,171.26	2.72	17,385
TOTAL TRANSMISSION AND DISTRIBUTION PLANT		43,561,219.39	44,723,334.12		928,427
GENERAL PLANT					
304.50	STRUCTURES AND IMPROVEMENTS	1,248,432.24	1,248,432.24	0.89	11,111
340.50	OFFICE FURNITURE AND EQUIPMENT	547,517.54	401,640.58	4.84	22,970
341.50	TRANSPORTATION EQUIPMENT	569,575.44	610,650.37	8.15	48,094
343.50	TOOLS, SHOP AND GARAGE EQUIPMENT	277,695.50	200,184.20	1.94	4,635
346.50	COMMUNICATION EQUIPMENT	72,172.61	49,681.88	5.05	3,077
TOTAL GENERAL PLANT		2,715,393.33	2,510,589.27		89,887
TOTAL DEPRECIABLE PLANT		51,285,395.11	53,742,705.78		1,125,135
CONTRIBUTIONS IN AID OF CONSTRUCTION					
304.50	STRUCTURES AND IMPROVEMENTS	454,734.45	454,734.45	0.89	4,047
310.20	POWER GENERATION EQUIPMENT	96,840.80	96,840.80	4.01	3,883
311.20	PUMPING EQUIPMENT	438,703.43	438,703.43	1.74	7,633
320.30	WATER TREATMENT EQUIPMENT	21,043.46	21,043.46	2.31	486
330.40	DISTRIBUTION RESERVOIRS AND STANDPIPES	818,870.80	818,870.80	1.88	15,395
331.40	TRANSMISSION AND DISTRIBUTION MAINS	14,729,699.35	14,729,699.35	2.11	310,797
333.40	SERVICES	2,473,363.93	2,473,363.93	1.90	46,994
334.40	METERS AND METER INSTALLATIONS	15,315.75	15,315.75	2.14	328
335.40	HYDRANTS	1,615,775.75	1,615,775.75	2.66	42,980
339.40	OTHER PLANT AND MISCELLANEOUS EQUIPMENT	330,443.50	330,443.50	2.72	8,988
348.00	OTHER INTANGIBLE PROPERTY	3,988,978.84	3,988,978.84	2.50	99,724
TOTAL CONTRIBUTIONS IN AID OF CONSTRUCTION		24,983,770.06	24,983,770.06		541,255
TOTAL DEPRECIABLE WATER PLANT		26,301,625.05	28,758,935.72		583,880
NONDEPRECIABLE PLANT					
301.00	ORGANIZATION	694.00	694.00		
302.00	FRANCHISES	25,677.66	25,677.66		
303.40	LAND	1,247,949.89	1,247,949.89		
TOTAL NONDEPRECIABLE PLANT		1,274,321.55	1,274,321.55		
TOTAL WATER PLANT		27,575,946.60	30,033,257.27		583,880

NEWTOWN ARTESIAN WATER COMPANY

TABLE 4. SUMMARY OF PLANT IN SERVICE ACTIVITY FOR THE YEAR ENDED MARCH 31, 2025

ACCOUNT (1)	BALANCE AT BEGINNING OF YEAR (2)	ADDITIONS (3)	RETIREMENTS (4)	TRANSFERS AND ADJUSTMENTS (5)	BALANCE AT END OF YEAR (6)	PERCENT OF ORIGINAL COST RETIRED (7)=(4)/(2)
SOURCE OF SUPPLY AND PUMPING PLANT						
304.20 STRUCTURES AND IMPROVEMENTS	1,027,484.37				1,027,484.37	0.00
307.20 WELLS AND SPRINGS	497,923.76				497,923.76	0.00
310.20 POWER GENERATION EQUIPMENT	350,481.72				350,481.72	0.00
311.20 PUMPING EQUIPMENT	2,662,096.99				2,662,096.99	0.00
TOTAL SOURCE OF SUPPLY AND PUMPING PLANT	4,537,986.84	-	-	-	4,537,986.84	0.00
WATER TREATMENT EQUIPMENT						
304.30 STRUCTURES AND IMPROVEMENTS	4,321.85	13,769.83			18,091.68	0.00
320.30 WATER TREATMENT EQUIPMENT	466,473.70				466,473.70	0.00
320.31 WATER TREATMENT EQUIPMENT - PFAS	-	1,486,230.17			1,486,230.17	0.00
TOTAL WATER TREATMENT EQUIPMENT	470,795.55	1,500,000.00	-	-	1,970,795.55	0.00
TRANSMISSION AND DISTRIBUTION PLANT						
330.40 DISTRIBUTION RESERVOIRS AND STANDPIPES	4,605,523.59				4,605,523.59	0.00
331.40 TRANSMISSION AND DISTRIBUTION MAINS	26,967,968.49	1,007,900.00	45,525.36		27,980,343.13	0.17
333.40 SERVICES	5,414,732.22	55,000.00	685.18		5,469,047.04	0.01
334.40 METERS AND METER INSTALLATIONS	3,378,704.81	221,000.00	97,924.42		3,501,780.39	2.90
335.40 HYDRANTS	2,555,119.02	27,600.00	5,250.31		2,577,468.71	0.21
339.40 OTHER PLANT AND MISCELLANEOUS EQUIPMENT	639,171.26				639,171.26	0.00
TOTAL TRANSMISSION AND DISTRIBUTION PLANT	43,561,219.39	1,311,500.00	149,385.26	-	44,723,334.13	3.29
GENERAL PLANT						
304.50 STRUCTURES AND IMPROVEMENTS	1,248,432.24				1,248,432.24	0.00
340.50 OFFICE FURNITURE AND EQUIPMENT	547,517.54				401,640.58	26.64
341.50 TRANSPORTATION EQUIPMENT	569,575.44	55,000.00	145,876.96		610,650.37	2.44
343.50 TOOLS, SHOP AND GARAGE EQUIPMENT	277,695.50		77,511.30		200,184.20	27.91
346.50 COMMUNICATION EQUIPMENT	72,172.61		22,490.73		49,681.88	31.16
TOTAL GENERAL PLANT	2,715,393.33	55,000.00	259,804.06	-	2,510,589.27	88.15
TOTAL DEPRECIABLE PLANT	51,285,395.11	2,866,500.00	409,189.32	-	53,742,705.79	

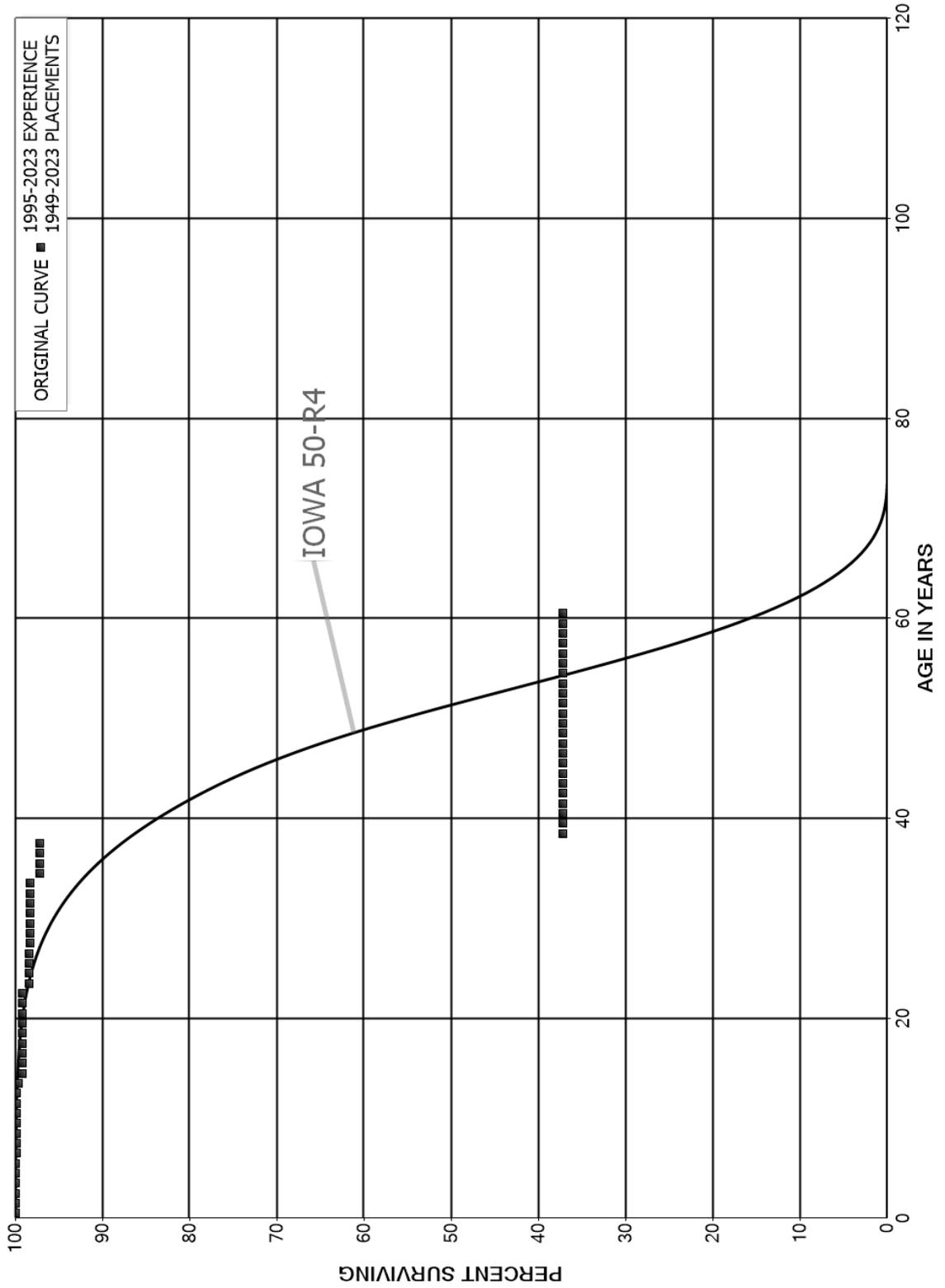
NEWTOWN ARTESIAN WATER COMPANY

TABLE 4. SUMMARY OF PLANT IN SERVICE ACTIVITY FOR THE YEAR ENDED MARCH 31, 2025

(1) ACCOUNT	(2) BALANCE AT BEGINNING OF YEAR	(3) ADDITIONS	(4) RETIREMENTS	(5) TRANSFERS AND ADJUSTMENTS	(6) BALANCE AT END OF YEAR	(7)=(4)/(2) PERCENT OF ORIGINAL COST RETIRED
CONTRIBUTIONS IN AID OF CONSTRUCTION						
304.50 POWER AND PUMPING STRUCTURES	454,734.45				454,734.45	
310.20 DISTRIBUTION RESERVOIR AND STANDPIPES	96,840.80				96,840.80	
311.20 OTHER POWER PRODUCTION EQUIPMENT	438,703.43				438,703.43	
320.30 ELECTRIC PUMPING EQUIPMENT	21,043.46				21,043.46	
330.40 PURIFICATION SYSTEM EQUIPMENT	818,870.80				818,870.80	
331.40 MAINS AND ACCESSORIES	14,729,699.35				14,729,699.35	
333.40 SERVICES	2,473,363.93				2,473,363.93	
334.40 METERS	15,315.75				15,315.75	
335.40 FIRE HYDRANTS	1,615,775.75				1,615,775.75	
339.40 OTHER FIRE PROTECTION EQUIPMENT	330,443.50				330,443.50	
348.00 OTHER INTANGIBLE PROPERTY	3,988,978.84				3,988,978.84	
TOTAL CONTRIBUTIONS IN AID OF CONSTRUCTION	24,983,770.06	-	-	-	24,983,770.06	
TOTAL DEPRECIABLE WATER PLANT	26,301,625.05	2,866,500.00	409,189.32	-	28,756,935.73	
NONDEPRECIABLE PLANT						
301.00 ORGANIZATION	694.00				694.00	
302.00 FRANCHISES	25,677.66				25,677.66	
303.40 LAND	1,247,949.89				1,247,949.89	
TOTAL NONDEPRECIABLE PLANT	1,274,321.55	-	-	-	1,274,321.55	
TOTAL WATER PLANT	27,575,946.60	2,866,500.00	409,189.32	-	30,033,257.28	

PART VI. SERVICE LIFE STATISTICS

NEWTOWN ARTESIAN WATER
ACCOUNT 304.20 STRUCTURES AND IMPROVEMENTS
ORIGINAL AND SMOOTH SURVIVOR CURVES



NEWTOWN ARTESTIAN WATER

ACCOUNT 304.20 STRUCTURES AND IMPROVEMENTS

ORIGINAL LIFE TABLE

PLACEMENT BAND 1949-2023

EXPERIENCE BAND 1995-2023

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	656,386		0.0000	1.0000	100.00
0.5	664,951		0.0000	1.0000	100.00
1.5	718,742		0.0000	1.0000	100.00
2.5	718,742		0.0000	1.0000	100.00
3.5	652,468		0.0000	1.0000	100.00
4.5	650,163		0.0000	1.0000	100.00
5.5	640,699	840	0.0013	0.9987	100.00
6.5	622,406		0.0000	1.0000	99.87
7.5	930,563		0.0000	1.0000	99.87
8.5	927,307		0.0000	1.0000	99.87
9.5	915,433		0.0000	1.0000	99.87
10.5	905,442		0.0000	1.0000	99.87
11.5	869,560		0.0000	1.0000	99.87
12.5	866,948	2,655	0.0031	0.9969	99.87
13.5	855,596	3,370	0.0039	0.9961	99.56
14.5	845,344		0.0000	1.0000	99.17
15.5	843,114		0.0000	1.0000	99.17
16.5	841,434		0.0000	1.0000	99.17
17.5	841,434		0.0000	1.0000	99.17
18.5	835,866		0.0000	1.0000	99.17
19.5	812,060		0.0000	1.0000	99.17
20.5	804,537		0.0000	1.0000	99.17
21.5	794,266		0.0000	1.0000	99.17
22.5	760,346	6,300	0.0083	0.9917	99.17
23.5	739,300		0.0000	1.0000	98.35
24.5	380,794		0.0000	1.0000	98.35
25.5	379,606		0.0000	1.0000	98.35
26.5	378,518	196	0.0005	0.9995	98.35
27.5	378,323		0.0000	1.0000	98.30
28.5	377,823		0.0000	1.0000	98.30
29.5	369,258		0.0000	1.0000	98.30
30.5	315,467		0.0000	1.0000	98.30
31.5	319,076		0.0000	1.0000	98.30
32.5	318,081		0.0000	1.0000	98.30
33.5	315,036	3,480	0.0110	0.9890	98.30
34.5	311,556		0.0000	1.0000	97.21
35.5	309,264		0.0000	1.0000	97.21
36.5	6,417		0.0000	1.0000	97.21
37.5	4,371	2,701	0.6179	0.3821	97.21
38.5	1,670		0.0000	1.0000	37.15

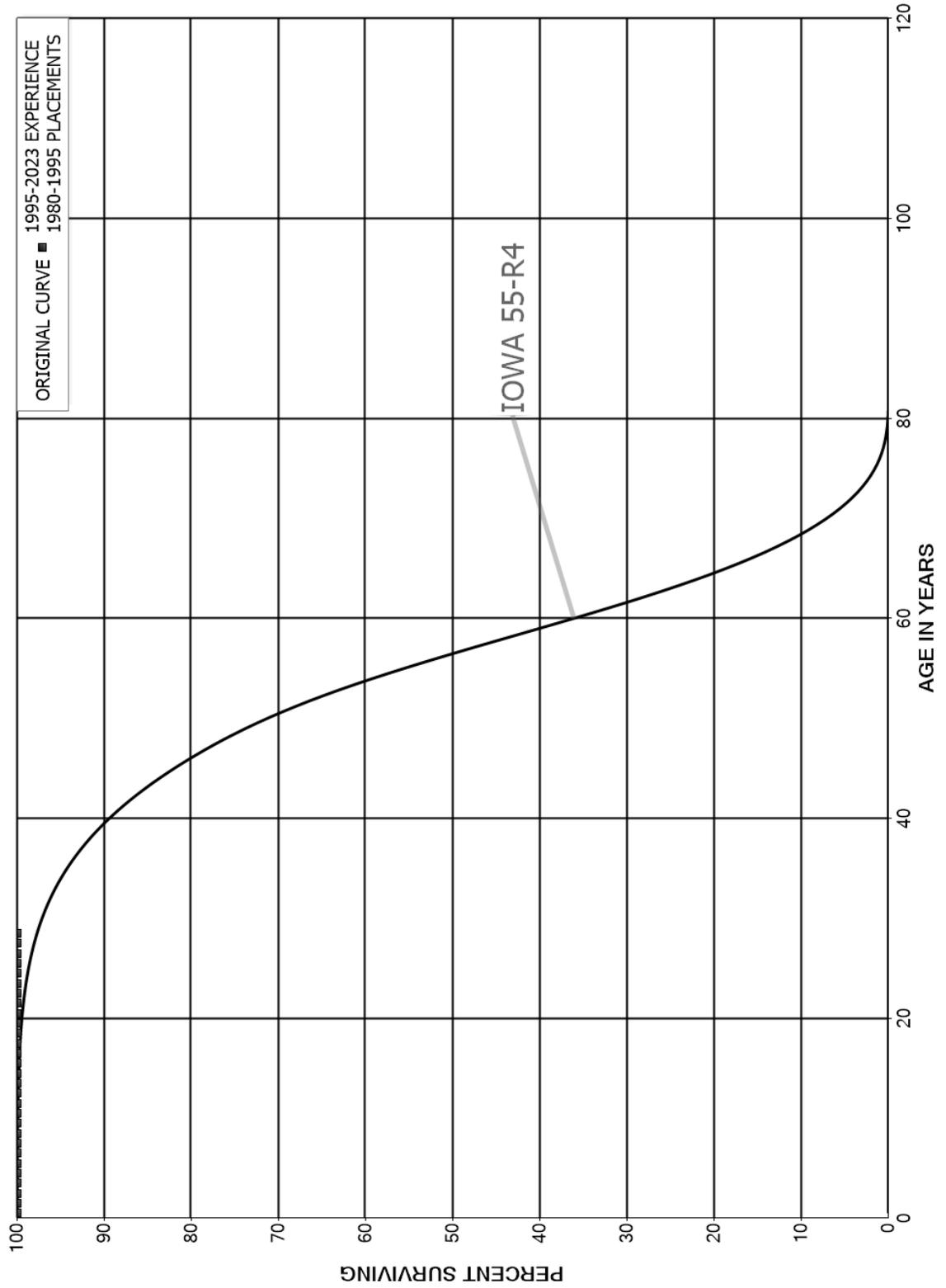
NEWTOWN ARTESTIAN WATER

ACCOUNT 304.20 STRUCTURES AND IMPROVEMENTS

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1949-2023			EXPERIENCE BAND 1995-2023		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	1,670		0.0000	1.0000	37.15
40.5	1,670		0.0000	1.0000	37.15
41.5	1,670		0.0000	1.0000	37.15
42.5	1,670		0.0000	1.0000	37.15
43.5	1,670		0.0000	1.0000	37.15
44.5	1,670		0.0000	1.0000	37.15
45.5	1,665		0.0000	1.0000	37.15
46.5	1,665		0.0000	1.0000	37.15
47.5	1,559		0.0000	1.0000	37.15
48.5	1,559		0.0000	1.0000	37.15
49.5	1,559		0.0000	1.0000	37.15
50.5	908		0.0000	1.0000	37.15
51.5	908		0.0000	1.0000	37.15
52.5	908		0.0000	1.0000	37.15
53.5	908		0.0000	1.0000	37.15
54.5	908		0.0000	1.0000	37.15
55.5	908		0.0000	1.0000	37.15
56.5	908		0.0000	1.0000	37.15
57.5	908		0.0000	1.0000	37.15
58.5	908		0.0000	1.0000	37.15
59.5	908		0.0000	1.0000	37.15
60.5					37.15

NEWTOWN ARTESIAN WATER
ACCOUNT 304.30 PURIFICATION BUILDINGS
ORIGINAL AND SMOOTH SURVIVOR CURVES



NEWTOWN ARTESTIAN WATER

ACCOUNT 304.30 PURIFICATION BUILDINGS

ORIGINAL LIFE TABLE

PLACEMENT BAND 1980-1995			EXPERIENCE BAND 1995-2023		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	1,595		0.0000	1.0000	100.00
0.5	4,320		0.0000	1.0000	100.00
1.5	4,320		0.0000	1.0000	100.00
2.5	4,320		0.0000	1.0000	100.00
3.5	4,320		0.0000	1.0000	100.00
4.5	4,320		0.0000	1.0000	100.00
5.5	4,320		0.0000	1.0000	100.00
6.5	4,320		0.0000	1.0000	100.00
7.5	4,320		0.0000	1.0000	100.00
8.5	4,320		0.0000	1.0000	100.00
9.5	4,320		0.0000	1.0000	100.00
10.5	4,320		0.0000	1.0000	100.00
11.5	4,320		0.0000	1.0000	100.00
12.5	4,320		0.0000	1.0000	100.00
13.5	4,320		0.0000	1.0000	100.00
14.5	4,322		0.0000	1.0000	100.00
15.5	4,322		0.0000	1.0000	100.00
16.5	4,322		0.0000	1.0000	100.00
17.5	4,322		0.0000	1.0000	100.00
18.5	4,322		0.0000	1.0000	100.00
19.5	4,322		0.0000	1.0000	100.00
20.5	4,322		0.0000	1.0000	100.00
21.5	4,322		0.0000	1.0000	100.00
22.5	4,322		0.0000	1.0000	100.00
23.5	4,322		0.0000	1.0000	100.00
24.5	4,322		0.0000	1.0000	100.00
25.5	4,322		0.0000	1.0000	100.00
26.5	4,322		0.0000	1.0000	100.00
27.5	4,322		0.0000	1.0000	100.00
28.5	2,727		0.0000	1.0000	100.00
29.5	2		0.0000	1.0000	100.00
30.5	2		0.0000	1.0000	100.00
31.5	2		0.0000	1.0000	100.00
32.5	2		0.0000	1.0000	100.00
33.5	2		0.0000	1.0000	100.00
34.5	2		0.0000	1.0000	100.00
35.5	2		0.0000	1.0000	100.00
36.5	2		0.0000	1.0000	100.00
37.5	2		0.0000	1.0000	100.00
38.5	2		0.0000	1.0000	100.00

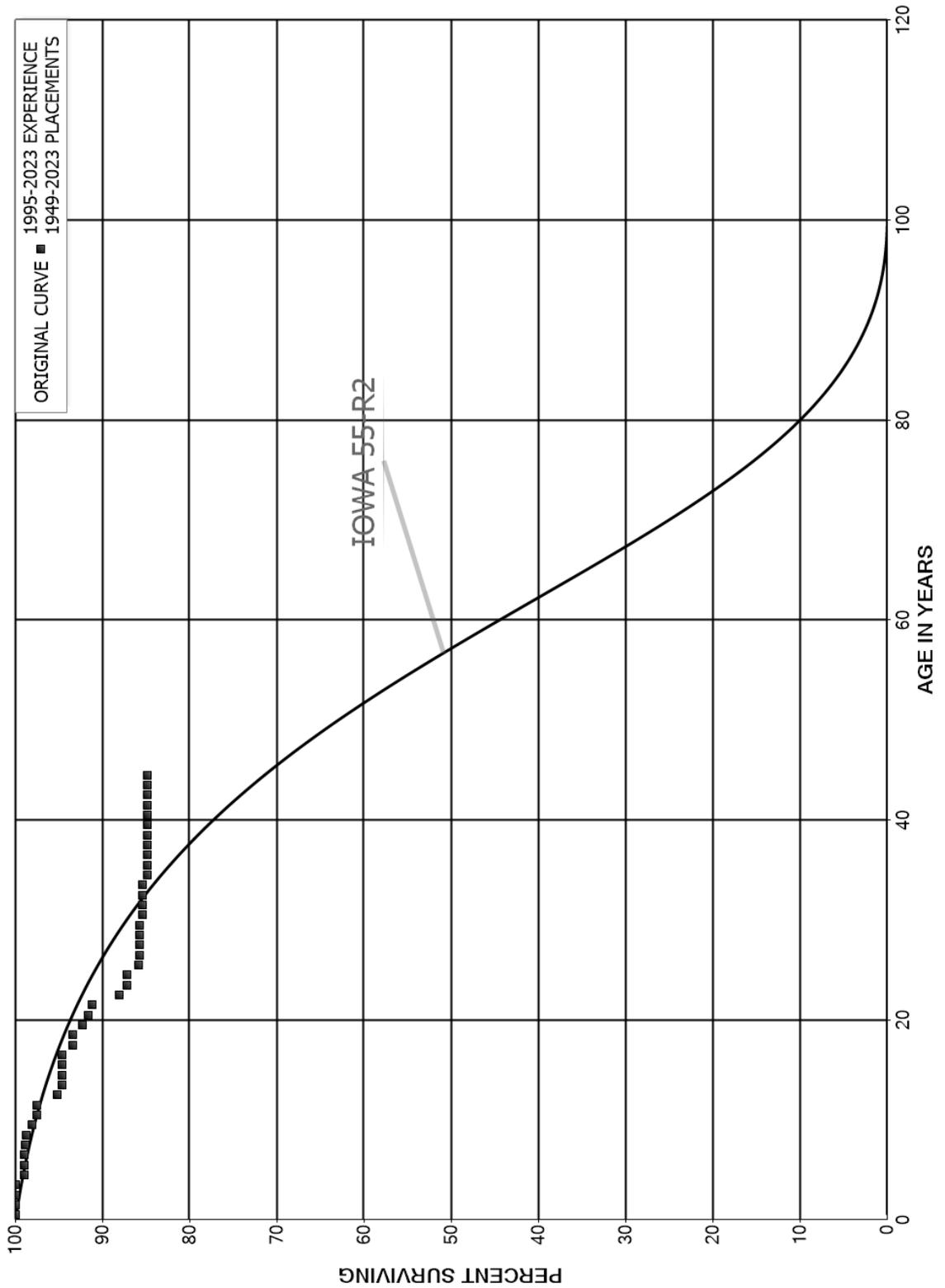
NEWTOWN ARTESTIAN WATER

ACCOUNT 304.30 PURIFICATION BUILDINGS

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1980-1995			EXPERIENCE BAND 1995-2023		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	2		0.0000	1.0000	100.00
40.5	2		0.0000	1.0000	100.00
41.5	2		0.0000	1.0000	100.00
42.5	2		0.0000	1.0000	100.00
43.5					100.00

NEWTOWN ARTESIAN WATER
ACCOUNT 304.50 POWER AND PUMPING STRUCTURES
ORIGINAL AND SMOOTH SURVIVOR CURVES



NEWTOWN ARTESTIAN WATER

ACCOUNT 304.50 POWER AND PUMPING STRUCTURES

ORIGINAL LIFE TABLE

PLACEMENT BAND 1949-2023			EXPERIENCE BAND 1995-2023		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	860,977		0.0000	1.0000	100.00
0.5	980,892		0.0000	1.0000	100.00
1.5	1,005,809	933	0.0009	0.9991	100.00
2.5	981,265		0.0000	1.0000	99.91
3.5	973,188	9,139	0.0094	0.9906	99.91
4.5	952,514		0.0000	1.0000	98.97
5.5	946,109	422	0.0004	0.9996	98.97
6.5	905,498	1,010	0.0011	0.9989	98.92
7.5	894,593	1,100	0.0012	0.9988	98.81
8.5	907,510	5,400	0.0060	0.9940	98.69
9.5	874,348	5,226	0.0060	0.9940	98.11
10.5	870,513		0.0000	1.0000	97.52
11.5	863,778	21,136	0.0245	0.9755	97.52
12.5	1,081,676	5,500	0.0051	0.9949	95.13
13.5	1,077,660		0.0000	1.0000	94.65
14.5	1,078,160		0.0000	1.0000	94.65
15.5	1,111,857		0.0000	1.0000	94.65
16.5	1,099,913	14,041	0.0128	0.9872	94.65
17.5	1,082,924		0.0000	1.0000	93.44
18.5	1,032,279	12,332	0.0119	0.9881	93.44
19.5	1,009,424	8,108	0.0080	0.9920	92.32
20.5	985,663	4,273	0.0043	0.9957	91.58
21.5	647,913	22,037	0.0340	0.9660	91.19
22.5	602,642	6,000	0.0100	0.9900	88.08
23.5	512,959		0.0000	1.0000	87.21
24.5	512,417	7,875	0.0154	0.9846	87.21
25.5	493,842	527	0.0011	0.9989	85.87
26.5	484,775	445	0.0009	0.9991	85.78
27.5	450,582		0.0000	1.0000	85.70
28.5	443,695		0.0000	1.0000	85.70
29.5	318,209	1,023	0.0032	0.9968	85.70
30.5	297,016		0.0000	1.0000	85.42
31.5	288,883		0.0000	1.0000	85.42
32.5	286,964		0.0000	1.0000	85.42
33.5	284,468	2,000	0.0070	0.9930	85.42
34.5	285,598		0.0000	1.0000	84.82
35.5	287,951		0.0000	1.0000	84.82
36.5	287,549		0.0000	1.0000	84.82
37.5	273,477		0.0000	1.0000	84.82
38.5	273,477		0.0000	1.0000	84.82

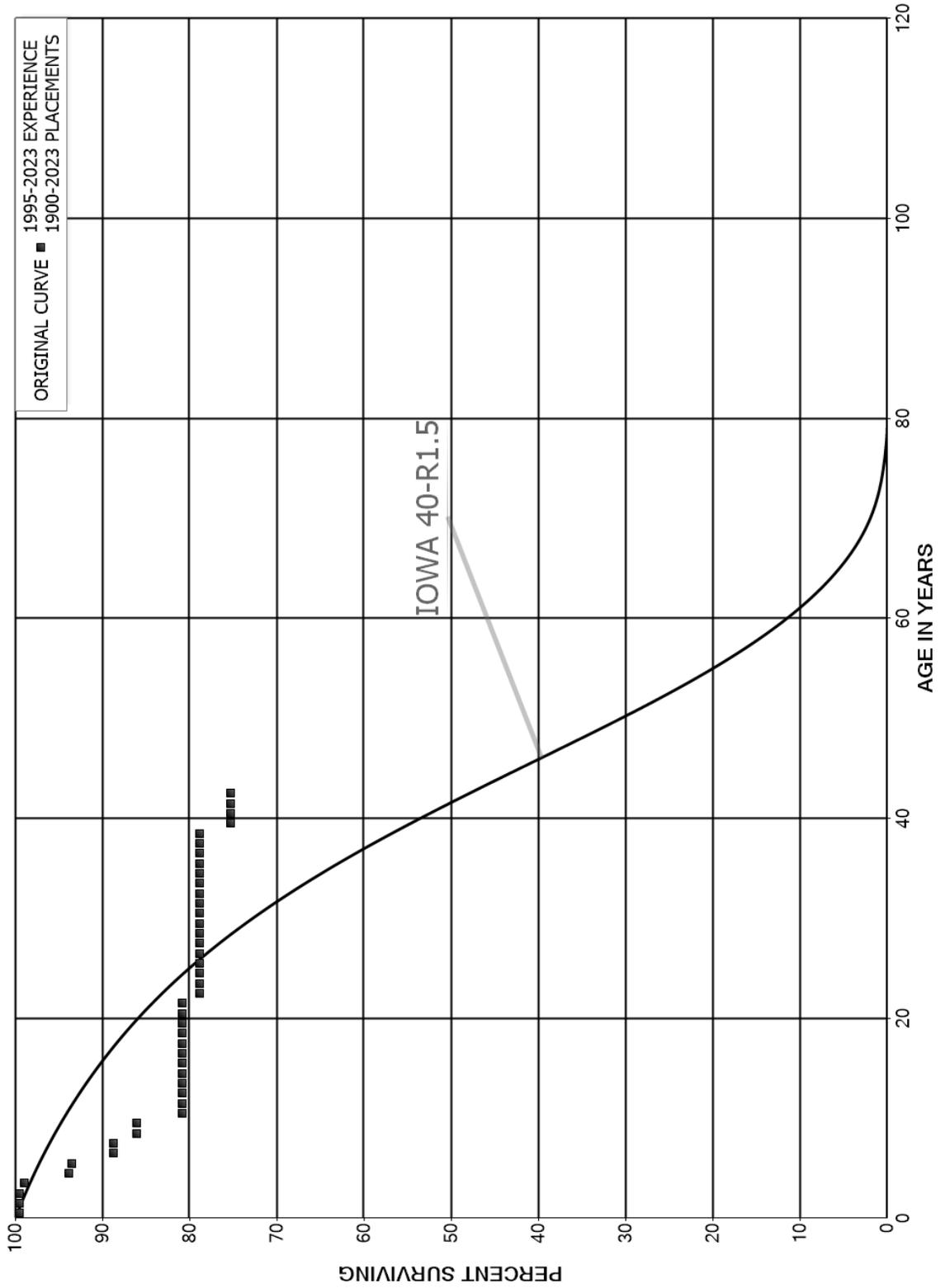
NEWTOWN ARTESTIAN WATER

ACCOUNT 304.50 POWER AND PUMPING STRUCTURES

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1949-2023			EXPERIENCE BAND 1995-2023		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	270,592		0.0000	1.0000	84.82
40.5	269,832		0.0000	1.0000	84.82
41.5	56,312		0.0000	1.0000	84.82
42.5	56,312		0.0000	1.0000	84.82
43.5	55,812		0.0000	1.0000	84.82
44.5	12,287		0.0000	1.0000	84.82
45.5	15,453		0.0000	1.0000	84.82
46.5	15,177		0.0000	1.0000	84.82
47.5	12,379		0.0000	1.0000	84.82
48.5	12,379		0.0000	1.0000	84.82
49.5	11,152		0.0000	1.0000	84.82
50.5	11,109	10	0.0009	0.9991	84.82
51.5	11,099		0.0000	1.0000	84.74
52.5	11,099		0.0000	1.0000	84.74
53.5	11,099		0.0000	1.0000	84.74
54.5	11,099		0.0000	1.0000	84.74
55.5	11,099		0.0000	1.0000	84.74
56.5	11,099		0.0000	1.0000	84.74
57.5	10,797		0.0000	1.0000	84.74
58.5	10,797		0.0000	1.0000	84.74
59.5	10,259		0.0000	1.0000	84.74
60.5	10,259		0.0000	1.0000	84.74
61.5	8,940		0.0000	1.0000	84.74
62.5	8,940		0.0000	1.0000	84.74
63.5	5,553		0.0000	1.0000	84.74
64.5	3,200		0.0000	1.0000	84.74
65.5	3,156		0.0000	1.0000	84.74
66.5	3,156		0.0000	1.0000	84.74
67.5	3,156		0.0000	1.0000	84.74
68.5	3,156		0.0000	1.0000	84.74
69.5	3,156		0.0000	1.0000	84.74
70.5	3,156		0.0000	1.0000	84.74
71.5	3,156		0.0000	1.0000	84.74
72.5	3,156		0.0000	1.0000	84.74
73.5	3,156		0.0000	1.0000	84.74
74.5					84.74

NEWTOWN ARTESIAN WATER
ACCOUNT 307.20 WELLS AND SPRINGS
ORIGINAL AND SMOOTH SURVIVOR CURVES



NEWTOWN ARTESTIAN WATER

ACCOUNT 307.20 WELLS AND SPRINGS

ORIGINAL LIFE TABLE

PLACEMENT BAND 1900-2023			EXPERIENCE BAND 1995-2023		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	333,778	1,756	0.0053	0.9947	100.00
0.5	335,386		0.0000	1.0000	99.47
1.5	333,978		0.0000	1.0000	99.47
2.5	333,978	1,944	0.0058	0.9942	99.47
3.5	332,034	16,902	0.0509	0.9491	98.90
4.5	315,132	1,269	0.0040	0.9960	93.86
5.5	318,812	16,331	0.0512	0.9488	93.48
6.5	274,783		0.0000	1.0000	88.69
7.5	266,052	7,863	0.0296	0.9704	88.69
8.5	258,189		0.0000	1.0000	86.07
9.5	258,189	15,596	0.0604	0.9396	86.07
10.5	242,593		0.0000	1.0000	80.87
11.5	289,957		0.0000	1.0000	80.87
12.5	285,487		0.0000	1.0000	80.87
13.5	326,059		0.0000	1.0000	80.87
14.5	450,386		0.0000	1.0000	80.87
15.5	447,838		0.0000	1.0000	80.87
16.5	447,838		0.0000	1.0000	80.87
17.5	427,503		0.0000	1.0000	80.87
18.5	333,560		0.0000	1.0000	80.87
19.5	324,452		0.0000	1.0000	80.87
20.5	320,013		0.0000	1.0000	80.87
21.5	307,897	7,956	0.0258	0.9742	80.87
22.5	253,699		0.0000	1.0000	78.78
23.5	241,362		0.0000	1.0000	78.78
24.5	236,047		0.0000	1.0000	78.78
25.5	232,597		0.0000	1.0000	78.78
26.5	231,739		0.0000	1.0000	78.78
27.5	218,445		0.0000	1.0000	78.78
28.5	218,445		0.0000	1.0000	78.78
29.5	218,043		0.0000	1.0000	78.78
30.5	217,821		0.0000	1.0000	78.78
31.5	217,821		0.0000	1.0000	78.78
32.5	227,473		0.0000	1.0000	78.78
33.5	227,473		0.0000	1.0000	78.78
34.5	222,525		0.0000	1.0000	78.78
35.5	222,525		0.0000	1.0000	78.78
36.5	220,705		0.0000	1.0000	78.78
37.5	220,705		0.0000	1.0000	78.78
38.5	220,705	9,651	0.0437	0.9563	78.78

NEWTOWN ARTESTIAN WATER

ACCOUNT 307.20 WELLS AND SPRINGS

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1900-2023			EXPERIENCE BAND 1995-2023		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	211,054		0.0000	1.0000	75.34
40.5	171,645		0.0000	1.0000	75.34
41.5	171,645		0.0000	1.0000	75.34
42.5	131,073		0.0000	1.0000	75.34
43.5	20		0.0000	1.0000	75.34
44.5	20		0.0000	1.0000	75.34
45.5	20		0.0000	1.0000	75.34
46.5	20		0.0000	1.0000	75.34
47.5	20		0.0000	1.0000	75.34
48.5	20		0.0000	1.0000	75.34
49.5	20		0.0000	1.0000	75.34
50.5	20		0.0000	1.0000	75.34
51.5	20		0.0000	1.0000	75.34
52.5	20		0.0000	1.0000	75.34
53.5	20		0.0000	1.0000	75.34
54.5	20		0.0000	1.0000	75.34
55.5					75.34
56.5					
57.5					
58.5					
59.5					
60.5					
61.5					
62.5					
63.5					
64.5					
65.5					
66.5					
67.5					
68.5					
69.5					
70.5					
71.5					
72.5					
73.5					
74.5					
75.5					
76.5					
77.5					
78.5					

NEWTOWN ARTESTIAN WATER

ACCOUNT 307.20 WELLS AND SPRINGS

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1900-2023			EXPERIENCE BAND 1995-2023		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
79.5					
80.5					
81.5	1,500		0.0000		
82.5	1,500		0.0000		
83.5	1,500		0.0000		
84.5	1,500		0.0000		
85.5	1,500		0.0000		
86.5	1,500		0.0000		
87.5	1,500		0.0000		
88.5	1,500		0.0000		
89.5	1,500		0.0000		
90.5	1,500		0.0000		
91.5	1,500		0.0000		
92.5	1,500		0.0000		
93.5	1,500		0.0000		
94.5	2,000		0.0000		
95.5	2,000		0.0000		
96.5	2,000		0.0000		
97.5	2,000		0.0000		
98.5	2,000		0.0000		
99.5	2,000		0.0000		
100.5	2,000		0.0000		
101.5	2,000		0.0000		
102.5	2,000		0.0000		
103.5	2,000		0.0000		
104.5	2,000		0.0000		
105.5	2,000		0.0000		
106.5	2,000		0.0000		
107.5	2,000		0.0000		
108.5	2,000		0.0000		
109.5	2,000		0.0000		
110.5	500		0.0000		
111.5	500		0.0000		
112.5	500		0.0000		
113.5	500		0.0000		
114.5	500		0.0000		
115.5	500		0.0000		
116.5	500		0.0000		
117.5	500		0.0000		
118.5	500		0.0000		

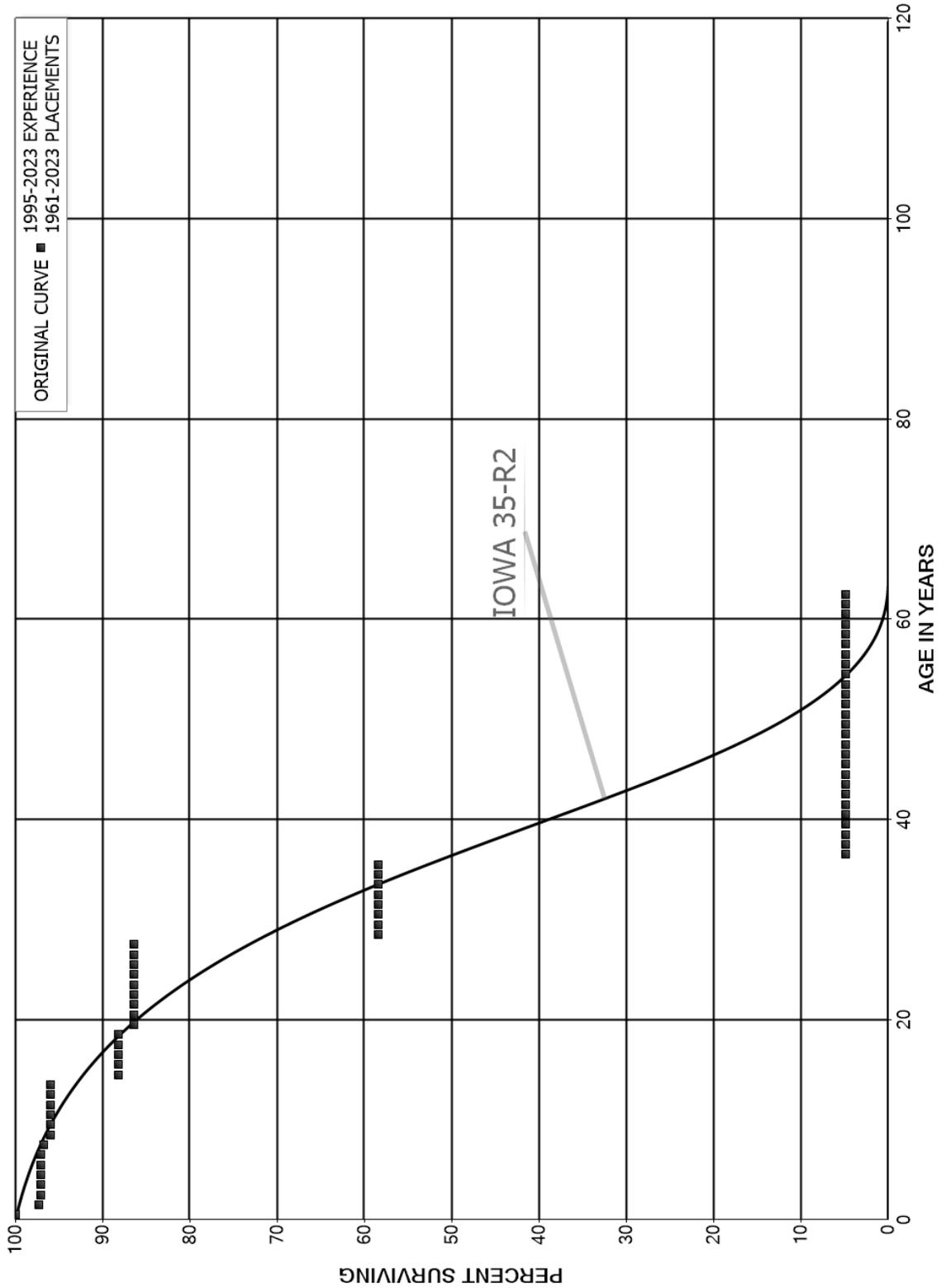
NEWTOWN ARTESTIAN WATER

ACCOUNT 307.20 WELLS AND SPRINGS

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1900-2023			EXPERIENCE BAND 1995-2023		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
119.5	500		0.0000		
120.5	500		0.0000		
121.5	500		0.0000		
122.5	500		0.0000		
123.5					

NEWTOWN ARTESIAN WATER
ACCOUNT 310.20 POWER GENERATION EQUIPMENT
ORIGINAL AND SMOOTH SURVIVOR CURVES



NEWTOWN ARTESTIAN WATER

ACCOUNT 310.20 POWER GENERATION EQUIPMENT

ORIGINAL LIFE TABLE

PLACEMENT BAND 1961-2023

EXPERIENCE BAND 1995-2023

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	348,059		0.0000	1.0000	100.00
0.5	240,785	6,500	0.0270	0.9730	100.00
1.5	240,610	500	0.0021	0.9979	97.30
2.5	240,110		0.0000	1.0000	97.10
3.5	240,110		0.0000	1.0000	97.10
4.5	237,780		0.0000	1.0000	97.10
5.5	228,467		0.0000	1.0000	97.10
6.5	228,467	965	0.0042	0.9958	97.10
7.5	292,402	2,410	0.0082	0.9918	96.69
8.5	315,609		0.0000	1.0000	95.89
9.5	315,609		0.0000	1.0000	95.89
10.5	315,609		0.0000	1.0000	95.89
11.5	316,735		0.0000	1.0000	95.89
12.5	316,735		0.0000	1.0000	95.89
13.5	316,735	25,617	0.0809	0.9191	95.89
14.5	319,795		0.0000	1.0000	88.14
15.5	226,609		0.0000	1.0000	88.14
16.5	226,609		0.0000	1.0000	88.14
17.5	226,609		0.0000	1.0000	88.14
18.5	211,883	4,127	0.0195	0.9805	88.14
19.5	207,756		0.0000	1.0000	86.42
20.5	207,756		0.0000	1.0000	86.42
21.5	207,256		0.0000	1.0000	86.42
22.5	200,756		0.0000	1.0000	86.42
23.5	171,143		0.0000	1.0000	86.42
24.5	114,930		0.0000	1.0000	86.42
25.5	114,930		0.0000	1.0000	86.42
26.5	114,930		0.0000	1.0000	86.42
27.5	114,930	37,300	0.3245	0.6755	86.42
28.5	77,630		0.0000	1.0000	58.37
29.5	77,080		0.0000	1.0000	58.37
30.5	70,756		0.0000	1.0000	58.37
31.5	70,756		0.0000	1.0000	58.37
32.5	70,756		0.0000	1.0000	58.37
33.5	70,823		0.0000	1.0000	58.37
34.5	70,823		0.0000	1.0000	58.37
35.5	70,823	64,900	0.9164	0.0836	58.37
36.5	5,923		0.0000	1.0000	4.88
37.5	5,923		0.0000	1.0000	4.88
38.5	5,923		0.0000	1.0000	4.88

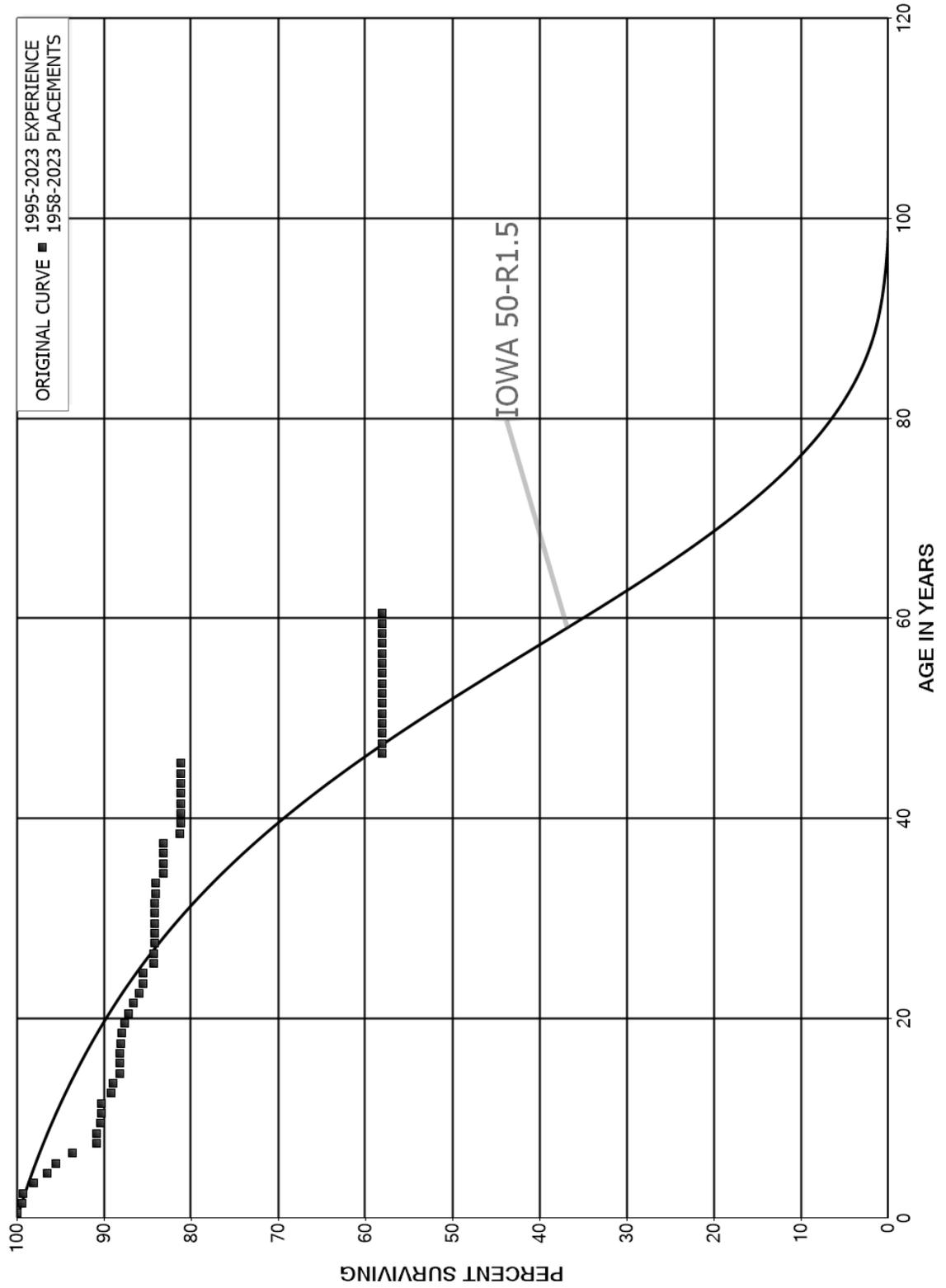
NEWTOWN ARTESTIAN WATER

ACCOUNT 310.20 POWER GENERATION EQUIPMENT

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1961-2023			EXPERIENCE BAND 1995-2023		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	5,923		0.0000	1.0000	4.88
40.5	4,797		0.0000	1.0000	4.88
41.5	4,797		0.0000	1.0000	4.88
42.5	4,797		0.0000	1.0000	4.88
43.5	67		0.0000	1.0000	4.88
44.5	67		0.0000	1.0000	4.88
45.5	67		0.0000	1.0000	4.88
46.5	67		0.0000	1.0000	4.88
47.5	67		0.0000	1.0000	4.88
48.5	67		0.0000	1.0000	4.88
49.5	67		0.0000	1.0000	4.88
50.5	67		0.0000	1.0000	4.88
51.5	67		0.0000	1.0000	4.88
52.5	67		0.0000	1.0000	4.88
53.5	67		0.0000	1.0000	4.88
54.5	67		0.0000	1.0000	4.88
55.5	67		0.0000	1.0000	4.88
56.5	67		0.0000	1.0000	4.88
57.5	67		0.0000	1.0000	4.88
58.5	67		0.0000	1.0000	4.88
59.5	67		0.0000	1.0000	4.88
60.5	67		0.0000	1.0000	4.88
61.5	67		0.0000	1.0000	4.88
62.5					4.88

NEWTOWN ARTESIAN WATER
ACCOUNT 311.20 PUMPING EQUIPMENT
ORIGINAL AND SMOOTH SURVIVOR CURVES



NEWTOWN ARTESTIAN WATER

ACCOUNT 311.20 PUMPING EQUIPMENT

ORIGINAL LIFE TABLE

PLACEMENT BAND 1958-2023

EXPERIENCE BAND 1995-2023

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	2,080,066		0.0000	1.0000	100.00
0.5	1,920,808	11,711	0.0061	0.9939	100.00
1.5	2,007,653	1,867	0.0009	0.9991	99.39
2.5	2,006,730	24,633	0.0123	0.9877	99.30
3.5	1,939,694	31,967	0.0165	0.9835	98.08
4.5	1,889,320	19,107	0.0101	0.9899	96.46
5.5	1,842,590	35,442	0.0192	0.9808	95.49
6.5	1,764,679	52,286	0.0296	0.9704	93.65
7.5	1,987,539	1,607	0.0008	0.9992	90.88
8.5	1,946,856	9,868	0.0051	0.9949	90.80
9.5	1,807,629	1,626	0.0009	0.9991	90.34
10.5	1,727,325		0.0000	1.0000	90.26
11.5	1,644,457	19,356	0.0118	0.9882	90.26
12.5	1,627,544	5,108	0.0031	0.9969	89.20
13.5	1,590,005	12,805	0.0081	0.9919	88.92
14.5	1,790,001		0.0000	1.0000	88.20
15.5	1,725,742		0.0000	1.0000	88.20
16.5	1,608,796	2,769	0.0017	0.9983	88.20
17.5	1,591,135	2,800	0.0018	0.9982	88.05
18.5	1,484,042	4,257	0.0029	0.9971	87.90
19.5	1,426,939	7,999	0.0056	0.9944	87.64
20.5	1,386,037	8,800	0.0063	0.9937	87.15
21.5	1,376,371	10,671	0.0078	0.9922	86.60
22.5	1,335,106	6,380	0.0048	0.9952	85.93
23.5	1,254,879		0.0000	1.0000	85.52
24.5	1,155,283	16,507	0.0143	0.9857	85.52
25.5	1,092,785		0.0000	1.0000	84.29
26.5	826,798	1,249	0.0015	0.9985	84.29
27.5	824,700		0.0000	1.0000	84.17
28.5	822,332		0.0000	1.0000	84.17
29.5	796,857		0.0000	1.0000	84.17
30.5	705,230		0.0000	1.0000	84.17
31.5	716,140	570	0.0008	0.9992	84.17
32.5	724,805		0.0000	1.0000	84.10
33.5	720,729	8,168	0.0113	0.9887	84.10
34.5	700,320		0.0000	1.0000	83.15
35.5	683,622		0.0000	1.0000	83.15
36.5	345,393		0.0000	1.0000	83.15
37.5	345,393	7,778	0.0225	0.9775	83.15
38.5	337,615	530	0.0016	0.9984	81.27

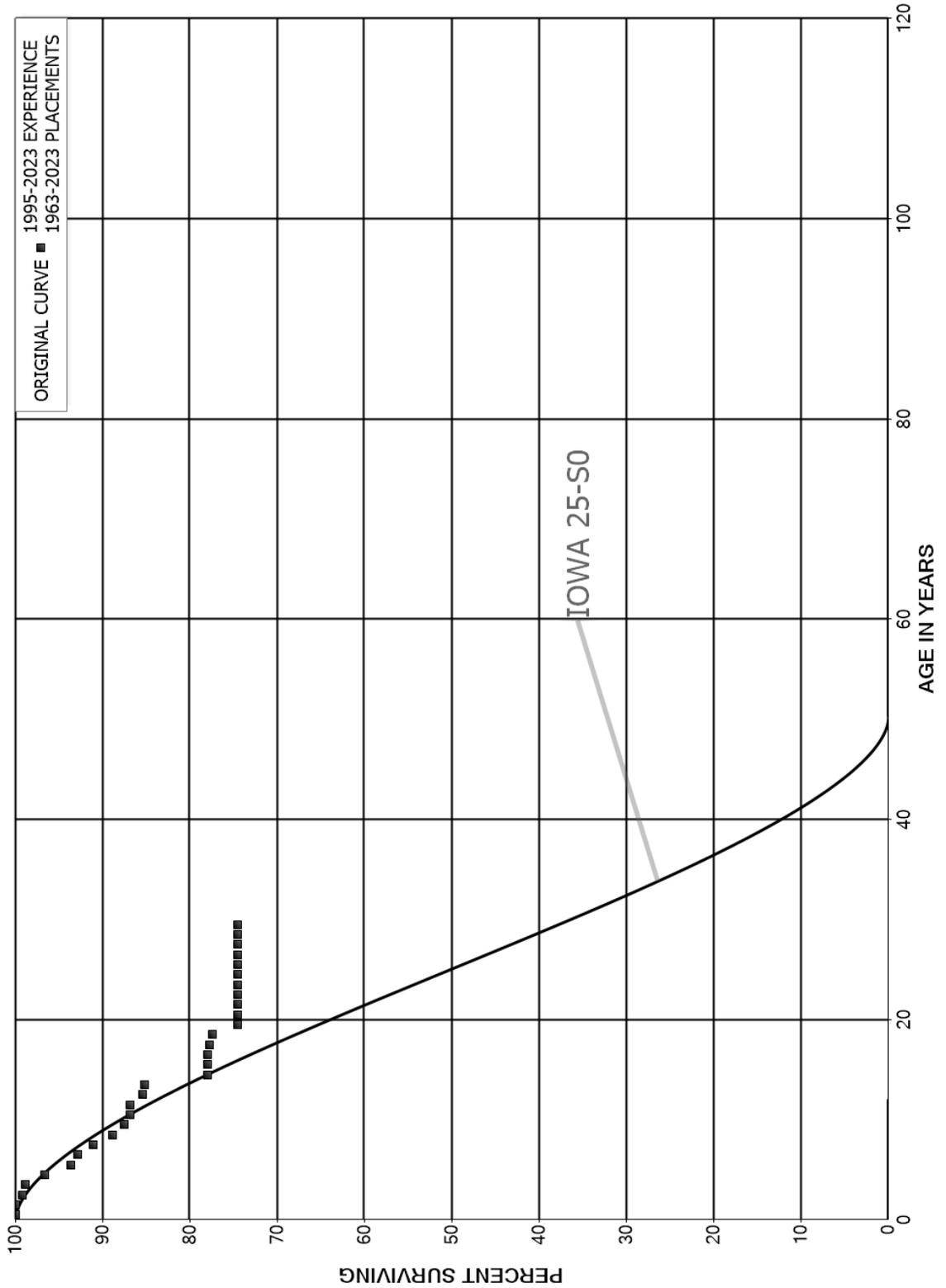
NEWTOWN ARTESTIAN WATER

ACCOUNT 311.20 PUMPING EQUIPMENT

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1958-2023			EXPERIENCE BAND 1995-2023		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	330,632		0.0000	1.0000	81.15
40.5	287,665		0.0000	1.0000	81.15
41.5	286,200		0.0000	1.0000	81.15
42.5	278,118		0.0000	1.0000	81.15
43.5	52,263		0.0000	1.0000	81.15
44.5	52,263		0.0000	1.0000	81.15
45.5	52,263	14,846	0.2841	0.7159	81.15
46.5	37,417		0.0000	1.0000	58.10
47.5	37,417		0.0000	1.0000	58.10
48.5	37,417		0.0000	1.0000	58.10
49.5	37,417		0.0000	1.0000	58.10
50.5	12,327		0.0000	1.0000	58.10
51.5	12,327		0.0000	1.0000	58.10
52.5	12,327		0.0000	1.0000	58.10
53.5	12,327		0.0000	1.0000	58.10
54.5	12,327		0.0000	1.0000	58.10
55.5	12,327		0.0000	1.0000	58.10
56.5	12,327		0.0000	1.0000	58.10
57.5	12,327		0.0000	1.0000	58.10
58.5	12,327		0.0000	1.0000	58.10
59.5	12,327		0.0000	1.0000	58.10
60.5	9,394		0.0000	1.0000	58.10
61.5	2,596		0.0000	1.0000	58.10
62.5	2,596		0.0000	1.0000	58.10
63.5	2,596		0.0000	1.0000	58.10
64.5	2,596		0.0000	1.0000	58.10
65.5					58.10

NEWTOWN ARTESIAN WATER
ACCOUNT 320.30 WATER TREATMENT EQUIPMENT
ORIGINAL AND SMOOTH SURVIVOR CURVES



NEWTOWN ARTESTIAN WATER

ACCOUNT 320.30 WATER TREATMENT EQUIPMENT

ORIGINAL LIFE TABLE

PLACEMENT BAND 1963-2023

EXPERIENCE BAND 1995-2023

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	511,917		0.0000	1.0000	100.00
0.5	513,043		0.0000	1.0000	100.00
1.5	502,708	3,892	0.0077	0.9923	100.00
2.5	500,186	1,839	0.0037	0.9963	99.23
3.5	502,907	11,643	0.0232	0.9768	98.86
4.5	486,207	15,033	0.0309	0.9691	96.57
5.5	474,801	3,802	0.0080	0.9920	93.59
6.5	469,453	9,011	0.0192	0.9808	92.84
7.5	445,728	10,693	0.0240	0.9760	91.06
8.5	434,230	6,553	0.0151	0.9849	88.87
9.5	427,677	3,607	0.0084	0.9916	87.53
10.5	415,336		0.0000	1.0000	86.79
11.5	301,058	4,984	0.0166	0.9834	86.79
12.5	293,082	628	0.0021	0.9979	85.35
13.5	282,457	23,792	0.0842	0.9158	85.17
14.5	247,189		0.0000	1.0000	78.00
15.5	242,543		0.0000	1.0000	78.00
16.5	186,272	700	0.0038	0.9962	78.00
17.5	182,664	707	0.0039	0.9961	77.70
18.5	74,403	2,832	0.0381	0.9619	77.40
19.5	67,356		0.0000	1.0000	74.46
20.5	67,488		0.0000	1.0000	74.46
21.5	59,552		0.0000	1.0000	74.46
22.5	44,085		0.0000	1.0000	74.46
23.5	43,576		0.0000	1.0000	74.46
24.5	30,696		0.0000	1.0000	74.46
25.5	30,696		0.0000	1.0000	74.46
26.5	28,376		0.0000	1.0000	74.46
27.5	26,432		0.0000	1.0000	74.46
28.5	10,586		0.0000	1.0000	74.46
29.5	5,223		0.0000	1.0000	74.46
30.5	5,223		0.0000	1.0000	74.46
31.5	4,646		0.0000	1.0000	74.46
32.5	4,489		0.0000	1.0000	74.46
33.5	4,489		0.0000	1.0000	74.46
34.5	4,489		0.0000	1.0000	74.46
35.5	4,489		0.0000	1.0000	74.46
36.5	181		0.0000	1.0000	74.46
37.5	181		0.0000	1.0000	74.46
38.5	181		0.0000	1.0000	74.46

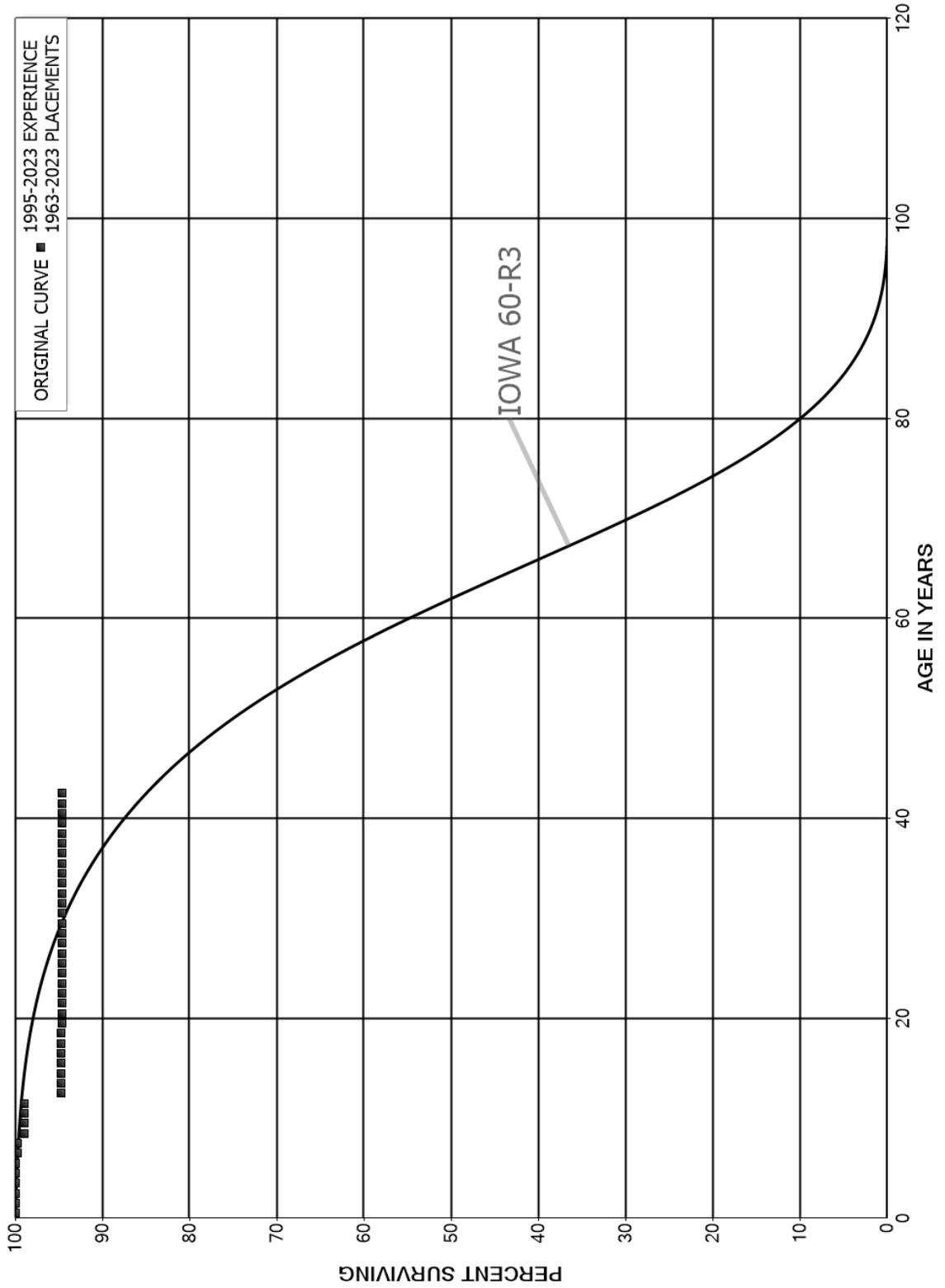
NEWTOWN ARTESTIAN WATER

ACCOUNT 320.30 WATER TREATMENT EQUIPMENT

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1963-2023			EXPERIENCE BAND 1995-2023		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	181		0.0000	1.0000	74.46
40.5	181		0.0000	1.0000	74.46
41.5	181		0.0000	1.0000	74.46
42.5	181		0.0000	1.0000	74.46
43.5	181		0.0000	1.0000	74.46
44.5	181		0.0000	1.0000	74.46
45.5	181		0.0000	1.0000	74.46
46.5	181		0.0000	1.0000	74.46
47.5	181		0.0000	1.0000	74.46
48.5	181		0.0000	1.0000	74.46
49.5	48		0.0000	1.0000	74.46
50.5	48		0.0000	1.0000	74.46
51.5	48		0.0000	1.0000	74.46
52.5	48		0.0000	1.0000	74.46
53.5	48		0.0000	1.0000	74.46
54.5	48		0.0000	1.0000	74.46
55.5	48		0.0000	1.0000	74.46
56.5	48		0.0000	1.0000	74.46
57.5	48		0.0000	1.0000	74.46
58.5	48		0.0000	1.0000	74.46
59.5	48		0.0000	1.0000	74.46
60.5					74.46

NEWTOWN ARTESIAN WATER
ACCOUNT 330.40 DISTRIBUTION RESERVOIRS AND STANDPIPES
ORIGINAL AND SMOOTH SURVIVOR CURVES



NEWTOWN ARTESTIAN WATER

ACCOUNT 330.40 DISTRIBUTION RESERVOIRS AND STANDPIPES

ORIGINAL LIFE TABLE

PLACEMENT BAND 1963-2023			EXPERIENCE BAND 1995-2023		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	3,233,161		0.0000	1.0000	100.00
0.5	3,245,911		0.0000	1.0000	100.00
1.5	3,282,783		0.0000	1.0000	100.00
2.5	3,282,783		0.0000	1.0000	100.00
3.5	3,282,783	1,250	0.0004	0.9996	100.00
4.5	3,281,533		0.0000	1.0000	99.96
5.5	3,281,699	6,000	0.0018	0.9982	99.96
6.5	4,021,693		0.0000	1.0000	99.78
7.5	4,021,693	35,016	0.0087	0.9913	99.78
8.5	3,986,677		0.0000	1.0000	98.91
9.5	3,986,677		0.0000	1.0000	98.91
10.5	3,986,677		0.0000	1.0000	98.91
11.5	4,025,462	170,974	0.0425	0.9575	98.91
12.5	2,921,510		0.0000	1.0000	94.71
13.5	2,923,160		0.0000	1.0000	94.71
14.5	3,634,753		0.0000	1.0000	94.71
15.5	3,634,753		0.0000	1.0000	94.71
16.5	3,038,868		0.0000	1.0000	94.71
17.5	3,038,057		0.0000	1.0000	94.71
18.5	2,826,127	3,440	0.0012	0.9988	94.71
19.5	2,807,137		0.0000	1.0000	94.59
20.5	2,666,096		0.0000	1.0000	94.59
21.5	2,666,096		0.0000	1.0000	94.59
22.5	2,664,943		0.0000	1.0000	94.59
23.5	2,664,943		0.0000	1.0000	94.59
24.5	2,649,623		0.0000	1.0000	94.59
25.5	2,649,623		0.0000	1.0000	94.59
26.5	2,630,297		0.0000	1.0000	94.59
27.5	2,625,646		0.0000	1.0000	94.59
28.5	1,580,652		0.0000	1.0000	94.59
29.5	1,567,458		0.0000	1.0000	94.59
30.5	1,494,747		0.0000	1.0000	94.59
31.5	1,535,726		0.0000	1.0000	94.59
32.5	1,535,726		0.0000	1.0000	94.59
33.5	1,535,726		0.0000	1.0000	94.59
34.5	1,535,560		0.0000	1.0000	94.59
35.5	789,567		0.0000	1.0000	94.59
36.5	789,567		0.0000	1.0000	94.59
37.5	789,567		0.0000	1.0000	94.59
38.5	789,567		0.0000	1.0000	94.59

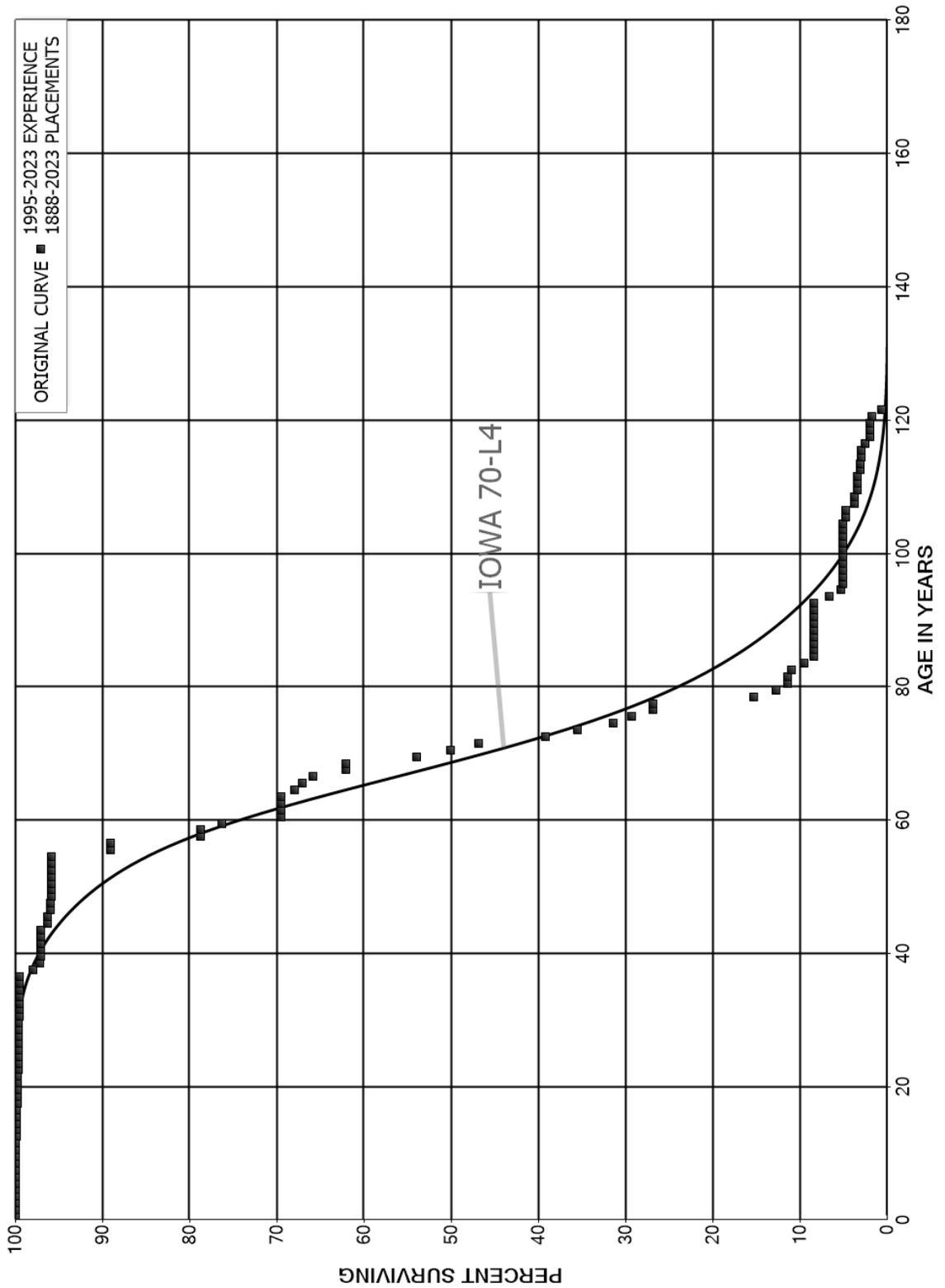
NEWTOWN ARTESTIAN WATER

ACCOUNT 330.40 DISTRIBUTION RESERVOIRS AND STANDPIPES

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1963-2023			EXPERIENCE BAND 1995-2023		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	789,567		0.0000	1.0000	94.59
40.5	750,783		0.0000	1.0000	94.59
41.5	750,783		0.0000	1.0000	94.59
42.5	749,133		0.0000	1.0000	94.59
43.5	40,980		0.0000	1.0000	94.59
44.5	40,980		0.0000	1.0000	94.59
45.5	40,980		0.0000	1.0000	94.59
46.5	40,980		0.0000	1.0000	94.59
47.5	40,980		0.0000	1.0000	94.59
48.5	40,980		0.0000	1.0000	94.59
49.5	40,980		0.0000	1.0000	94.59
50.5	40,980		0.0000	1.0000	94.59
51.5	40,980		0.0000	1.0000	94.59
52.5	40,980		0.0000	1.0000	94.59
53.5	40,980		0.0000	1.0000	94.59
54.5	40,980		0.0000	1.0000	94.59
55.5	40,980		0.0000	1.0000	94.59
56.5	40,980		0.0000	1.0000	94.59
57.5	40,980		0.0000	1.0000	94.59
58.5	40,980		0.0000	1.0000	94.59
59.5	40,980		0.0000	1.0000	94.59
60.5					94.59

NEWTOWN ARTESIAN WATER
ACCOUNT 331.40 TRANSMISSION AND DISTRIBUTION MAINS
ORIGINAL AND SMOOTH SURVIVOR CURVES



NEWTOWN ARTESTIAN WATER

ACCOUNT 331.40 TRANSMISSION AND DISTRIBUTION MAINS

ORIGINAL LIFE TABLE

PLACEMENT BAND 1888-2023

EXPERIENCE BAND 1995-2023

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	15,036,110		0.0000	1.0000	100.00
0.5	14,967,522	387	0.0000	1.0000	100.00
1.5	14,905,687		0.0000	1.0000	100.00
2.5	14,889,204		0.0000	1.0000	100.00
3.5	14,636,238		0.0000	1.0000	100.00
4.5	15,260,882	9,070	0.0006	0.9994	100.00
5.5	16,164,476		0.0000	1.0000	99.94
6.5	17,116,363	6,517	0.0004	0.9996	99.94
7.5	18,387,138		0.0000	1.0000	99.90
8.5	17,785,808	188	0.0000	1.0000	99.90
9.5	19,205,269		0.0000	1.0000	99.90
10.5	19,264,863		0.0000	1.0000	99.90
11.5	19,453,515	4,365	0.0002	0.9998	99.90
12.5	19,582,251	5,944	0.0003	0.9997	99.88
13.5	19,806,095	6,170	0.0003	0.9997	99.85
14.5	20,255,511		0.0000	1.0000	99.82
15.5	20,083,703	5,944	0.0003	0.9997	99.82
16.5	19,210,853	5,944	0.0003	0.9997	99.79
17.5	18,527,712	906	0.0000	1.0000	99.75
18.5	17,684,375		0.0000	1.0000	99.75
19.5	17,161,971		0.0000	1.0000	99.75
20.5	16,637,853		0.0000	1.0000	99.75
21.5	16,258,131	19,581	0.0012	0.9988	99.75
22.5	15,917,075	159	0.0000	1.0000	99.63
23.5	15,042,578		0.0000	1.0000	99.63
24.5	14,342,802	4,587	0.0003	0.9997	99.63
25.5	13,460,883		0.0000	1.0000	99.60
26.5	13,130,317		0.0000	1.0000	99.60
27.5	12,724,951	4,430	0.0003	0.9997	99.60
28.5	12,027,302		0.0000	1.0000	99.56
29.5	11,733,904	3,769	0.0003	0.9997	99.56
30.5	11,181,417		0.0000	1.0000	99.53
31.5	11,035,518		0.0000	1.0000	99.53
32.5	10,773,937	4,494	0.0004	0.9996	99.53
33.5	9,678,358	42	0.0000	1.0000	99.49
34.5	8,594,774		0.0000	1.0000	99.49
35.5	7,288,572		0.0000	1.0000	99.49
36.5	5,458,659	83,604	0.0153	0.9847	99.49
37.5	4,927,317	42,317	0.0086	0.9914	97.96
38.5	3,446,536	1,297	0.0004	0.9996	97.12

NEWTOWN ARTESTIAN WATER

ACCOUNT 331.40 TRANSMISSION AND DISTRIBUTION MAINS

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1888-2023			EXPERIENCE BAND 1995-2023		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	3,314,238		0.0000	1.0000	97.09
40.5	3,117,307		0.0000	1.0000	97.09
41.5	2,933,063	1,124	0.0004	0.9996	97.09
42.5	2,565,290		0.0000	1.0000	97.05
43.5	1,644,105	12,181	0.0074	0.9926	97.05
44.5	1,261,449		0.0000	1.0000	96.33
45.5	1,056,039	4,751	0.0045	0.9955	96.33
46.5	1,051,287		0.0000	1.0000	95.90
47.5	774,380	861	0.0011	0.9989	95.90
48.5	754,162		0.0000	1.0000	95.79
49.5	618,941		0.0000	1.0000	95.79
50.5	613,633	26	0.0000	1.0000	95.79
51.5	324,777		0.0000	1.0000	95.79
52.5	189,026		0.0000	1.0000	95.79
53.5	141,763		0.0000	1.0000	95.79
54.5	134,342	9,367	0.0697	0.9303	95.79
55.5	125,613		0.0000	1.0000	89.11
56.5	97,032	11,340	0.1169	0.8831	89.11
57.5	35,803		0.0000	1.0000	78.69
58.5	33,285	1,013	0.0304	0.9696	78.69
59.5	33,056	2,960	0.0895	0.9105	76.30
60.5	25,273		0.0000	1.0000	69.47
61.5	25,273		0.0000	1.0000	69.47
62.5	21,119		0.0000	1.0000	69.47
63.5	23,770	521	0.0219	0.9781	69.47
64.5	25,957	322	0.0124	0.9876	67.95
65.5	25,635	495	0.0193	0.9807	67.10
66.5	25,140	1,419	0.0565	0.9435	65.81
67.5	23,721		0.0000	1.0000	62.09
68.5	23,721	3,097	0.1305	0.8695	62.09
69.5	23,242	1,701	0.0732	0.9268	53.99
70.5	20,795	1,309	0.0630	0.9370	50.03
71.5	19,206	3,170	0.1651	0.8349	46.88
72.5	13,687	1,266	0.0925	0.9075	39.15
73.5	11,774	1,368	0.1162	0.8838	35.52
74.5	10,122	691	0.0683	0.9317	31.40
75.5	9,560	795	0.0831	0.9169	29.25
76.5	8,765		0.0000	1.0000	26.82
77.5	6,265	2,690	0.4294	0.5706	26.82
78.5	3,575	609	0.1704	0.8296	15.30

NEWTOWN ARTESTIAN WATER

ACCOUNT 331.40 TRANSMISSION AND DISTRIBUTION MAINS

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1888-2023			EXPERIENCE BAND 1995-2023			
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL	
79.5	3,135	313	0.0998	0.9002	12.70	
80.5	2,822		0.0000	1.0000	11.43	
81.5	2,865	108	0.0378	0.9622	11.43	
82.5	2,727	378	0.1385	0.8615	11.00	
83.5	2,349	268	0.1141	0.8859	9.47	
84.5	2,419		0.0000	1.0000	8.39	
85.5	2,450		0.0000	1.0000	8.39	
86.5	2,450		0.0000	1.0000	8.39	
87.5	2,369		0.0000	1.0000	8.39	
88.5	2,354		0.0000	1.0000	8.39	
89.5	2,354		0.0000	1.0000	8.39	
90.5	2,354		0.0000	1.0000	8.39	
91.5	2,354		0.0000	1.0000	8.39	
92.5	2,275	469	0.2062	0.7938	8.39	
93.5	1,563	327	0.2092	0.7908	6.66	
94.5	1,267	58	0.0459	0.9541	5.27	
95.5	1,209		0.0000	1.0000	5.03	
96.5	1,219		0.0000	1.0000	5.03	
97.5	1,219		0.0000	1.0000	5.03	
98.5	1,112		0.0000	1.0000	5.03	
99.5	1,451		0.0000	1.0000	5.03	
100.5	1,463		0.0000	1.0000	5.03	
101.5	1,678		0.0000	1.0000	5.03	
102.5	1,678		0.0000	1.0000	5.03	
103.5	2,149		0.0000	1.0000	5.03	
104.5	2,311	122	0.0527	0.9473	5.03	
105.5	2,189		0.0000	1.0000	4.76	
106.5	8,087	1,697	0.2099	0.7901	4.76	
107.5	6,390		0.0000	1.0000	3.76	
108.5	6,231	601	0.0965	0.9035	3.76	
109.5	5,629		0.0000	1.0000	3.40	
110.5	5,587	5	0.0009	0.9991	3.40	
111.5	5,581	625	0.1121	0.8879	3.40	
112.5	4,794		0.0000	1.0000	3.02	
113.5	4,420	32	0.0071	0.9929	3.02	
114.5	4,286		0.0000	1.0000	2.99	
115.5	4,286	658	0.1535	0.8465	2.99	
116.5	3,628	842	0.2319	0.7681	2.53	
117.5	2,787		0.0000	1.0000	1.95	
118.5	2,787		0.0000	1.0000	1.95	

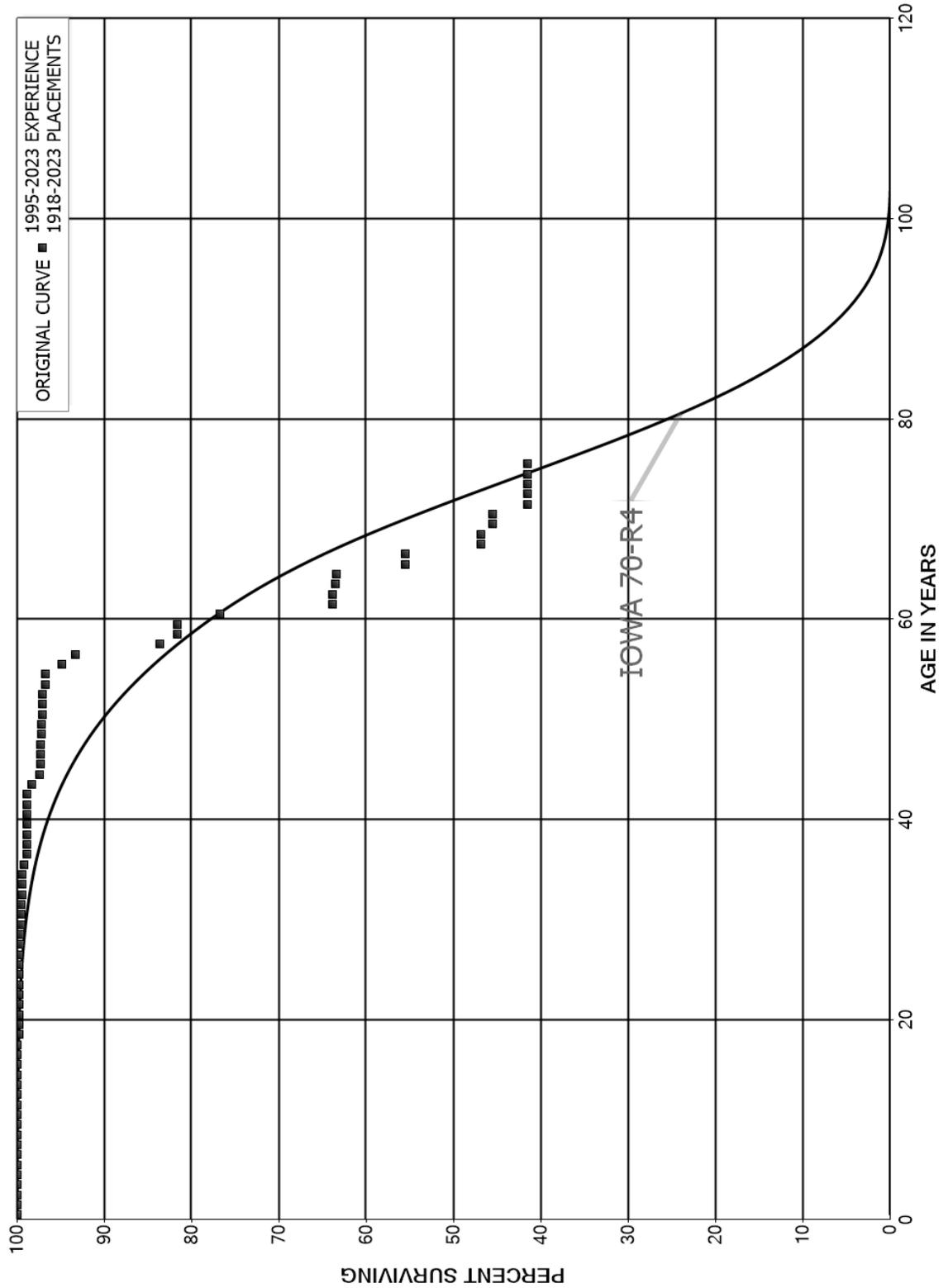
NEWTOWN ARTESTIAN WATER

ACCOUNT 331.40 TRANSMISSION AND DISTRIBUTION MAINS

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1888-2023			EXPERIENCE BAND 1995-2023			
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL	
119.5	2,787	289	0.1038	0.8962	1.95	
120.5	2,498	1,569	0.6280	0.3720	1.74	
121.5	929	14	0.0151	0.9849	0.65	
122.5	915	32	0.0354	0.9646	0.64	
123.5	851	249	0.2923	0.7077	0.62	
124.5	603	287	0.4759	0.5241	0.44	
125.5	306		0.0000	1.0000	0.23	
126.5	306		0.0000	1.0000	0.23	
127.5	306		0.0000	1.0000	0.23	
128.5	294	145	0.4928	0.5072	0.23	
129.5	67		0.0000	1.0000	0.12	
130.5	67		0.0000	1.0000	0.12	
131.5	67		0.0000	1.0000	0.12	
132.5	3		0.0000	1.0000	0.12	
133.5	3		0.0000	1.0000	0.12	
134.5	3		0.0000	1.0000	0.12	
135.5					0.12	

NEWTOWN ARTESIAN WATER
ACCOUNT 333.40 SERVICES
ORIGINAL AND SMOOTH SURVIVOR CURVES



NEWTOWN ARTESTIAN WATER

ACCOUNT 333.40 SERVICES

ORIGINAL LIFE TABLE

PLACEMENT BAND 1918-2023

EXPERIENCE BAND 1995-2023

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	3,199,925		0.0000	1.0000	100.00
0.5	3,035,549		0.0000	1.0000	100.00
1.5	2,883,483		0.0000	1.0000	100.00
2.5	2,918,372		0.0000	1.0000	100.00
3.5	2,974,599		0.0000	1.0000	100.00
4.5	3,078,839		0.0000	1.0000	100.00
5.5	3,178,076		0.0000	1.0000	100.00
6.5	3,389,830		0.0000	1.0000	100.00
7.5	3,516,049		0.0000	1.0000	100.00
8.5	3,414,716	455	0.0001	0.9999	100.00
9.5	3,544,743		0.0000	1.0000	99.99
10.5	3,541,282		0.0000	1.0000	99.99
11.5	3,572,265		0.0000	1.0000	99.99
12.5	3,603,727		0.0000	1.0000	99.99
13.5	3,653,847	481	0.0001	0.9999	99.99
14.5	3,583,587		0.0000	1.0000	99.97
15.5	3,563,045		0.0000	1.0000	99.97
16.5	3,241,670	1,534	0.0005	0.9995	99.97
17.5	2,963,552	6,133	0.0021	0.9979	99.93
18.5	2,940,768		0.0000	1.0000	99.72
19.5	2,810,823		0.0000	1.0000	99.72
20.5	2,737,403		0.0000	1.0000	99.72
21.5	2,705,559	361	0.0001	0.9999	99.72
22.5	2,660,203		0.0000	1.0000	99.71
23.5	2,559,623		0.0000	1.0000	99.71
24.5	2,506,000		0.0000	1.0000	99.71
25.5	2,368,762		0.0000	1.0000	99.71
26.5	2,332,717	3,413	0.0015	0.9985	99.71
27.5	2,261,012		0.0000	1.0000	99.56
28.5	2,194,559	2,366	0.0011	0.9989	99.56
29.5	2,132,657		0.0000	1.0000	99.45
30.5	2,045,242		0.0000	1.0000	99.45
31.5	1,967,244	1,869	0.0010	0.9990	99.45
32.5	1,820,130		0.0000	1.0000	99.36
33.5	1,588,043		0.0000	1.0000	99.36
34.5	1,455,773	2,344	0.0016	0.9984	99.36
35.5	1,071,232	3,548	0.0033	0.9967	99.20
36.5	835,303		0.0000	1.0000	98.87
37.5	695,662		0.0000	1.0000	98.87
38.5	533,665		0.0000	1.0000	98.87

NEWTOWN ARTESTIAN WATER

ACCOUNT 333.40 SERVICES

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1918-2023			EXPERIENCE BAND 1995-2023		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	472,459		0.0000	1.0000	98.87
40.5	436,403		0.0000	1.0000	98.87
41.5	401,990		0.0000	1.0000	98.87
42.5	351,410	1,962	0.0056	0.9944	98.87
43.5	280,520	2,764	0.0099	0.9901	98.32
44.5	201,955	136	0.0007	0.9993	97.35
45.5	125,490	5	0.0000	1.0000	97.28
46.5	122,955		0.0000	1.0000	97.28
47.5	69,642	64	0.0009	0.9991	97.28
48.5	67,244		0.0000	1.0000	97.19
49.5	62,503	92	0.0015	0.9985	97.19
50.5	57,922		0.0000	1.0000	97.05
51.5	48,847		0.0000	1.0000	97.05
52.5	45,769	149	0.0032	0.9968	97.05
53.5	37,014		0.0000	1.0000	96.73
54.5	32,690	634	0.0194	0.9806	96.73
55.5	29,284	494	0.0169	0.9831	94.85
56.5	25,650	2,655	0.1035	0.8965	93.25
57.5	22,348	522	0.0233	0.9767	83.60
58.5	19,588		0.0000	1.0000	81.65
59.5	17,950	1,071	0.0597	0.9403	81.65
60.5	16,787	2,826	0.1684	0.8316	76.78
61.5	13,978		0.0000	1.0000	63.85
62.5	13,333	82	0.0062	0.9938	63.85
63.5	13,325	21	0.0016	0.9984	63.46
64.5	13,063	1,630	0.1248	0.8752	63.36
65.5	10,549		0.0000	1.0000	55.45
66.5	10,547	1,630	0.1546	0.8454	55.45
67.5	8,555		0.0000	1.0000	46.88
68.5	8,324	238	0.0286	0.9714	46.88
69.5	6,579		0.0000	1.0000	45.54
70.5	5,407	483	0.0894	0.9106	45.54
71.5	4,219		0.0000	1.0000	41.47
72.5	4,168		0.0000	1.0000	41.47
73.5	3,626		0.0000	1.0000	41.47
74.5	2,655		0.0000	1.0000	41.47
75.5	1,774		0.0000	1.0000	41.47
76.5	2,053		0.0000	1.0000	41.47
77.5	2,015		0.0000	1.0000	41.47
78.5	1,948	31	0.0160	0.9840	41.47

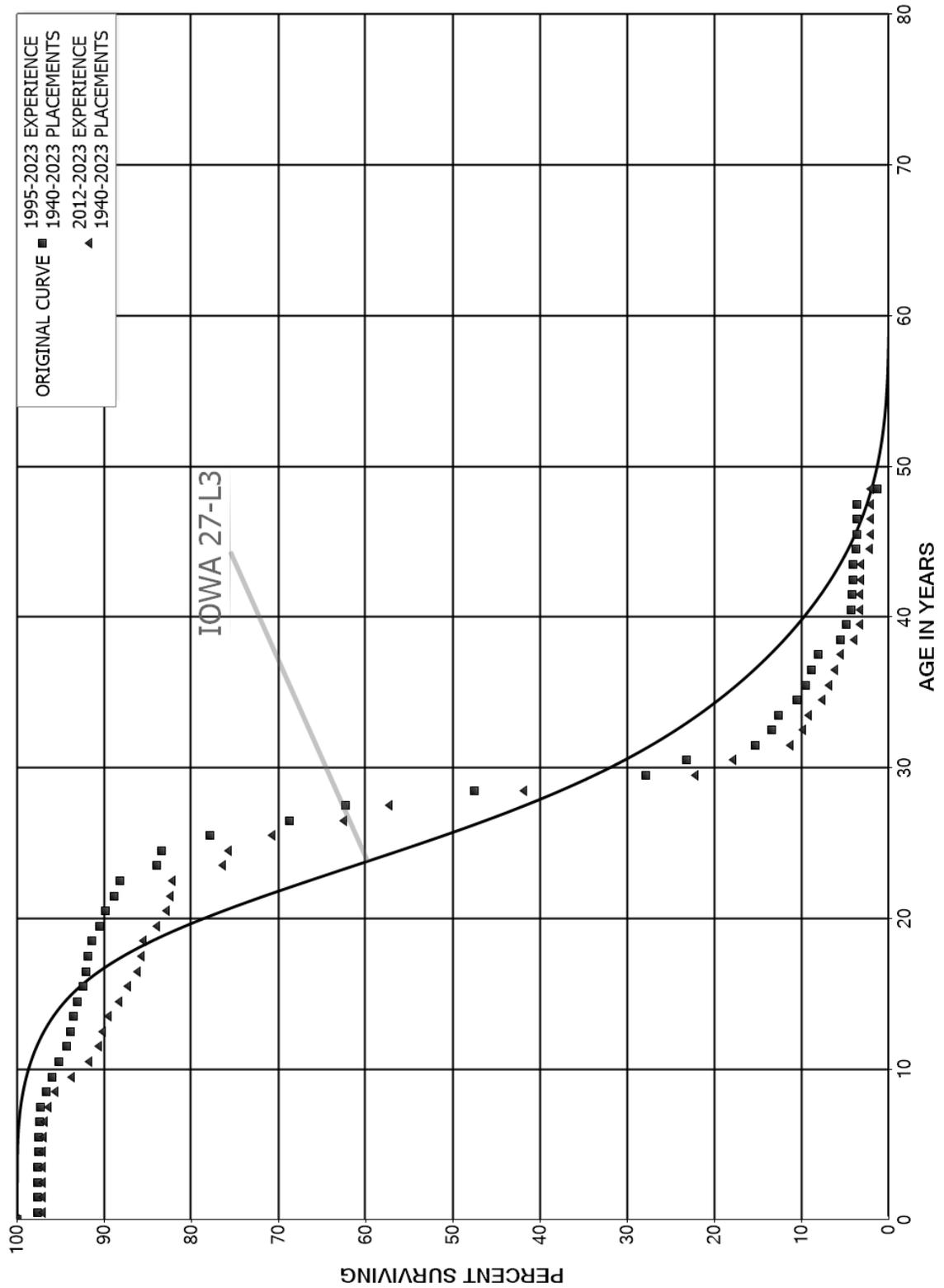
NEWTOWN ARTESTIAN WATER

ACCOUNT 333.40 SERVICES

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1918-2023			EXPERIENCE BAND 1995-2023		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
79.5	1,917		0.0000	1.0000	40.81
80.5	1,917		0.0000	1.0000	40.81
81.5	1,816		0.0000	1.0000	40.81
82.5	1,687		0.0000	1.0000	40.81
83.5	1,516	5	0.0033	0.9967	40.81
84.5	1,309		0.0000	1.0000	40.68
85.5	1,163	124	0.1062	0.8938	40.68
86.5	869		0.0000	1.0000	36.36
87.5	821		0.0000	1.0000	36.36
88.5	673		0.0000	1.0000	36.36
89.5	650		0.0000	1.0000	36.36
90.5	502		0.0000	1.0000	36.36
91.5	398		0.0000	1.0000	36.36
92.5	323		0.0000	1.0000	36.36
93.5	247		0.0000	1.0000	36.36
94.5	227		0.0000	1.0000	36.36
95.5	227		0.0000	1.0000	36.36
96.5	227		0.0000	1.0000	36.36
97.5	227		0.0000	1.0000	36.36
98.5	227	10	0.0454	0.9546	36.36
99.5	217		0.0000	1.0000	34.71
100.5	217		0.0000	1.0000	34.71
101.5	217	35	0.1593	0.8407	34.71
102.5	183		0.0000	1.0000	29.18
103.5	183		0.0000	1.0000	29.18
104.5	183		0.0000	1.0000	29.18
105.5					29.18

NEWTOWN ARTESIAN WATER
ACCOUNT 334.40 METERS AND METER INSTALLATIONS
ORIGINAL AND SMOOTH SURVIVOR CURVES



NEWTOWN ARTESTIAN WATER

ACCOUNT 334.40 METERS AND METER INSTALLATIONS

ORIGINAL LIFE TABLE

PLACEMENT BAND 1940-2023

EXPERIENCE BAND 1995-2023

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	3,486,211	82,550	0.0237	0.9763	100.00
0.5	3,210,777	361	0.0001	0.9999	97.63
1.5	3,066,678	175	0.0001	0.9999	97.62
2.5	2,986,749	319	0.0001	0.9999	97.62
3.5	2,922,103	1,542	0.0005	0.9995	97.61
4.5	2,556,436	1,423	0.0006	0.9994	97.55
5.5	2,423,285	1,708	0.0007	0.9993	97.50
6.5	2,201,302	4,273	0.0019	0.9981	97.43
7.5	1,975,137	12,111	0.0061	0.9939	97.24
8.5	1,789,579	13,526	0.0076	0.9924	96.65
9.5	1,727,756	14,123	0.0082	0.9918	95.91
10.5	1,665,747	15,736	0.0094	0.9906	95.13
11.5	1,580,377	6,956	0.0044	0.9956	94.23
12.5	1,564,580	4,982	0.0032	0.9968	93.82
13.5	1,544,943	7,799	0.0050	0.9950	93.52
14.5	1,526,120	10,072	0.0066	0.9934	93.05
15.5	1,498,401	6,770	0.0045	0.9955	92.43
16.5	1,470,798	3,572	0.0024	0.9976	92.01
17.5	1,403,371	5,629	0.0040	0.9960	91.79
18.5	1,344,443	14,102	0.0105	0.9895	91.42
19.5	1,291,423	9,634	0.0075	0.9925	90.46
20.5	1,247,236	13,959	0.0112	0.9888	89.79
21.5	1,183,955	8,798	0.0074	0.9926	88.78
22.5	1,147,453	53,801	0.0469	0.9531	88.12
23.5	1,068,979	7,629	0.0071	0.9929	83.99
24.5	1,024,716	68,720	0.0671	0.9329	83.39
25.5	919,509	106,833	0.1162	0.8838	77.80
26.5	783,761	73,448	0.0937	0.9063	68.76
27.5	704,739	166,954	0.2369	0.7631	62.32
28.5	507,649	210,581	0.4148	0.5852	47.55
29.5	274,549	45,427	0.1655	0.8345	27.83
30.5	220,981	75,168	0.3402	0.6598	23.22
31.5	137,544	17,051	0.1240	0.8760	15.32
32.5	113,102	6,985	0.0618	0.9382	13.42
33.5	100,313	16,883	0.1683	0.8317	12.60
34.5	82,227	7,222	0.0878	0.9122	10.48
35.5	76,921	5,473	0.0712	0.9288	9.56
36.5	73,384	6,954	0.0948	0.9052	8.88
37.5	68,634	21,239	0.3094	0.6906	8.03
38.5	46,376	5,770	0.1244	0.8756	5.55

NEWTOWN ARTESTIAN WATER

ACCOUNT 334.40 METERS AND METER INSTALLATIONS

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1940-2023			EXPERIENCE BAND 1995-2023			
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL	
39.5	38,012	4,556	0.1198	0.8802	4.86	
40.5	30,891	684	0.0221	0.9779	4.28	
41.5	21,049	699	0.0332	0.9668	4.18	
42.5	16,006		0.0000	1.0000	4.04	
43.5	10,359	922	0.0890	0.9110	4.04	
44.5	8,905	75	0.0084	0.9916	3.68	
45.5	8,902		0.0000	1.0000	3.65	
46.5	8,902		0.0000	1.0000	3.65	
47.5	8,902	5,755	0.6464	0.3536	3.65	
48.5	3,147	95	0.0302	0.9698	1.29	
49.5	3,052	655	0.2147	0.7853	1.25	
50.5	2,565		0.0000	1.0000	0.98	
51.5	2,748	315	0.1146	0.8854	0.98	
52.5	2,433	371	0.1525	0.8475	0.87	
53.5	2,062	1,451	0.7040	0.2960	0.74	
54.5	610		0.0000	1.0000	0.22	
55.5	610		0.0000	1.0000	0.22	
56.5	610		0.0000	1.0000	0.22	
57.5	610	260	0.4256	0.5744	0.22	
58.5	351		0.0000	1.0000	0.13	
59.5	351		0.0000	1.0000	0.13	
60.5	351		0.0000	1.0000	0.13	
61.5	351		0.0000	1.0000	0.13	
62.5	351		0.0000	1.0000	0.13	
63.5	351		0.0000	1.0000	0.13	
64.5	351		0.0000	1.0000	0.13	
65.5	351	183	0.5207	0.4793	0.13	
66.5	168		0.0000	1.0000	0.06	
67.5	168		0.0000	1.0000	0.06	
68.5	168	168	1.0000		0.06	
69.5						

NEWTOWN ARTESTIAN WATER

ACCOUNT 334.40 METERS AND METER INSTALLATIONS

ORIGINAL LIFE TABLE

PLACEMENT BAND 1940-2023

EXPERIENCE BAND 2012-2023

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	2,748,060	82,550	0.0300	0.9700	100.00
0.5	2,429,176	140	0.0001	0.9999	97.00
1.5	2,187,590		0.0000	1.0000	96.99
2.5	2,031,138	319	0.0002	0.9998	96.99
3.5	1,913,534	1,542	0.0008	0.9992	96.98
4.5	1,543,711	1,423	0.0009	0.9991	96.90
5.5	1,383,224	1,638	0.0012	0.9988	96.81
6.5	1,085,259	3,994	0.0037	0.9963	96.69
7.5	817,208	7,092	0.0087	0.9913	96.34
8.5	654,708	12,752	0.0195	0.9805	95.50
9.5	621,017	13,405	0.0216	0.9784	93.64
10.5	578,798	7,069	0.0122	0.9878	91.62
11.5	509,321	2,556	0.0050	0.9950	90.50
12.5	515,016	3,692	0.0072	0.9928	90.05
13.5	513,097	7,207	0.0140	0.9860	89.40
14.5	509,933	5,439	0.0107	0.9893	88.15
15.5	531,436	6,683	0.0126	0.9874	87.21
16.5	522,555	3,043	0.0058	0.9942	86.11
17.5	530,398	1,250	0.0024	0.9976	85.61
18.5	610,677	11,214	0.0184	0.9816	85.41
19.5	673,220	9,315	0.0138	0.9862	83.84
20.5	717,554	3,654	0.0051	0.9949	82.68
21.5	711,025	1,740	0.0024	0.9976	82.26
22.5	770,484	53,801	0.0698	0.9302	82.05
23.5	821,456	7,629	0.0093	0.9907	76.32
24.5	850,940	56,710	0.0666	0.9334	75.62
25.5	768,563	89,366	0.1163	0.8837	70.58
26.5	665,378	55,738	0.0838	0.9162	62.37
27.5	618,015	166,954	0.2701	0.7299	57.15
28.5	432,909	203,562	0.4702	0.5298	41.71
29.5	225,596	44,554	0.1975	0.8025	22.10
30.5	191,202	70,478	0.3686	0.6314	17.73
31.5	128,033	16,858	0.1317	0.8683	11.20
32.5	106,419	6,985	0.0656	0.9344	9.72
33.5	94,240	16,599	0.1761	0.8239	9.08
34.5	70,684	7,222	0.1022	0.8978	7.48
35.5	60,844	5,473	0.0900	0.9100	6.72
36.5	55,315	6,954	0.1257	0.8743	6.11
37.5	47,313	13,425	0.2838	0.7162	5.35
38.5	32,553	5,770	0.1772	0.8228	3.83

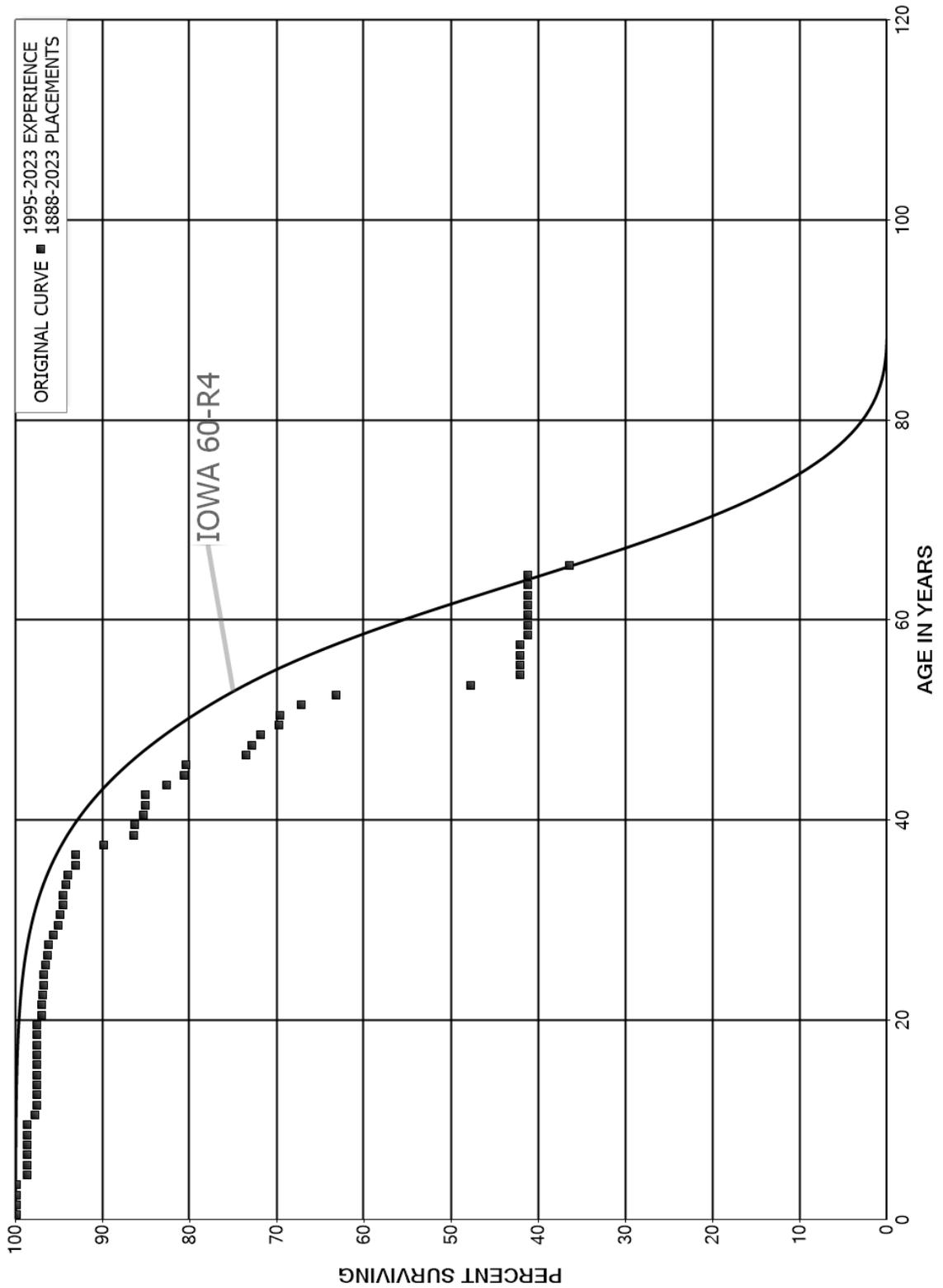
NEWTOWN ARTESTIAN WATER

ACCOUNT 334.40 METERS AND METER INSTALLATIONS

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1940-2023			EXPERIENCE BAND 2012-2023		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	23,517		0.0000	1.0000	3.15
40.5	20,951		0.0000	1.0000	3.15
41.5	11,540	347	0.0301	0.9699	3.15
42.5	6,942		0.0000	1.0000	3.06
43.5	1,295	406	0.3138	0.6862	3.06
44.5	918	75	0.0813	0.9187	2.10
45.5	655		0.0000	1.0000	1.93
46.5	655		0.0000	1.0000	1.93
47.5	655		0.0000	1.0000	1.93
48.5	655		0.0000	1.0000	1.93
49.5	655	655	1.0000		1.93
50.5					
51.5					
52.5					
53.5	584	584	1.0000		
54.5					
55.5					
56.5					
57.5					
58.5					
59.5					
60.5					
61.5					
62.5					
63.5					
64.5					
65.5					
66.5					
67.5	168		0.0000		
68.5	168	168	1.0000		
69.5					

NEWTOWN ARTESIAN WATER
ACCOUNT 335.40 HYDRANTS
ORIGINAL AND SMOOTH SURVIVOR CURVES



NEWTOWN ARTESTIAN WATER

ACCOUNT 335.40 HYDRANTS

ORIGINAL LIFE TABLE

PLACEMENT BAND 1888-2023

EXPERIENCE BAND 1995-2023

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	1,717,762	2,778	0.0016	0.9984	100.00
0.5	1,666,346		0.0000	1.0000	99.84
1.5	1,614,602		0.0000	1.0000	99.84
2.5	1,608,561		0.0000	1.0000	99.84
3.5	1,548,623	18,609	0.0120	0.9880	99.84
4.5	1,609,842		0.0000	1.0000	98.64
5.5	1,651,643		0.0000	1.0000	98.64
6.5	1,796,966		0.0000	1.0000	98.64
7.5	1,867,247		0.0000	1.0000	98.64
8.5	1,769,816		0.0000	1.0000	98.64
9.5	1,848,007	17,324	0.0094	0.9906	98.64
10.5	1,827,231	4,616	0.0025	0.9975	97.71
11.5	1,820,729		0.0000	1.0000	97.47
12.5	1,815,719		0.0000	1.0000	97.47
13.5	1,812,147		0.0000	1.0000	97.47
14.5	1,782,822		0.0000	1.0000	97.47
15.5	1,751,871		0.0000	1.0000	97.47
16.5	1,618,821		0.0000	1.0000	97.47
17.5	1,556,761		0.0000	1.0000	97.47
18.5	1,455,818		0.0000	1.0000	97.47
19.5	1,374,515	6,759	0.0049	0.9951	97.47
20.5	1,335,896		0.0000	1.0000	96.99
21.5	1,315,234	1,482	0.0011	0.9989	96.99
22.5	1,249,160	2,220	0.0018	0.9982	96.88
23.5	1,153,262		0.0000	1.0000	96.71
24.5	1,111,422	2,826	0.0025	0.9975	96.71
25.5	1,034,321	2,440	0.0024	0.9976	96.46
26.5	1,004,472	1,168	0.0012	0.9988	96.23
27.5	984,779	5,580	0.0057	0.9943	96.12
28.5	941,890	4,653	0.0049	0.9951	95.58
29.5	913,308	2,440	0.0027	0.9973	95.10
30.5	848,485	3,471	0.0041	0.9959	94.85
31.5	826,303		0.0000	1.0000	94.46
32.5	815,462	2,064	0.0025	0.9975	94.46
33.5	687,268	2,009	0.0029	0.9971	94.22
34.5	622,236	6,024	0.0097	0.9903	93.95
35.5	466,104		0.0000	1.0000	93.04
36.5	361,762	12,338	0.0341	0.9659	93.04
37.5	291,074	11,356	0.0390	0.9610	89.86
38.5	209,582	199	0.0009	0.9991	86.36

NEWTOWN ARTESTIAN WATER

ACCOUNT 335.40 HYDRANTS

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1888-2023			EXPERIENCE BAND 1995-2023		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	206,646	2,383	0.0115	0.9885	86.28
40.5	193,917	414	0.0021	0.9979	85.28
41.5	172,879		0.0000	1.0000	85.10
42.5	147,889	4,359	0.0295	0.9705	85.10
43.5	104,201	2,534	0.0243	0.9757	82.59
44.5	72,750	183	0.0025	0.9975	80.58
45.5	44,663	3,790	0.0849	0.9151	80.38
46.5	40,873	389	0.0095	0.9905	73.56
47.5	27,680	389	0.0140	0.9860	72.86
48.5	27,397	806	0.0294	0.9706	71.84
49.5	22,084	30	0.0014	0.9986	69.72
50.5	20,924	743	0.0355	0.9645	69.63
51.5	9,441	563	0.0597	0.9403	67.15
52.5	8,497	2,081	0.2449	0.7551	63.15
53.5	4,632	543	0.1173	0.8827	47.68
54.5	3,826		0.0000	1.0000	42.09
55.5	3,598		0.0000	1.0000	42.09
56.5	3,623		0.0000	1.0000	42.09
57.5	3,623	75	0.0207	0.9793	42.09
58.5	2,156		0.0000	1.0000	41.22
59.5	1,430		0.0000	1.0000	41.22
60.5	512		0.0000	1.0000	41.22
61.5	512		0.0000	1.0000	41.22
62.5	612		0.0000	1.0000	41.22
63.5	454		0.0000	1.0000	41.22
64.5	469	55	0.1172	0.8828	41.22
65.5	202		0.0000	1.0000	36.38
66.5	202		0.0000	1.0000	36.38
67.5	202		0.0000	1.0000	36.38
68.5	202		0.0000	1.0000	36.38
69.5	202		0.0000	1.0000	36.38
70.5	202		0.0000	1.0000	36.38
71.5	202		0.0000	1.0000	36.38
72.5	195		0.0000	1.0000	36.38
73.5	195		0.0000	1.0000	36.38
74.5	195		0.0000	1.0000	36.38
75.5	195		0.0000	1.0000	36.38
76.5	195		0.0000	1.0000	36.38
77.5	195		0.0000	1.0000	36.38
78.5	195		0.0000	1.0000	36.38

NEWTOWN ARTESTIAN WATER

ACCOUNT 335.40 HYDRANTS

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1888-2023			EXPERIENCE BAND 1995-2023		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
79.5	195		0.0000	1.0000	36.38
80.5	195		0.0000	1.0000	36.38
81.5	195		0.0000	1.0000	36.38
82.5	195		0.0000	1.0000	36.38
83.5	195		0.0000	1.0000	36.38
84.5	190		0.0000	1.0000	36.38
85.5	215		0.0000	1.0000	36.38
86.5	215		0.0000	1.0000	36.38
87.5	215		0.0000	1.0000	36.38
88.5	190		0.0000	1.0000	36.38
89.5	190		0.0000	1.0000	36.38
90.5	190		0.0000	1.0000	36.38
91.5	90		0.0000	1.0000	36.38
92.5	65		0.0000	1.0000	36.38
93.5	50		0.0000	1.0000	36.38
94.5	50		0.0000	1.0000	36.38
95.5	50		0.0000	1.0000	36.38
96.5	50		0.0000	1.0000	36.38
97.5	50		0.0000	1.0000	36.38
98.5	50		0.0000	1.0000	36.38
99.5	50		0.0000	1.0000	36.38
100.5	50		0.0000	1.0000	36.38
101.5	50		0.0000	1.0000	36.38
102.5	50		0.0000	1.0000	36.38
103.5	70		0.0000	1.0000	36.38
104.5	120		0.0000	1.0000	36.38
105.5	140		0.0000	1.0000	36.38
106.5	180		0.0000	1.0000	36.38
107.5	180		0.0000	1.0000	36.38
108.5	180		0.0000	1.0000	36.38
109.5	180		0.0000	1.0000	36.38
110.5	180		0.0000	1.0000	36.38
111.5	180		0.0000	1.0000	36.38
112.5	180		0.0000	1.0000	36.38
113.5	180		0.0000	1.0000	36.38
114.5	130		0.0000	1.0000	36.38
115.5	130		0.0000	1.0000	36.38
116.5	130		0.0000	1.0000	36.38
117.5	130		0.0000	1.0000	36.38
118.5	130		0.0000	1.0000	36.38

NEWTOWN ARTESTIAN WATER

ACCOUNT 335.40 HYDRANTS

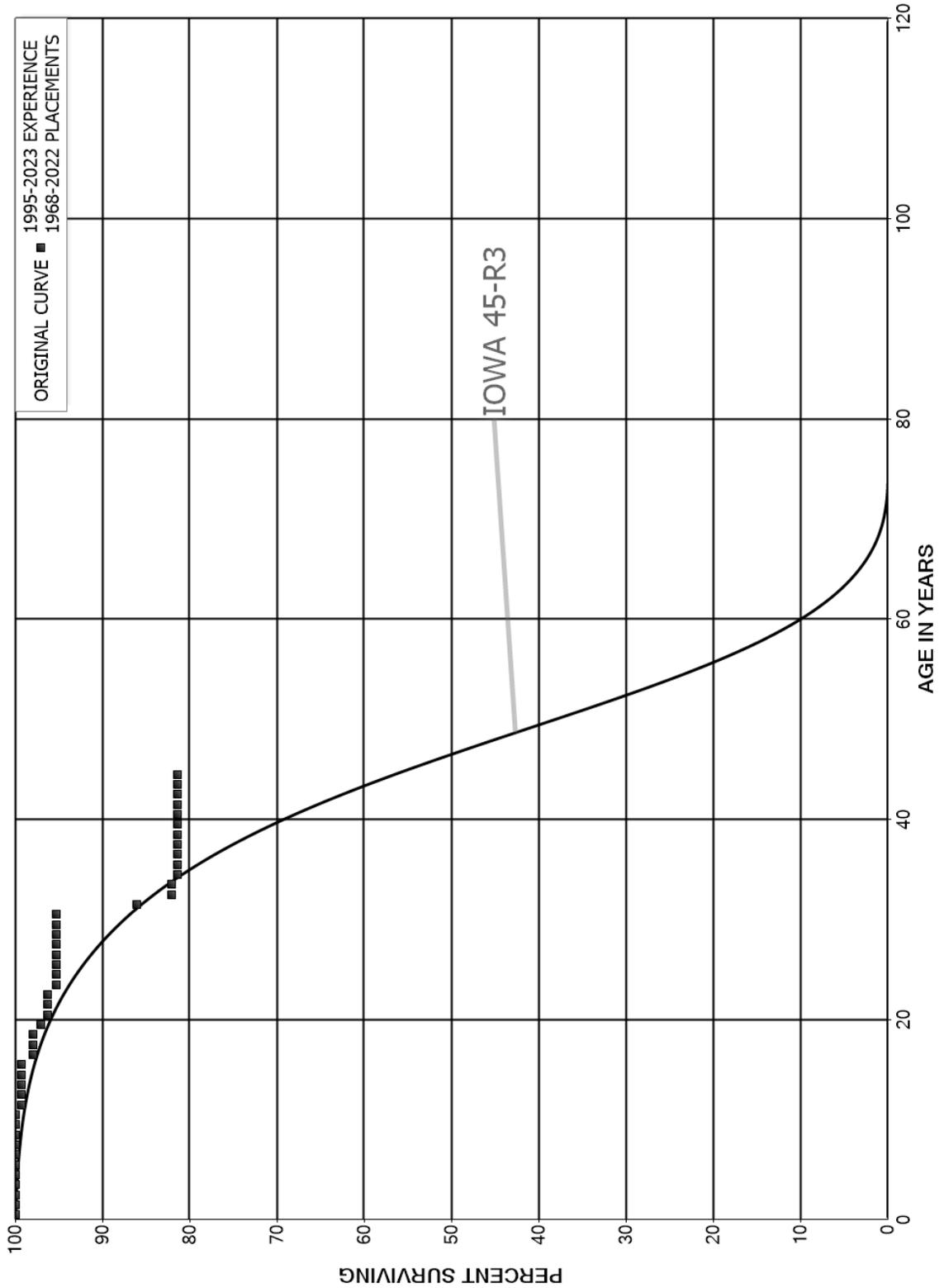
ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1888-2023

EXPERIENCE BAND 1995-2023

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
119.5	130		0.0000	1.0000	36.38
120.5	130		0.0000	1.0000	36.38
121.5	130		0.0000	1.0000	36.38
122.5	130		0.0000	1.0000	36.38
123.5	130		0.0000	1.0000	36.38
124.5	130		0.0000	1.0000	36.38
125.5	130		0.0000	1.0000	36.38
126.5	130		0.0000	1.0000	36.38
127.5	130		0.0000	1.0000	36.38
128.5	130		0.0000	1.0000	36.38
129.5	130		0.0000	1.0000	36.38
130.5	130		0.0000	1.0000	36.38
131.5	130		0.0000	1.0000	36.38
132.5	110		0.0000	1.0000	36.38
133.5	60		0.0000	1.0000	36.38
134.5	40		0.0000	1.0000	36.38
135.5					36.38

NEWTOWN ARTESIAN WATER
ACCOUNT 339.40 OTHER PLANT AND MISCELLANEOUS EQUIPMENT
ORIGINAL AND SMOOTH SURVIVOR CURVES



NEWTOWN ARTESTIAN WATER

ACCOUNT 339.40 OTHER PLANT AND MISCELLANEOUS EQUIPMENT

ORIGINAL LIFE TABLE

PLACEMENT BAND 1968-2022			EXPERIENCE BAND 1995-2023		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	589,261		0.0000	1.0000	100.00
0.5	590,101		0.0000	1.0000	100.00
1.5	576,080		0.0000	1.0000	100.00
2.5	562,248		0.0000	1.0000	100.00
3.5	562,008		0.0000	1.0000	100.00
4.5	540,253		0.0000	1.0000	100.00
5.5	515,810		0.0000	1.0000	100.00
6.5	503,718		0.0000	1.0000	100.00
7.5	449,734		0.0000	1.0000	100.00
8.5	441,180		0.0000	1.0000	100.00
9.5	363,838		0.0000	1.0000	100.00
10.5	344,733	2,490	0.0072	0.9928	100.00
11.5	331,678		0.0000	1.0000	99.28
12.5	323,880		0.0000	1.0000	99.28
13.5	321,628		0.0000	1.0000	99.28
14.5	297,456		0.0000	1.0000	99.28
15.5	283,088	3,772	0.0133	0.9867	99.28
16.5	225,027		0.0000	1.0000	97.95
17.5	218,960		0.0000	1.0000	97.95
18.5	191,781	1,640	0.0085	0.9915	97.95
19.5	173,237	1,433	0.0083	0.9917	97.12
20.5	163,844		0.0000	1.0000	96.31
21.5	152,529		0.0000	1.0000	96.31
22.5	111,642	1,234	0.0111	0.9889	96.31
23.5	100,990		0.0000	1.0000	95.25
24.5	89,344		0.0000	1.0000	95.25
25.5	70,521		0.0000	1.0000	95.25
26.5	66,363		0.0000	1.0000	95.25
27.5	64,907		0.0000	1.0000	95.25
28.5	59,967		0.0000	1.0000	95.25
29.5	59,128		0.0000	1.0000	95.25
30.5	47,168	4,574	0.0970	0.9030	95.25
31.5	41,002	1,895	0.0462	0.9538	86.01
32.5	35,116		0.0000	1.0000	82.04
33.5	32,163	241	0.0075	0.9925	82.04
34.5	29,329		0.0000	1.0000	81.42
35.5	18,497		0.0000	1.0000	81.42
36.5	18,497		0.0000	1.0000	81.42
37.5	10,223		0.0000	1.0000	81.42
38.5	9,386		0.0000	1.0000	81.42

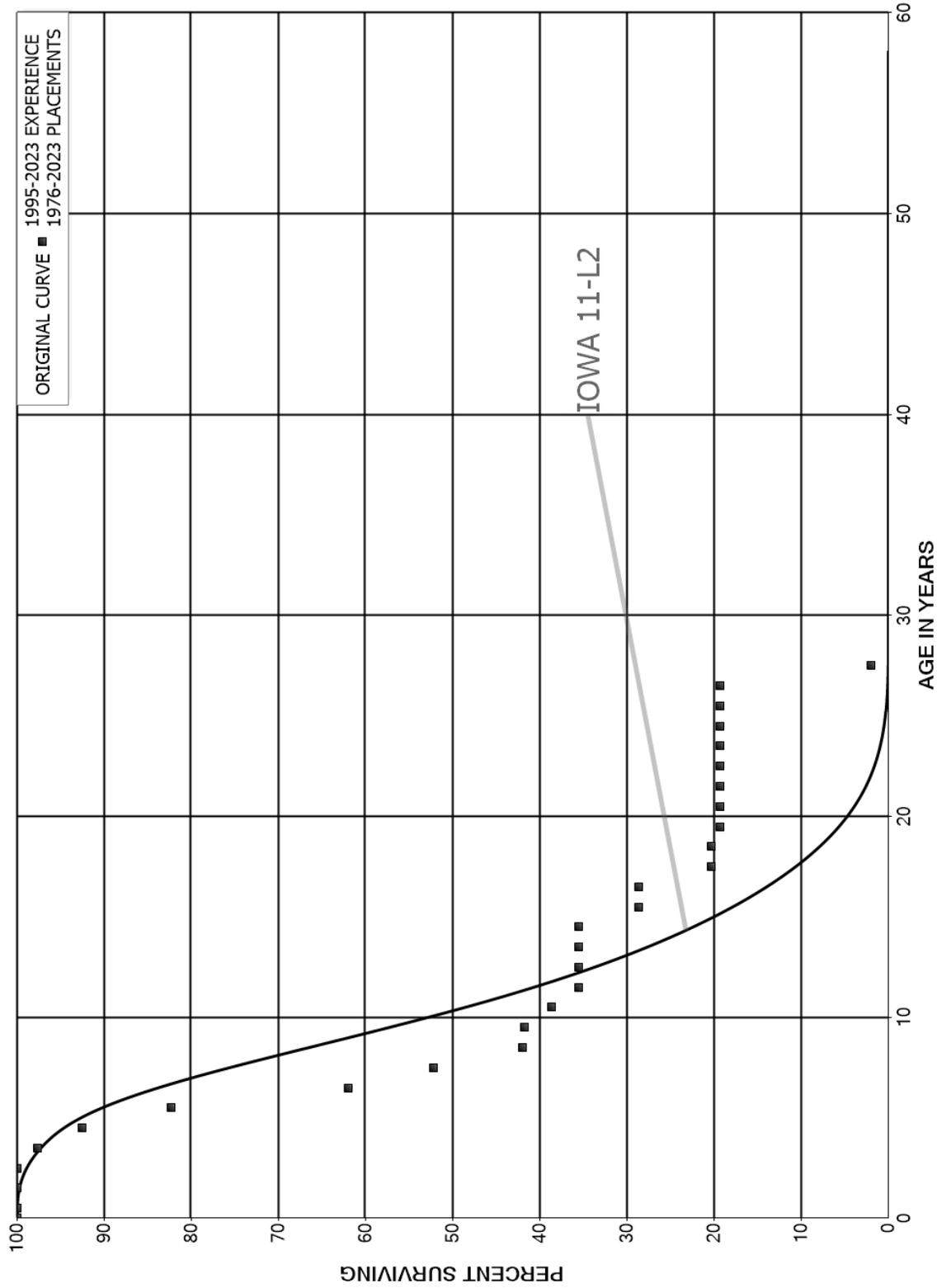
NEWTOWN ARTESTIAN WATER

ACCOUNT 339.40 OTHER PLANT AND MISCELLANEOUS EQUIPMENT

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1968-2022			EXPERIENCE BAND 1995-2023		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	9,386		0.0000	1.0000	81.42
40.5	8,212		0.0000	1.0000	81.42
41.5	8,212		0.0000	1.0000	81.42
42.5	6,851		0.0000	1.0000	81.42
43.5	5,220		0.0000	1.0000	81.42
44.5	5,220		0.0000	1.0000	81.42
45.5	5,220		0.0000	1.0000	81.42
46.5	4,360		0.0000	1.0000	81.42
47.5	3,506		0.0000	1.0000	81.42
48.5	3,506		0.0000	1.0000	81.42
49.5	2,898		0.0000	1.0000	81.42
50.5	2,898		0.0000	1.0000	81.42
51.5	2,898		0.0000	1.0000	81.42
52.5	2,898		0.0000	1.0000	81.42
53.5	2,898		0.0000	1.0000	81.42
54.5	2,898		0.0000	1.0000	81.42
55.5					81.42

NEWTOWN ARTESIAN WATER
ACCOUNT 341.50 TRANSPORTATION EQUIPMENT
ORIGINAL AND SMOOTH SURVIVOR CURVES



NEWTOWN ARTESTIAN WATER

ACCOUNT 341.50 TRANSPORTATION EQUIPMENT

ORIGINAL LIFE TABLE

PLACEMENT BAND 1976-2023

EXPERIENCE BAND 1995-2023

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	985,241	1,000	0.0010	0.9990	100.00
0.5	902,714		0.0000	1.0000	99.90
1.5	844,448		0.0000	1.0000	99.90
2.5	817,528	18,571	0.0227	0.9773	99.90
3.5	799,439	41,548	0.0520	0.9480	97.63
4.5	765,949	85,193	0.1112	0.8888	92.56
5.5	664,509	164,219	0.2471	0.7529	82.26
6.5	444,089	69,672	0.1569	0.8431	61.93
7.5	345,755	68,182	0.1972	0.8028	52.22
8.5	277,573	1,468	0.0053	0.9947	41.92
9.5	294,204	21,995	0.0748	0.9252	41.70
10.5	279,304	21,944	0.0786	0.9214	38.58
11.5	240,989	482	0.0020	0.9980	35.55
12.5	233,511		0.0000	1.0000	35.48
13.5	233,511		0.0000	1.0000	35.48
14.5	233,511	44,823	0.1920	0.8080	35.48
15.5	188,688	176	0.0009	0.9991	28.67
16.5	197,502	57,316	0.2902	0.7098	28.64
17.5	139,822		0.0000	1.0000	20.33
18.5	89,800	4,373	0.0487	0.9513	20.33
19.5	83,825		0.0000	1.0000	19.34
20.5	83,350		0.0000	1.0000	19.34
21.5	83,350		0.0000	1.0000	19.34
22.5	83,075		0.0000	1.0000	19.34
23.5	83,075		0.0000	1.0000	19.34
24.5	28,967		0.0000	1.0000	19.34
25.5	28,967		0.0000	1.0000	19.34
26.5	28,967	26,086	0.9005	0.0995	19.34
27.5	382		0.0000	1.0000	1.92
28.5	382		0.0000	1.0000	1.92
29.5	382		0.0000	1.0000	1.92
30.5	382		0.0000	1.0000	1.92
31.5	382		0.0000	1.0000	1.92
32.5	382		0.0000	1.0000	1.92
33.5					1.92

**PART VII. DETAILED DEPRECIATION
CALCULATIONS**

CUMULATIVE DEPRECIATED ORIGINAL COST

NEWTOWN ARTESIAN WATER COMPANY

CUMULATIVE DEPRECIATED ORIGINAL COST BY YEAR INSTALLED
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR INST (1)	ORIGINAL COST (2)	ACCRUED DEPRECIATION (3)	AMOUNT		DEPRECIATED ORIGINAL COST	
			(2)	(3)	CUMULATIVE AMOUNT (5)	PCT OF COL 4 TOTAL (6)
1888	1,717	1,717				0.0
1891	35	13		22	22	0.0
1894	67	24		43	65	0.0
1895	10	3		7	72	0.0
1896	996	996			72	0.0
1898	8	8			72	0.0
1900	526	510		16	88	0.0
1909	131	73		58	146	0.0
1910	331	116		215	361	0.0
1911	144	50		94	455	0.0
1913	1,538	1,513		25	480	0.0
1915	143	50		93	573	0.0
1918	181	89		92	665	0.0
1919	117	40		77	742	0.0
1920					742	0.0
1923	94	32		62	804	0.0
1925	98	33		65	869	0.0
1929	20	9		11	880	0.0
1930	315	125		190	1,070	0.0
1931	171	83		88	1,158	0.0
1932	197	143		54	1,212	0.0
1933	148	70		78	1,290	0.0
1934	23	10		13	1,303	0.0
1935	185	80		105	1,408	0.0
1936	123	46		77	1,485	0.0
1937	170	79		91	1,576	0.0
1938	235	94		141	1,717	0.0
1939	240	109		131	1,848	0.0
1940	332	129		203	2,051	0.0
1941	157	68		89	2,140	0.0
1942	100	46		54	2,194	0.0
1945	67	30		37	2,231	0.0
1946	2,384	752		1,632	3,863	0.0
1947	78	35		43	3,906	0.0
1948	879	388		491	4,397	0.0
1949	4,391	3,664		727	5,124	0.0
1950	1,151	425		726	5,850	0.0
1951	2,273	709		1,564	7,414	0.0
1952	1,570	570		1,000	8,414	0.0
1953	1,876	718		1,158	9,572	0.0
1954	2,563	964		1,599	11,171	0.0
1955	230	97		133	11,304	0.0
1956	362	151		211	11,515	0.0
1957	2	2			11,515	0.0
1958	3,750	2,983		767	12,282	0.0
1959	2,702	2,495		207	12,489	0.0

NEWTOWN ARTESIAN WATER COMPANY

CUMULATIVE DEPRECIATED ORIGINAL COST BY YEAR INSTALLED
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR INST (1)	ORIGINAL COST (2)	ACCRUED DEPRECIATION (3)	AMOUNT		DEPRECIATED ORIGINAL COST	PCT OF
			(2)	(3)	CUMULATIVE AMOUNT (5)	COL 4 TOTAL (6)
1960	3,626	3,448		178	12,667	0.0
1961	6,957	2,172		4,785	17,452	0.0
1962	8,249	7,748		501	17,953	0.0
1963	50,579	33,843		16,736	34,689	0.1
1964	3,064	1,400		1,664	36,353	0.1
1965	7,163	2,205		4,958	41,311	0.1
1966	49,996	14,646		35,350	76,661	0.2
1967	32,061	9,399		22,662	99,323	0.2
1968	6,174	2,919		3,255	102,578	0.2
1969	13,662	4,175		9,487	112,065	0.3
1970	57,857	16,516		41,341	153,406	0.4
1971	137,528	37,509		100,019	253,425	0.6
1972	305,349	81,803		223,546	476,971	1.1
1973	36,645	24,520		12,125	489,096	1.2
1974	145,223	39,043		106,180	595,276	1.4
1975	26,046	6,834		19,212	614,488	1.5
1976	344,588	92,319		252,269	866,757	2.1
1977	4,547	1,843		2,704	869,461	2.1
1978	310,832	79,704		231,128	1,100,589	2.6
1979	520,859	161,568		359,291	1,459,880	3.5
1980	2,113,337	938,730		1,174,607	2,634,487	6.3
1981	497,262	150,256		347,006	2,981,493	7.2
1982	460,041	274,911		185,130	3,166,623	7.6
1983	372,205	144,903		227,302	3,393,925	8.2
1984	207,508	55,419		152,089	3,546,014	8.5
1985	1,665,535	360,025		1,305,510	4,851,524	11.7
1986	670,837	158,575		512,262	5,363,786	12.9
1987	2,828,187	844,520		1,983,667	7,347,453	17.7
1988	2,613,205	752,856		1,860,349	9,207,802	22.2
1989	1,336,836	274,773		1,062,063	10,269,865	24.7
1990	1,471,189	291,945		1,179,244	11,449,109	27.6
1991	438,139	97,225		340,914	11,790,023	28.4
1992	265,816	61,930		203,886	11,993,909	28.9
1993	963,992	259,834		704,158	12,698,067	30.6
1994	584,467	213,260		371,207	13,069,274	31.5
1995	1,987,818	610,792		1,377,026	14,446,300	34.8
1996	589,976	130,618		459,358	14,905,658	35.9
1997	729,924	238,478		491,446	15,397,104	37.1
1998	1,213,234	233,807		979,427	16,376,531	39.4
1999	1,495,386	422,420		1,072,966	17,449,497	42.0
2000	1,475,975	310,933		1,165,042	18,614,539	44.8
2001	979,399	220,737		758,662	19,373,201	46.6
2002	904,185	336,895		567,290	19,940,491	48.0
2003	1,047,579	219,319		828,260	20,768,751	50.0
2004	936,333	182,135		754,198	21,522,949	51.8
2005	2,053,115	517,951		1,535,164	23,058,113	55.5

NEWTOWN ARTESIAN WATER COMPANY

CUMULATIVE DEPRECIATED ORIGINAL COST BY YEAR INSTALLED
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR INST (1)	ORIGINAL COST (2)	ACCRUED DEPRECIATION (3)	AMOUNT		DEPRECIATED ORIGINAL COST	PCT OF
			(2)	(3)	CUMULATIVE AMOUNT (5)	COL 4 TOTAL (6)
2006	1,151,564	207,971		943,593	24,001,706	57.8
2007	2,515,902	451,813		2,064,089	26,065,795	62.8
2008	981,434	187,550		793,884	26,859,679	64.7
2009	841,073	139,708		701,365	27,561,044	66.4
2010	281,434	69,638		211,796	27,772,840	66.9
2011	1,104,419	237,429		866,990	28,639,830	69.0
2012	468,879	209,629		259,250	28,899,080	69.6
2013	395,767	117,841		277,926	29,177,006	70.2
2014	422,814	119,911		302,903	29,479,909	71.0
2015	1,820,068	224,501		1,595,567	31,075,476	74.8
2016	1,255,562	276,582		978,980	32,054,456	77.2
2017	1,182,270	279,167		903,103	32,957,559	79.3
2018	681,069	158,555		522,514	33,480,073	80.6
2019	1,178,774	199,998		978,776	34,458,849	83.0
2020	974,643	78,354		896,289	35,355,138	85.1
2021	672,365	95,805		576,560	35,931,698	86.5
2022	1,424,947	95,472		1,329,475	37,261,173	89.7
2023	1,394,632	81,962		1,312,670	38,573,843	92.9
2024	2,273,151	27,761		2,245,390	40,819,233	98.3
2025	716,624	825		715,799	41,535,032	100.0
9999	24,983,770-	3,191,186-		21,792,584-	19,742,448	
SUBTOTAL	28,758,936	9,016,488		19,742,448		
NONDEPR.	1,274,322					
TOTAL	30,033,257	9,016,488		19,742,448		

UTILITY PLANT IN SERVICE

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 304.20 SOURCE OF SUPPLY AND PUMPING EQUIPMENT - STRUCTURES AND IMPROVEMENTS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 50-R4						
1888	1,716.75	1,717	1,717			
1896	996.12	996	996			
1963	907.93	847	633	275	3.36	82
1973	650.61	565	422	229	6.55	35
1976	106.00	89	66	40	7.93	5
1978	5.90	5	4	2	9.00	
1986	2,045.12	1,461	1,091	954	14.28	67
1987	302,846.95	211,932	158,302	144,545	15.01	9,630
1988	2,292.00	1,570	1,173	1,119	15.76	71
1990	3,045.41	1,992	1,488	1,557	17.30	90
1991	995.00	635	474	521	18.09	29
1993	53,790.93	32,587	24,341	29,450	19.71	1,494
1994	8,565.04	5,045	3,768	4,797	20.55	233
1995	499.71	286	214	286	21.40	13
1997	1,087.50	584	436	652	23.14	28
1998	1,188.30	617	461	727	24.02	30
1999	358,505.38	179,826	134,320	224,185	24.92	8,996
2000	14,746.84	7,129	5,325	9,422	25.83	365
2001	33,920.03	15,773	11,782	22,138	26.75	828
2002	11,117.07	4,963	3,707	7,410	27.68	268
2003	7,523.05	3,218	2,404	5,119	28.61	179
2004	23,806.26	9,732	7,269	16,537	29.56	559
2005	5,673.99	2,212	1,652	4,022	30.51	132
2007	1,685.00	592	442	1,243	32.43	38
2008	2,230.65	741	553	1,678	33.40	50
2009	6,881.36	2,151	1,607	5,274	34.37	153
2010	8,697.00	2,548	1,903	6,794	35.35	192
2011	2,612.68	714	533	2,080	36.33	57
2012	35,881.49	9,100	6,798	29,083	37.32	779
2013	9,991.25	2,338	1,746	8,245	38.30	215
2014	11,873.78	2,543	1,900	9,974	39.29	254
2015	8,781.00	1,707	1,275	7,506	40.28	186
2016	990.00	173	129	861	41.27	21
2017	19,745.66	3,053	2,281	17,465	42.27	413
2018	9,463.62	1,276	953	8,511	43.26	197
2019	5,350.00	614	459	4,891	44.26	111
2020	67,268.99	6,377	4,763	62,506	45.26	1,381
	1,027,484.37	517,708	387,387	640,097		27,181

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 23.5 2.65

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 304.30 WATER TREATMENT EQUIPMENT - STRUCTURES AND IMPROVEMENTS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 55-R4						
1980	1.82	1	2			
1994	2,725.00	1,474	2,397	328	25.25	13
1995	1,595.03	837	1,361	234	26.13	9
2024	10,327.37	210	342	9,985	53.88	185
2025	3,442.46	8	13	3,429	54.88	62
	18,091.68	2,530	4,115	13,977		269

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 52.0 1.49

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 304.50 GENERAL PLANT - STRUCTURES AND IMPROVEMENTS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 55-R2						
1949	3,156.12	2,731	3,156			
1958	43.66	35	44			
1959	2,352.99	1,895	2,353			
1960	3,386.94	2,705	3,387			
1962	1,319.12	1,035	1,319			
1964	538.58	415	539			
1966	301.88	228	302			
1973	42.22	29	42			
1974	1,227.32	841	1,227			
1976	2,798.25	1,862	2,798			
1977	276.15	181	276			
1979	43,524.69	27,634	43,525			
1980	500.00	312	500			
1982	213,520.65	128,695	213,521			
1983	759.92	450	760			
1984	2,885.01	1,674	2,837	48	23.08	2
1986	14,072.03	7,842	13,291	781	24.35	32
1987	444.76	243	412	33	24.99	1
1989	257.64	134	227	31	26.32	1
1990	2,495.28	1,271	2,154	341	26.99	13
1991	3,238.58	1,609	2,727	512	27.68	18
1992	8,133.00	3,938	6,674	1,459	28.37	51
1993	20,708.84	9,763	16,547	4,162	29.07	143
1994	125,486.62	57,542	97,528	27,959	29.78	939
1995	7,188.53	3,202	5,427	1,762	30.50	58
1996	33,748.32	14,585	24,720	9,028	31.23	289
1997	8,540.05	3,578	6,064	2,476	31.96	77
1998	10,700.16	4,336	7,349	3,351	32.71	102
1999	542.02	212	359	183	33.46	5
2000	83,682.86	31,632	53,613	30,070	34.21	879
2001	23,233.26	8,457	14,334	8,899	34.98	254
2002	333,519.77	116,732	197,849	135,671	35.75	3,795
2003	16,879.87	5,669	9,608	7,272	36.53	199
2004	10,522.81	3,385	5,737	4,786	37.31	128
2005	54,466.16	16,726	28,349	26,117	38.11	685
2006	3,224.58	943	1,598	1,627	38.91	42
2007	12,095.00	3,362	5,698	6,397	39.71	161
2008	9,828.00	2,586	4,383	5,445	40.53	134
2011	775.00	169	286	489	43.00	11
2012	7,495.01	1,521	2,578	4,917	43.84	112
2013	1,493.75	280	475	1,019	44.68	23
2014	27,761.89	4,780	8,102	19,660	45.53	432
2015	8,812.96	1,380	2,339	6,474	46.39	140
2016	10,785.00	1,520	2,576	8,209	47.25	174

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 304.50 GENERAL PLANT - STRUCTURES AND IMPROVEMENTS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 55-R2						
2017	40,188.51	5,034	8,532	31,657	48.11	658
2018	6,663.31	728	1,234	5,429	48.99	111
2019	14,030.00	1,311	2,222	11,808	49.86	237
2020	11,315.70	874	1,481	9,835	50.75	194
2021	31,743.44	1,945	3,297	28,446	51.63	551
2022	13,212.49	596	1,010	12,202	52.52	232
2023	12,888.54	450	763	12,126	53.08	228
2024	1,625.00	30	51	1,574	53.98	29
	1,248,432.24	489,087	816,180	432,252		11,140

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 38.8 0.89

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 307.20 WELLS AND SPRINGS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 40-R1.5						
1900	500.00	500	500			
1913	1,500.00	1,500	1,500			
1968	20.00	17	20			
1980	131,053.07	95,767	118,521	12,532	10.77	1,164
1981	40,571.99	29,222	36,165	4,407	11.19	394
1983	39,408.57	27,527	34,068	5,341	12.06	443
1987	1,820.00	1,185	1,467	353	13.95	25
1989	4,947.67	3,096	3,832	1,116	14.97	75
1993	221.34	126	156	65	17.17	4
1994	402.33	224	277	125	17.76	7
1996	13,294.31	6,996	8,658	4,636	18.95	245
1997	877.82	448	554	324	19.57	17
1998	3,450.24	1,708	2,114	1,336	20.20	66
1999	5,315.10	2,547	3,152	2,163	20.83	104
2000	12,336.58	5,712	7,069	5,268	21.48	245
2001	46,242.26	20,647	25,553	20,689	22.14	934
2002	12,115.83	5,207	6,444	5,672	22.81	249
2003	4,439.28	1,832	2,267	2,172	23.49	92
2004	9,108.23	3,605	4,462	4,646	24.17	192
2005	93,942.73	35,534	43,977	49,966	24.87	2,009
2006	20,334.85	7,336	9,079	11,256	25.57	440
2008	2,548.30	828	1,025	1,523	27.00	56
2009	6,725.78	2,063	2,553	4,173	27.73	150
2011	4,470.47	1,207	1,494	2,976	29.20	102
2016	10,551.25	1,846	2,284	8,267	33.00	251
2017	27,697.33	4,307	5,330	22,367	33.78	662
2022	1,629.22	92	114	1,515	37.75	40
2023	2,399.21	104	129	2,270	38.26	59
	497,923.76	261,183	322,764	175,160		8,025

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 21.8 1.61

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 310.20 POWER AND PUMPING STRUCTURES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 35-R2						
1961	66.85	66	33	34	0.33	34
1980	4,730.00	3,946	1,957	2,773	5.80	478
1983	1,126.14	906	449	677	6.85	99
1993	6,324.33	4,279	2,122	4,202	11.32	371
1994	550.00	364	181	369	11.86	31
1999	56,212.96	32,443	16,090	40,123	14.80	2,711
2000	29,612.50	16,558	8,212	21,400	15.43	1,387
2001	6,500.00	3,514	1,743	4,757	16.08	296
2002	500.00	261	129	371	16.75	22
2005	14,726.75	6,808	3,376	11,351	18.82	603
2008	93,185.84	37,221	18,459	74,727	21.02	3,555
2009	13,352.76	5,047	2,503	10,850	21.77	498
2018	13,440.00	2,285	1,133	12,307	29.05	424
2019	2,329.88	339	168	2,162	29.91	72
2023	107,823.71	5,884	2,918	104,906	33.09	3,170
	350,481.72	119,921	59,473	291,009		13,751

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 21.2 3.92

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 311.20 PUMPING EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 50-R1.5						
1958	2,596.27	2,099	2,518	78	9.57	8
1962	6,798.09	5,316	6,377	421	10.90	39
1963	2,932.15	2,272	2,725	207	11.25	18
1973	25,090.78	17,428	20,906	4,185	15.27	274
1980	225,854.35	141,475	169,709	56,145	18.68	3,006
1981	8,082.64	4,977	5,970	2,113	19.21	110
1982	1,465.20	886	1,063	402	19.75	20
1983	42,966.89	25,522	30,615	12,352	20.30	608
1984	6,453.19	3,761	4,512	1,941	20.86	93
1987	356,200.65	195,198	234,153	122,048	22.60	5,400
1988	16,698.00	8,950	10,736	5,962	23.20	257
1989	12,241.51	6,412	7,692	4,550	23.81	191
1990	4,075.70	2,085	2,501	1,575	24.42	64
1991	5,341.00	2,665	3,197	2,144	25.05	86
1992	760.50	370	444	316	25.68	12
1993	91,626.74	43,394	52,054	39,573	26.32	1,504
1994	25,475.06	11,729	14,070	11,405	26.98	423
1995	2,367.29	1,059	1,270	1,097	27.63	40
1996	850.43	369	443	407	28.30	14
1997	265,986.90	111,874	134,200	131,787	28.97	4,549
1998	45,991.00	18,709	22,443	23,548	29.66	794
1999	99,595.73	39,161	46,976	52,620	30.34	1,734
2000	73,846.65	28,003	33,591	40,256	31.04	1,297
2001	30,594.65	11,173	13,403	17,192	31.74	542
2002	37,875.84	13,294	15,947	21,929	32.45	676
2003	32,902.80	11,075	13,285	19,618	33.17	591
2004	52,845.92	17,027	20,425	32,421	33.89	957
2005	104,293.30	32,081	38,483	65,810	34.62	1,901
2006	14,891.16	4,363	5,234	9,657	35.35	273
2007	116,946.09	32,534	39,027	77,919	36.09	2,159
2008	64,259.33	16,926	20,304	43,955	36.83	1,193
2009	25,402.62	6,310	7,569	17,834	37.58	475
2010	32,004.35	7,470	8,961	23,043	38.33	601
2011	4,591.00	1,002	1,202	3,389	39.09	87
2012	125,835.77	25,545	30,643	95,193	39.85	2,389
2013	85,131.36	15,971	19,158	65,973	40.62	1,624
2014	129,358.67	22,250	26,690	102,669	41.40	2,480
2015	39,077.26	6,119	7,340	31,737	42.17	753
2016	81,054.45	11,412	13,689	67,365	42.96	1,568
2017	59,166.80	7,408	8,886	50,281	43.74	1,150
2018	43,241.06	4,731	5,675	37,566	44.53	844
2019	22,482.70	2,100	2,519	19,964	45.33	440

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 311.20 PUMPING EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 50-R1.5						
2020	47,744.95	3,695	4,433	43,312	46.13	939
2023	184,732.79	6,429	7,712	177,021	48.26	3,668
2024	4,367.40	81	97	4,270	49.07	87
	2,662,096.99	932,710	1,118,847	1,543,250		45,938
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..						33.6 1.73

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 320.30 WATER TREATMENT EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 25-S0						
1963	48.25	48	48			
1974	132.30	132	132			
1987	4,308.20	3,512	4,308			
1991	157.37	118	157			
1992	625.40	460	625			
1994	5,362.58	3,762	5,363			
1995	15,845.71	10,851	15,846			
1996	1,944.64	1,299	1,945			
1997	2,319.50	1,510	2,311	8	8.73	1
1999	12,880.00	7,929	12,134	746	9.61	78
2000	509.00	304	465	44	10.05	4
2001	15,466.87	8,971	13,729	1,738	10.50	166
2002	7,936.64	4,457	6,821	1,116	10.96	102
2004	4,214.77	2,209	3,381	834	11.90	70
2005	107,554.33	54,293	83,089	24,465	12.38	1,976
2006	2,907.78	1,411	2,159	749	12.87	58
2007	56,271.55	26,200	40,096	16,176	13.36	1,211
2008	4,646.08	2,068	3,165	1,481	13.87	107
2009	11,476.53	4,875	7,461	4,016	14.38	279
2010	9,996.51	4,035	6,175	3,822	14.91	256
2011	2,992.00	1,143	1,749	1,243	15.45	80
2012	114,984.54	41,394	63,349	51,636	16.00	3,227
2013	9,434.22	3,181	4,868	4,566	16.57	276
2015	805.55	234	358	448	17.74	25
2016	42,572.87	11,307	17,304	25,269	18.36	1,376
2017	1,546.18	372	569	977	18.99	51
2018	1,394.55	298	456	939	19.65	48
2019	5,057.00	945	1,446	3,611	20.33	178
2022	14,692.84	1,428	2,186	12,507	22.57	554
2023	8,389.94	641	981	7,409	23.09	321
	466,473.70	199,387	302,676	163,798		10,444

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 15.7 2.24

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 320.31 WATER TREATMENT EQUIPMENT - PFAS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 15-L3						
2024	1,114,672.63	83,968		1,114,673	13.87	80,366
2025	371,557.54	3,221		371,558	14.87	24,987
	1,486,230.17	87,189		1,486,230		105,353
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..						14.1 7.09

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 330.40 DISTRIBUTION RESEVOIR AND STANDPIPES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 60-R3						
1963	40,979.96	33,255	28,796	12,184	11.31	1,077
1980	708,152.56	460,065	398,373	309,780	21.02	14,737
1981	1,650.05	1,053	912	738	21.72	34
1983	38,784.68	23,827	20,632	18,153	23.14	784
1988	745,993.23	411,915	356,680	389,313	26.87	14,489
1989	166.00	90	78	88	27.64	3
1993	72,711.57	35,338	30,599	42,113	30.84	1,366
1994	13,193.82	6,232	5,396	7,798	31.66	246
1995	1,044,994.14	479,307	415,035	629,959	32.48	19,395
1996	4,650.74	2,068	1,791	2,860	33.32	86
1997	19,326.00	8,323	7,207	12,119	34.16	355
1999	15,320.32	6,161	5,335	9,985	35.87	278
2001	1,152.50	430	372	780	37.62	21
2003	141,040.94	48,448	41,951	99,090	39.39	2,516
2004	15,550.61	5,111	4,426	11,125	40.28	276
2005	211,930.10	66,476	57,562	154,368	41.18	3,749
2006	810.70	242	210	601	42.09	14
2007	595,884.88	168,737	146,110	449,775	43.01	10,457
2011	932,977.19	206,496	178,806	754,171	46.72	16,142
2023	253.60	9	8	246	57.91	4
	4,605,523.59	1,963,583	1,700,279	2,905,245		86,029

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 33.8 1.87

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 331.40 TRANSMISSION AND DISTRIBUTION MAINS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 70-L4						
1891	34.72	33	13	22	2.96	7
1894	67.15	64	24	43	3.33	13
1895	9.91	9	3	7	3.45	2
1898	8.07	8	8			
1900	26.47	25	10	16	4.12	4
1909	89.90	83	32	58	5.42	11
1910	330.64	304	116	215	5.58	39
1911	143.66	132	50	94	5.73	16
1913	38.31	35	13	25	6.05	4
1915	142.87	130	50	93	6.38	15
1919	116.92	105	40	77	7.08	11
1920	0.15					
1923	93.99	84	32	62	7.81	8
1925	98.23	87	33	65	8.20	8
1930	225.86	196	75	151	9.23	16
1931	72.94	63	24	49	9.44	5
1935	14.41	12	5	9	10.32	1
1936	75.60	64	24	52	10.54	5
1938	66.65	56	21	46	10.98	4
1939	34.26	29	11	23	11.20	2
1940	160.97	135	51	110	11.41	10
1941	27.97	23	9	19	11.62	2
1946	2,346.42	1,927	735	1,611	12.52	129
1949	266.64	217	83	184	12.96	14
1950	609.96	496	189	421	13.09	32
1951	2,215.80	1,797	685	1,531	13.23	116
1952	865.85	700	267	599	13.37	45
1953	706.47	570	217	489	13.51	36
1954	1,058.92	852	325	734	13.66	54
1960	59.27	47	18	41	14.94	3
1961	6,060.12	4,741	1,808	4,252	15.24	279
1963	4,690.35	3,622	1,381	3,309	15.95	207
1965	3,504.74	2,663	1,016	2,489	16.81	148
1966	48,877.03	36,804	14,037	34,840	17.29	2,015
1967	28,778.06	21,452	8,181	20,597	17.82	1,156
1969	8,692.65	6,337	2,417	6,276	18.97	331
1970	47,216.56	34,003	12,968	34,249	19.59	1,748
1971	134,099.36	95,326	36,356	97,743	20.24	4,829
1972	285,629.09	200,266	76,379	209,250	20.92	10,002
1973	5,253.99	3,631	1,385	3,869	21.62	179
1974	133,977.22	91,220	34,790	99,187	22.34	4,440
1975	23,675.82	15,870	6,053	17,623	23.08	764
1976	274,748.32	181,177	69,098	205,650	23.84	8,626
1978	205,103.74	130,711	49,851	155,253	25.39	6,115

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 331.40 TRANSMISSION AND DISTRIBUTION MAINS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 70-L4						
1979	372,045.08	232,900	88,825	283,220	26.18	10,818
1980	929,481.64	571,101	217,810	711,672	26.99	26,368
1981	365,720.85	220,424	84,067	281,654	27.81	10,128
1982	184,189.12	108,830	41,506	142,683	28.64	4,982
1983	198,584.91	114,953	43,841	154,744	29.48	5,249
1984	130,513.44	73,963	28,208	102,305	30.33	3,373
1985	1,433,726.84	794,700	303,088	1,130,639	31.20	36,238
1986	446,422.09	241,898	92,257	354,165	32.07	11,043
1987	1,825,129.84	965,749	368,323	1,456,807	32.96	44,199
1988	1,303,255.80	673,040	256,688	1,046,568	33.85	30,918
1989	1,115,237.57	561,444	214,127	901,111	34.76	25,924
1990	1,095,480.44	537,256	204,902	890,578	35.67	24,967
1991	261,205.49	124,632	47,533	213,672	36.60	5,838
1992	150,537.70	69,828	26,631	123,907	37.53	3,302
1993	548,162.09	246,909	94,168	453,994	38.47	11,801
1994	296,766.09	129,601	49,428	247,338	39.43	6,273
1995	778,802.16	329,542	125,683	653,119	40.38	16,174
1996	436,288.63	178,569	68,104	368,185	41.35	8,904
1997	330,432.17	130,663	49,833	280,599	42.32	6,630
1998	885,881.72	337,902	128,871	757,011	43.30	17,483
1999	747,476.17	274,541	104,706	642,770	44.29	14,513
2000	1,014,425.61	358,386	136,683	877,743	45.27	19,389
2001	610,239.90	206,957	78,931	531,309	46.26	11,485
2002	385,004.72	125,073	47,701	337,304	47.26	7,137
2003	666,510.90	207,092	78,982	587,529	48.25	12,177
2004	546,270.55	161,931	61,758	484,513	49.25	9,838
2005	1,127,120.27	318,006	121,283	1,005,837	50.25	20,017
2006	681,046.71	182,425	69,574	611,473	51.25	11,931
2007	1,073,363.11	272,173	103,803	969,560	52.25	18,556
2008	546,100.90	130,676	49,838	496,263	53.25	9,319
2009	479,008.09	107,777	41,105	437,903	54.25	8,072
2010	149,590.56	31,520	12,021	137,570	55.25	2,490
2011	51,928.54	10,200	3,890	48,039	56.25	854
2012	10,750.66	1,958	747	10,004	57.25	175
2013	74,872.82	12,568	4,793	70,080	58.25	1,203
2014	18,815.32	2,889	1,102	17,713	59.25	299
2015	1,133,577.01	157,896	60,219	1,073,358	60.25	17,815
2016	552,621.62	69,078	26,346	526,276	61.25	8,592
2017	372,335.35	41,221	15,721	356,614	62.25	5,729
2018	204,783.40	19,747	7,531	197,252	63.25	3,119
2019	476,886.64	39,171	14,939	461,948	64.25	7,190
2020	514,734.84	34,930	13,322	501,413	65.25	7,684
2021	167,205.69	8,957	3,416	163,790	66.25	2,472
2022	609,927.37	23,964	9,140	600,787	67.25	8,934

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 331.40 TRANSMISSION AND DISTRIBUTION MAINS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 70-L4						
2023	380,355.92	11,521	4,394	375,962	67.88	5,539
2024	775,235.76	12,404	4,731	770,505	68.88	11,186
2025	251,975.00	431	164	251,811	69.88	3,603
	27,930,343.13	10,303,502	3,929,616	24,000,727		581,381
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..						41.3 2.08

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 333.40 SERVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 70-R4						
1918	180.69	180	89	92	0.17	92
1929	19.69	19	9	11	2.35	5
1930	75.66	73	36	40	2.58	16
1931	74.56	72	36	39	2.83	14
1932	103.18	99	49	54	3.07	18
1933	147.57	141	70	78	3.32	23
1934	22.63	21	10	13	3.57	4
1935	147.42	139	69	78	3.83	20
1936	47.66	45	22	26	4.09	6
1937	169.95	159	79	91	4.35	21
1938	144.94	135	67	78	4.62	17
1939	200.92	187	93	108	4.89	22
1940	170.70	158	78	93	5.16	18
1941	128.98	119	59	70	5.44	13
1942	99.94	92	46	54	5.72	9
1945	66.71	60	30	37	6.60	6
1946	37.80	34	17	21	6.91	3
1947	77.55	70	35	43	7.23	6
1948	878.58	784	388	491	7.56	65
1949	967.96	859	425	543	7.91	69
1950	540.69	477	236	305	8.27	37
1951	50.94	45	22	29	8.65	3
1952	703.87	613	303	401	9.05	44
1953	1,169.76	1,012	501	669	9.46	71
1954	1,504.20	1,291	639	865	9.90	87
1955	230.33	196	97	133	10.36	13
1956	361.81	306	151	211	10.84	19
1957	1.95	2	2			
1958	901.49	748	370	531	11.88	45
1959	348.94	287	142	207	12.43	17
1961	829.99	669	331	499	13.60	37
1962	131.44	105	52	79	14.22	6
1963	114.43	90	45	69	14.85	5
1964	1,784.04	1,389	687	1,097	15.50	71
1965	2,283.30	1,756	869	1,414	16.17	87
1966	817.28	621	307	510	16.84	30
1967	3,282.92	2,461	1,218	2,065	17.53	118
1968	2,970.81	2,198	1,088	1,883	18.22	103
1969	4,709.38	3,436	1,700	3,009	18.92	159
1970	8,872.63	6,383	3,158	5,715	19.64	291
1971	3,051.64	2,164	1,071	1,981	20.36	97
1972	9,069.15	6,337	3,136	5,933	21.09	281
1973	4,486.28	3,087	1,527	2,959	21.84	135
1974	4,805.34	3,255	1,611	3,194	22.59	141

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 333.40 SERVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 70-R4						
1975	2,370.37	1,579	781	1,589	23.36	68
1976	53,364.15	34,961	17,299	36,065	24.14	1,494
1977	3,409.76	2,196	1,087	2,323	24.92	93
1978	77,987.10	49,332	24,410	53,577	25.72	2,083
1979	76,312.88	47,390	23,449	52,864	26.53	1,993
1980	69,868.49	42,570	21,064	48,804	27.35	1,784
1981	52,836.58	31,566	15,619	37,218	28.18	1,321
1982	35,573.00	20,826	10,305	25,268	29.02	871
1983	37,708.71	21,618	10,697	27,012	29.87	904
1984	63,049.62	35,371	17,502	45,548	30.73	1,482
1985	162,318.07	89,043	44,059	118,259	31.60	3,742
1986	141,239.57	75,704	37,459	103,781	32.48	3,195
1987	233,232.12	122,081	60,406	172,826	33.36	5,181
1988	382,765.48	195,429	96,699	286,066	34.26	8,350
1989	133,316.08	66,353	32,832	100,484	35.16	2,858
1990	232,877.67	112,878	55,852	177,026	36.07	4,908
1991	146,908.81	69,278	34,279	112,630	36.99	3,045
1992	78,100.95	35,804	17,716	60,385	37.91	1,593
1993	89,188.39	39,701	19,644	69,544	38.84	1,791
1994	61,814.13	26,686	13,204	48,610	39.78	1,222
1995	69,730.28	29,167	14,432	55,298	40.72	1,358
1996	71,570.44	28,976	14,337	57,233	41.66	1,374
1997	39,018.91	15,262	7,552	31,467	42.62	738
1998	141,938.79	53,592	26,518	115,421	43.57	2,649
1999	62,632.83	22,790	11,277	51,356	44.53	1,153
2000	107,296.21	37,554	18,582	88,714	45.50	1,950
2001	63,006.14	21,179	10,479	52,527	46.47	1,130
2002	36,330.69	11,709	5,794	30,537	47.44	644
2003	78,627.26	24,251	11,999	66,628	48.41	1,376
2004	132,309.32	38,956	19,276	113,033	49.39	2,289
2005	70,037.94	19,641	9,718	60,320	50.37	1,198
2006	279,982.54	74,557	36,891	243,092	51.36	4,733
2007	399,379.71	100,760	49,856	349,524	52.34	6,678
2008	96,882.57	23,072	11,416	85,467	53.33	1,603
2009	140,029.41	31,367	15,521	124,508	54.32	2,292
2010	4,604.10	967	478	4,126	55.30	75
2011	6,466.29	1,266	626	5,840	56.30	104
2012	6,737.58	1,223	605	6,133	57.29	107
2013	66,525.85	11,138	5,511	61,015	58.28	1,047
2014	31,877.34	4,882	2,416	29,461	59.28	497
2015	242,602.18	33,722	16,686	225,916	60.27	3,748
2016	108,597.63	13,543	6,701	101,897	61.27	1,663
2017	171,086.73	18,917	9,360	161,727	62.26	2,598
2018	34,103.58	3,284	1,625	32,479	63.26	513

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 333.40 SERVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 70-R4						
2019	128,676.56	10,551	5,221	123,456	64.26	1,921
2020	97,319.15	6,589	3,260	94,059	65.26	1,441
2021	43,222.59	2,315	1,146	42,077	66.25	635
2022	241,264.21	9,479	4,690	236,574	67.25	3,518
2023	225,663.14	6,835	3,383	222,280	67.88	3,275
2024	66,749.49	1,068	528	66,221	68.88	961
2025	13,749.95	24	12	13,738	69.88	197
	5,469,047.04	1,821,376	901,229	4,567,818		103,787
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..						44.0 1.90

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 334.40 METERS AND METER INSTALLATIONS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 27-L3						
1979	226.03	194	226			
1980	2,402.70	2,044	2,403			
1981	2,177.17	1,833	2,177			
1982	4,770.41	3,974	4,770			
1983	1,393.94	1,148	1,394			
1984	1,881.87	1,533	1,882			
1985	808.95	651	809			
1986	663.11	528	663			
1987	36.55	29	37			
1988	1,785.38	1,386	1,785			
1989	4,898.74	3,756	4,899			
1990	4,202.11	3,183	4,202			
1991	5,492.49	4,109	5,492			
1992	6,292.58	4,654	6,293			
1993	6,328.65	4,629	6,329			
1994	17,830.24	12,910	17,830			
1995	24,630.72	17,661	24,631			
1996	5,447.67	3,872	5,448			
1997	23,630.05	16,646	23,630			
1998	30,225.89	21,102	30,226			
1999	30,046.82	20,788	30,047			
2000	20,327.01	13,913	20,327			
2001	26,563.45	17,965	26,563			
2002	41,748.04	27,832	41,748			
2003	31,672.60	20,752	31,673			
2004	34,637.06	22,232	34,637			
2005	48,782.25	30,534	48,782			
2006	59,857.00	36,380	59,857			
2007	36,909.53	21,667	36,910			
2008	33,587.65	18,933	33,287	301	11.78	26
2009	29,882.55	16,081	28,273	1,610	12.47	129
2010	34,722.39	17,734	31,179	3,543	13.21	268
2011	28,633.43	13,786	24,238	4,395	14.00	314
2012	91,296.69	41,151	72,349	18,948	14.83	1,278
2013	73,371.63	30,735	54,037	19,335	15.69	1,232
2014	72,908.62	28,165	49,518	23,391	16.57	1,412
2015	193,465.68	68,214	119,930	73,536	17.48	4,207
2016	305,232.57	97,223	170,932	134,301	18.40	7,299
2017	350,551.48	99,451	174,849	175,702	19.34	9,085
2018	227,233.26	56,388	99,138	128,095	20.30	6,310
2019	410,828.09	87,186	153,285	257,543	21.27	12,108
2020	156,246.60	27,431	48,228	108,019	22.26	4,853
2021	192,706.56	26,765	47,057	145,650	23.25	6,265
2022	278,986.25	28,415	49,957	229,029	24.25	9,444

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 334.40 METERS AND METER INSTALLATIONS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 27-L3						
2023	267,626.59	21,113	37,119	230,508	24.87	9,269
2024	223,581.34	9,357	16,451	207,130	25.87	8,007
2025	55,250.00	266	468	54,782	26.87	2,039
	3,501,780.39	1,006,299	1,685,965	1,815,815		83,545
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..						21.7 2.39

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 335.40 HYDRANTS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 60-R4						
1909	41.12	41	41			
1930	13.96	14	14			
1931	23.34	23	23			
1932	93.62	94	94			
1935	23.60	23	6	18	0.38	18
1938	23.77	23	6	18	0.98	18
1939	4.77	5	5			
1951	6.56	6	2	5	4.12	1
1958	208.67	187	51	158	6.16	26
1960	179.67	159	43	137	6.84	20
1963	906.42	785	215	691	8.01	86
1964	741.63	637	174	568	8.44	67
1965	1,374.61	1,171	320	1,055	8.90	119
1968	285.61	236	65	221	10.44	21
1969	259.75	212	58	202	11.00	18
1970	1,767.64	1,426	390	1,378	11.60	119
1971	377.35	301	82	295	12.21	24
1972	10,650.27	8,369	2,288	8,362	12.85	651
1973	1,121.12	869	238	883	13.50	65
1974	4,472.83	3,416	934	3,539	14.17	250
1976	12,717.44	9,424	2,577	10,140	15.54	653
1978	27,735.04	19,895	5,439	22,296	16.96	1,315
1979	28,750.73	20,274	5,543	23,208	17.69	1,312
1980	39,662.30	27,486	7,515	32,147	18.42	1,745
1981	24,860.97	16,914	4,624	20,237	19.18	1,055
1982	20,522.99	13,703	3,746	16,777	19.94	841
1983	10,297.65	6,742	1,843	8,455	20.72	408
1984	2,724.99	1,748	478	2,247	21.51	104
1985	67,844.56	42,618	11,652	56,193	22.31	2,519
1986	58,121.37	35,725	9,768	48,353	23.12	2,091
1987	104,168.07	62,587	17,112	87,056	23.95	3,635
1988	149,582.61	87,780	24,000	125,583	24.79	5,066
1989	63,178.54	36,180	9,892	53,287	25.64	2,078
1990	125,738.16	70,203	19,194	106,544	26.50	4,021
1991	10,809.48	5,879	1,607	9,202	27.37	336
1992	19,773.30	10,463	2,861	16,912	28.25	599
1993	62,969.33	32,387	8,855	54,114	29.14	1,857
1994	25,456.45	12,711	3,475	21,981	30.04	732
1995	37,224.40	18,023	4,928	32,296	30.95	1,043
1996	18,484.94	8,666	2,369	16,116	31.87	506
1997	31,167.20	14,134	3,864	27,303	32.79	833
1998	75,034.99	32,853	8,982	66,053	33.73	1,958
1999	46,228.09	19,524	5,338	40,890	34.66	1,180
2000	96,648.19	39,287	10,741	85,907	35.61	2,412

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 335.40 HYDRANTS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 60-R4						
2001	79,629.49	31,109	8,505	71,124	36.56	1,945
2002	21,761.12	8,153	2,229	19,532	37.52	521
2003	37,939.41	13,608	3,721	34,218	38.48	889
2004	81,202.84	27,812	7,604	73,599	39.45	1,866
2005	113,616.14	37,076	10,137	103,479	40.42	2,560
2006	61,994.24	19,229	5,257	56,737	41.39	1,371
2007	165,283.26	48,565	13,278	152,005	42.37	3,588
2008	63,535.78	17,631	4,821	58,715	43.35	1,354
2009	70,399.11	18,374	5,024	65,375	44.34	1,474
2010	28,540.51	6,983	1,909	26,632	45.32	588
2011	27,096.38	6,183	1,690	25,406	46.31	549
2012	15,691.98	3,322	908	14,784	47.30	313
2013	20,532.76	4,007	1,096	19,437	48.29	403
2014	14,170.95	2,532	692	13,479	49.28	274
2015	155,701.67	25,224	6,897	148,805	50.28	2,960
2016	34,258.16	4,985	1,363	32,895	51.27	642
2017	10,878.14	1,401	383	10,495	52.27	201
2018	28,718.36	3,226	882	27,836	53.26	523
2019	46,285.27	4,428	1,211	45,074	54.26	831
2020	70,756.96	5,590	1,528	69,229	55.26	1,253
2021	28,306.80	1,769	484	27,823	56.25	495
2022	114,847.86	5,263	1,439	113,409	57.25	1,981
2023	74,138.32	2,619	716	73,422	57.88	1,269
2024	23,005.78	430	117	22,889	58.88	389
2025	6,899.32	14	4	6,895	59.88	115
	2,577,468.71	962,736	263,347	2,314,122		68,156

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 34.0 2.64

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 339.40 OTHER PLANT AND MISCELLANEOUS EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 45-R3						
1968	2,897.52	2,585	1,746	1,152	4.86	237
1974	608.23	517	349	259	6.72	39
1976	854.00	712	481	373	7.46	50
1977	860.70	710	480	381	7.87	48
1980	1,630.37	1,297	876	754	9.20	82
1981	1,361.63	1,069	722	640	9.68	66
1983	1,173.80	894	604	570	10.72	53
1985	836.49	617	417	419	11.83	35
1986	8,273.90	5,990	4,046	4,228	12.42	340
1988	10,832.73	7,544	5,095	5,738	13.66	420
1989	2,592.00	1,768	1,194	1,398	14.30	98
1990	2,953.24	1,971	1,331	1,622	14.96	108
1991	3,990.73	2,604	1,759	2,232	15.64	143
1992	1,592.50	1,015	686	906	16.33	55
1993	11,959.64	7,431	5,019	6,941	17.04	407
1994	839.80	508	343	497	17.76	28
1995	4,939.68	2,909	1,965	2,975	18.50	161
1996	1,456.05	833	563	893	19.25	46
1997	7,538.18	4,186	2,827	4,711	20.01	235
1998	18,822.96	10,131	6,843	11,980	20.78	577
1999	11,645.93	6,064	4,096	7,550	21.57	350
2000	9,418.25	4,736	3,199	6,219	22.37	278
2001	40,886.43	19,825	13,390	27,496	23.18	1,186
2002	11,315.89	5,281	3,567	7,749	24.00	323
2003	8,567.68	3,840	2,594	5,974	24.83	241
2004	16,904.22	7,257	4,901	12,003	25.68	467
2005	28,033.36	11,506	7,771	20,262	26.53	764
2006	6,927.84	2,711	1,831	5,097	27.39	186
2007	54,289.33	20,184	13,632	40,657	28.27	1,438
2008	14,367.40	5,060	3,418	10,949	29.15	376
2009	25,802.67	8,578	5,794	20,009	30.04	666
2010	3,613.68	1,129	763	2,851	30.94	92
2011	7,798.11	2,279	1,539	6,259	31.85	197
2012	11,738.99	3,190	2,155	9,584	32.77	292
2013	19,105.30	4,798	3,241	15,864	33.70	471
2014	79,831.95	18,396	12,424	67,408	34.63	1,947
2015	22,635.71	4,744	3,204	19,432	35.57	546
2016	53,983.14	10,173	6,871	47,112	36.52	1,290
2017	24,357.93	4,076	2,753	21,605	37.47	577
2018	27,034.62	3,947	2,666	24,369	38.43	634
2019	26,347.97	3,285	2,218	24,130	39.39	613

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 339.40 OTHER PLANT AND MISCELLANEOUS EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 45-R3						
2020	4,230.78	437	295	3,936	40.35	98
2021	15,425.23	1,258	850	14,575	41.33	353
2022	28,894.70	1,734	1,171	27,724	42.30	655
	639,171.26	209,779	141,689	497,482		17,268
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..						28.8 2.70

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 340.50 OFFICE FURNITURE AND EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. 20-SQUARE						
2005	16,319.59	16,116	14,099	2,221	0.25	2,221
2006	7,286.47	6,831	5,976	1,310	1.25	1,048
2007	2,879.05	2,555	2,235	644	2.25	286
2008	46,647.08	39,067	34,178	12,469	3.25	3,837
2009	20,082.53	15,815	13,836	6,247	4.25	1,470
2010	8,716.19	6,428	5,624	3,092	5.25	589
2011	26,603.43	18,290	16,001	10,602	6.25	1,696
2012	14,436.97	9,204	8,052	6,385	7.25	881
2013	5,014.27	2,946	2,577	2,437	8.25	295
2014	32,361.46	17,394	15,217	17,144	9.25	1,853
2015	11,978.32	5,839	5,108	6,870	10.25	670
2016	8,818.33	3,858	3,375	5,443	11.25	484
2017	17,142.29	6,643	5,812	11,330	12.25	925
2018	22,775.32	7,687	6,725	16,050	13.25	1,211
2019	12,280.55	3,531	3,089	9,192	14.25	645
2020	5,024.85	1,193	1,044	3,981	15.25	261
2021	99,204.07	18,601	16,273	82,931	16.25	5,103
2022	26,632.94	3,662	3,204	23,429	17.25	1,358
2023	15,031.72	1,593	1,394	13,638	17.88	763
2024	2,405.15	135	118	2,287	18.88	121
	401,640.58	187,388	163,937	237,704		25,717

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 9.2 6.40

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 341.50 TRANSPORTATION EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 11-L2						
1990	320.93	321	321			
1996	2,239.71	2,144	2,240			
1999	48,984.16	44,576	48,590	394	0.99	394
2001	250.52	220	240	11	1.36	8
2003	434.05	365	398	36	1.76	20
2004	1,469.42	1,208	1,317	152	1.96	78
2005	37,837.35	30,373	33,108	4,729	2.17	2,179
2006	336.43	263	287	49	2.39	21
2011	6,640.77	4,461	4,863	1,778	3.61	493
2012	15,648.08	10,157	11,072	4,576	3.86	1,185
2013	28,379.55	17,802	19,405	8,975	4.10	2,189
2016	32,433.56	18,104	19,734	12,700	4.86	2,613
2017	62,628.83	33,079	36,057	26,572	5.19	5,120
2018	50,206.88	24,693	26,917	23,290	5.59	4,166
2019	26,229.17	11,660	12,710	13,519	6.11	2,213
2021	47,610.94	14,976	16,324	31,287	7.54	4,149
2022	82,162.47	19,569	21,331	60,831	8.38	7,259
2023	106,387.43	19,923	21,717	84,670	8.94	9,471
2024	46,700.36	4,713	5,137	41,563	9.89	4,203
2025	13,749.76	150	164	13,586	10.88	1,249
	610,650.37	258,757	281,932	328,718		47,010

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 7.0 7.70

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 343.50 TOOLS, SHOP AND GARAGE EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. 25-SQUARE						
2000	13,125.58	12,994	13,126			
2001	1,713.29	1,628	1,713			
2002	4,959.49	4,513	4,959			
2003	21,040.75	18,305	20,437	604	3.25	186
2004	7,491.22	6,218	6,942	549	4.25	129
2005	18,780.77	14,837	16,565	2,216	5.25	422
2006	11,964.08	8,973	10,018	1,946	6.25	311
2007	915.29	650	726	189	7.25	26
2008	3,614.08	2,421	2,703	911	8.25	110
2009	12,029.96	7,579	8,462	3,568	9.25	386
2010	948.43	560	625	323	10.25	32
2011	833.76	459	512	322	11.25	29
2012	17,598.38	8,975	10,021	7,577	12.25	619
2013	1,269.76	597	667	603	13.25	46
2014	3,853.87	1,657	1,850	2,004	14.25	141
2015	2,630.63	1,026	1,145	1,486	15.25	97
2016	12,912.87	4,520	5,047	7,866	16.25	484
2017	24,945.23	7,733	8,634	16,311	17.25	946
2018	12,010.99	3,243	3,620	8,391	18.25	460
2019	1,989.81	458	511	1,479	19.25	77
2021	21,389.52	3,208	3,582	17,808	21.25	838
2023	3,041.30	258	288	2,753	22.88	120
2024	1,125.14	50	56	1,069	23.88	45
	200,184.20	110,862	122,209	77,975		5,504

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 14.2 2.75

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 346.50 COMMUNICATION EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2025

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. 15-SQUARE						
2012	783.34	666	352	431	2.25	192
2013	644.50	505	267	378	3.25	116
2016	750.92	438	231	520	6.25	83
2021	25,550.52	6,388	3,376	22,175	11.25	1,971
2022	12,696.47	2,328	1,230	11,466	12.25	936
2023	5,900.29	834	440	5,460	12.88	424
2024	3,355.84	251	133	3,223	13.88	232
	49,681.88	11,410	6,029	43,653		3,954

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 11.0 7.96

Exhibit JJS-3



2026 DEPRECIATION STUDY

CALCULATED ANNUAL DEPRECIATION ACCRUALS
RELATED TO WATER PLANT
AS OF MARCH 31, 2026

Prepared by:



GANNETT FLEMING

Excellence Delivered As Promised

NEWTOWN ARTESIAN WATER COMPANY

Newtown, Pennsylvania

2026 DEPRECIATION STUDY

CALCULATED ANNUAL DEPRECIATION ACCRUALS
RELATED TO WATER PLANT
AS OF MARCH 31, 2026

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

Camp Hill, Pennsylvania



Gannett Fleming
Valuation and Rate Consultants, LLC

Corporate Headquarters
207 Senate Avenue
Camp Hill, PA 17011
P 717.763.7211 | F 717.763.8150

gannettfleming.com

July 11, 2024

Newtown Artesian Water Company
201 N. Lincoln Avenue
Newtown, PA 18940

Attention: Mr. Dan Angove
Assistant General Manager

Ladies and Gentlemen:

Pursuant to your request, we have determined the annual depreciation accruals applicable to water plant as of March 31, 2026. The results of our study at March 31, 2025 are presented in our report titled "2025 Depreciation Study - Calculated Annual Depreciation Accruals Related to Water Plant as of March 31, 2025". The same methods, procedures and estimates are used in both studies.

Summaries of the original cost, annual accruals and book depreciation reserve are presented in Tables 1 through 4, beginning on page I-3 of the attached report.

Respectfully submitted,

GANNETT FLEMING VALUATION
AND RATE CONSULTANTS, LLC

A handwritten signature in blue ink, reading "John J. Spanos".

JOHN J. SPANOS
President

A handwritten signature in blue ink, reading "Jason A. Power".

JASON A. POWERY
Assistant Project Manager

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PART I. RESULTS OF STUDY

NEWTOWN ARTESIAN WATER COMPANY

DEPRECIATION STUDY

PART I. RESULTS OF STUDY

SUMMARY OF RESULTS

Tables 1 through 4 presented on pages I-3 through I-9 summarize the results of the depreciation study as of March 31, 2026. Table 1 sets forth, by depreciable group, the estimated survivor curve, original cost, book depreciation reserve as of March 31, 2026, future book accruals, calculated annual accrual amount and rate, and composite remaining life for plant in service. Table 1 also summarizes the results by account for contributions in aid of construction as of March 31, 2026. Table 2 presents the bring-forward of the book reserve to March 31, 2026. Table 3 sets forth the calculation of the depreciation accruals for the twelve months ended March 31, 2026. Table 4 presents the bringforward of the plant in service for the twelve months ended March 31, 2026.

DESCRIPTION OF DETAILED TABULATIONS

The supporting data for the depreciation calculations are presented in account sequence in the section beginning on page II-2. The original cost, calculated accrued depreciation, allocated book reserve, future accruals, remaining life and annual accrual are shown for each vintage of each account or subaccount. A cumulative summary, by year installed, for water plant and the supporting data for the original cost depreciation calculations are presented in the section beginning on page II-6. There is no recorded or projected net salvage included in the study.

NEWTOWN ARTESIAN WATER COMPANY

TABLE 1. SUMMARY OF ESTIMATED SURVIVOR CURVES, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO WATER PLANT AS OF MARCH 31, 2026

ACCOUNT (1)	SURVIVOR CURVE (2)	ORIGINAL COST AS OF MARCH 31, 2026 (3)	BOOK DEPRECIATION RESERVE (4)	FUTURE ACCRUALS (5)	CALCULATED ANNUAL ACCRUAL AMOUNT (6)	ANNUAL ACCRUAL RATE (7)=(6)/(3)	COMPOSITE REMAINING LIFE (8)=(5)/(6)
DEPRECIABLE PLANT							
SOURCE OF SUPPLY AND PUMPING PLANT							
304.20	STRUCTURES AND IMPROVEMENTS	1,027,484.37	414,568	612,916	26,944	2.62	22.7
307.20	WELLS AND SPRINGS	497,923.76	330,789	167,135	7,821	1.57	21.4
310.20	POWER GENERATION EQUIPMENT	350,481.72	73,224	277,258	13,377	3.82	20.7
311.20	PUMPING EQUIPMENT	2,662,096.99	1,164,785	1,497,312	45,379	1.70	33.0
	TOTAL SOURCE OF SUPPLY AND PUMPING PLANT	4,537,986.84	1,983,366	2,554,621	93,521	2.06	27.3
WATER TREATMENT EQUIPMENT							
304.30	STRUCTURES AND IMPROVEMENTS	31,861.51	4,486	27,376	512	1.61	53.5
320.30	WATER TREATMENT EQUIPMENT	466,473.70	313,120	153,354	10,104	2.17	15.2
320.31	WATER TREATMENT EQUIPMENT - PFAS	2,972,460.34	158,030	2,814,430	196,428	6.61	14.3
	TOTAL WATER TREATMENT EQUIPMENT	3,470,795.55	475,636	2,995,160	207,044	5.97	14.5
TRANSMISSION AND DISTRIBUTION PLANT							
330.40	DISTRIBUTION RESERVOIRS AND STANDPIPES	4,605,523.59	1,786,308	2,819,216	85,455	1.86	33.0
331.40	TRANSMISSION AND DISTRIBUTION MAINS	28,764,197.46	4,480,230	24,283,967	590,924	2.05	41.1
333.40	SERVICES	5,523,361.86	1,004,846	4,518,516	104,079	1.88	43.4
334.40	METERS AND METER INSTALLATIONS	3,629,868.10	1,669,126	1,960,742	91,621	2.52	21.4
335.40	HYDRANTS	2,600,962.08	326,297	2,274,665	68,172	2.62	33.4
339.40	OTHER PLANT AND MISCELLANEOUS EQUIPMENT	639,171.26	158,957	480,214	17,123	2.68	28.0
	TOTAL TRANSMISSION AND DISTRIBUTION PLANT	45,763,074.35	9,425,764	36,337,310	957,374	2.09	38.0
GENERAL PLANT							
304.50	STRUCTURES AND IMPROVEMENTS	1,248,432.24	827,320	421,112	11,087	0.89	38.0
340.50	OFFICE FURNITURE AND EQUIPMENT	385,320.99	172,812	212,509	23,342	6.06	9.1
341.50	TRANSPORTATION EQUIPMENT	655,459.39	315,476	339,983	46,680	7.12	7.3
343.50	TOOLS, SHOP AND GARAGE EQUIPMENT	187,058.62	114,407	72,652	5,426	2.90	13.4
346.50	COMMUNICATION EQUIPMENT	49,681.88	9,983	39,699	3,965	7.98	10.0
	TOTAL GENERAL PLANT	2,525,953.12	1,439,998	1,085,955	90,500	3.58	12.0
	TOTAL DEPRECIABLE PLANT	56,297,809.86	13,324,764	42,973,046	1,348,439	2.40	31.9

NEWTOWN ARTESIAN WATER COMPANY

TABLE 1. SUMMARY OF ESTIMATED SURVIVOR CURVES, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO WATER PLANT AS OF MARCH 31, 2026

ACCOUNT (1)	SURVIVOR CURVE (2)	ORIGINAL COST AS OF MARCH 31, 2026 (3)	BOOK DEPRECIATION RESERVE (4)	FUTURE ACCRUALS (5)	CALCULATED ANNUAL ACCRUAL AMOUNT (6)	ANNUAL ACCRUAL RATE (7)=(6)/(3)	COMPOSITE REMAINING LIFE (8)=(5)/(6)
CONTRIBUTIONS IN AID OF CONSTRUCTION							
304.50	S STRUCTURES AND IMPROVEMENTS	454,734.45	78,226	376,508	4,047	0.89	93.0
310.20	POWER GENERATION EQUIPMENT	96,840.80	25,866	70,975	3,699	3.82	19.2
311.20	PUMPING EQUIPMENT	438,703.43	53,731	384,972	7,458	1.70	51.6
320.30	WATER TREATMENT EQUIPMENT	21,043.46	3,546	17,497	457	2.17	38.3
330.40	DISTRIBUTION RESERVOIRS AND STANDPIPES	818,870.80	101,294	717,577	15,231	1.86	47.1
331.40	TRANSMISSION AND DISTRIBUTION MAINS	14,729,699.35	2,179,811	12,549,888	301,989	2.05	41.6
333.40	SERVICES	2,473,363.93	319,857	2,153,507	46,499	1.88	46.3
334.40	METERS AND METER INSTALLATIONS	15,315.75	1,810	13,506	386	2.52	35.0
335.40	HYDRANTS	1,615,775.75	277,857	1,337,919	42,333	2.62	31.6
339.40	OTHER PLANT AND MISCELLANEOUS EQUIPMENT	330,443.50	66,761	263,683	8,856	2.68	29.8
348.00	OTHER INTANGIBLE PROPERTY	3,988,978.84	618,684	3,370,295	99,724	2.50	33.8
	TOTAL CONTRIBUTIONS IN AID OF CONSTRUCTION	24,983,770.06	3,727,443	21,256,327	530,649	2.12	40.1
	TOTAL DEPRECIABLE WATER PLANT	31,314,039.80	9,597,321	21,716,719	817,790	2.61	26.6
NONDEPRECIABLE PLANT							
301.00	ORGANIZATION	694.00					
302.00	FRANCHISES	25,677.66					
303.40	LAND	1,247,949.89					
	TOTAL NONDEPRECIABLE PLANT	1,274,321.55					
	TOTAL WATER PLANT	32,588,361.35					

NEWTOWN ARTESIAN WATER COMPANY

TABLE 2. BRINGFORWARD TO MARCH 31, 2026 OF BOOK RESERVE AS OF MARCH 31, 2025

ACCOUNT (1)	BOOK RESERVE AS OF MARCH 31, 2025 (2)	+ ANNUAL ACCRUAL (3)	- PROJECTED RETIREMENTS (4)	= BOOK RESERVE AS OF MARCH 31, 2026 (5)	BOOK RESERVE AS A PERCENT OF ORIGINAL COST (6)
DEPRECIABLE PLANT					
SOURCE OF SUPPLY AND PUMPING PLANT					
304.20 STRUCTURES AND IMPROVEMENTS	387,387	27,181	0	414,568	40.35
307.20 WELLS AND SPRINGS	322,764	8,025	0	330,789	66.43
310.20 POWER GENERATION EQUIPMENT	59,473	13,751	0	73,224	20.89
311.20 PUMPING EQUIPMENT	1,118,847	45,938	0	1,164,785	43.75
TOTAL SOURCE OF SUPPLY AND PUMPING PLANT	1,888,471	94,895	0	1,983,366	
WATER TREATMENT EQUIPMENT					
304.30 STRUCTURES AND IMPROVEMENTS	4,115	371	0	4,486	14.08
320.30 WATER TREATMENT EQUIPMENT	302,676	10,444	0	313,120	67.12
320.31 WATER TREATMENT EQUIPMENT - PFAS	-	158,029.50	0	158,030	5.32
TOTAL WATER TREATMENT EQUIPMENT	306,791	168,845	0	475,636	
TRANSMISSION AND DISTRIBUTION PLANT					
330.40 DISTRIBUTION RESERVOIRS AND STANDPIPES	1,700,279	86,029	0	1,786,308	38.79
331.40 TRANSMISSION AND DISTRIBUTION MAINS	3,929,616	590,060	39,446	4,480,230	15.58
333.40 SERVICES	901,229	104,302	685	1,004,846	18.19
334.40 METERS AND METER INSTALLATIONS	1,685,965	85,073	101,912	1,669,126	45.98
335.40 HYDRANTS	263,347	68,466	5,517	326,297	12.55
339.40 OTHER PLANT AND MISCELLANEOUS EQUIPMENT	141,689	17,268	0	158,957	24.87
TOTAL TRANSMISSION AND DISTRIBUTION PLANT	8,622,125	951,198	147,560	9,425,764	
GENERAL PLANT					
304.50 STRUCTURES AND IMPROVEMENTS	816,180	11,140	0	827,320	66.27
340.50 OFFICE FURNITURE AND EQUIPMENT	163,937	25,195	16,320	172,812	44.85
341.50 TRANSPORTATION EQUIPMENT	281,932	48,735	15,191	315,476	48.13
343.50 TOOLS, SHOP AND GARAGE EQUIPMENT	122,209	5,324	13,126	114,407	61.16
346.50 COMMUNICATION EQUIPMENT	6,029	3,954	0	9,983	20.09
TOTAL GENERAL PLANT	1,390,287	94,347	44,636	1,439,998	
TOTAL DEPRECIABLE PLANT	12,207,674	1,309,285	192,196	13,324,764	

NEWTOWN ARTESIAN WATER COMPANY

TABLE 2. BRINGFORWARD TO MARCH 31, 2026 OF BOOK RESERVE AS OF MARCH 31, 2025

ACCOUNT	BOOK RESERVE AS OF MARCH 31, 2025 (2)	ANNUAL ACCRUAL (3)	PROJECTED RETIREMENTS (4)	BOOK RESERVE AS OF MARCH 31, 2026 (5)	BOOK RESERVE AS A PERCENT OF ORIGINAL COST (6)
CONTRIBUTIONS IN AID OF CONSTRUCTION					
304.50 POWER AND PUMPING STRUCTURES	74,179	4,047		78,226	17.20
310.20 DISTRIBUTION RESERVOIR AND STANDPIPES	22,070	3,796		25,866	26.71
311.20 OTHER POWER PRODUCTION EQUIPMENT	46,141	7,590		53,731	12.25
320.30 ELECTRIC PUMPING EQUIPMENT	3,075	471		3,546	16.85
330.40 PURIFICATION SYSTEM EQUIPMENT	85,981	15,313		101,294	12.37
331.40 MAINS AND ACCESSORIES	1,873,433	306,378		2,179,811	14.80
333.40 SERVICES	272,863	46,994		319,857	12.93
334.40 METERS	1,444	366		1,810	11.82
335.40 FIRE HYDRANTS	235,201	42,656		277,857	17.20
339.40 OTHER FIRE PROTECTION EQUIPMENT	57,839	8,922		66,761	20.20
348.00 OTHER INTANGIBLE PROPERTY	518,960	99,724		618,684	15.51
TOTAL CONTRIBUTIONS IN AID OF CONSTRUCTION	3,191,186	536,258	0	3,727,443	
TOTAL WATER PLANT	9,016,488	773,027	192,196	9,597,321	

NEWTOWN ARTESIAN WATER COMPANY

TABLE 3. CALCULATION OF DEPRECIATION ACCRUALS FOR
THE TWELVE MONTHS ENDED MARCH 31, 2026

DEPRECIABLE GROUP		ORIGINAL COST AS OF MARCH 31, 2025	ORIGINAL COST AS OF MARCH 31, 2026	ANNUAL ACCRUAL RATE *	ANNUAL ACCRUAL AMOUNT
(1)		(2)	(3)	(4)	(5)
SOURCE OF SUPPLY AND PUMPING PLANT					
304.20	STRUCTURES AND IMPROVEMENTS	1,027,484.37	1,027,484.37	2.65	27,181
307.20	WELLS AND SPRINGS	497,923.76	497,923.76	1.61	8,025
310.20	POWER GENERATION EQUIPMENT	350,481.72	350,481.72	3.92	13,751
311.20	PUMPING EQUIPMENT	2,662,096.99	2,662,096.99	1.73	45,938
TOTAL SOURCE OF SUPPLY AND PUMPING PLANT		4,537,986.84	4,537,986.84		94,895
WATER TREATMENT EQUIPMENT					
304.30	STRUCTURES AND IMPROVEMENTS	18,091.68	31,861.51	1.49	371
320.30	WATER TREATMENT EQUIPMENT	466,473.70	466,473.70	2.24	10,444
320.31	WATER TREATMENT EQUIPMENT - PFAS	-	2,972,460.34	-	158,030
TOTAL WATER TREATMENT EQUIPMENT		484,565.38	3,470,795.55		168,845
TRANSMISSION AND DISTRIBUTION PLANT					
330.40	DISTRIBUTION RESERVOIRS AND STANDPIPES	4,605,523.59	4,605,523.59	1.87	86,029
331.40	TRANSMISSION AND DISTRIBUTION MAINS	27,930,343.13	28,764,197.46	2.08	590,060
333.40	SERVICES	5,469,047.04	5,523,361.86	1.90	104,302
334.40	METERS AND METER INSTALLATIONS	3,501,780.39	3,629,868.10	2.39	85,073
335.40	HYDRANTS	2,577,468.71	2,600,952.08	2.64	68,466
339.40	OTHER PLANT AND MISCELLANEOUS EQUIPMENT	639,171.26	639,171.26	2.70	17,268
TOTAL TRANSMISSION AND DISTRIBUTION PLANT		44,723,334.12	45,763,074.35		951,198
GENERAL PLANT					
304.50	STRUCTURES AND IMPROVEMENTS	1,248,432.24	1,248,432.24	0.89	11,140
340.50	OFFICE FURNITURE AND EQUIPMENT	401,640.58	385,320.99	6.40	25,195
341.50	TRANSPORTATION EQUIPMENT	610,650.37	655,459.39	7.70	48,735
343.50	TOOLS, SHOP AND GARAGE EQUIPMENT	200,184.20	187,058.62	2.75	5,324
346.50	COMMUNICATION EQUIPMENT	49,681.88	49,681.88	7.96	3,954
TOTAL GENERAL PLANT		2,510,589.27	2,525,953.12		94,347
TOTAL DEPRECIABLE PLANT		52,256,475.61	56,297,809.86		1,309,285
CONTRIBUTIONS IN AID OF CONSTRUCTION					
304.50	STRUCTURES AND IMPROVEMENTS	454,734.45	454,734.45	0.89	4,047
310.20	POWER GENERATION EQUIPMENT	96,840.80	96,840.80	3.92	3,796
311.20	PUMPING EQUIPMENT	438,703.43	438,703.43	1.73	7,590
320.30	WATER TREATMENT EQUIPMENT	21,043.46	21,043.46	2.24	471
330.40	DISTRIBUTION RESERVOIRS AND STANDPIPES	818,870.80	818,870.80	1.87	15,313
331.40	TRANSMISSION AND DISTRIBUTION MAINS	14,729,699.35	14,729,699.35	2.08	306,378
333.40	SERVICES	2,473,363.93	2,473,363.93	1.90	46,994
334.40	METERS AND METER INSTALLATIONS	15,315.75	15,315.75	2.39	366
335.40	HYDRANTS	1,615,775.75	1,615,775.75	2.64	42,656
339.40	OTHER PLANT AND MISCELLANEOUS EQUIPMENT	330,443.50	330,443.50	2.70	8,922
348.00	OTHER INTANGIBLE PROPERTY	3,988,978.84	3,988,978.84	2.50	99,724
TOTAL CONTRIBUTIONS IN AID OF CONSTRUCTION		24,983,770.06	24,983,770.06		536,258
TOTAL DEPRECIABLE WATER PLANT		27,272,705.55	31,314,039.80		773,027.30
NONDEPRECIABLE PLANT					
301.00	ORGANIZATION	694.00	694.00		
302.00	FRANCHISES	25,677.66	25,677.66		
303.40	LAND	1,247,949.89	1,247,949.89		
TOTAL NONDEPRECIABLE PLANT		1,274,321.55	1,274,321.55		
TOTAL WATER PLANT		28,547,027.10	32,588,361.35		773,027

* ACCRUALS CALCULATED BASED ON MONTHLY AVERAGES

NEWTOWN ARTESIAN WATER COMPANY

TABLE 4. SUMMARY OF PLANT IN SERVICE ACTIVITY FOR THE YEAR ENDED MARCH 31, 2026

ACCOUNT (1)	BALANCE AT BEGINNING OF YEAR (2)	ADDITIONS (3)	RETIREMENTS (4)	TRANSFERS AND ADJUSTMENTS (5)	BALANCE AT END OF YEAR (6)	PERCENT OF ORIGINAL COST RETIRED (7)=(4)/(2)
SOURCE OF SUPPLY AND PUMPING PLANT						
304.20 STRUCTURES AND IMPROVEMENTS	1,027,484.37	-	-	-	1,027,484.37	-
307.20 WELLS AND SPRINGS	497,923.76	-	-	-	497,923.76	-
310.20 POWER GENERATION EQUIPMENT	350,481.72	-	-	-	350,481.72	-
311.20 PUMPING EQUIPMENT	2,662,096.99	-	-	-	2,662,096.99	-
TOTAL SOURCE OF SUPPLY AND PUMPING PLANT	4,537,986.84	-	-	-	4,537,986.84	-
WATER TREATMENT EQUIPMENT						
304.30 STRUCTURES AND IMPROVEMENTS	18,091.68	13,769.83	-	-	31,861.51	-
320.30 WATER TREATMENT EQUIPMENT	466,473.70	-	-	-	466,473.70	-
320.31 WATER TREATMENT EQUIPMENT - PFAS	1,486,230.17	1,486,230.17	-	-	2,972,460.34	-
TOTAL WATER TREATMENT EQUIPMENT	1,970,795.55	1,500,000.00	-	-	3,470,795.55	-
TRANSMISSION AND DISTRIBUTION PLANT						
330.40 DISTRIBUTION RESERVOIRS AND STANDPIPES	4,605,523.59	-	-	-	4,605,523.59	-
331.40 TRANSMISSION AND DISTRIBUTION MAINS	27,930,343.13	873,300.00	39,445.67	-	28,764,197.46	0.14
333.40 SERVICES	5,469,047.04	55,000.00	685.18	-	5,523,361.86	0.01
334.40 METERS AND METER INSTALLATIONS	3,501,780.39	230,000.00	101,912.29	-	3,629,868.10	2.91
335.40 HYDRANTS	2,577,468.71	29,000.00	5,516.63	-	2,600,952.08	0.21
339.40 OTHER PLANT AND MISCELLANEOUS EQUIPMENT	639,171.26	-	-	-	639,171.26	-
TOTAL TRANSMISSION AND DISTRIBUTION PLANT	44,723,334.12	1,187,300.00	147,559.77	-	45,763,074.35	3.27
GENERAL PLANT						
304.50 STRUCTURES AND IMPROVEMENTS	1,248,432.24	-	-	-	1,248,432.24	-
340.50 OFFICE FURNITURE AND EQUIPMENT	401,640.58	-	16,319.59	-	385,320.99	4.06
341.50 TRANSPORTATION EQUIPMENT	610,650.37	60,000.00	15,190.98	-	655,459.39	2.49
343.50 TOOLS, SHOP AND GARAGE EQUIPMENT	200,184.20	-	13,125.58	-	187,058.62	6.56
346.50 COMMUNICATION EQUIPMENT	49,681.88	-	-	-	49,681.88	-
TOTAL GENERAL PLANT	2,510,589.27	60,000.00	44,636.15	-	2,525,953.12	13.11
TOTAL DEPRECIABLE PLANT	53,742,705.78	2,747,300.00	192,195.92	-	56,297,809.86	

NEWTOWN ARTESIAN WATER COMPANY

TABLE 4. SUMMARY OF PLANT IN SERVICE ACTIVITY FOR THE YEAR ENDED MARCH 31, 2026

(1) ACCOUNT	(2) BALANCE AT BEGINNING OF YEAR	(3) ADDITIONS	(4) RETIREMENTS	(5) TRANSFERS AND ADJUSTMENTS	(6) BALANCE AT END OF YEAR	(7)=(4)/(2) PERCENT OF ORIGINAL COST RETIRED
CONTRIBUTIONS IN AID OF CONSTRUCTION						
304.50 POWER AND PUMPING STRUCTURES	454,734.45				454,734.45	
310.20 DISTRIBUTION RESERVOIR AND STANDPIPES	96,840.80				96,840.80	
311.20 OTHER POWER PRODUCTION EQUIPMENT	438,703.43				438,703.43	
320.30 ELECTRIC PUMPING EQUIPMENT	21,043.46				21,043.46	
330.40 PURIFICATION SYSTEM EQUIPMENT	14,729,699.35				14,729,699.35	
331.40 MAINS AND ACCESSORIES	2,473,363.93				2,473,363.93	
333.40 SERVICES	15,315.75				15,315.75	
334.40 METERS	1,615,775.75				1,615,775.75	
335.40 FIRE HYDRANTS	330,443.50				330,443.50	
339.40 OTHER FIRE PROTECTION EQUIPMENT	3,988,978.84				3,988,978.84	
348.00 OTHER INTANGIBLE PROPERTY						
TOTAL CONTRIBUTIONS IN AID OF CONSTRUCTION	24,983,770.06	-	-	-	24,983,770.06	
TOTAL DEPRECIABLE WATER PLANT	28,758,935.72	2,747,300.00	192,195.92	-	31,314,039.80	
NONDEPRECIABLE PLANT						
301.00 ORGANIZATION	694.00				694.00	
302.00 FRANCHISES	25,677.66				25,677.66	
303.40 LAND	1,247,949.89				1,247,949.89	
TOTAL NONDEPRECIABLE PLANT	1,274,321.55	-	-	-	1,274,321.55	
TOTAL WATER PLANT	30,033,257.27	2,747,300.00	192,195.92	-	32,588,361.35	

PART II. DETAILED DEPRECIATION CALCULATIONS

CUMULATIVE DEPRECIATED ORIGINAL COST

NEWTOWN ARTESIAN WATER COMPANY

CUMULATIVE DEPRECIATED ORIGINAL COST BY YEAR INSTALLED
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR INST (1)	ORIGINAL COST (2)	ACCRUED DEPRECIATION (3)	AMOUNT		DEPRECIATED ORIGINAL COST	PCT OF
			(2)	(3)	CUMULATIVE AMOUNT (5)	COL 4 TOTAL (6)
1888	1,717	1,717				0.0
1891	23	9		14	14	0.0
1894	57	23		34	48	0.0
1895	8	8			48	0.0
1896	996	996			48	0.0
1898	7	7			48	0.0
1900	523	509		14	62	0.0
1909	113	64		49	111	0.0
1910	297	115		182	293	0.0
1911	130	50		80	373	0.0
1913	1,535	1,513		22	395	0.0
1915	130	50		80	475	0.0
1918	179	179			475	0.0
1919	107	41		66	541	0.0
1920					541	0.0
1923	87	33		54	595	0.0
1925	91	34		57	652	0.0
1929	20	10		10	662	0.0
1930	300	129		171	833	0.0
1931	164	85		79	912	0.0
1932	190	139		51	963	0.0
1933	147	74		73	1,036	0.0
1934	23	11		12	1,048	0.0
1935	182	101		81	1,129	0.0
1936	119	50		69	1,198	0.0
1937	169	84		85	1,283	0.0
1938	230	101		129	1,412	0.0
1939	237	111		126	1,538	0.0
1940	321	137		184	1,722	0.0
1941	155	72		83	1,805	0.0
1942	100	49		51	1,856	0.0
1945	67	32		35	1,891	0.0
1946	2,250	785		1,465	3,356	0.0
1947	77	37		40	3,396	0.0
1948	876	417		459	3,855	0.0
1949	4,374	3,700		674	4,529	0.0
1950	1,117	452		665	5,194	0.0
1951	2,161	750		1,411	6,605	0.0
1952	1,526	608		918	7,523	0.0
1953	1,841	769		1,072	8,595	0.0
1954	2,513	1,034		1,479	10,074	0.0
1955	230	105		125	10,199	0.0
1956	361	163		198	10,397	0.0
1957	2	2			10,397	0.0
1958	3,745	3,050		695	11,092	0.0
1959	2,701	2,506		195	11,287	0.0

NEWTOWN ARTESIAN WATER COMPANY

CUMULATIVE DEPRECIATED ORIGINAL COST BY YEAR INSTALLED
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR INST (1)	ORIGINAL COST (2)	ACCRUED DEPRECIATION (3)	AMOUNT		DEPRECIATED ORIGINAL COST	PCT OF
			(2)	(3)	CUMULATIVE AMOUNT (5)	COL 4 TOTAL (6)
1960	3,621	3,458		163	11,450	0.0
1961	6,791	2,377		4,414	15,864	0.0
1962	8,248	7,826		422	16,286	0.0
1963	50,461	34,838		15,623	31,909	0.1
1964	3,052	1,491		1,561	33,470	0.1
1965	7,078	2,434		4,644	38,114	0.1
1966	49,185	16,010		33,175	71,289	0.2
1967	31,624	10,307		21,317	92,606	0.2
1968	6,168	3,140		3,028	95,634	0.2
1969	13,548	4,583		8,965	104,599	0.2
1970	57,300	18,228		39,072	143,671	0.3
1971	136,136	41,496		94,640	238,311	0.6
1972	302,564	90,828		211,736	450,047	1.0
1973	36,587	25,207		11,380	461,427	1.1
1974	144,113	43,277		100,836	562,263	1.3
1975	25,872	7,588		18,284	580,547	1.4
1976	342,614	102,352		240,262	820,809	1.9
1977	4,545	1,975		2,570	823,379	1.9
1978	309,443	88,894		220,549	1,043,928	2.4
1979	518,495	175,142		343,353	1,387,281	3.2
1980	2,106,802	985,591		1,121,211	2,508,492	5.8
1981	493,998	161,959		332,039	2,840,531	6.6
1982	456,169	278,715		177,454	3,017,985	7.0
1983	370,612	152,892		217,720	3,235,705	7.5
1984	206,039	59,774		146,265	3,381,970	7.9
1985	1,660,642	404,378		1,256,264	4,638,234	10.8
1986	669,101	176,046		493,055	5,131,289	11.9
1987	2,823,518	915,943		1,907,575	7,038,864	16.4
1988	2,609,254	815,519		1,793,735	8,832,599	20.6
1989	1,332,854	306,712		1,026,142	9,858,741	22.9
1990	1,467,594	327,549		1,140,045	10,998,786	25.6
1991	436,003	105,955		330,048	11,328,834	26.4
1992	263,727	66,214		197,513	11,526,347	26.8
1993	961,578	280,365		681,213	12,207,560	28.4
1994	579,636	219,454		360,182	12,567,742	29.2
1995	1,981,438	645,266		1,336,172	13,903,914	32.4
1996	588,274	141,444		446,830	14,350,744	33.4
1997	724,847	247,825		477,022	14,827,766	34.5
1998	1,206,891	253,130		953,761	15,781,527	36.7
1999	1,484,517	445,721		1,038,796	16,820,323	39.1
2000	1,458,700	323,559		1,135,141	17,955,464	41.8
2001	974,224	235,377		738,847	18,694,311	43.5
2002	896,477	343,027		553,450	19,247,761	44.8
2003	1,041,946	232,691		809,255	20,057,016	46.7
2004	930,586	193,534		737,052	20,794,068	48.4
2005	2,026,749	532,968		1,493,781	22,287,849	51.9

NEWTOWN ARTESIAN WATER COMPANY

CUMULATIVE DEPRECIATED ORIGINAL COST BY YEAR INSTALLED
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR INST (1)	ORIGINAL COST (2)	ACCRUED DEPRECIATION (3)	AMOUNT		DEPRECIATED ORIGINAL COST CUMULATIVE AMOUNT (5)	PCT OF COL 4 TOTAL (6)	
			(2)	(3)			
2006	1,144,825	220,650			924,175	23,212,024	54.0
2007	2,512,625	491,982			2,020,643	25,232,667	58.7
2008	979,329	205,759			773,570	26,006,237	60.5
2009	839,700	152,717			686,983	26,693,220	62.1
2010	280,293	72,728			207,565	26,900,785	62.6
2011	1,103,309	256,564			846,745	27,747,530	64.6
2012	466,368	217,551			248,817	27,996,347	65.1
2013	393,452	123,812			269,640	28,265,987	65.8
2014	422,119	128,412			293,707	28,559,694	66.5
2015	1,818,796	247,539			1,571,257	30,130,951	70.1
2016	1,253,635	297,377			956,258	31,087,209	72.3
2017	1,180,430	303,069			877,361	31,964,570	74.4
2018	680,161	175,552			504,609	32,469,179	75.6
2019	1,178,379	225,216			953,163	33,422,342	77.8
2020	974,613	93,575			881,038	34,303,380	79.8
2021	672,045	120,588			551,457	34,854,837	81.1
2022	1,424,544	129,453			1,295,091	36,149,928	84.1
2023	1,394,325	106,176			1,288,149	37,438,077	87.1
2024	123,271	8,492			114,779	37,552,856	87.4
2025	4,926,942	188,927			4,738,015	42,290,871	98.4
2026	686,824	4,655			682,169	42,973,040	100.0
9999	24,983,770-	3,727,443-			21,256,327-	21,716,719	
SUBTOTAL	31,314,040	9,597,321			21,716,719		
NONDEPR.	1,274,322						
TOTAL	32,588,361	9,597,321			21,716,719		

UTILITY PLANT IN SERVICE

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 304.20 SOURCE OF SUPPLY AND PUMPING EQUIPMENT - STRUCTURES AND IMPROVEMENTS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 50-R4						
1888	1,716.75	1,717	1,717			
1896	996.12	996	996			
1963	907.93	852	659	249	3.09	81
1973	650.61	571	441	210	6.15	34
1976	106.00	90	70	36	7.44	5
1978	5.90	5	4	2	8.45	
1986	2,045.12	1,490	1,152	893	13.57	66
1987	302,846.95	216,354	167,279	135,568	14.28	9,494
1988	2,292.00	1,604	1,240	1,052	15.01	70
1990	3,045.41	2,039	1,577	1,468	16.52	89
1991	995.00	651	503	492	17.30	28
1993	53,790.93	33,469	25,877	27,914	18.89	1,478
1994	8,565.04	5,189	4,012	4,553	19.71	231
1995	499.71	294	227	273	20.55	13
1997	1,087.50	603	466	622	22.26	28
1998	1,188.30	638	493	695	23.14	30
1999	358,505.38	186,279	144,027	214,478	24.02	8,929
2000	14,746.84	7,397	5,719	9,028	24.92	362
2001	33,920.03	16,397	12,678	21,242	25.83	822
2002	11,117.07	5,169	3,997	7,120	26.75	266
2003	7,523.05	3,358	2,596	4,927	27.68	178
2004	23,806.26	10,184	7,874	15,932	28.61	557
2005	5,673.99	2,320	1,794	3,880	29.56	131
2007	1,685.00	624	482	1,203	31.47	38
2008	2,230.65	784	606	1,625	32.43	50
2009	6,881.36	2,285	1,767	5,114	33.40	153
2010	8,697.00	2,719	2,102	6,595	34.37	192
2011	2,612.68	766	592	2,021	35.35	57
2012	35,881.49	9,810	7,585	28,296	36.33	779
2013	9,991.25	2,534	1,959	8,032	37.32	215
2014	11,873.78	2,778	2,148	9,726	38.30	254
2015	8,781.00	1,881	1,454	7,327	39.29	186
2016	990.00	192	148	842	40.28	21
2017	19,745.66	3,448	2,666	17,080	41.27	414
2018	9,463.62	1,463	1,131	8,333	42.27	197
2019	5,350.00	721	558	4,792	43.26	111
2020	67,268.99	7,722	5,972	61,297	44.26	1,385
	1,027,484.37	535,393	414,568	612,916		26,944

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 22.7 2.62

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 304.30 WATER TREATMENT EQUIPMENT - STRUCTURES AND IMPROVEMENTS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 55-R4						
1980	1.82	1	2			
1994	2,725.00	1,517	2,504	221	24.38	9
1995	1,595.03	863	1,424	171	25.25	7
2025	24,097.20	329	543	23,554	54.25	434
2026	3,442.46	8	13	3,429	54.88	62
	31,861.51	2,718	4,486	27,376		512
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..					53.5	1.61

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 304.50 GENERAL PLANT - STRUCTURES AND IMPROVEMENTS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 55-R2						
1949	3,156.12	2,749	3,156			
1958	43.66	36	44			
1959	2,352.99	1,911	2,353			
1960	3,386.94	2,727	3,387			
1962	1,319.12	1,044	1,319			
1964	538.58	419	539			
1966	301.88	230	302			
1973	42.22	30	42			
1974	1,227.32	852	1,227			
1976	2,798.25	1,890	2,798			
1977	276.15	184	276			
1979	43,524.69	28,085	43,525			
1980	500.00	317	500			
1982	213,520.65	131,025	213,521			
1983	759.92	458	760			
1984	2,885.01	1,707	2,832	53	22.46	2
1986	14,072.03	8,006	13,282	790	23.71	33
1987	444.76	248	411	34	24.35	1
1989	257.64	137	227	31	25.65	1
1990	2,495.28	1,301	2,158	337	26.32	13
1991	3,238.58	1,649	2,736	503	26.99	19
1992	8,133.00	4,040	6,702	1,431	27.68	52
1993	20,708.84	10,027	16,634	4,075	28.37	144
1994	125,486.62	59,161	98,145	27,342	29.07	941
1995	7,188.53	3,296	5,468	1,721	29.78	58
1996	33,748.32	15,033	24,939	8,809	30.50	289
1997	8,540.05	3,691	6,123	2,417	31.23	77
1998	10,700.16	4,482	7,435	3,265	31.96	102
1999	542.02	220	365	177	32.71	5
2000	83,682.86	32,774	54,371	29,312	33.46	876
2001	23,233.26	8,782	14,569	8,664	34.21	253
2002	333,519.77	121,401	201,399	132,121	34.98	3,777
2003	16,879.87	5,908	9,801	7,079	35.75	198
2004	10,522.81	3,534	5,863	4,660	36.53	128
2005	54,466.16	17,518	29,062	25,404	37.31	681
2006	3,224.58	990	1,642	1,583	38.11	42
2007	12,095.00	3,538	5,869	6,226	38.91	160
2008	9,828.00	2,732	4,532	5,296	39.71	133
2011	775.00	181	300	475	42.17	11
2012	7,495.01	1,635	2,712	4,783	43.00	111
2013	1,493.75	303	503	991	43.84	23
2014	27,761.89	5,209	8,642	19,120	44.68	428
2015	8,812.96	1,517	2,517	6,296	45.53	138
2016	10,785.00	1,688	2,800	7,985	46.39	172

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 304.50 GENERAL PLANT - STRUCTURES AND IMPROVEMENTS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 55-R2						
2017	40,188.51	5,663	9,395	30,794	47.25	652
2018	6,663.31	835	1,385	5,278	48.11	110
2019	14,030.00	1,533	2,543	11,487	48.99	234
2020	11,315.70	1,057	1,754	9,562	49.86	192
2021	31,743.44	2,453	4,069	27,674	50.75	545
2022	13,212.49	810	1,344	11,868	51.63	230
2023	12,888.54	581	964	11,925	52.52	227
2024	1,625.00	47	78	1,547	53.42	29
	1,248,432.24	505,644	827,320	421,112		11,087

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 38.0 0.89

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 307.20 WELLS AND SPRINGS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 40-R1.5						
1900	500.00	500	500			
1913	1,500.00	1,500	1,500			
1968	20.00	17	20			
1980	131,053.07	97,078	119,878	11,175	10.37	1,078
1981	40,571.99	29,648	36,611	3,961	10.77	368
1983	39,408.57	27,960	34,527	4,882	11.62	420
1987	1,820.00	1,208	1,492	328	13.46	24
1989	4,947.67	3,160	3,902	1,046	14.45	72
1993	221.34	129	159	62	16.61	4
1994	402.33	230	284	118	17.17	7
1996	13,294.31	7,196	8,886	4,408	18.35	240
1997	877.82	462	571	307	18.95	16
1998	3,450.24	1,762	2,176	1,274	19.57	65
1999	5,315.10	2,631	3,249	2,066	20.20	102
2000	12,336.58	5,912	7,301	5,036	20.83	242
2001	46,242.26	21,410	26,438	19,804	21.48	922
2002	12,115.83	5,410	6,681	5,435	22.14	245
2003	4,439.28	1,908	2,356	2,083	22.81	91
2004	9,108.23	3,759	4,642	4,466	23.49	190
2005	93,942.73	37,178	45,909	48,034	24.17	1,987
2006	20,334.85	7,692	9,499	10,836	24.87	436
2008	2,548.30	874	1,079	1,469	26.28	56
2009	6,725.78	2,186	2,699	4,027	27.00	149
2011	4,470.47	1,290	1,593	2,877	28.46	101
2016	10,551.25	2,050	2,532	8,019	32.23	249
2017	27,697.33	4,847	5,985	21,712	33.00	658
2022	1,629.22	124	153	1,476	36.95	40
2023	2,399.21	135	167	2,232	37.75	59
	497,923.76	268,256	330,789	167,135		7,821

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 21.4 1.57

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 310.20 POWER AND PUMPING STRUCTURES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 35-R2						
1961	66.85	67	67			
1980	4,730.00	3,991	2,311	2,419	5.47	442
1983	1,126.14	917	531	595	6.49	92
1993	6,324.33	4,373	2,532	3,792	10.80	351
1994	550.00	372	215	335	11.32	30
1999	56,212.96	33,439	19,360	36,853	14.18	2,599
2000	29,612.50	17,091	9,895	19,718	14.80	1,332
2001	6,500.00	3,634	2,104	4,396	15.43	285
2002	500.00	270	156	344	16.08	21
2005	14,726.75	7,103	4,112	10,615	18.12	586
2008	93,185.84	39,218	22,707	70,479	20.27	3,477
2009	13,352.76	5,333	3,088	10,265	21.02	488
2018	13,440.00	2,611	1,512	11,928	28.20	423
2019	2,329.88	396	229	2,101	29.05	72
2023	107,823.71	7,609	4,405	103,419	32.53	3,179
	350,481.72	126,424	73,224	277,258		13,377

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 20.7 3.82

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 311.20 PUMPING EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 50-R1.5						
1958	2,596.27	2,116	2,546	50	9.25	5
1962	6,798.09	5,362	6,451	347	10.56	33
1963	2,932.15	2,293	2,759	173	10.90	16
1973	25,090.78	17,654	21,239	3,852	14.82	260
1980	225,854.35	143,824	173,031	52,823	18.16	2,909
1981	8,082.64	5,063	6,091	1,992	18.68	107
1982	1,465.20	902	1,085	380	19.21	20
1983	42,966.89	25,995	31,274	11,693	19.75	592
1984	6,453.19	3,833	4,611	1,842	20.30	91
1987	356,200.65	199,401	239,895	116,306	22.01	5,284
1988	16,698.00	9,151	11,009	5,689	22.60	252
1989	12,241.51	6,561	7,893	4,349	23.20	187
1990	4,075.70	2,135	2,569	1,507	23.81	63
1991	5,341.00	2,732	3,287	2,054	24.42	84
1992	760.50	379	456	304	25.05	12
1993	91,626.74	44,567	53,618	38,009	25.68	1,480
1994	25,475.06	12,065	14,515	10,960	26.32	416
1995	2,367.29	1,090	1,311	1,056	26.98	39
1996	850.43	380	457	393	27.63	14
1997	265,986.90	115,438	138,881	127,106	28.30	4,491
1998	45,991.00	19,344	23,272	22,719	28.97	784
1999	99,595.73	40,516	48,744	50,852	29.66	1,714
2000	73,846.65	29,037	34,934	38,913	30.34	1,283
2001	30,594.65	11,601	13,957	16,638	31.04	536
2002	37,875.84	13,832	16,641	21,235	31.74	669
2003	32,902.80	11,549	13,894	19,009	32.45	586
2004	52,845.92	17,788	21,400	31,446	33.17	948
2005	104,293.30	33,603	40,427	63,866	33.89	1,885
2006	14,891.16	4,581	5,511	9,380	34.62	271
2007	116,946.09	34,265	41,224	75,722	35.35	2,142
2008	64,259.33	17,877	21,508	42,751	36.09	1,185
2009	25,402.62	6,691	8,050	17,353	36.83	471
2010	32,004.35	7,950	9,564	22,440	37.58	597
2011	4,591.00	1,072	1,290	3,301	38.33	86
2012	125,835.77	27,457	33,033	92,803	39.09	2,374
2013	85,131.36	17,282	20,792	64,339	39.85	1,615
2014	129,358.67	24,268	29,196	100,163	40.62	2,466
2015	39,077.26	6,721	8,086	30,991	41.40	749
2016	81,054.45	12,693	15,271	65,783	42.17	1,560
2017	59,166.80	8,331	10,023	49,144	42.96	1,144
2018	43,241.06	5,414	6,513	36,728	43.74	840
2019	22,482.70	2,460	2,960	19,523	44.53	438

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 311.20 PUMPING EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 50-R1.5						
2020	47,744.95	4,459	5,364	42,381	45.33	935
2023	184,732.79	8,313	10,001	174,732	47.75	3,659
2024	4,367.40	126	152	4,215	48.56	87
	2,662,096.99	968,171	1,164,785	1,497,312		45,379
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..						33.0 1.70

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 320.30 WATER TREATMENT EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 25-S0						
1963	48.25	48	48			
1974	132.30	132	132			
1987	4,308.20	3,579	4,308			
1991	157.37	121	157			
1992	625.40	470	625			
1994	5,362.58	3,852	5,363			
1995	15,845.71	11,117	15,846			
1996	1,944.64	1,332	1,945			
1997	2,319.50	1,549	2,320			
1999	12,880.00	8,156	12,320	560	9.17	61
2000	509.00	313	473	36	9.61	4
2001	15,466.87	9,249	13,971	1,496	10.05	149
2002	7,936.64	4,603	6,953	984	10.50	94
2004	4,214.77	2,288	3,456	759	11.43	66
2005	107,554.33	56,358	85,134	22,420	11.90	1,884
2006	2,907.78	1,468	2,218	690	12.38	56
2007	56,271.55	27,303	41,243	15,029	12.87	1,168
2008	4,646.08	2,163	3,267	1,379	13.36	103
2009	11,476.53	5,109	7,718	3,759	13.87	271
2010	9,996.51	4,247	6,415	3,582	14.38	249
2011	2,992.00	1,208	1,825	1,167	14.91	78
2012	114,984.54	43,924	66,351	48,634	15.45	3,148
2013	9,434.22	3,396	5,130	4,304	16.00	269
2015	805.55	253	382	424	17.15	25
2016	42,572.87	12,363	18,675	23,898	17.74	1,347
2017	1,546.18	411	621	925	18.36	50
2018	1,394.55	335	506	889	18.99	47
2019	5,057.00	1,082	1,635	3,422	19.65	174
2022	14,692.84	1,887	2,850	11,843	21.79	544
2023	8,389.94	816	1,233	7,157	22.57	317
	466,473.70	209,132	313,120	153,354		10,104

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 15.2 2.17

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 320.31 WATER TREATMENT EQUIPMENT - PFAS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 15-L3						
2025	2,600,902.80	130,045	154,210	2,446,693	14.25	171,698
2026	371,557.54	3,221	3,820	367,738	14.87	24,730
	2,972,460.34	133,266	158,030	2,814,430		196,428
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..					14.3	6.61

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 330.40 DISTRIBUTION RESEVOIR AND STANDPIPES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 60-R3						
1963	40,979.96	33,556	29,568	11,412	10.87	1,050
1980	708,152.56	468,089	412,458	295,695	20.34	14,538
1981	1,650.05	1,072	945	705	21.02	34
1983	38,784.68	24,292	21,405	17,380	22.42	775
1988	745,993.23	421,486	371,393	374,600	26.10	14,352
1989	166.00	92	81	85	26.87	3
1993	72,711.57	36,319	32,003	40,709	30.03	1,356
1994	13,193.82	6,412	5,650	7,544	30.84	245
1995	1,044,994.14	493,582	434,920	610,074	31.66	19,270
1996	4,650.74	2,133	1,879	2,772	32.48	85
1997	19,326.00	8,594	7,573	11,753	33.32	353
1999	15,320.32	6,378	5,620	9,700	35.02	277
2001	1,152.50	447	394	758	36.74	21
2003	141,040.94	50,539	44,533	96,508	38.50	2,507
2004	15,550.61	5,342	4,707	10,844	39.39	275
2005	211,930.10	69,655	61,377	150,553	40.28	3,738
2006	810.70	254	224	587	41.18	14
2007	595,884.88	177,872	156,732	439,153	42.09	10,434
2011	932,977.19	221,116	194,836	738,141	45.78	16,124
2023	253.60	11	10	244	57.30	4
	4,605,523.59	2,027,241	1,786,308	2,819,216		85,455

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 33.0 1.86

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 331.40 TRANSMISSION AND DISTRIBUTION MAINS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 70-L4						
1891	23.43	22	9	14	2.83	5
1894	56.99	54	23	34	3.20	11
1895	8.45	8	8			
1898	6.98	7	7			
1900	23.04	22	9	14	3.98	4
1909	80.61	75	32	49	5.27	9
1910	297.44	274	115	182	5.42	34
1911	129.64	119	50	80	5.58	14
1913	34.73	32	13	22	5.89	4
1915	130.21	119	50	80	6.22	13
1919	107.48	97	41	66	6.90	10
1920	0.14					
1923	87.11	78	33	54	7.62	7
1925	91.36	81	34	57	8.01	7
1930	211.50	184	77	134	9.02	15
1931	68.38	59	25	43	9.23	5
1935	13.54	12	5	9	10.10	1
1936	71.06	61	26	45	10.32	4
1938	62.68	53	22	41	10.76	4
1939	32.21	27	11	21	10.98	2
1940	151.40	127	53	98	11.20	9
1941	26.32	22	9	17	11.41	1
1946	2,212.07	1,821	767	1,445	12.36	117
1949	252.25	206	87	165	12.82	13
1950	578.00	471	198	380	12.96	29
1951	2,103.47	1,710	720	1,383	13.09	106
1952	823.47	668	281	542	13.23	41
1953	673.32	545	229	444	13.37	33
1954	1,011.47	816	344	667	13.51	49
1960	57.52	45	19	39	14.66	3
1961	5,895.51	4,637	1,952	3,944	14.94	264
1963	4,585.36	3,565	1,501	3,084	15.57	198
1965	3,440.56	2,636	1,110	2,331	16.36	142
1966	48,066.88	36,524	15,375	32,692	16.81	1,945
1967	28,344.34	21,343	8,985	19,359	17.29	1,120
1969	8,585.38	6,332	2,666	5,919	18.37	322
1970	46,683.39	34,032	14,326	32,357	18.97	1,706
1971	132,712.77	95,572	40,232	92,481	19.59	4,721
1972	282,945.29	201,134	84,670	198,275	20.24	9,796
1973	5,208.46	3,652	1,537	3,671	20.92	175
1974	132,905.06	91,856	38,668	94,237	21.62	4,359
1975	23,502.50	16,002	6,736	16,766	22.34	750
1976	272,892.24	182,917	77,001	195,891	23.08	8,487
1978	203,928.42	132,262	55,677	148,251	24.60	6,026

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 331.40 TRANSMISSION AND DISTRIBUTION MAINS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 70-L4						
1979	370,093.69	235,857	99,287	270,807	25.39	10,666
1980	924,998.68	579,049	243,757	681,242	26.18	26,021
1981	364,108.65	223,719	94,177	269,932	26.99	10,001
1982	183,457.46	110,572	46,547	136,910	27.81	4,923
1983	197,867.72	116,912	49,215	148,653	28.64	5,190
1984	130,086.91	75,302	31,699	98,388	29.48	3,337
1985	1,429,580.74	810,158	341,045	1,088,536	30.33	35,890
1986	445,270.04	246,809	103,897	341,373	31.20	10,941
1987	1,820,943.23	986,696	415,361	1,405,582	32.07	43,829
1988	1,300,651.53	688,227	289,717	1,010,935	32.96	30,672
1989	1,113,307.09	574,945	242,029	871,278	33.85	25,739
1990	1,093,834.33	550,669	231,810	862,024	34.76	24,799
1991	260,870.41	127,939	53,857	207,013	35.67	5,804
1992	150,377.11	71,751	30,204	120,173	36.60	3,283
1993	547,670.58	254,042	106,942	440,729	37.53	11,743
1994	296,545.41	133,573	56,229	240,316	38.47	6,247
1995	778,345.92	339,911	143,089	635,257	39.43	16,111
1996	436,084.01	184,525	77,678	358,406	40.38	8,876
1997	330,310.29	135,193	56,911	273,399	41.35	6,612
1998	885,638.49	350,208	147,424	738,214	42.32	17,444
1999	747,326.10	285,053	119,996	627,330	43.30	14,488
2000	1,014,278.57	372,534	156,822	857,457	44.29	19,360
2001	610,179.99	215,570	90,747	519,433	45.27	11,474
2002	384,981.20	130,563	54,962	330,019	46.26	7,134
2003	666,485.95	216,515	91,144	575,342	47.26	12,174
2004	546,259.09	169,728	71,449	474,810	48.25	9,841
2005	1,127,110.17	334,109	140,647	986,463	49.25	20,030
2006	681,044.20	192,150	80,888	600,156	50.25	11,943
2007	1,073,362.06	287,511	121,031	952,331	51.25	18,582
2008	546,100.82	138,475	58,293	487,808	52.25	9,336
2009	479,008.09	114,622	48,251	430,757	53.25	8,089
2010	149,590.56	33,658	14,169	135,422	54.25	2,496
2011	51,928.54	10,942	4,606	47,323	55.25	857
2012	10,750.66	2,112	889	9,862	56.25	175
2013	74,872.82	13,637	5,741	69,132	57.25	1,208
2014	18,815.32	3,158	1,329	17,486	58.25	300
2015	1,133,577.01	174,083	73,282	1,060,295	59.25	17,895
2016	552,621.62	76,975	32,404	520,218	60.25	8,634
2017	372,335.35	46,542	19,592	352,743	61.25	5,759
2018	204,783.40	22,672	9,544	195,239	62.25	3,136
2019	476,886.64	45,986	19,358	457,529	63.25	7,234
2020	514,734.84	42,280	17,798	496,937	64.25	7,734
2021	167,205.69	11,347	4,777	162,429	65.25	2,489
2022	609,927.37	32,674	13,755	596,172	66.25	8,999

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 331.40 TRANSMISSION AND DISTRIBUTION MAINS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 70-L4						
2023	380,355.92	14,944	6,291	374,065	67.25	5,562
2024	19,310.76	483	203	19,108	68.25	280
2025	1,662,875.00	17,809	7,497	1,655,378	69.25	23,904
2026	218,325.00	373	157	218,168	69.88	3,122
	28,764,197.46	10,642,841	4,480,230	24,283,967		590,924
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..						41.1 2.05

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 333.40 SERVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 70-R4						
1918	178.92	179	179			
1929	19.57	19	10	10	2.12	5
1930	75.24	73	39	36	2.35	15
1931	74.16	71	38	36	2.58	14
1932	102.65	98	52	51	2.83	18
1933	146.84	140	74	73	3.07	24
1934	22.52	21	11	12	3.32	4
1935	146.76	139	74	73	3.57	20
1936	47.45	45	24	23	3.83	6
1937	169.24	159	84	85	4.09	21
1938	144.37	135	72	72	4.35	17
1939	200.16	187	99	101	4.62	22
1940	170.08	158	84	86	4.89	18
1941	128.53	119	63	66	5.16	13
1942	99.61	92	49	51	5.44	9
1945	66.52	61	32	35	6.30	6
1946	37.70	34	18	20	6.60	3
1947	77.35	70	37	40	6.91	6
1948	876.42	786	417	459	7.23	63
1949	965.69	861	457	509	7.56	67
1950	539.48	479	254	285	7.91	36
1951	50.83	45	24	27	8.27	3
1952	702.46	616	327	375	8.65	43
1953	1,167.53	1,017	540	628	9.05	69
1954	1,501.48	1,299	690	811	9.46	86
1955	229.94	197	105	125	9.90	13
1956	361.23	308	163	198	10.36	19
1957	1.95	2	2			
1958	900.17	754	400	500	11.35	44
1959	348.47	289	153	195	11.88	16
1961	828.97	675	358	471	13.01	36
1962	131.29	106	56	75	13.60	6
1963	114.31	91	48	66	14.22	5
1964	1,782.21	1,404	745	1,037	14.85	70
1965	2,281.09	1,776	943	1,338	15.50	86
1966	816.53	628	333	484	16.17	30
1967	3,280.13	2,491	1,322	1,958	16.84	116
1968	2,968.43	2,225	1,181	1,787	17.53	102
1969	4,705.80	3,481	1,848	2,858	18.22	157
1970	8,866.27	6,470	3,435	5,431	18.92	287
1971	3,049.62	2,194	1,165	1,885	19.64	96
1972	9,063.50	6,427	3,412	5,652	20.36	278
1973	4,483.64	3,133	1,663	2,821	21.09	134
1974	4,802.68	3,304	1,754	3,049	21.84	140

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 333.40 SERVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 70-R4						
1975	2,369.16	1,605	852	1,517	22.59	67
1976	53,338.61	35,539	18,865	34,474	23.36	1,476
1977	3,408.22	2,233	1,185	2,223	24.14	92
1978	77,954.05	50,202	26,649	51,305	24.92	2,059
1979	76,283.01	48,254	25,615	50,668	25.72	1,970
1980	69,843.09	43,373	23,024	46,819	26.53	1,765
1981	52,818.54	32,182	17,083	35,736	27.35	1,307
1982	35,561.61	21,246	11,278	24,284	28.18	862
1983	37,697.56	22,069	11,715	25,983	29.02	895
1984	63,032.41	36,136	19,182	43,850	29.87	1,468
1985	162,276.57	91,037	48,326	113,951	30.73	3,708
1986	141,205.78	77,461	41,119	100,087	31.60	3,167
1987	233,180.66	124,985	66,346	166,835	32.48	5,137
1988	382,688.01	200,310	106,332	276,356	33.36	8,284
1989	133,290.87	68,054	36,125	97,166	34.26	2,836
1990	232,836.59	115,885	61,516	171,321	35.16	4,873
1991	146,884.91	71,197	37,794	109,091	36.07	3,024
1992	78,089.38	36,825	19,548	58,541	36.99	1,583
1993	89,176.08	40,881	21,701	67,475	37.91	1,780
1994	61,806.19	27,512	14,604	47,202	38.84	1,215
1995	69,722.02	30,100	15,978	53,744	39.78	1,351
1996	71,562.78	29,934	15,890	55,673	40.72	1,367
1997	39,015.03	15,796	8,385	30,630	41.66	735
1998	141,925.70	55,513	29,468	112,458	42.62	2,639
1999	62,627.50	23,646	12,552	50,076	43.57	1,149
2000	107,288.03	39,038	20,723	86,565	44.53	1,944
2001	63,001.69	22,051	11,705	51,297	45.50	1,127
2002	36,328.32	12,211	6,482	29,846	46.47	642
2003	78,622.53	25,339	13,451	65,172	47.44	1,374
2004	132,302.23	40,806	21,661	110,641	48.41	2,285
2005	70,034.48	20,620	10,946	59,088	49.39	1,196
2006	279,969.79	78,512	41,677	238,293	50.37	4,731
2007	399,362.97	106,346	56,452	342,911	51.36	6,677
2008	96,878.97	24,442	12,975	83,904	52.34	1,603
2009	140,024.64	33,345	17,701	122,324	53.33	2,294
2010	4,603.96	1,031	547	4,057	54.32	75
2011	6,466.10	1,358	721	5,745	55.30	104
2012	6,737.41	1,319	700	6,037	56.30	107
2013	66,524.32	12,079	6,412	60,112	57.29	1,049
2014	31,876.67	5,337	2,833	29,044	58.28	498
2015	242,597.50	37,151	19,721	222,876	59.28	3,760
2016	108,595.78	15,095	8,013	100,583	60.27	1,669
2017	171,084.10	21,336	11,326	159,758	61.27	2,607
2018	34,103.10	3,771	2,002	32,101	62.26	516

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 333.40 SERVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 70-R4						
2019	128,674.92	12,390	6,577	122,098	63.26	1,930
2020	97,318.05	7,980	4,236	93,082	64.26	1,449
2021	43,222.15	2,927	1,554	41,668	65.26	638
2022	241,262.01	12,924	6,860	234,402	66.25	3,538
2023	225,661.29	8,866	4,707	220,954	67.25	3,286
2024	25,499.43	637	338	25,161	68.25	369
2025	96,249.34	1,031	547	95,702	69.25	1,382
2026	13,749.96	24	13	13,737	69.88	197
	5,523,361.86	1,892,799	1,004,846	4,518,516		104,079

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 43.4 1.88

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 334.40 METERS AND METER INSTALLATIONS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 27-L3						
1979	19.80	17	20			
1980	608.09	523	608			
1981	680.89	579	681			
1982	1,748.40	1,472	1,748			
1983	580.83	484	581			
1984	869.83	716	870			
1985	405.58	330	406			
1986	358.00	288	358			
1987	20.92	17	21			
1988	1,077.92	847	1,078			
1989	3,096.93	2,404	3,097			
1990	2,764.42	2,119	2,764			
1991	3,750.25	2,840	3,750			
1992	4,434.05	3,317	4,434			
1993	4,595.11	3,399	4,595			
1994	13,294.84	9,725	13,295			
1995	18,807.58	13,618	18,808			
1996	4,249.68	3,047	4,250			
1997	18,746.76	13,324	18,747			
1998	24,292.28	17,112	24,292			
1999	24,325.28	16,983	24,325			
2000	16,504.79	11,419	16,505			
2001	21,609.14	14,790	21,609			
2002	34,100.20	23,062	34,100			
2003	26,162.95	17,442	26,163			
2004	29,146.13	19,096	29,146			
2005	42,095.18	27,019	42,095			
2006	53,232.68	33,320	53,233			
2007	33,828.43	20,560	33,825	3	10.59	
2008	31,550.29	18,521	30,471	1,079	11.15	97
2009	28,578.77	16,110	26,504	2,075	11.78	176
2010	33,606.11	18,085	29,753	3,853	12.47	309
2011	27,938.37	14,269	23,475	4,463	13.21	338
2012	89,625.26	43,153	70,995	18,630	14.00	1,331
2013	72,381.29	32,625	53,674	18,707	14.83	1,261
2014	72,223.27	30,254	49,774	22,449	15.69	1,431
2015	192,284.80	74,280	122,204	70,081	16.57	4,229
2016	304,141.54	107,237	176,425	127,717	17.48	7,306
2017	349,921.39	111,457	183,368	166,553	18.40	9,052
2018	227,067.83	64,419	105,981	121,087	19.34	6,261
2019	410,748.49	101,927	167,689	243,059	20.30	11,973
2020	156,243.05	33,158	54,551	101,692	21.27	4,781
2021	192,706.52	33,832	55,660	137,047	22.26	6,157
2022	278,986.25	38,748	63,748	215,238	23.25	9,258

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 334.40 METERS AND METER INSTALLATIONS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 27-L3						
2023	267,626.59	27,258	44,845	222,782	24.25	9,187
2024	57,831.34	3,748	6,166	51,665	25.25	2,046
2025	393,500.00	10,931	17,983	375,517	26.25	14,305
2026	57,500.00	277	456	57,044	26.87	2,123
	3,629,868.10	1,040,158	1,669,126	1,960,742		91,621
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..						21.4 2.52

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 335.40 HYDRANTS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 60-R4						
1909	32.03	32	32			
1930	12.93	13	13			
1931	21.69	22	22			
1932	87.26	87	87			
1935	22.18	22	22			
1938	22.52	22	7	16	0.78	16
1939	4.53	4	1	4	0.98	4
1951	6.38	6	6			
1958	204.72	185	60	145	5.84	25
1960	176.63	158	52	125	6.49	19
1963	893.39	780	255	638	7.60	84
1964	731.51	634	207	525	8.01	66
1965	1,356.81	1,166	381	976	8.44	116
1968	282.46	236	77	205	9.90	21
1969	257.03	212	69	188	10.44	18
1970	1,750.15	1,429	467	1,283	11.00	117
1971	373.81	302	99	275	11.60	24
1972	10,555.20	8,407	2,746	7,809	12.21	640
1973	1,111.62	874	285	827	12.85	64
1974	4,437.01	3,439	1,123	3,314	13.50	245
1976	12,625.39	9,501	3,103	9,522	14.85	641
1978	27,555.05	20,097	6,564	20,991	16.24	1,293
1979	28,573.40	20,497	6,695	21,878	16.96	1,290
1980	39,429.86	27,805	9,082	30,348	17.69	1,716
1981	24,723.54	17,133	5,596	19,128	18.42	1,038
1982	20,415.36	13,889	4,536	15,879	19.18	828
1983	10,246.38	6,841	2,234	8,012	19.94	402
1984	2,712.14	1,776	580	2,132	20.72	103
1985	67,543.10	43,329	14,152	53,391	21.51	2,482
1986	57,876.52	36,356	11,875	46,002	22.31	2,062
1987	103,752.25	63,773	20,830	82,922	23.12	3,587
1988	149,020.21	89,536	29,244	119,776	23.95	5,001
1989	62,954.53	36,944	12,067	50,888	24.79	2,053
1990	125,316.48	71,765	23,440	101,876	25.64	3,973
1991	10,775.22	6,016	1,965	8,810	26.50	332
1992	19,714.66	10,721	3,502	16,213	27.37	592
1993	62,793.14	33,228	10,853	51,940	28.25	1,839
1994	25,389.29	13,058	4,265	21,124	29.14	725
1995	37,132.20	18,541	6,056	31,076	30.04	1,034
1996	18,442.13	8,929	2,916	15,526	30.95	502
1997	31,099.31	14,580	4,762	26,337	31.87	826
1998	74,881.44	33,959	11,092	63,789	32.79	1,945
1999	46,139.99	20,201	6,598	39,542	33.73	1,172
2000	96,476.01	40,745	13,308	83,168	34.66	2,400

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 335.40 HYDRANTS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 60-R4						
2001	79,496.61	32,315	10,555	68,942	35.61	1,936
2002	21,727.18	8,488	2,772	18,955	36.56	518
2003	37,884.69	14,194	4,636	33,249	37.52	886
2004	81,093.50	29,086	9,500	71,594	38.48	1,861
2005	113,473.48	38,865	12,694	100,779	39.45	2,555
2006	61,922.15	20,207	6,600	55,322	40.42	1,369
2007	165,105.70	51,211	16,726	148,380	41.39	3,585
2008	63,472.37	18,650	6,091	57,381	42.37	1,354
2009	70,333.92	19,518	6,375	63,959	43.35	1,475
2010	28,516.29	7,443	2,431	26,085	44.34	588
2011	27,075.15	6,624	2,164	24,911	45.32	550
2012	15,680.62	3,578	1,169	14,512	46.31	313
2013	20,519.09	4,343	1,418	19,101	47.30	404
2014	14,162.36	2,764	903	13,259	48.29	275
2015	155,614.80	27,804	9,081	146,534	49.28	2,973
2016	34,240.61	5,547	1,812	32,429	50.28	645
2017	10,873.07	1,582	517	10,356	51.27	202
2018	28,706.19	3,698	1,208	27,498	52.27	526
2019	46,267.35	5,197	1,697	44,570	53.26	837
2020	70,731.97	6,767	2,210	68,522	54.26	1,263
2021	28,297.84	2,236	730	27,568	55.26	499
2022	114,814.81	7,176	2,344	112,471	56.25	1,999
2023	74,118.96	3,397	1,110	73,009	57.25	1,275
2024	2,307.27	67	22	2,285	58.25	39
2025	49,339.36	617	201	49,138	59.25	829
2026	7,249.28	14	5	7,244	59.88	121
	2,600,952.08	998,638	326,297	2,274,655		68,172

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 33.4 2.62

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 339.40 OTHER PLANT AND MISCELLANEOUS EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 45-R3						
1968	2,897.52	2,603	1,862	1,036	4.58	226
1974	608.23	522	373	235	6.37	37
1976	854.00	720	515	339	7.08	48
1977	860.70	718	514	347	7.46	47
1980	1,630.37	1,314	940	690	8.73	79
1981	1,361.63	1,083	775	587	9.20	64
1983	1,173.80	908	650	524	10.19	51
1985	836.49	627	449	387	11.27	34
1986	8,273.90	6,099	4,363	3,911	11.83	331
1988	10,832.73	7,696	5,506	5,327	13.03	409
1989	2,592.00	1,805	1,291	1,301	13.66	95
1990	2,953.24	2,015	1,442	1,511	14.30	106
1991	3,990.73	2,664	1,906	2,085	14.96	139
1992	1,592.50	1,039	743	850	15.64	54
1993	11,959.64	7,620	5,451	6,509	16.33	399
1994	839.80	522	373	467	17.04	27
1995	4,939.68	2,990	2,139	2,801	17.76	158
1996	1,456.05	857	613	843	18.50	46
1997	7,538.18	4,313	3,086	4,452	19.25	231
1998	18,822.96	10,453	7,478	11,345	20.01	567
1999	11,645.93	6,268	4,484	7,162	20.78	345
2000	9,418.25	4,904	3,508	5,910	21.57	274
2001	40,886.43	20,561	14,710	26,176	22.37	1,170
2002	11,315.89	5,487	3,925	7,391	23.18	319
2003	8,567.68	3,998	2,860	5,708	24.00	238
2004	16,904.22	7,577	5,421	11,483	24.83	462
2005	28,033.36	12,036	8,611	19,422	25.68	756
2006	6,927.84	2,843	2,034	4,894	26.53	184
2007	54,289.33	21,245	15,199	39,090	27.39	1,427
2008	14,367.40	5,342	3,822	10,545	28.27	373
2009	25,802.67	9,088	6,502	19,301	29.15	662
2010	3,613.68	1,201	859	2,755	30.04	92
2011	7,798.11	2,436	1,743	6,055	30.94	196
2012	11,738.99	3,430	2,454	9,285	31.85	292
2013	19,105.30	5,192	3,714	15,391	32.77	470
2014	79,831.95	20,047	14,342	65,490	33.70	1,943
2015	22,635.71	5,216	3,731	18,905	34.63	546
2016	53,983.14	11,313	8,093	45,890	35.57	1,290
2017	24,357.93	4,590	3,284	21,074	36.52	577
2018	27,034.62	4,524	3,236	23,799	37.47	635
2019	26,347.97	3,847	2,752	23,596	38.43	614

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 339.40 OTHER PLANT AND MISCELLANEOUS EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 45-R3						
2020	4,230.78	527	377	3,854	39.39	98
2021	15,425.23	1,594	1,141	14,284	40.35	354
2022	28,894.70	2,357	1,686	27,209	41.33	658
	639,171.26	222,191	158,957	480,214		17,123
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..						28.0 2.68

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 340.50 OFFICE FURNITURE AND EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. 20-SQUARE						
2006	7,286.47	7,195	6,537	749	0.25	749
2007	2,879.05	2,699	2,452	427	1.25	342
2008	46,647.08	41,399	37,612	9,035	2.25	4,016
2009	20,082.53	16,819	15,280	4,803	3.25	1,478
2010	8,716.19	6,864	6,236	2,480	4.25	584
2011	26,603.43	19,620	17,825	8,778	5.25	1,672
2012	14,436.97	9,925	9,017	5,420	6.25	867
2013	5,014.27	3,197	2,905	2,109	7.25	291
2014	32,361.46	19,012	17,272	15,089	8.25	1,829
2015	11,978.32	6,438	5,849	6,129	9.25	663
2016	8,818.33	4,299	3,906	4,912	10.25	479
2017	17,142.29	7,500	6,814	10,328	11.25	918
2018	22,775.32	8,825	8,018	14,757	12.25	1,205
2019	12,280.55	4,145	3,766	8,515	13.25	643
2020	5,024.85	1,445	1,313	3,712	14.25	260
2021	99,204.07	23,561	21,405	77,799	15.25	5,102
2022	26,632.94	4,994	4,537	22,096	16.25	1,360
2023	15,031.72	2,067	1,877	13,155	17.25	763
2024	2,405.15	210	191	2,214	18.25	121
	385,320.99	190,214	172,812	212,509		23,342

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 9.1 6.06

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 341.50 TRANSPORTATION EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 11-L2						
1990	272.99	273	273			
1996	1,990.60	1,936	1,991			
1999	44,080.99	40,835	44,081			
2001	226.84	203	227			
2003	395.13	339	395			
2004	1,341.15	1,127	1,314	27	1.76	15
2005	34,633.96	28,463	33,176	1,458	1.96	744
2006	308.92	248	289	20	2.17	9
2011	6,247.01	4,339	5,058	1,189	3.36	354
2012	14,819.80	9,956	11,605	3,215	3.61	891
2013	27,070.03	17,571	20,481	6,589	3.86	1,707
2016	31,617.06	18,424	21,475	10,142	4.59	2,210
2017	61,426.61	34,287	39,965	21,462	4.86	4,416
2018	49,477.43	26,133	30,460	19,017	5.19	3,664
2019	25,933.41	12,755	14,867	11,066	5.59	1,980
2021	47,299.89	18,232	21,251	26,049	6.76	3,853
2022	81,795.05	25,729	29,989	51,806	7.54	6,871
2023	106,100.74	25,271	29,456	76,645	8.38	9,146
2024	5,443.99	846	986	4,458	9.29	480
2025	99,978.07	6,817	7,946	92,032	10.25	8,979
2026	14,999.72	164	191	14,809	10.88	1,361
	655,459.39	273,948	315,476	339,983		46,680

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 7.3 7.12

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 343.50 TOOLS, SHOP AND GARAGE EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. 25-SQUARE						
2001	1,713.29	1,696	1,713			
2002	4,959.49	4,712	4,959			
2003	21,040.75	19,147	20,862	179	2.25	80
2004	7,491.22	6,517	7,101	390	3.25	120
2005	18,780.77	15,588	16,984	1,797	4.25	423
2006	11,964.08	9,452	10,298	1,666	5.25	317
2007	915.29	686	747	168	6.25	27
2008	3,614.08	2,566	2,796	818	7.25	113
2009	12,029.96	8,060	8,782	3,248	8.25	394
2010	948.43	598	652	296	9.25	32
2011	833.76	492	536	298	10.25	29
2012	17,598.38	9,679	10,546	7,052	11.25	627
2013	1,269.76	648	706	564	12.25	46
2014	3,853.87	1,811	1,973	1,881	13.25	142
2015	2,630.63	1,131	1,232	1,399	14.25	98
2016	12,912.87	5,036	5,487	7,426	15.25	487
2017	24,945.23	8,731	9,513	15,432	16.25	950
2018	12,010.99	3,723	4,056	7,955	17.25	461
2019	1,989.81	537	585	1,405	18.25	77
2021	21,389.52	4,064	4,428	16,962	20.25	838
2023	3,041.30	335	365	2,676	22.25	120
2024	1,125.14	79	86	1,039	23.25	45
	187,058.62	105,288	114,407	72,652		5,426

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 13.4 2.90

NEWTOWN ARTESIAN WATER COMPANY

ACCOUNT 346.50 COMMUNICATION EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF MARCH 31, 2026

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. 15-SQUARE						
2012	783.34	718	495	288	1.25	230
2013	644.50	548	377	268	2.25	119
2016	750.92	488	336	415	5.25	79
2021	25,550.52	8,091	5,573	19,978	10.25	1,949
2022	12,696.47	3,174	2,187	10,509	11.25	934
2023	5,900.29	1,082	745	5,155	12.25	421
2024	3,355.84	392	270	3,086	13.25	233
	49,681.88	14,493	9,983	39,699		3,965

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 10.0 7.98

NAWCO Statement No. 1-R
Docket No. R-2024-3050208

REBUTTAL TESTIMONY OF

DANIEL J. ANGOVE

ON BEHALF OF

THE NEWTOWN ARTESIAN WATER COMPANY

Addressing: I&E Recommendations

November 1, 2024

**Rebuttal Testimony
of
Daniel J. Angove**

1 **I. INTRODUCTION**

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

3 A. My name is Daniel J. Angove. My business address is located at The Newtown Artesian
4 Water Company (“NAWCO” or the “Company”), 201 North Lincoln Avenue, Newtown,
5 PA 18940.

6 **Q. WHAT IS YOUR POSITION WITH THE COMPANY?**

7 A. I am the Chief Executive Officer and General Manager of the NAWCO.

8 **Q. ARE YOU THE SAME DANIEL ANGOVE WHO PREVIOUSLY SUBMITTED**
9 **DIRECT TESTIMONY IN THIS PROCEEDING?**

10 A. Yes, I am.

11 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

12 A. The purpose of my Direct Testimony is to address certain matters raised by the
13 Pennsylvania Public Utility Commission Bureau of Investigation & Enforcement Witness,
14 Mr. Sakaya.

15 **Q. ARE YOU PROVIDING ANY EXHIBITS WITH YOUR REBUTTAL**
16 **TESTIMONY?**

17 A. Yes, I am. Included with my Rebuttal Testimony as Exhibit DJA-1R is a copy of the PFAS
18 Treatment Assessment prepared by Gannett Fleming Rate & Valuation Consultants for the
19 Company regarding its wells.

1 **II. RESPONSE TO I&E WITNESS SAKAYA**

2 **Q. PLEASE PROVIDE AN OVERVIEW OF MR. SAKAYA’S RECOMMENDATION**
3 **CONCERNING REPORTING OF THE COMPANY’S PLANT ADDITIONS?**

4 A. In his Direct Testimony, on pages 7 and 8, Mr. Sakaya recommends that “the Company be
5 required to provide the Commission’s Bureau of Investigation and Enforcement and the
6 Office of Consumer Advocate with an update to NAWC’s Table No. 4 (NAWC Exhibit
7 JJS-2, p. 45) for the years 2024-2025 no later than August 1, 2025, and Table No. 4 (NAWC
8 Exhibit JJS-3, p. 12) for the years 2025-2026 no later than August 1, 2026, to be filed under
9 this docket number. The tables should include actual beginning balances, plant additions,
10 retirement, reclassifications, and ending balances by month for the twelve months ending
11 March 31, 2025, and March 31, 2026.”

12 **Q. WILL THE COMPANY AGREE TO THESE REPORTING**
13 **RECOMMENDATIONS?**

14 A. Yes. The Company agrees that such reporting is reasonable on the timeframes and in the
15 manner set forth in Mr. Sakaya’s recommendation. The Company therefore agrees to file
16 the requested reports.

17 **Q. PLEASE DESCRIBE MR. SAKAYA’S TESTIMONY CONCERNING PFAS**
18 **TESTING.**

19 A. Certainly. In his Direct Testimony, on pages 9 and 10, Mr. Sakaya states, concerning PFAS
20 treatment, that “[w]hile the Company has mentioned plant-related improvements and an
21 increase in FPFTY testing, it should be required to explain in detail how NAWC is moving
22 toward ensuring that both well water and purchased water will meet the EPA standards in
23 2029.” He further notes that NAWCO has “mentioned well-related plant improvements

1 but has not specifically explained how it will ensure that purchased water meets the future
2 requirements.”

3 **Q. PLEASE ADDRESS MR. SAKAYA’S PFAS TREATMENT CONCERNS.**

4 A. The Company has been proactive in determining treatment options for PFAS for its wells.
5 Exhibit DJA-1R includes the November 1, 2023 PFAS treatment proposal design
6 completed by Gannett Fleming on PFAS treatment for the Company’s wells, which was
7 prepared following evaluation and discussion of a PFAS Treatment Study completed in
8 May 2023 by Gannett Fleming. Currently the design stage is 60% complete and plans have
9 been submitted to the Pennsylvania Department of Environmental Protection (“DEP”) for
10 permitting purposes. The project is scheduled to start construction in early 2025, with an
11 in-service date no later than March of 2026.

12 While the Company cannot control the quality of its purchased water, the sources
13 of that supply are Pennsylvania American Water Company and Bucks County Water and
14 Sewer Company, both of which are required to meet the same regulatory standards as
15 NAWCO. This includes the requirement that they ensure compliance with the DEP and
16 Environmental Protection Agency’s PFAS standards.

17 **III. CONCLUSION**

18 **Q. DOES THIS CONCLUDE YOUR WRITTEN REBUTTAL TESTIMONY?**

19 A. Yes, it does. However, I reserve the right to supplement this Rebuttal Testimony as
20 appropriate throughout the course of this proceeding.

VERIFICATION

I, Daniel J. Angove, Chief Executive Officer and General Manager of The Newtown Artesian Water Company, hereby state that the testimony set forth in The Newtown Artesian Water Company Statement No. 1 and Statement No. 1R in the matter at PaPUC Docket No. R-2024-3050208 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 hereby state that the aforementioned testimony and exhibits are true and correct to the best of my knowledge information and belief. I am also sponsoring any discovery responses attached to the other parties' testimony, in which I am the sponsoring witness. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).



Daniel J. Angove
Chief Executive Officer and General
Manager
The Newtown Artesian Water
Company

Dated: November 19, 2024



Gannett Fleming, Inc.
Valley Forge Corporate Center
1010 Adams Avenue
Audbon, PA 19403
P 610.783.3788

gannettfleming.com

November 1, 2023

Dan Angove, General Manager
Richard Pierone, Assistant General Manager
Newtown Artesian Water Company
201 North Lincoln Avenue
Newtown, PA 18940

RE: Engineering Services Proposal for
Newtown Water System
PFAS Removal Facilities

Dear Dan and Rich:

Gannett Fleming is pleased to submit this Proposal for engineering design and permitting services to support the Newtown Artesian Water Company's plans to install PFAS Treatment for Wells 4, 5, and 6.

Project Understanding

System supply sources consist of five (5) wells and two (2) purchased water interconnections with neighboring public water system suppliers. The primary wells include Well Nos. 4 and 5 located at the Company's office location and Well No. 6 located at the Frost Lane Standpipe/High Service Pumping Station site. Secondary wells include Well Nos. 14 and 18 located at the Summit Trace Shopping Center. These wells were recently redesignated by PADEP as "Reserve" wells at the Company's request; they have not been in use for about the past two (2) years. The water quality of Well Nos. 14 and 18 was inferior to that provided by Well Nos. 4, 5, and 6, especially as it relates to hardness and PFOA/PFOS levels.

The primary purchased water supply is taken from BCW&SA. The BCW&SA supply originates from the Delaware River/North Branch Neshaminy Creek, and this surface water supply is treated by North Penn and North Wales Water Authorities at the Forest Park Water Treatment Plant in Chalfont. The second purchased water supply is taken from Pennsylvania American Water Company (PAWC) at an interconnection chamber located at Lindenhurst Road and Autumn Drive. The supply is primarily sourced from the Delaware River and treated at PAWC's Yardley Water Treatment Plant. However, PAWC also has several wells that provide supply to their Yardley system.

All five wells are regularly tested for PFAS chemicals. Well Nos. 14 and 18 experienced higher concentrations of PFOA and PFOS, with each well at about 20 ppt for PFOA and slightly less for PFOS. Well Nos. 4, 5, and 6 experienced lower levels of each. PFOS averaged in the 4.0 to 6.0 ppt range at these primary wells, while PFOA averaged in the 6.0 to 10 ppt range, with some readings as high as 14 ppt. The purchased surface water supplies exhibit much less PFAS source contamination than area groundwater supplies and receive more advanced treatment. As a result, their PFOS and PFOA concentrations are significantly lower, averaging about 2.0 ppt for PFOA and for PFOS from the BCW&SA purchase and 4.0 ppt for each parameter from the PAWC purchase.

PFAS treatment will be required at Well Nos. 4, 5, and 6 based on recent regulatory actions by PADEP and USEPA. Although NAWC may be able to avoid treatment at these three wells based on the final PADEP PFAS Rule (MCLs of 14 ppt and 18 ppt have been set for PFOA and PFOS, respectively), the recent USEPA proposal to set MCLs for those two PFAS at 4 ppt means NAWC will need to provide treatment of those primary wells in the next 3 to 4 years.

Gannett Fleming completed a PFAS Treatment Study in May 2023. While various options were evaluated, the findings from that study and subsequent conversations with NAWC have led to a proposed plan for the use of Granular Activated Carbon (GAC) contactors at the Frost Lane Tank/High Service Pumping Station site to treat water from Wells 4, 5, and 6. The upgrades are assumed at this time to include the GAC contactors, well pump replacements to accommodate the increased head conditions through the new treatment units (no increased flow), a backwash waste tank, chemical feed system improvements, and a new masonry building to house the equipment including HVAC, plumbing, electrical and I&C components. In addition, various piping additions are required along with site improvements.

The scope of services includes design to prepare a bid package for the project and obtain permitting approval as detailed herein.

Scope of Design Services

Our design services include the following work to deliver a set of biddable documents for the project. Engineering disciplines involved in this work will be survey, geotechnical, site-civil, environmental, process, structural, architectural, instrumentation, mechanical and electrical. Nave Newell will perform surveys and the ARM Group will perform geotechnical borings and assessments. All other engineering services will be performed by Gannett Fleming staff. We have assumed design meetings at kickoff, 30%, 60%, and 90%, and plan to deliver documents for NAWC's review approximately one (1) week before scheduled review meetings. We will also attend bi-weekly progress meetings with NAWC staff.

The following Scope of Services and project description text are intended to explain and clarify our design concept. The treatment facility for Wells 4, 5, and 6 is combined into one facility due to the proximity of the wells. The new facility will be capable of treating 1.25 million gallons per day (mgd) and will be equipped with a carbon filter system to treat the production of the wells for the removal of PFAS compounds.

- 1) It will be necessary to upgrade the existing well pumps to account for the additional head required to pass through the new carbon treatment process. Though new pumps are to be provided, there is no increase in withdrawals from the wells.
- 2) It will be necessary to size a wastewater storage tank to contain wastewater generated from the initial washing and rinsing of the GAC and potential backwashing of the GAC contactors during subsequent operations. The wastewater tank will store the backwash water until it can be pumped into a portable tanker for discharge at a disposal facility. The wastewater tank is envisioned to be a rental, but could be permanently installed at the site. The backwash wastewater will not be discharged to the sanitary sewer system.
- 3) Chemical feed systems will be required at the Frost Lane site to address disinfection (sodium hypochlorite) and corrosion control (polyphosphate) treatment needs for the combined flow from Wells 4, 5, and 6.
- 4) Several studies and investigations will be performed to support and finalize the above design requirements. These include:
 - a. Surveys - It is assumed that the existing tank site has sufficient room for the needed facilities, and no wetlands, floodplains, or endangered species are preventing development on the existing Frost Lane site.
 - i. Site Survey
 - ii. Boundary Survey
 - iii. Wetland Survey
 - iv. PNDI
 - b. Evaluation to confirm existing water storage tank has sufficient volume to support the required backwash supply (proposal assumes no new washwater holding tank is required).
 - c. Geotechnical borings will be completed near the existing facility where the new building is anticipated to be constructed. A geotechnical engineering report will be prepared of the existing subsurface conditions for foundation design. Clearing of trees for the drilling work has not been included in this proposal.
 - d. Evaluate if distribution system water has sufficient pressure to be utilized without backwash pumps (Proposal assumes backwash pumps will not be needed).
 - e. Sizing of the backwash waste tank.
 - f. Electrical service evaluation. For purposes of this Proposal, it is assumed that the existing electrical services are adequate at both the Well 6/Frost Lane site and the Wells 4 and 5/Office site.
- 5) PFAS Treatment Facility
 - a. We have assumed, for the purpose of developing a fee estimate, that the building will be masonry with a pitched roof. Consideration will be given during design for the best means of facilitating future pressure vessel removal and replacement, whether a garage door, knock-out panels, or kalwalls based on the site spacing available.
 - b. Separate rooms between GAC contactors, chemical storage/feed systems, and electrical equipment.
 - c. A backwash waste tank for storage of backwash prior to pumping to a portable tanker for disposal if tank rental is not practical.
 - d. HVAC equipment and controls.

- e. Associated electrical and lighting improvements.
- f. Instrumentation and Controls. Design includes I&C drawings, control concept, I/O schedule, control cable schedule, and instrument specifications in coordination with Newtown Artesian standards. It is assumed the the existing communications infrastructure will be used for the new facility. GF will provide conceptual panel layout drawings with I/O list and it is assumed that detailed panel drawings will be submitted by the integrator during the construction phase.
- g. PFAS/PFOS Filters
 - i. GAC contactors to remove PFOS/PFOA to a non-detect level.
 - ii. We have based our Proposal on the assumption of GAC contactors arranged in a lead/lag configuration:

Parameter	Wells 4, 5, and 6
Design Flow, gpm	868 (1.25 MGD)
Vessel Diameter, ft	14
No. of Lead/Lag Treatment Trains	1

6) Site Feasibility Study

NAWC plans PFAS building and site improvements on their 3.0-acre site in the Township of Newtown, Bucks County, Pennsylvania, which will require formal Zoning and Land Development approvals through Newtown Township.

- a. Conduct due diligence assessment including an ordinance review and summary, potential fees for land development and other pertinent information for the project.
- b. Prepare a sketch plan and conceptual engineering analysis of the layout of the construction including analysis of site circulation, conceptual grading schemes, conceptual utility routings and potential stormwater management areas and sizes. These concepts will be presented on a Conceptual Construction Improvements Plan.
- c. Compile a Summary Report that includes the information listed above.
- d. Attend meetings including conference calls with Client, their consultants, Township officials and other outside agencies as deemed necessary. For budgetary purposes, 8 hours of meeting time has been included.

7) Zoning Approvals

- a. Assist Client and their Attorney in filing a zoning appeal that may be necessary for Special Exception(s) for use.
- b. Based upon client programming, zoning and land development standards, prepare a Zoning Plan for submission to Newtown Township. This plan will depict the proposed building, drive aisles, and Site Data Table.
- c. Attend meetings including conference calls with Client, their consultants, Township officials and other outside agencies as deemed necessary. For budgetary purposes, 18 hours of meeting time has been included

8) Land Development – Preliminary/Final Approvals

- a. Prepare a Title Sheet with the required location map and plan references for a combined Preliminary/Final approval which it is assumed that the Township will accept.
- b. Prepare an Existing Features Plan depicting the existing features of the site.
- c. Prepare a Demolition Plan showing the existing features to be removed.
- d. Prepare a Site Plan showing the improvements including the proposed buildings, driveway circulation and parking, ancillary appurtenances and required setbacks and signature blocks.
- e. Prepare an Improvement Construction/Utility Plan for the proposed improvements and site utilities. Show site grading and contour lines and provide spot grades at critical design points. Utilities will connect to the existing site utilities, and off-site extensions are not expected or included.
- f. Design one underground stormwater management basin per PADEP and Township standards. The infiltration testing that is required for the design of the basins and/or BMP's will be conducted to the required standards by others and provided to Gannett Fleming, Inc. for inclusion in these calculations. Redesign of these systems due to insufficient infiltration rates is not included in the fee.
- g. Design a storm drain system, with profiles, to convey runoff to the proposed basin.
- h. Prepare Detail Sheet(s) showing details for the construction of the site improvements.
- i. Prepare a Site Drainage and Stormwater Management Report including the pre- and post-development stormwater management calculations and storm drainage design.
- j. Prepare an Erosion and Sedimentation Control Plan and calculations utilizing sediment basins/traps, swales and compost filter sock as the major control facilities.
- k. Prepare an Erosion and Sedimentation Control Narrative including E&S design and calculations. Since disturbance is less than an acre, the E&S review will be limited to the Township.
- l. Prepare a Post-Construction Stormwater Management (PCSM) Plan. The PCSM Plan will include an operations and maintenance (O&M) schedule for the proposed BMP's. Any O&M agreements that are required with the Township or other interested party will be provided by others.
- m. Prepare an Environmental Impact Assessment Report per the Township ordinance.
- n. Finalize the Site Plan and sign and seal the appropriate recording certificates and provide the appropriate number of copies to the Client/Township for their signatures. The Client/Township/Attorney will record the plans.
- o. Provide a reproducible hardcopy and a PDF copy of the approved land development plan set.
- p. It is assumed that waivers will be granted for the following: Preliminary/Final Land Development Application, landscaping, lighting, parking, and traffic analyses.

Deliverables

The following deliverables are anticipated:

- 1) Development of all necessary bid documents (plans and specifications including Demolition, Site-Civil, Architectural, Structural, Process, Mechanical, Electrical, PI&Ds) including electronic submission of final plans and specifications. We estimate approximately 20 design sheets will be prepared for the final bid documents.
- 2) Submission of design documents for review at 30%, 60%, and 90% complete intervals.
 - a. The 30% submission will include the basis of design report and preliminary plans. The 60% submission will include the Public Water Supply (PWS) Permit application (including a basis of design report), design drawings, and technical specifications. The 90% submission will include an opinion of probable construction cost, design drawings, and general and technical specifications.
 - b. We have assumed virtual meeting attendance at the 30%, 60%, and 90% milestone review meetings.
- 3) Permitting (NAWC will provide permit fees as necessary)
 - a. PADEP Public Water Supply Permit - Will be submitted shortly after reaching the 60% milestone.
 - b. Wetlands/Waterways/PNDI. We will perform the required PNDI search and wetlands/waterways delineation/report. We have assumed that Jurisdictional Determination will not be required, that no additional surveys for species of concern will be required, that the project will avoid wetlands/waterways impacts (DEP Chapter 105/USACE Section 404 permitting not required), and that coordination with Pennsylvania Museum and Historic Commission will not be required.
 - c. Zoning and land development approvals/permits will be required by Newtown Township.

Project Schedule

It is desired to complete the construction of the new PFAS treatment facility by March 2026, at which time it will be considered used and useful. In order to meet this deadline, Gannett Fleming anticipates the following scheduling milestones for this project:

- Design Authorization – October 2023
- Conceptual Plans – November 2023
- Meeting with Newtown Township to present the Concept Plan - December 2023
- Prepare 30% Preliminary Plans for Land Use permitting – January 2024
- Submit Zoning and Land Development applications to Township – January 2024
- Prepare 60% Design Plans and Technical Specifications – January 2024 – March 2024
- Submit for PADEP PWS Permit – March 2024
- Estimated Township approvals & DEP permitting completion – September 2024
- Bid Advertisement – October 2024
- Bid Award – November 2024
- Construction Notice to Proceed – January 2025
- In Service – March 2026

Additional Services

- 1) Gannett Fleming can provide additional services as requested and authorized by NAWC that exceed the scope outlined in this Proposal. When requested, Gannett Fleming will provide a scope of services, schedule, and cost estimate for any additional services requested by NAWC.

Design and Permitting Fee Estimate

Design and Permitting Services in accordance with the scope of work outlined above are estimated to range from \$340,000 to \$375,000. Actual effort will be billed on a cost plus basis in accordance with the existing Agreement for Engineering Services. Invoices will be prepared and submitted on a monthly basis.

Bid and Construction Phase Services

A proposal for bid phase and construction phase services will be provided once the design and permitting phases have been completed.

If you have any questions concerning this Proposal, please do not hesitate to contact me. Thank you for this opportunity to continue our engineering services with NAWC.

Sincerely,

GANNETT FLEMING, INC.



R. SCOTT HUGHES, P.E.

Vice President
Water Business Line

Accepted by:

Date:

Dan Angove
General Manager

NAWCO STATEMENT NO. 2-R
Docket No. R-2024-3050208

REBUTTAL TESTIMONY OF

**GREGORY R. HERBERT, ASSISTANT PROJECT MANAGER
GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC**

ON BEHALF OF

THE NEWTOWN ARTESIAN WATER COMPANY

Addressing: Income Statement, Rate Base, Operating Revenue and Expense Adjustments; and
Rate Design

November 1, 2024

**Direct Testimony
of
Gregory R. Herbert**

1 **I. INTRODUCTION**

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

3 A. My name is Gregory R. Herbert. My business address is 207 Senate Avenue, Camp Hill,
4 Pennsylvania.

5 **Q. BY WHOM ARE YOU EMPLOYED?**

6 A. I am employed by Gannett Fleming Valuation and Rate Consultants, LLC (“Gannett
7 Fleming”).

8 **Q. ARE YOU THE SAME GREGORY R. HERBERT THAT SUBMITTED DIRECT**
9 **TESTIMONY AND EXHIBITS IN THIS PROCEEDING?**

10 A. Yes. I submitted Direct Testimony, NAWC Statement No. 2, with supporting Exhibit
11 GRH-1.

12 **Q. WHAT IS THE SUBJECT OF YOUR REBUTTAL TESTIMONY?**

13 A. First, I will explain and support various expense and revenue adjustments of Newtown
14 Artesian Water Company (“NAWCo” or the “Company”) that were identified during
15 discovery. These adjustments are provided in the schedules of Exhibit GRH-1R.
16 Additionally, I will address the expense adjustments and cash working capital adjustments
17 made by I&E Witness Okum and OCA Witness Rogers, and the rate allocation/rate design
18 recommendations by I&E Witness Sakaya.

19 **Q. ARE YOU INCLUDING ANY EXHIBITS WITH YOUR REBUTTAL**
20 **TESTIMONY?**

21 A. Yes, I am providing Exhibits GRH-1R and GRH-2R in my Rebuttal Testimony. Exhibit
22 GRH-1R reflects changes to as-filed expense adjustments as a result of our agreement with

1 other parties' testimony and additional expense adjustments that were identified during the
2 discovery period , as summarized in my Rebuttal Testimony. Exhibit GRH-2R includes
3 interrogatories referenced throughout my Rebuttal Testimony that describe the changes to
4 certain expense adjustments that are reflected in Exhibit GRH-1R.

5
6 **II. DISCOVERY EXPENSE AND REVENUE ADJUSTMENTS**

7 **Q. PLEASE DESCRIBE THE EXPENSE AND REVENUE ADJUSTMENTS YOU**
8 **MADE IN EXHIBIT GRH-1R IN LIGHT OF THE COMPANY'S RESPONSE TO**
9 **DATA REQUESTS DURING DISCOVERY.**

10 A. There were several adjustments made to the Company's expense and revenue adjustments
11 during discovery.

12 The Purchased Water Expense, Adjustment E-2, was updated to reflect the most
13 recent wholesale rates that Pennsylvania American Water Company ("PAWC") is charging
14 the Company as a result of PAWC's approved revenue increase request in its most recent
15 rate case (Docket Nos. R-2023-3043189 and R-2023-3043190). As of August 1, 2024 the
16 Company is charging NAWCo \$3.427 per thousand gallons, increased from \$3.328 per
17 thousand gallons that was charged before August 1, 2024 and during the HTY, but lower
18 than the projected rate assumed in the original filing. As this new rate is in effect during
19 the FTY, the Company revised its inflation factor in Adjustment E-2 to project the FPFTY
20 rate. The inflation factor used the CPI annual change as of June 2024, which was
21 recommended by OCA Witness Rogers in her direct testimony, that resulted in a 3.3%
22 increase to the current rate of \$3.427 per thousand gallons charged by PAWC. The result
23 of these two changes results in a rate of \$3.5402 per thousand gallons to for the FPFTY

1 claim. As a result, the as-filed expense adjustment of \$20,573 is slightly reduced to
2 \$19,463 (rebuttal adjustment E-2).

3 Additionally, the Bucks County Water and Sewer Authority (“BCWSA”) recently
4 notified NAWCo that BCWSA will be increasing its wholesale rate by \$0.06 per thousand
5 gallons on January 1, 2025, which increases the current rate of \$3.614 per thousand gallons
6 to \$3.6740 per thousand gallons. The adjustment for the increase in BCWSA’s wholesale
7 rate is illustrated in a new expense adjustment, Expense Adjustment E-21-REB in Exhibit
8 GRH-1R, which adjusts the purchased water expense upwards by \$92,826. A copy of the
9 Company’s most recent PAWC bill reflecting the updated wholesale rate, and a copy of
10 the rate increase notification from BCWSA is provided in Exhibit GRH-2R.

11 Chemicals Expense Adjustment E-3 was also revised to reflect the correct amount
12 of projected chlorine quantities that the Company will use in the FTY and FPFTY. The
13 as-filed annual projected quantities for chlorine for the FTY and FPFTY were 11,498
14 gallons. Upon preparing the response to TUS-R-7 (see Exhibit GRH-2R), it was
15 determined that the annual projected quantity of chlorine usage in the FTY and FPFTY
16 was overstated by 2,281 gallons and should instead reflect a projected quantity of 9,217
17 gallons. Adjustment E-3 was updated for the correct projected chlorine quantities for the
18 FTY and FPFTY and reduced the chlorine expense for the FTY and FPFTY from \$9,709
19 to \$2,378.

20 Adjustment E-14, which is developed to reduce Purchased Water, Chemicals and
21 Purchased Power expenses due to the Company’s declining usage adjustment, had a
22 signage error that inadvertently reversed the intended downward adjustments to upward
23 expense adjustments. In response to I&E-RE-13-D (see Exhibit GRH-2R), the Company
24 acknowledged the error and these corrections to the Purchased Water, Chemicals and

1 Purchased Power expense claims are reflected in Exhibit GRH-1R. OCA Witness Rogers
2 has also reflected these adjustments in her direct testimony and exhibits (see OCA Direct
3 Testimony St. 1, pgs. 8 through 12). The adjustment results in a net reduction of the
4 Company's Operation and Maintenance Expense of (\$26,017).

5 Adjustments E-1 and E-10 concerning the Company's labor projections in the FTY
6 and FPFTY, were also updated and these changes are reflected in Exhibit GRH-1R. The
7 reason for the changes to these labor projections is explained in data requests I&E-RE-25
8 and OCA-IV-4, which are included in Exhibit GRH-2R. In short, however, the updated
9 adjustments to Labor Expense illustrated in Exhibit GRH-1R reflect the Company's recent
10 hire of a hybrid office/field position titled Capital Program Administrator on October 7,
11 2024, and the year-end bonuses paid to employees in the FPFTY that were inadvertently
12 excluded from the as-filed Labor Expense claim. As a result, the Labor Expense
13 projections have been adjusted upward by \$99,704 from the as-filed claim.

14 Finally, Adjustment E-18 was updated to reflect information garnered in recent
15 meetings with the Company, where it was brought to my attention that the Company's
16 Board voted to remove the Treasurer fee and President's fee (or Officer's Fees) as these
17 individuals aged off the Board. Those two individuals have now aged off the Board and
18 thus, these Officer's Fees will no longer be paid. The Company still pays its Director's
19 Fees. Therefore, Adjustment E-18 in GRH-1R adjusts the Officer's, Director's Fees
20 expense claim downward by \$32,130.

21 As a result of these adjustments related to discovery, the Company's Operation and
22 Maintenance Expense claim increases by \$125,942 from the as-filed position of
23 \$4,605,898. However, I will explain later in my Rebuttal Testimony that the Company is
24 willing to accept some of the recommended expense adjustments made by OCA Witness

1 Rogers and I&E Witness Okum, which will result in an overall increase of \$61,748 in
2 O&M Expense for the Company's O&M Expense rebuttal position of \$4,667,645.

3 **Q. PLEASE DISCUSS ANY REVENUE ADJUSTMENTS THAT YOU MADE AS A**
4 **RESULT OF THE CHANGES IN THE PURCHASED WATER ADJUSTMENT**
5 **CLAUSE ("PWAC") RATE.**

6 A. Corrections related to the declining usage adjustments in revenue adjustments R-
7 10 and R-15 were made to reflect the current PWAC rate of 0.2471. The as-filed R-10 and
8 R-15 revenue adjustments reflected the PWAC rates during the Company's prior rate case
9 in 2019 of 0.0641. As a result of these corrections, R-10 is further adjusted downward by
10 \$284 from (\$100) to (\$384), and R-15 is further adjusted downward by \$712 from (\$249)
11 to (\$961). These corrections to revenue adjustments R-10 and R-15 are reflected in Exhibit
12 GRH-1R.

13
14 **III. RESPONSE TO PARTIES' POSITIONS**

15 **RATE CASE EXPENSE**

16 **Q. OCA WITNESS ROGERS AND I&E WITNESS OKUM LENGTHEN THE**
17 **PROPOSED NORMALIZATION PERIOD FROM THE COMPANY'S CLAIM OF**
18 **THREE YEARS TO FIVE YEARS. PLEASE SUMMARIZE MS. ROGERS' AND**
19 **MS. OKUM'S POSITION.**

20 A. Ms. Rogers and Ms. Okum both disagree with the Company's three-year normalization
21 period to recover Rate Case Expense. Both recommend that Rate Case Expense should be
22 normalized over a five-year period, which was determined by averaging the length of time
23 between the Company's three most recent rate cases. As a result of the five-year
24 normalization period, Ms. Rogers and Ms. Okum recommend a \$64,667 downward

1 adjustment to the Company's Rate Case Expense (See I&E Direct Testimony St. No 1, pgs.
2 6 and 7, and OCA Direct Testimony St. No 2, pg. 6).

3 **Q. DOES THE COMPANY AGREE WITH EITHER WITNESS'S PROPOSAL?**

4 A. No, it does not. The normalization of rate case expense over several years is appropriate
5 as the expense for a rate case is only incurred during the period of the actual rate case but
6 the benefits of increased rates last more than one year. A three-year normalization period
7 is reasonable as it acknowledges that rate case expense should be spread over a period of
8 years, but it also does not penalize the Company for delaying a subsequent rate case
9 whether due to costs, requirements from the previous case, limited resources, or any other
10 number of reasons that could cause the Company to file a rate case over a period longer
11 than planned. Looking back at the Company's last three rate cases before the 2019 rate
12 case, the Company was on a three-year cadence from 2005 to 2011 (Docket Nos. R-
13 00050529, R-2008-2012293, R-2011-23230259). The Company's reason for not filing a
14 rate case sooner than 2019 from the 2011 rate case was due to the DSIC filing proceedings
15 (at Docket No. R-2017-2624240), which were not finally concluded until July 2021. The
16 Company experienced a prolonged resolution to its DSIC filing which lasted about two
17 years in total, during which time it would have been within the three-year filing cadence
18 for a rate case. In addition, Company personnel needed time to learn the regulations and
19 requirements behind implementing a DSIC surcharge and then implemented a DSIC
20 surcharge after the DSIC filing. The Company has limited resources and personnel
21 compared to larger investor owned water utilities in the Commonwealth and was not able
22 to file for DSIC and file a rate case at the same time. The period between the 2011 rate
23 case and 2019 rate case is an anomaly due to the DSIC filing and should not be considered

1 within the historical time periods between rate cases as a guide or proxy for future rate case
2 filing cadence.

3 Additionally, the Company had stayed out longer from its 2019 rate case in this
4 proceeding due to the timing of its PFAS treatment upgrades as the Pennsylvania
5 Department of Environmental Protection (“Pa DEP”) and the Environmental Protection
6 Agency’s (“EPA”) regulations have been constantly evolving, and the Company wanted to
7 ensure full recovery of its PFAS treatment plant additions. The Company does not believe
8 it will be able to stay out for another five years as they have experienced increasing capital
9 costs, increasing operation costs, and more stringent regulations for PFAS treatment that
10 continue to change. Therefore, the Company maintains that the Rate Case Expense should
11 be normalized over a three-year period, instead of the significantly longer normalization
12 periods proposed by I&E and OCA.

13
14 **EMPLOYEE BENEFITS EXPENSE**

15 **Q. PLEASE EXPLAIN OCA WITNESS ROGERS’S AND I&E WITNESS OKUM’S**
16 **POSITIONS ON EMPLOYEE BENEFITS EXPENSE.**

17 A. Ms. Rogers and Ms. Okum explain in direct testimony that the Company increased its
18 Employee Benefits claims by 5% for each the FTY and FPFTY and added an additional
19 flat value of \$50,000 for the Company’s anticipated switch in health care premiums. Ms.
20 Rogers recommends disallowing the 5% increases in each of the FTY and FPFTY for the
21 Employee Benefits projects, and Ms. Okum recommends disallowing the \$50,000 for the
22 anticipated switch in health care premiums. Ms. Okum reduces the expense claim by
23 \$45,000, as her adjustment accounts for 10% of these costs being capitalized.

1 **Q. DO YOU AGREE WITH THE OCA AND I&E WITNESSES'**
2 **RECOMMENDATIONS?**

3 A. I agree that Ms. Okum's adjustment is more in line with the FPFTY projected costs and
4 disagree with Ms. Rogers' recommended adjustment, but I will further explain my
5 reasoning. The Company provided a response to data request OCA-IV-9, which is included
6 in Exhibit GRH-2R, for the anticipated increases to its medical coverage premiums. After
7 I reviewed these documents that were provided to me in early October 2024, I saw that the
8 5% increases to employee benefits projected in the FTY and FPFTY amounted to similar
9 increases that the additional \$50,000 flat value of costs added in Expense Adjustment E-4.
10 Therefore, the additional \$50,000 was essentially double counting the anticipated change
11 to insurance premiums on top of the 5% projections. As such, I agree with Ms. Okum's
12 recommendation to reduce the Employee Benefits Expense claim by \$45,000. Adjustment
13 E-4 in Exhibit GRH-1R reflects the downward adjustment recommended by Ms. Okum.

14

15 **SOURCE OF SUPPLY – DEP FEES EXPENSE**

16 **Q. PLEASE EXPLAIN OCA WITNESS ROGERS'S POSITION ON THE SOURCE**
17 **OF SUPPLY - DEP FEES EXPENSE.**

18 A. In response to OCA-II-5, the Company explained the HTY expense claim was higher than
19 the previous two years of DEP Fees Expense because the Company was required to
20 complete additional DEP applications during the HTY, which also increased the
21 Engineering Consulting services related to these additional applications. Ms. Rogers states
22 that it is necessary for this portion of the expense to be normalized over a period of time to
23 prevent rates from being set to recover costs that are not incurred annually. Therefore, Ms.
24 Rogers recommends normalizing the portion of the expense associated with the additional

1 DEP applications and the related Engineering services over a period of five years, which
2 is consistent with her recommended normalization period for Rate Case Expense.

3 **Q. DO YOU AGREE WITH THE RECOMMENDED ADJUSTMENT TO SOURCE**
4 **OF SUPPLY - DEP FEES EXPENSE BY MS. ROGERS?**

5 A. I agree with her recommendation to a certain extent. I agree that the portion of costs related
6 to the additional DEP application and related consulting services should be normalized, as
7 these costs will not be incurred annually going forward. However, for the similar reasons
8 I disagree with Ms. Rogers' recommended normalization period for Rate Case Expense, I
9 believe a normalization period of three years for the DEP Fees expense adjustment is also
10 reasonable. Ms. Rogers' recommendation reduces the FPFTY DEP Fees Expense claim
11 by \$15,153. I recommend the DEP Fees Expense adjustment should be reduced by \$12,628
12 to reflect the Company's proposed three-year normalization period. Please reference
13 Adjustment E-22-REB for the calculation of this adjustment in Exhibit GRH-1R.

14
15 **MISCELLANEOUS EXPENSE AND UNIFORMS EXPENSE**

16 **Q. PLEASE DESCRIBE THE RECOMMENDED ADJUSTMENTS FOR**
17 **MISCELLANEOUS EXPENSE AND UNIFORMS EXPENSE BY OCA WITNESS**
18 **ROGERS.**

19 A. Ms. Rogers reviewed the HTY and prior two years of per books Miscellaneous and
20 Uniforms expenses, and she recommends averaging the most recent three years of these
21 expense accounts instead of using the HTY per books value to represent the FPFTY
22 expense claim.

1 **Q. DO YOU AGREE WITH HER RECOMMENDATIONS?**

2 A. Yes, the Company has no objection to averaging the most recent historic three years of
3 actual booked Miscellaneous Expense costs and Uniforms Expense costs as the FPPTY
4 claim. These adjustments are reflected as Adjustment E-19-REB and E-20-REB in Exhibit
5 GRH-1R and result in a total adjustment of (\$6,567) – a (\$2,377) adjustment for Uniforms
6 and a (\$4,189) adjustment for Miscellaneous Expense.

7

8 **CASH WORKING CAPITAL**

9 **Q. PLEASE ADDRESS MS. ROGERS’S AND MS. OKUM’S CASH WORKING**
10 **CAPITAL (“CWC”) ADJUSTMENTS.**

11 A. Ms. Rogers and Ms. Okum do not take any issue with the methodology the Company
12 utilized to calculate the CWC claim via the 1/8th method. However, Ms. Rogers adjusts
13 the CWC claim for her adjustments to the various O&M expenses that she recommends in
14 her direct testimony. Ms. Rogers adjusts the CWC downward by \$17,643.

15 Ms. Okum reduces the CWC claim downward for her adjustments to the various
16 O&M expenses that she recommends in her direct testimony and excludes the purchased
17 water and taxes other than income expenses for her 1/8th method calculation. Ms. Okum’s
18 adjustments for CWC reduces the Company’s CWC claim by \$275,662.

19 **Q. DO YOU AGREE WITH THE ADJUSTMENTS THAT MS. ROGERS AND MS.**
20 **OKUM MAKE TO CWC?**

21 A. I would agree that the O&M expenses included in the calculation of CWC should reflect
22 any changes to those expenses ultimately allowed in this case. In as much as I disagree
23 with the some of the adjustments recommended by Ms. Rogers and Ms. Okum, I disagree
24 with Ms. Rogers’s and Ms. Okum’s CWC adjustments. Additionally, the Company

1 disagrees with Ms. Okum’s recommendation to exclude taxes other than income based on
2 a general rule that tax payments are made after the revenues have been received and
3 therefore should be removed prior to applying the 1/8th method. Taxes other than income
4 should not be excluded from the CWC calculation, as these are PURTA taxes and payroll
5 taxes, which are taxes unrelated to revenues and are paid before revenues are received. The
6 Company also disagrees with Ms. Okum’s recommendation to exclude purchased water
7 expense, as the Company pays PAWC and BCWSA purchased water invoices as supplied,
8 not only when the Company receives the revenues from its customers. Furthermore, in a
9 recent case for Veolia Water Pennsylvania (“Veolia”) (Docket No. R-2024-304192), Ms.
10 Okum was responsible for reviewing the Company’s cash working capital claim (See I&E
11 St. No. 1 and I&E St. No 1-SR). Veolia included its purchased water expense within its
12 cash working capital claim and Ms. Okum did not object to the inclusion of the expense;
13 she offers no justification in her direct testimony in this case as to why it would be
14 appropriate to exclude this expense only for NAWCo and not for Veolia.

15 **Q. PLEASE SUMMARIZE THE COMPANY’S UPDATED CWC.**

16 A. The Company’s updated rebuttal CWC claim is \$652,650 which reflects the change in the
17 revenue requirement shown in Exhibit GRH-1R, an increase of \$10,071.

18
19 **RESPONSE TO I&E WITNESS SAKAYA**

20 **Q. PLEASE COMMENT ON I&E WITNESS SAKAYA’S DISCUSSION ON RATE**
21 **ALLOCATION AND THE SCALE BACK RECOMMENDATION.**

22 A. I&E Witness Sakaya does not oppose the across the board increase to all the Company’s
23 customer classes for the proposed rate design, nor does he oppose that the public and
24 private fire rates increase by the same percentage as the customer charges and volumetric

1 rates, as it equally spreads the increase to both the customer charge and usage rate. Mr.
2 Sakaya also recommends to proportionally scale back the customer charges and usage rates
3 for all customer classes if the Commission grants less than the \$922,419 that was requested
4 by the Company.

5 **Q. HOW DOES THE COMPANY RESPOND TO MR. SAKAYA'S DIRECT**
6 **TESTIMONY AND SCALE BACK RECOMMENDATION?**

7 A. The Company has no objections to Mr. Sakaya's Direct Testimony regarding rate
8 allocations, rate design, and his recommendation to scale back rates proportionally if the
9 Commission grants the Company less than what it requested.

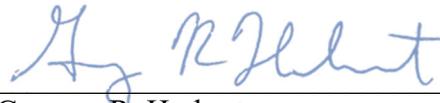
10
11 **IV. CONCLUSION**

12 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

13 A. Yes, it does. However, I reserve the right to supplement my Rebuttal Testimony as
14 additional issues and facts arise during the course of the proceeding.

VERIFICATION

I, Gregory R. Herbert, Assistant Project Manager, Rate Studies of Gannett Fleming Valuation and Rate Consultants, LLC, hereby state that the testimony set forth in The Newtown Artesian Water Company Statement No. 2 and Statement No. 2R (including Exhibit Nos. GRH-1, GRH-1R, and GRH-2R) in the matter at PaPUC Docket No. R-2024-3050208 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 hereby state that the aforementioned testimony and exhibits are true and correct to the best of my knowledge information and belief. I am also sponsoring any discovery responses attached to the other parties' testimony, in which I am the sponsoring witness. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).



Gregory R. Herbert
Assistant Project Manager, Rate
Studies
Gannett Fleming Valuation and Rate
Consultants, LLC

Dated: November 19, 2024

THE NEWTOWN ARTESIAN WATER COMPANY

Newtown, Pennsylvania

REBUTTAL
RATE STUDY AND DATA
IN SUPPORT OF
PROPOSED
TARIFF WATER PA. P.U.C. NO. 9
SUPPLEMENT 158

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

Camp Hill, Pennsylvania

THE NEWTOWN ARTESIAN WATER COMPANY

STATEMENT OF THE CALCULATION OF THE RATE OF RETURN UNDER PRESENT RATES FOR THE TWELVE MONTHS ENDED MARCH 31, 2024,
MARCH 31, 2025 AND 2026, AND THE ANTICIPATED RATE OF RETURN UNDER PROPOSED RATES

Pursuant To Subsection 53.52.(b)(2) and (c)(1) of Tariff Regulations

Line No.	Description (1)	12 Months Ended 3/31/2024 (2)		Pro Forma Historic Test Year Adjustments Ref. (3)		Pro Forma Present Rates, 3/31/2024 (5)		Pro Forma Future Test Year Adjustments Ref. (6)		Pro Forma Present Rates, 3/31/2025 (8)		Fully Projected Future Test Year Adjustments Ref. (9)		Pro Forma Present Rates, 3/31/2026 (11)		Under Proposed Supplement Tariff Water Pa-PUC No. 9, Supplement No. 158 Increase (12)		Pro Forma 3/31/2026 (13)	
		\$		\$		\$		\$		\$		\$		\$		\$		\$	
1	Operating Revenue	\$ 6,252,116		\$ 290,234	p. 8	\$ 6,542,351		\$ 37,272	p. 8	\$ 6,579,623		\$ 14,368	p. 8	\$ 6,593,991		\$ 923,418		\$ 7,517,409	
2	Operating Revenue Deductions:																		
3	Operation and Maintenance																		
4	Expenses	4,297,452		201,645	p. 12-13	4,499,097		169,624 **	p. 12-13	4,668,721		(1,076)	p. 12-13	4,667,645		-		4,667,645	
5	Depreciation	682,079		(107,033)	p. 13	575,046		133,149	p. 13	708,195		109,595	p. 13	817,790		-		817,790	
6	Taxes, Other Than Income	500,761		8,110	p. 13	508,871		(1,232)	p. 13	507,639		3,577	p. 13	511,216		5,974		517,190	
7	Amortization of Regulatory Liability			(30,773)	p. 32	(30,773)		-	p. 32	(30,773)		410	p. 32	(30,363)		-		(30,363)	
8	Income Taxes	36,362		262,740	p. 32	299,102		(84,642)	p. 32	214,459		(34,602)	p. 32	179,857		250,573		430,430	
9	Total Operating Revenue Deductions	5,516,655		334,689		5,851,343		216,898		6,068,241		77,904		6,146,146		256,547		6,402,693	
10	Net Operating Income Available for Return	\$ 735,462		\$ (44,455)		\$ 691,007		\$ (179,626)		\$ 511,381		\$ (63,535)		\$ 447,845		\$ 666,871		\$ 1,114,715	
11	Original Cost Measure of Value	\$ 11,404,856		\$ -	p. 9	\$ 11,404,856		\$ 1,706,123	p. 9	\$ 13,110,980		\$ 1,405,390	p. 9	\$ 14,516,370		\$ -		\$ 14,516,370	
12	Rate of Return	6.45%				6.06%				3.90%				3.09%				7.68%	

THE NEWTOWN ARTESIAN WATER COMPANY

STATEMENT OF OPERATING REVENUES FOR THE TWELVE MONTHS ENDED MARCH 31, 2024, MARCH 31, 2025 AND MARCH 31, 2026
AND THE CALCULATION OF THE PROPOSED REVENUE INCREASE BY CUSTOMER CLASSIFICATION

Pursuant To Subsection 53.52 (b)(4) and (c)(5) of Tariff Regulations

(1) Customer Classification	(2) Revenues Per Books, 12 Months Ended 3/31/2024		(3) Pro Forma Historic Test Year Adjustments Under Present Rates Ref. (3)		(4) Amount (4)		(5) Pro Forma, Present Rates, 3/31/2024 (5)		(6) Pro Forma Future Test Year Adjustments Under Present Rates Ref. (6)		(7) Amount (7)		(8) Pro Forma, Present Rates, 3/31/2025 (8)		(9) Fully Projected Future Test Year Adjustments Under Present Rates Ref. (9)		(10) Amount (10)		(11) Pro Forma, Present Rates 3/31/2026 (11)		(12) Revenue Under Proposed Tariff Water Pa-PUC No. 9, Supplement No. 136 Increase Amount (13) Percent (12)		(14) Pro Forma, Proposed Rates 3/31/2026 (14)				
	<u>Sales of Water</u>																										
Residential	\$ 4,001,969	\$ 129,800	R1, R2, R3	\$ 129,800	R6, R8, R9, R10	\$ 6,805	\$ 4,138,574	R11, R13, R14, R15	\$ (9,479)	R11, R13, R14, R15	\$ (9,479)	\$ 4,129,095	14.0%	\$ 580,620	\$ 4,709,716	14.0%	\$ 580,620	\$ 4,709,716	14.0%	\$ 580,620	\$ 4,709,716	14.0%	\$ 580,620	\$ 4,709,716	14.0%	\$ 580,620	\$ 4,709,716
Commercial	924,875	107,115	R1, R2, R3	107,115	R6, R8	21,332	1,053,322	R11, R13	21,223	R11, R13	21,223	1,074,545	13.5%	142,444	1,216,989	13.5%	142,444	1,216,989	13.5%	142,444	1,216,989	13.5%	142,444	1,216,989	13.5%	142,444	1,216,989
Industrial	455,335	48,629	R1, R2	48,629			503,963					503,963	13.3%	67,220	571,183	13.3%	67,220	571,183	13.3%	67,220	571,183	13.3%	67,220	571,183	13.3%	67,220	571,183
Public	193,092	21,649	R1, R2	21,649			214,741					214,741	13.9%	29,796	244,537	13.9%	29,796	244,537	13.9%	29,796	244,537	13.9%	29,796	244,537	13.9%	29,796	244,537
Private Fire Protection	265,639	(14,174)	R1, R2, R4	(14,174)	R7	9,136	260,602	R12	2,624	R12	2,624	263,226	17.3%	45,061	308,287	17.3%	45,061	308,287	17.3%	45,061	308,287	17.3%	45,061	308,287	17.3%	45,061	308,287
Public Fire Protection	267,132	(2,785)	R1, R2, R5	(2,785)	R7	-	264,347	R12	-	R12	-	264,347	18.5%	48,824	313,171	18.5%	48,824	313,171	18.5%	48,824	313,171	18.5%	48,824	313,171	18.5%	48,824	313,171
Total Sales of Water	6,108,042	290,234		290,234		37,272	6,435,549		14,368		14,368	6,449,917	14.2%	913,965	7,363,883	14.2%	913,965	7,363,883	14.2%	913,965	7,363,883	14.2%	913,965	7,363,883	14.2%	913,965	7,363,883
<u>Other Operating Revenues</u>																											
Metered Sales - Yard Hydrants	24,414						24,414					24,414			31,984												
Forfeited Discounts	13,251						13,251					13,251			15,133												
Rents from Water Property	106,410						106,410					106,410			106,410												
Total Other Revenues	144,074	-		-		37,272	144,074		-		37,272	144,074		9,452	153,526												
Total Operating Revenues	\$ 6,252,116	\$ 290,234		\$ 290,234		\$ 37,272	\$ 6,542,351		\$ 14,368		\$ 14,368	\$ 6,593,991	14.0%	\$ 923,418	\$ 7,517,409	14.0%	\$ 923,418	\$ 7,517,409	14.0%	\$ 923,418	\$ 7,517,409	14.0%	\$ 923,418	\$ 7,517,409	14.0%	\$ 923,418	\$ 7,517,409

THE NEWTOWN ARTESIAN WATER COMPANY
ORIGINAL COST MEASURE OF VALUE AS OF MARCH 31, 2024, 2025 AND 2026

Pursuant To Subsection 53.52 (c)(1) of Tariff Regulations

		<u>As of</u> <u>3/31/2024</u>	<u>As of</u> <u>3/31/2025</u>	<u>As of</u> <u>3/31/2026</u>
Original Cost of Utility Plant in Service	(a)	\$ 52,559,717	\$ 55,017,027	\$ 57,572,131
Less: Accumulated Depreciation (Net of CIAC)	(a)	<u>11,491,727</u>	<u>12,207,674</u>	<u>13,324,764</u>
Subtotal		41,067,989	42,809,353	44,247,367
Deduct:				
Contributions in Aid of Construction		24,983,770	24,983,770	24,983,770
Customer Advances for Construction		<u>1,321,725</u>	<u>1,321,725</u>	<u>1,321,725</u>
Net Utility Plant		14,762,494	16,503,858	17,941,872
Less: Deferred Taxes		4,261,902	4,318,192	4,351,876
Add:				
Materials and Supplies		273,723	273,723	273,723
Cash Working Capital		<u>630,541</u>	<u>651,590</u>	<u>652,650</u>
 Total Original Cost Measure of Value		 <u>\$ 11,404,856</u>	 <u>\$ 13,110,980</u>	 <u>\$ 14,516,370</u>

(a) Source: Exhibits JJS-1, JJS-2 and JJS-3 pursuant to Subsection 53.32 (c)(2)-(3).

THE NEWTOWN ARTESIAN WATER COMPANY

BALANCE SHEET

Pursuant To Subsection 53.52 (c)(2) of Tariff Regulations

	<u>ASSETS</u>	
	<u>12/31/2023</u>	<u>3/31/2024</u>
<u>Utility Plant</u>		
Utility Plant In Service	\$ 52,442,683	\$ 52,584,317
Construction Work in Progress	451,574	639,531
	<hr/>	<hr/>
Total Utility Plant	52,894,257	53,223,847
Accumulated Depreciation	13,834,709	14,143,807
	<hr/>	<hr/>
Net Utility Plant	39,059,548	39,080,040
	<hr/>	<hr/>
<u>Current and Accrued Assets</u>		
Cash	1,095,978	1,357,391
Cash Held for Construction	498,417	(8,619)
Receivable from other sources	30,641	5,776
Temporary Cash Investments		
Customer Accounts Receivable	337,105	438,178
Prepaid taxes and Miscellaneous	178,142	144,082
Plant Materials and Supplies	326,808	453,230
Prepayments	161,894	255,470
Accrued Utility Revenues	796,826	796,133
	<hr/>	<hr/>
Total Current and Accrued Assets	3,425,811	3,441,640
	<hr/>	<hr/>
<u>Deferred Debits</u>		
Deferred Charges	53,852	58,569
	<hr/>	<hr/>
Total Deferred Debits	53,852	58,569
	<hr/>	<hr/>
Total Assets and Other Debits	<u>\$ 42,539,211</u>	<u>\$ 42,580,250</u>

THE NEWTOWN ARTESIAN WATER COMPANY
BALANCE SHEET

Pursuant To Subsection 53.52 (c)(2) of Tariff Regulations

Equity Capital and Liabilities

	<u>12/31/2023</u>	<u>3/31/2024</u>
<u>Equity Capital</u>		
Common Stock Issued	\$ 227,500	\$ 227,500
Premium on Capital Stock	49,864	49,864
Other Paid-in Capital	411,193	411,193
Unappropriated Retained Earnings	7,344,594	7,414,888
Reaquired Capital Stock	(36,579)	(36,579)
Other PD in Cap (Misc. DBSurplus)		
Net Income		
	<u>7,996,572</u>	<u>8,066,866</u>
Total Equity Capital		
	7,996,572	8,066,866
Long-Term Debt	5,809,210	5,724,274
<u>Current and Accrued Liabilities</u>		
Accounts Payable	406,505	330,119
Mortgage Payable	341,017	341,017
Accrued Profit Sharing and 401(k) Expense	52,404	51,687
Developer's Payable	14,257	13,307
Compensated Absences	17,402	17,402
Miscellaneous Current and Accrued Liabilities	50,844	140,154
	<u>882,429</u>	<u>893,686</u>
Total Current and Accrued Liabilities		
	882,429	893,686
<u>Deferred Credits</u>		
Advances for Construction	1,321,725	1,313,599
Other Deferred Credits	4,100,556	4,261,902
	<u>5,422,281</u>	<u>5,575,501</u>
Total Deferred Credits		
	5,422,281	5,575,501
Contributions in Aid of Construction	22,428,719	22,319,923
	<u>22,428,719</u>	<u>22,319,923</u>
Total Equity Capital and Liabilities	<u>\$ 42,539,211</u>	<u>\$ 42,580,250</u>

THE NEWTOWN ARTESIAN WATER COMPANY

STATEMENT OF PRO FORMA OPERATING EXPENSES FOR THE TWELVE MONTHS ENDED MARCH 31, 2024, MARCH 31, 2025 AND MARCH 31, 2026

Pursuant To Subsection 53.52 (c)(5) of Tariff Regulations

Line No.	Account (1)	Per Books, 12 Mos. Ended 3/31/2024 (2)		Historic Test Year Pro Forma Adjustments (3)		Future Test Year Pro Forma Adjustments (6)		Fully Projected Future Test Year Pro Forma Adjustments (9)		Pro Forma, 9/30/2020 (11)	
		Amount	Ref.	Amount	Ref.	Amount	Ref.	Amount	Ref.	Amount	Ref.
1	OPERATION AND MAINTENANCE EXPENSES										
2	SOURCE OF SUPPLY AND POWER AND PUMPING										
3	601.1 Salaries & Wages	\$ 1,362		\$ 1,362	E-1	\$ 162		\$ 1,524	E-10	\$ 57	\$ 1,581
4	610.1 Purchased Water	1,516,905		1,629,194	E-14	(3,781)		1,625,413	E-14	(8,685)	1,616,728
5	615.1 Purchased Power	35,550		35,550	E-9, E-14	(8,510)		27,040	E-14	(157)	26,883
6	616.1 Fuel Power Production	-		-				0			-
7	668.1 Water Resource Conservation	-		-				0			-
8	620.2 Materials & supplies - maintenance	21,827		21,827				21,827			21,827
9	Total Source of Supply	\$ 1,575,643		\$ 1,687,933		\$ (12,129)		\$ 1,675,804		\$ (8,785)	\$ 1,667,019
10	WATER TREATMENT										
11	601.3 Salaries & wages - operations	\$ 60,889		\$ 60,889	E-1	\$ 7,250		\$ 68,139	E-10	\$ 2,527	\$ 70,666
12	615.3 Purchased Power	6,334		6,334				6,334			6,334
13	618.3 Chemicals	46,033		48,411	E-14	(112)		48,299	E-14	(281)	48,018
14	601.4 Salaries & wages - power & pump maint	23,043		23,043	E-1	2,744		25,787	E-10	956	26,743
15	620.4 Salaries & wages - maint	22,933		22,933	E-1	2,730		25,663	E-10	952	26,615
16	620.4 Materials & supplies - power & pump maint	25,085		25,085				25,085			25,085
17	620.4 Materials & supplies - maint.	24,061		24,061				24,061			24,061
17	Total Water Treatment	\$ 208,378		\$ 210,756		\$ 12,613		\$ 223,368		\$ 4,154	\$ 227,522
18	TRANSMISSION AND DISTRIBUTION										
19	601.5 Salaries & wages - operations	\$ 155,358		\$ 155,358	E-1	\$ 18,499		\$ 173,857	E-10	\$ 6,446	\$ 180,303
20	601.6 Salaries & wages - maintenance	59,653		59,653	E-1	7,103		66,756	E-10	2,475	69,231
21	615.5 Purchased Power	11,191		11,191				11,191			11,191
22	620.6 Materials & supplies - maintenance	114,463		114,463				114,463			114,463
23	641.6 Bridge rents	-		-				0			-
23	Total Transmission and Distribution	\$ 340,666		\$ 340,666		\$ 25,601		\$ 366,267		\$ 8,921	\$ 375,188
24	CUSTOMER ACCOUNTS										
25	601.7 Salaries & Wages	\$ 161,269.64		\$ 161,270	E-1	\$ 19,202		\$ 180,472	E-10	\$ 6,692	\$ 187,164
26	620.7 Materials & Supplies	30,787		30,787				30,787			30,787
27	Total Customer Accounts	\$ 192,057		\$ 192,057		\$ 19,202		\$ 211,259		\$ 6,892	\$ 217,951

THE NEWTOWN ARTESIAN WATER COMPANY
STATEMENT OF PRO FORMA OPERATING EXPENSES FOR THE TWELVE MONTHS ENDED MARCH 31, 2024, MARCH 31, 2025 AND MARCH 31, 2026
Pursuant To Subsection 53.52 (c)(5) of Tariff Regulations

Line No.	Account (1)	Per Books, 12 Mos. Ended 3/31/2024 (2)		Historic Test Year Pro Forma Adjustments (3)		Future Test Year Pro Forma Adjustments (4)		Pro Forma, 3/31/2024 (5)		Fully Projected Future Test Year Pro Forma Adjustments (6)		Pro Forma, 9/30/2020 (7)	
		Ref.	Amount	Ref.	Amount	Ref.	Amount	Ref.	Amount	Ref.	Amount	Ref.	Amount
28	ADMINISTRATIVE AND GENERAL												
29	601.8 Salaries & Wages - Admin. & General		\$ 438,149		\$	E-1	\$ 55,994		\$ 494,143	E-10	\$ 19,514		\$ 513,657
30	601.8 Salaries & Wages - Transp. Expense		727		727	E-1	87		814	E-10	30		844
31	601.8 Vacation days, sick days, holidays		170,992		170,992	E-1	20,360		191,352	E-10	7,095		198,447
32	603.8 Officers, directors, etc.		32,130		32,130				32,130	E-18-REB	(32,130)		-
33	604.8 Employee pension & benefits		55,114		11,530				66,644				66,644
34	604.8 Employee welfare		191,112		(4,302)				186,809				186,809
35	620.0 Materials & supplies		54,229		54,229				54,229				54,229
36	631-635 Contractual services		275,532		275,532				275,532				275,532
37	635.0 Contractual services - testing		18,099		18,099	E-15	12,480		30,579				30,579
38	650.0 Transportation Exp		32,857		32,857	E-6	17,415		32,857				32,857
39	656-659 Insurance expense		157,445		157,445				174,860				174,860
40	666.0 Rate Case Expense		64,112		64,112	E-7	97,555		161,667				161,667
41	670.0 Bad debt expense		-		-				0				-
42	675.1 Membership Dues		8,432		8,432				8,432				8,432
43	675.2 Registration Fees		6,186		6,186				6,186				6,186
44	675.3 Source of Supply DEP Fees		45,360		45,360	E-22-REB	(12,628)		32,732				32,732
45	675.5 Stockholders Expenses		(50)		(50)				(50)				(50)
46	675.6 Office Exp & Utilities		120,761		120,761	E-16	18,000		138,761				138,761
47	675.7 Uniforms		5,747		5,747				5,747				5,747
48	675.8 Directors' Fees		250,648		250,648				250,648	E-20-REB	(2,377)		250,648
49	675.1 Subscriptions		6,785		6,785				6,785				6,785
50	675.1 Abandoned Projects		5,177		(5,177)				0				-
51	675.1 Travel		33,338		33,338				33,338				33,338
52	675.1 Miscellaneous Expense		7,827		7,827				7,827	E-19-REB	(4,189)		3,638
53	Total Administrative and General		\$ 1,980,708		\$ 86,978		\$ 124,336		\$ 2,067,686		\$ (12,058)		\$ 2,179,964
54	TOTAL OPERATING EXPENSES		\$ 4,297,452		\$ 201,645		\$ 169,624		\$ 4,668,721		\$ (1,076)		\$ 4,667,645
	DEPRECIATION EXPENSE		\$ 682,079		(107,033)	E-13	133,149		708,195	E-13	109,595		817,790
55	Taxes Other Than Income Taxes												
56	Capital Stock Tax		\$ 36,362		\$ 36,362				\$ 36,362				\$ 36,362
57	PURTA and Regulatory Assessments		402,999		411,109	E-8	92		411,201	E-17	5,974		417,175
58	Payroll Taxes		97,762		97,762	E-5	(1,324)		96,438	E-11	3,577		100,015
59	Total Taxes Other Than Income		\$ 537,123		\$ 8,110		\$ (1,232)		\$ 544,001		\$ 9,551		\$ 553,552

APPENDIX A
PRO FORMA REVENUE ADJUSTMENTS UNDER PRESENT RATES

THE NEWTOWN ARTESIAN WATER COMPANY
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation	Adjustment Increase (Decrease)
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R-1 To adjust Distribution System Improvement Charge (DSIC), State Tax Adjustment and
and Purchased Water Adjustment Charge (PWAC) to Present Levels

Customer Classification (1)	Test Year DSIC Revenue (2)	Test Year STAS Revenue (3)	Test Year PWAC Revenue (4)	Total (5)
Residential	\$ 41,631	\$ (18,870)	23,889	46,650
Commercial	13,298	(5,973)	6,788	14,113
Industrial	5,222	(2,363)	3,699	6,558
Public	2,268	(2,307)	1,278	1,239
Private Fire				
Total	\$ 62,419	\$ (29,514)	\$ 35,654	\$ 68,560

Customer Classification (1)	HTY Revenue	Pro Forma DSIC Revenue*	PWAC Revenue**	STAS Revenue	Total	
Residential	\$ 3,975,952	\$ 47,314	\$ 113,641	(2,386)	\$ 158,569	\$ 111,920
Commercial	983,355	11,702	29,635	(590)	40,747	26,633
Industrial	482,131	5,737	16,385	(289)	21,833	15,275
Public	206,413	2,456	6,376	(124)	8,709	7,470
Private Fire	265,639	3,161		(159)	3,002	3,002
Total	\$ 5,913,490	\$ 70,371	\$ 166,037	\$ (3,548)	\$ 232,859	

* Based on 1.19% of Revenue

** Based on 0.2471 per 1000 gallons

*** Based on -0.060% of Revenue

R-2 To eliminate the change in unbilled revenue accrual as of March 31, 2024.

Customer Classification (1)	Test Year Unbilled Revenue (2)	
Residential	\$ (13,586)	\$ 13,586
Commercial	(70,888)	70,888
Industrial	(33,354)	33,354
Public	(14,179)	14,179
Private Fire	-	-
Public Fire	-	-
Total	\$ (132,007)	

THE NEWTOWN ARTESIAN WATER COMPANY
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation						Adjustment Increase (Decrease)
R-3	To annualize Residential and Commercial Operating Revenues for the net gain in the number of customers during the twelve months ended 3/31/2024.						
	Customer Classification	Number of Customers		Annualized Customer Gain/(Loss)	Average Annual Bill, Present Base Rates	Annualized Revenue Adjustment (Half Year)	
	(1)	31-Dec-23 (2)	31-Mar-24 (3)	(4)	(5)	(6)	
	Residential	9,718	9,723	21	\$ 409.02	\$ 4,295	4,295
	Commercial	818	822	16	\$ 1,199.21	9,594	9,594
R-4	To annualize Private Fire Protection Revenue for the number of private fire line and hydrants as of 3/31/2024.						
	Customer Classification	Quantity as of 3/31/2024		Present Quarterly Base Rate	Pro Forma Revenue		
	(1)	(2)		(3)	(4)		
	<u>Private Fire Protection</u>						
	4-inch Service			-	\$ 121.11	\$ -	
	6-inch Service			111	121.11	53,652	
	8-inch Service			38	141.28	21,616	
	Private Hydrants - Newtown			353	101.75	143,569	
	Sprinkler Heads over 300 per connection			28,488	0.26	29,627	
	Total					\$ 248,464	
	Less: Test Year Private Fire Base Rate Revenue					265,639	
	Adjustment						\$ (17,175)
R-5	To annualize Public Fire Protection Revenue for the number of public fire line and hydrants as of 3/31/2024						
	Customer Classification	Quantity as of 3/31/2024		Present Quarterly Base Rate	Pro Forma Revenue		
	(1)	(2)		(3)	(4)		
	<u>Public Fire Protection</u>						
	Public Hydrants - Newtown			650	\$ 101.75	\$ 264,347	
	Total					\$ 264,347	
	Less: Test Year Public Fire Base Rate Revenue					267,132	
	Adjustment						\$ (2,785)
	Total Pro Forma Revenue Adjustments, Present Rates (R1 through R5)						<u>290,234</u>

THE NEWTOWN ARTESIAN WATER COMPANY
FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation						Adjustment Increase (Decrease)
R-6	To annualize Residential and Commercial Operating Revenues for the projected gain in the number of customers during the twelve months ended 3/31/2025 (There are no increases projected for Industrial and Public customers)						
	Customer Classification	Increase in Customers		Average Customer Gain/(Loss)	Average Annual Bill, Present Rates	Annualized Revenue Adjustment	
	(1)	31-Dec-23 (2)	31-Mar-24 (3)	(4)	(5)	(6)	
	Residential	64	5	42.5	\$ 409.02	\$ 17,383	\$ 17,383
	Commercial	19	4	17.5	1,199.21	20,986	\$ 20,986
R-7	To annualize Private Fire and Public Fire revenues for the projected gain in the number of private fire lines and private fire hydrants for year ending 3/31/2025.						
	Customer Classification	Increase in Connections		Average Gain/(Loss)	Quarterly Present Base Rates	Annualized Revenue Adjustment	
	(1)	31-Dec-23 (2)	31-Mar-24 (3)	(4)	(5)	(6)	
	<u>Private Fire Protection</u>						
	4-inch Service	-	-	-	\$ 121.11	\$ -	
	6-inch Service	1	1	2.5	121.11	1,211	
	8-inch Service	1	1	2.5	141.28	1,413	
	Sprinkler Heads	0	0	-	0.26	-	
	Private Hydrants	4	7	16.0	101.75	6,512	
	Total - Private Fire					\$ 9,136	\$ 9,136
	Public Fire - Newtown	-	-	-	101.75	-	\$ -

THE NEWTOWN ARTESIAN WATER COMPANY
FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation						Adjustment Increase (Decrease)
R-8	To annualize revenues to reflect the DSIC surcharge rate of 5% effective May 1, 2024.						
	Customer Classification	Pro Forma Adjustments Under Present Rates		Pro Forma Change in Base Rate Revenues	DSIC @ 1.19%	STAS @ -0.060%	
	(1)	Historic (3)	Future (4)	(5)	(6)	(7)	
	Residential	\$ 4,295	\$ 7,061	\$ 11,356	\$ 135	\$ (7)	\$ 128
	Commercial	9,594	20,986	30,580	364	(18)	346
	Total Pro Forma FTY Revenue Adjustments, Present Rates (R6 through R8)						<u>\$ 47,979</u>
R-9	To adjust Residential revenues for Declining usage as of 3/31/2025 under Present Rates						
	Declining Consumption:						
		Consumption	Present Rate	Total Revenue			
	Newtown	(1,556)	6.635	\$ (10,322)			
		(1,556)		(10,322)			\$ (10,322)
R-10	To annualize Residential revenues to reflect the PWAC on Declining Usage						
	Declining Consumption:						
		Consumption	Present PWAC	Total Revenue			
	Newtown	(1,556)	0.2471	\$ (384)			
		(1,556)		(384)			\$ (384)
	Total Pro Forma FTY Revenue Adjustments, Present Rates (R6 through R10)						<u>\$ 37,272</u>

THE NEWTOWN ARTESIAN WATER COMPANY
FULLY PROJECTED FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation					Adjustment Increase (Decrease)
R-11	To annualize Residential and Commercial Operating Revenues for the projected gain in the number of customers during the twelve months ended 3/31/2026					
	Customer Classification	Increase in Customers		Average Customer Gain/(Loss)	Average Annual Bill, Present Rates	Annualized Revenue Adjustment
	(1)	31-Dec-23 (2)	31-Mar-24 (3)	(4)	(5)	(6)
	Residential	64	5	42.5	\$ 409.02	\$ 17,383
	Commercial	19	4	17.5	1,199.21	\$ 20,986
R-12	To annualize Private Fire revenues for the projected gain in the number of private fire lines and private fire hydrants for year ending 3/31/2026					
	Customer Classification	Increase in Connections		Average Gain/(Loss)	Quarterly Present Base Rates	Annualized Revenue Adjustment
	(1)	31-Dec-23 (2)	31-Mar-24 (3)	(4)	(5)	(6)
	<u>Private Fire Protection</u>					
	4-inch Service	0	0	-	\$ 121.11	\$ -
	6-inch Service	1	1	2.5	\$ 121.11	1,211
	8-inch Service	1	1	2.5	\$ 141.28	1,413
	Sprinkler Heads	0	0	-	0.26	-
	Private Hydrants	4	7	16.0	101.75	
	Total					\$ 2,624
	Public Fire - Newtown	0	0	-	101.75	\$ -

THE NEWTOWN ARTESIAN WATER COMPANY
FULLY PROJECTED FUTURE TEST YEAR

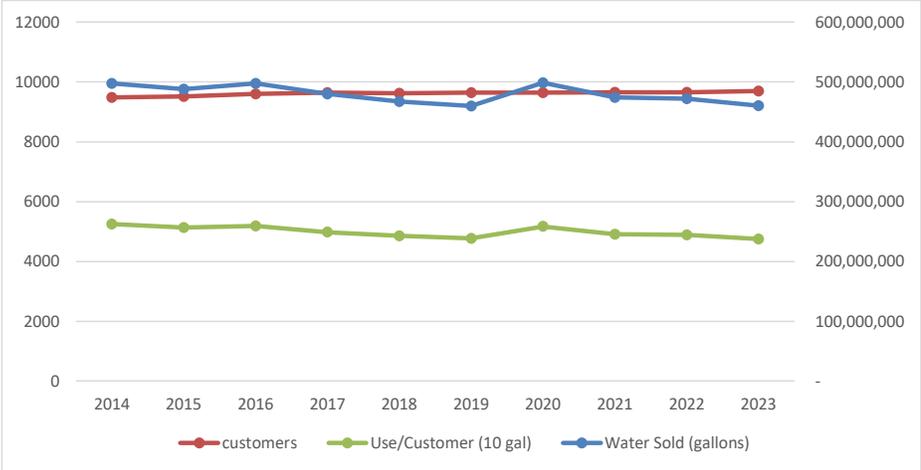
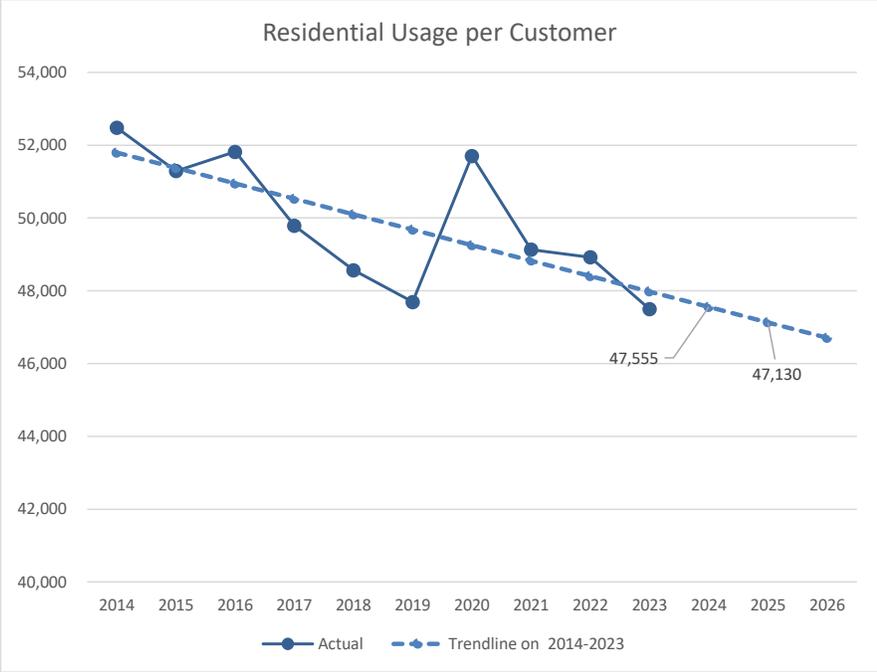
PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation					Adjustment Increase (Decrease)
R-13	To annualize revenues to reflect the DSIC surcharge rate of 5% effective May 1, 2024 and STAS of -0.425% on Revenue Growth as of 3/31/2026.					
		Customer Classification	Proforma Adjustment R11 & R12	DSIC @ 1.19%	STAS @ -0.060%	Total
		(1)	(2)	(6)		
		Residential	(8,423)	\$ (100)	\$ 5	\$ (95)
		Commercial	20,986	250	(13)	237
			\$ 12,563	\$ 150	\$ (8)	\$ 142
	Total Pro Forma FPPTY Revenue Adjustments, Present Rates (R11 through R13)					<u>\$ 41,135</u>
R-14	To adjust Residential revenues for Declining usage from 3/31/2025 to 3/31/2026 under Present Rates.					
	Declining Consumption:					
			Consumption	Present Rate	Total Revenue	
		Newtown	(3,889)	\$ 6.635	\$ (25,806)	
			(3,889)		(25,806)	\$ (25,806)
R-15	To annualize Residential revenues to reflect the PWAC on Declining Usage					
	Declining Consumption:					
			Consumption	Present PWAC	Total Revenue	
		Newtown	(3,889)	0.2471	\$ (961)	
			(3,889)		(961)	\$ (961)
	Total Pro Forma FTY Revenue Adjustments, Present Rates (R6 through R8)					<u>\$ 14,368</u>

Newtown Artesian
Residential Usage per Customer per Year (gallons)

Year	Billed per Residential Customer	Trendline on 2014-2023	June-Sept Z-index*	Year	Change in Actual	% Change
2014	52,479	51,798	-0.34	2014		
2015	51,289	51,373	0.84	2015	(1,190)	-2%
2016	51,818	50,949	-1.06	2016	530	1%
2017	49,789	50,525	0.73	2017	(2,030)	-4%
2018	48,566	50,101	3.53	2018	(1,223)	-2%
2019	47,693	49,676	0.29	2019	(873)	-2%
2020	51,704	49,252	0.47	2020	4,011	8%
2021	49,133	48,828	1.54	2021	(2,572)	-5%
2022	48,919	48,403	-1.27	2022	(214)	0%
2023	47,494	47,979	0.72	2023	(1,425)	-3%
2024		47,555	0.6			
2025		47,130	0.6			
2026		46,706	0.6			
Percent Change '23-'24		-0.9%				
Percent Change '24-'25		-0.9%				
gpd/customer		2014	144			
		2024	130			
		2025	129			
		2026	128			

*Z-index: higher is wetter. 20-yr average used for 2024, 2025, 2026
https://www.ncdc.noaa.gov/cag/divisional/time-series/3603/zndx/4/9/2000-2012?base_prd=true&firstbaseyear=1901&lastbaseyear=2010_prd=true&firstbaseyear=1901&lastbaseyear=2010



APPENDIX B
PRO FORMA OPERATING EXPENSE,
DEPRECIATION, AND TAX ADJUSTMENTS

THE NEWTOWN ARTESIAN WATER COMPANY
HISTORIC, FUTURE AND FULLY PROJECTED FUTURE TEST YEARS

PRO FORMA OPERATING EXPENSE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation	Adjustment Increase (Decrease)					
E-1	To adjust actual test year salaries and wages to reflect pro forma labor expense at wage rates effective January 1, 2025, and the total number of employees.						
		Account	Test Year	Pro Forma 2025	Increase (Decrease)		
		601.1	Source of Supply	\$ 1,362	\$ 1,524	\$ 162	\$ 162
		601.3	Water Treatment - operation	60,889	68,139	7,250	7,250
		601.4	Power & Pump Maint	23,043	25,787	2,744	2,744
		601.4	Water Treatment - maint.	22,933	25,663	2,730	2,730
		601.5	Transmission & Dist - operation	155,358	173,857	18,499	18,499
		601.6	Transmission & Dist - maint.	59,653	66,756	7,103	7,103
		601.7	Customer Accounts	161,270	180,472	19,202	19,202
		601.8	Admin. & General	470,279	526,273	55,994	55,994
		601.8	Transportation	727	814	87	87
		601.8	Vacation, sick, holidays	170,992	191,352	20,360	20,360
			Total Salaries & Wages	\$ 1,126,506	\$ 1,260,637	\$ 134,131	
E-2	To adjust purchased water cost for 2026 to reflect increased rate from Pennsylvania-American Water Co. effective July, 2025						
		Supplier	HTY Volumes (thousands)	Rate Per Month or Thousand	Annual Cost		
		PAWC	74,054	\$ 3.5402	262,168		
		Total	74,054		\$ 262,168		
		Less: Test Year PA American Water Purchased Water Expense			242,705		
		Adjustment				\$ 19,463	
E-3	To adjust chemical expense to reflect the projected annual usage of chemicals and current unit prices.						
		Chemical	Projected Quantity	Units	Unit Cost	Pro Forma Cost	
		Sodium Hypochlorite	9,217	Gallons	\$ 3.2136	\$ 29,620	
		Phosphate Usage	1,660	Gallons	11.3200	18,791	
		Total Proforma Chemical Expense				\$ 48,411	
		Less: Test Year Chemical Expense				46,033	
		Adjustment				\$ 2,378	\$ 2,378

THE NEWTOWN ARTESIAN WATER COMPANY
HISTORIC, FUTURE AND FULLY PROJECTED FUTURE TEST YEARS

PRO FORMA OPERATING EXPENSE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation			Adjustment Increase (Decrease)
E-4	To Adjust Employee Welfare for 2025			
			2026 Amount	
	Pro Forma Employee Welfare for 2026		\$ 207,566	
	Percent of Labor charged to expense	90.0%	186,809	
	Less: Employee Welfare Expense Per Books		<u>191,112</u>	
	Adjustment			(4,302)
	Pro Forma Employee Pension and Benefits		66,644	
	Less: Employee Welfare Expense Per Books		55,114	
	Adjustment			11,530
E-5	To Adjust Payroll Taxes to reflect the 2025 labor Expense and the number of employees.			
			2025 Amount	
	Pro Forma Labor Expense	\$ 1,260,637		
	Social Security @ 6.2%		\$ 78,159	
	Medicare @ 1.45% of total labor expense.		18,279	
	Total Pro Forma Payroll Taxes		<u>\$ 96,438</u>	
	Less: Payroll Taxes per Books		<u>97,762</u>	
	Adjustment			(1,324)
E-6	To Adjust Insurance Expense to reflect the 2025 projected expense.			
	Pro Forma Insurance Expense	\$ 174,860		
	Less: Insurance Expense per Books		\$ 157,445	
	Adjustment			17,415

THE NEWTOWN ARTESIAN WATER COMPANY
HISTORIC, FUTURE AND FULLY PROJECTED FUTURE TEST YEARS

PRO FORMA OPERATING EXPENSE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation		Adjustment Increase (Decrease)
E-7	To normalize operating expenses for the estimated cost of this rate case and the unamortized rate case expense over three years.		
	Revenue Requirement, Rate Base, Tariff, Rates and Supporting Data	\$ 210,000	
	Legal Services	275,000	
	Total	<u>485,000</u>	
	Add Unamortized Prior Rate Case Expense	<u>-</u>	
	Total Rate Case Expense	\$ 485,000	
	Normalized Amount (Divided by 3 years)		\$ 161,667
	Less: Test Year Rate Case Expense		<u>64,112</u>
	Adjustment		97,555
E-8	To adjust Regulatory Assessments based on Pro Forma Revenues under Present Rates.		
	Pro Forma Revenues Under Present Rates as of 3/31/2025		\$ 6,579,623
	Assessment Rates:		
	Pennsylvania Public Utility Commission	0.004324859316	
	Pennsylvania Office of Consumer Advocate	0.001742389526	
	PA Office of Small Business Advocate	0.000303478942	
	Total Assessment Rate	<u>0.006370727784</u>	
	Pro Forma Regulatory Assessments, Present Rates		\$ 41,917
	Less: Test Year Regulatory Assessments		<u>33,807</u>
	Adjustment		8,110
	Pro Forma Revenues Under Present Rates as of 3/31/2026		\$ 6,593,991
	Assessment Rates:		
	Pennsylvania Public Utility Commission	0.004324859316	
	Pennsylvania Office of Consumer Advocate	0.001742389526	
	PA Office of Small Business Advocate	0.000303478942	
	Total Assessment Rate	<u>0.006370727784</u>	
	Pro Forma Regulatory Assessments, Present Rates		\$ 42,009
	Less: Pro Forma 2024 Regulatory Assessments		<u>41,917</u>
	Adjustment		92
E-9	To adjust Purchased Power Expense to reflect current Power Contract.		
	Energy Price As of 06/14/2024 through 12/15/2028	0.0685100	
	Energy Price prior to 12/31/2023	0.0898000	
	Difference	<u>(0.0212900)</u>	
	Percentage Difference	-23.71%	
	Per Books Power Costs	35,550	
	Adjustment to Power Costs - Percentage difference X Per Books Power Costs	(8,428)	(8,428)

THE NEWTOWN ARTESIAN WATER COMPANY
HISTORIC, FUTURE AND FULLY PROJECTED FUTURE TEST YEARS

PRO FORMA OPERATING EXPENSE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation				Adjustment Increase (Decrease)
E-10	To adjust actual test year salaries and wages to reflect pro forma labor expense at wage rates effective January 1, 2026.				
		Pro Forma 03/31/25	Pro Forma 3/31/2026	Increase (Decrease)	
	601.1 Source of Supply	\$ 1,524	\$ 1,581	\$ 57	\$ 57
	601.3 Water Treatment - operation	68,139	70,666	2,527	2,527
	601.4 Power & Pump Maint	25,787	26,743	956	956
	601.4 Water Treatment - maint.	25,663	26,615	952	952
	601.5 Transmission & Dist - operation	173,857	180,303	6,446	6,446
	601.6 Transmission & Dist - maint.	66,756	69,231	2,475	2,475
	601.7 Customer Accounts	180,472	187,164	6,692	6,692
	601.8 Admin. & General	526,273	545,787	19,514	19,514
	601.8 Transportation	814	844	30	30
	601.8 Vacation, sick, holidays	191,352	198,447	7,095	7,095
	Total Salaries & Wages	\$ 1,260,637	\$ 1,307,381	\$ 46,744	
E-11	To Adjust Payroll Taxes to reflect the 2026 labor Expense and the number of employees.				
				2026 Amount	
	Pro Forma Labor Expense as of 3/31/2026		\$ 1,307,381		
	Social Security @ 6.2%			\$ 81,058	
	Medicare @ 1.45% of total labor expense.			18,957	
	Total Pro Forma Payroll Taxes			\$ 100,015	
	Less: 2025 Pro Forma Payroll Taxes per Books			96,438	
	Adjustment				3,577
E-12	To Adjusted Abandoned Projects per the settlement of Docket R-2011-2230259				
	Per books Abandoned Projects		\$ 5,177		
	Less Disallowed Projects still being amortized:				
	H/M (Middletown)			(22)	
	Wiggins			(88)	
	Well 7			(5,066)	
	Total Adjustment			(5,177)	(5,177)
E-13	To adjust Depreciation Expense based on Exhibit JJS-1, JJS-2 and JJS-3				
	Per Books Depreciation Expense		682,079		
	HTY Deprecation Expense		575,046		
	HTY Adjustment		(107,033)		(107,033)
	FTY Deprecation Expense		708,195		
	FTY Adjustment		133,149		133,149
	FPFTY Deprecation Expense		817,790		
	FPFTY Adjustment		109,595		109,595

THE NEWTOWN ARTESIAN WATER COMPANY
HISTORIC, FUTURE AND FULLY PROJECTED FUTURE TEST YEARS

PRO FORMA OPERATING EXPENSE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation		Adjustment Increase (Decrease)
E-14	To reduce Purchased Water, Chemicals and Purchased Power due to Declining Usage		
	Future Test Year		
	Declining usage - 1000 gallons	1,556	
	Total Usage	670,385	
	Percentage	0.2%	
	Pro Forma Expense		
	Purchased Water	1,629,194	
	Adjustment for Purchased Water	3,781	\$ (3,781)
	Purchased Power	35,550	
	Adjustment for Purchased Power	82	(82)
	Chemicals	48,411	
	Adjustment for Chemicals	112	(112)
	Fully Projected Future Test Year		
	Declining usage - 1000 gallons	3,889	
	Total Usage	668,052	
	Percentage	0.6%	
	Pro Forma Expense		
	Purchased Water	1,491,751	
	Adjustment for Purchased Water	8,685	(8,685)
	Purchased Power	27,040	
	Adjustment for Purchased Power	157	(157)
	Chemicals	48,299	
	Adjustment for Chemicals	281	(281)

THE NEWTOWN ARTESIAN WATER COMPANY
HISTORIC, FUTURE AND FULLY PROJECTED FUTURE TEST YEARS

PRO FORMA OPERATING EXPENSE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation			Adjustment Increase (Decrease)
E-15	To Adjust for Additional 2024 Contractual Services - Lab Testing Expenses			
	Additional 2024 PFAS Testing (per year)	\$ 6,400		
			\$ 6,400	
	2024 UCMR Testing (every 5 years)	\$ 30,400		
	Normalized Expense over 5 years	\$ 6,080	\$ 6,080	
	Total 2024 Adjustment			\$ 12,480
E-16	To Adjust for Additional 2024 Internet Services - Costs			
	Pro Forma Office Expense & Utilities Expense	\$ 138,761		
	Less: Office Expense & Utilities per Books		\$ 120,761	
	Adjustment			\$ 18,000

THE NEWTOWN ARTESIAN WATER COMPANY
HISTORIC, FUTURE AND FULLY PROJECTED FUTURE TEST YEARS

PRO FORMA OPERATING EXPENSE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation			Adjustment Increase (Decrease)
E-18-REB	To Reduce for Director's Fees Removed as of 12/31/2024			
	Pro Forma Officers, Director's Fees Expense	\$	-	
	Less: Officers, Director's Fees per Books	\$	32,130	\$ (32,130)
E-19-REB	To Normalize Misc. Expense Based on a Three-Year Average of Historical Expenses.			
	Pro Forma Misc. Expense	\$	3,638	
	Less: Misc. Expense per Books	\$	7,827	(4,189)
E-20-REB	To Normalize Uniforms Expense Based on a Three-Year Average of Historical Expenses.			
	Pro Forma Uniforms Expense	\$	3,369	
	Less: Uniforms Expense per Books	\$	5,747	(2,377)
E-21-REB	To Adjust for an Increase to BCWSA Rates			
		HTY Volumes (thousands)	Rate Per Month or Thousand	Annual Cost
	Supplier			
	BCWSA	372,081	\$ 3.6740	1,367,026
	Total	372,081		\$ 1,367,026
	Less: Test Year Bucks County Water and Sewer Authority Purchased Water Expense			1,274,200
	Adjustment			\$ 92,826
E-22-REB	To Adjust for Normalizing Non-recurring DEP Fees Expense in HTY			
	Total HTY DEP Fees Per Books	\$	45,360	
	Total 3/31/2023 Per Books	\$	26,418	
	Non-recurring Expense Amount	\$	(18,942)	\$ (18,942)
	Normalized Expense over 3 years	\$	6,314	\$ 6,314
	Total 2024 Adjustment			\$ (12,628)

NEWTOWN ARTESIAN WATER COMPANY

Accumulated Deferred Income Tax and Excess Deferred Income Tax Regulatory Liability Balances

	Actual 12/31/2023	Pro Forma for 21% FIT 12/31/2023	As of 3/31/2024	As of 3/31/2025	As of 3/31/2026
Deferred Taxes	4,100,556	2,977,780	3,169,899	3,256,961	3,321,008
TCJA Regulatory Liability - see below	0	1,122,776	1,092,004	1,061,231	1,030,868
Total ADIT	<u>4,100,556</u>	<u>4,100,556</u>	<u>4,261,902</u>	<u>4,318,192</u>	<u>4,351,876</u>

TCJA Regulatory Liability is made up of 4 items:

	Amount	Yrs	2024	2025	2026
Depreciation	1,104,177	42.19	26,807	26,807	26,807
Defer - Well #7	0	1	0	0	0
Defer - Devonshire	819	2	410	410	0
Defer - Tanner well	<u>17,780</u>	5	<u>3,556</u>	<u>3,556</u>	<u>3,556</u>
	1,122,776		30,773	30,773	30,363

APPENDIX C
PRO FORMA REVENUES UNDER PROPOSED RATES

THE NEWTOWN ARTESIAN WATER COMPANY
SUMMARY OF APPLICATION OF PRESENT AND PROPOSED RATES TO BILL ANALYSIS AND DEVELOPMENT OF PRO FORMA REVENUES UNDER PROPOSED RATES

Customer Classification (1)	Adjusted Base Rate Revenues Per Books (2)	Application of Present Rates** to Bill Analysis 3/31/2024 (3)	Adjustment Factor (4)	Application of Proposed Rates** to Bill Analysis 3/31/2024 (5)	Test Year Revenues at Proposed Rates (6)	Pro Forma Adjustments Under Proposed Rates* (7)		FPFITY (9)	Pro Forma Revenues Under Proposed Rates (10)
						Historic	Future		
Residential	\$ 3,975,952	\$ 3,985,904	0.997503	\$ 4,722,100	\$ 4,710,310	\$ 5,088	\$ 4,295	\$ (9,978)	\$ 4,709,716
Commercial	983,355	964,466	1.019585	1,142,612	1,164,990	11,366	15,770	24,863	1,216,989
Industrial	482,131	481,909	1.000460	570,920	571,183				571,183
Public	206,413	215,350	0.958498	255,125	244,537				244,537
Total Metered Sales	\$ 5,647,850	\$ 5,647,629	1.000039	\$ 6,690,757	\$ 6,691,020	\$ 16,454	\$ 20,065	\$ 14,885	\$ 6,742,425
Private Fire Protection	248,464	248,464	1.000000	294,354	294,354		10,824	3,109	308,287
Public Fire Protection	264,347	264,347	1.000000	313,171	313,171		-	-	313,171
Total Sales of Water	\$ 6,160,661	\$ 6,160,440		\$ 7,298,282	\$ 7,298,545	\$ 16,454	\$ 30,889	\$ 17,994	\$ 7,363,883

* Reflects Adjustments R16, R17, R18, R19, R20, R21 and R22, REB R-2.

** Base Rates.

THE NEWTOWN ARTESIAN WATER COMPANY

APPLICATION OF PRESENT AND PROPOSED RATES TO CONSUMPTION ANALYSIS
YEAR ENDED MARCH 31, 2024

<u>Rate Block</u> <u>1000 Gallons</u>	<u>Number</u> <u>of Bills</u>	<u>Total</u> <u>Consumption</u>	<u>Present</u> <u>Base Rate</u>	<u>Present</u> <u>Revenue</u>	<u>Proposed</u> <u>Base Rate</u>	<u>Proposed</u> <u>Revenue</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<u>Residential</u>						
<u>Customer Charge</u>						
5/8 Quarterly	37,062	-	\$ 22.71	\$ 841,678	\$ 26.90	\$ 997,136
3/4 Quarterly	495	-	34.11	16,884	40.41	20,003
1 Quarterly	1,336	-	56.82	75,912	67.31	89,932
1 1/2 Quarterly	-	-	113.64	-	134.63	-
2 Quarterly	-	-	181.80	-	215.38	-
Subtotal	38,893	-		934,474		1,107,071
<u>Consumption</u>						
All Usage		459,899	6.635	3,051,430	7.860	3,615,029
Subtotal	-	459,899		3,051,430		3,615,029
Total Residential	38,893	459,899		\$ 3,985,904		\$ 4,722,100
<u>Commercial</u>						
<u>Customer Charge</u>						
5/8 Quarterly	177	-	\$ 22.71	\$ 4,020	\$ 26.90	\$ 4,762
3/4 Quarterly	12	-	34.11	409	40.41	485
1 Quarterly	48	-	56.82	2,727	67.31	3,231
1 1/2 Quarterly	-	-	113.64	-	134.63	-
2 Quarterly	1	-	181.80	182	215.38	215
3 Quarterly	-	-	340.92	-	403.89	-
5/8 Monthly	4,349	-	7.57	32,922	8.97	39,011
3/4 Monthly	262	-	11.37	2,979	13.47	3,529
1 Monthly	1,172	-	18.94	22,198	22.44	26,300
1 1/2 Monthly	575	-	37.88	21,781	44.88	25,806
2 Monthly	855	-	60.60	51,813	71.79	61,380
3 Monthly	109	-	113.64	12,387	134.63	14,675
4 Monthly	53	-	189.41	10,039	224.39	11,893
6 Monthly	-	-	378.83	-	448.80	-
8 Monthly	12	-	606.11	7,273	718.06	8,617
10 Monthly	-	-	871.29	-	1,032.22	-
Subtotal	7,625	-		168,730		199,904
<u>Consumption</u>						
All Usage		119,930	6.635	795,736	7.860	942,708
Subtotal	-	119,930		795,736		942,708
Total Commercial	7,625	119,930		\$ 964,466		\$ 1,142,612

THE NEWTOWN ARTESIAN WATER COMPANY

APPLICATION OF PRESENT AND PROPOSED RATES TO CONSUMPTION ANALYSIS
YEAR ENDED MARCH 31, 2024

Rate Block 1000 Gallons	Number of Bills	Total Consumption	Present Base Rate	Present Revenue	Proposed Base Rate	Proposed Revenue
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Industrial						
<u>Customer Charge</u>						
5/8 Quarterly	16	-	\$ 22.71	\$ 363	\$ 26.90	\$ 430
3/4 Quarterly	28	-	34.11	955	40.41	1,131
1 Quarterly	11	-	56.82	625	67.31	740
1 1/2 Quarterly	-	-	113.64	-	134.63	-
2 Quarterly	-	-	181.80	-	215.38	-
5/8 Monthly	64	-	7.57	484	8.97	574
3/4 Monthly	112	-	11.37	1,273	13.47	1,509
1 Monthly	49	-	18.94	928	22.44	1,100
1 1/2 Monthly	25	-	37.88	947	44.88	1,122
2 Monthly	109	-	60.60	6,605	71.79	7,825
4 Monthly	12	-	189.41	2,273	224.39	2,693
6 Monthly	12	-	378.83	4,546	448.80	5,386
8 Monthly	12	-	606.11	7,273	718.06	8,617
10 Monthly	18	-	871.29	15,683	1,032.22	18,580
Subtotal	468	-		41,955		49,707
<u>Consumption</u>						
All Usage		66,308	6.635	439,954	7.860	521,213
Subtotal	-	66,308		439,954		521,213
Total Industrial	468	66,308		\$ 481,909		\$ 570,920
Public						
<u>Customer Charge</u>						
5/8 Monthly	12	-	\$ 7.57	\$ 91	\$ 8.97	\$ 108
1 Monthly	12	-	18.94	227	22.44	269
1 1/2 Monthly	12	-	37.88	455	44.88	539
2 Monthly	48	-	60.60	2,909	71.79	3,446
4 Monthly	24	-	189.41	4,546	224.39	5,385
6 Monthly	48	-	378.83	18,184	448.80	21,542
8 Monthly	12	-	606.11	7,273	718.06	8,617
10 Monthly	12	-	871.29	10,455	1,032.22	12,387
Subtotal	180	-		44,140		52,293
<u>Consumption</u>						
All Usage		25,804	6.635	171,210	7.860	202,832
Subtotal	-	25,804		171,210		202,832
Total Public	180	25,804		\$ 215,350		\$ 255,125
Total Metered Sales	47,166	671,941		\$ 5,647,629		\$ 6,690,757

THE NEWTOWN ARTESIAN WATER COMPANY

APPLICATION OF PRESENT AND PROPOSED RATES TO CONSUMPTION ANALYSIS
YEAR ENDED MARCH 31, 2024

<u>Rate Block</u> <u>1000 Gallons</u> (1)	<u>Number</u> <u>of Bills</u> (2)	<u>Total</u> <u>Consumption</u> (3)	<u>Present</u> <u>Base Rate</u> (4)	<u>Present</u> <u>Revenue</u> (5)	<u>Proposed</u> <u>Base Rate</u> (6)	<u>Proposed</u> <u>Revenue</u> (7)
-------------------------------------------------	-----------------------------------------	-------------------------------------------	-------------------------------------------	-----------------------------------------	--------------------------------------------	------------------------------------------

Private Fire Protection

<u>Quarterly</u>	<u>No. of</u> <u>Connections</u>							
4-inch Service	-	\$	121.11	\$	-	143.48	\$	-
6-inch Service	111		121.11		53,652	143.48		63,561
8-inch Service	38		141.28		21,616	167.37		25,608
Sprinkler Heads > 300 per Line	28,488		0.26		29,627	0.31		35,099
Private Hydrants - Newtown	353		101.75		143,569	120.54		170,086
Total					\$ 248,464			\$ 294,354

Public Fire Protection

<u>Quarterly</u>	<u>No. of</u> <u>Connections</u>							
Public Hydrants - Newtown	650	\$	101.75	\$	264,347	\$ 120.54	\$	313,171
Total Public Fire					\$ 264,347			\$ 313,171

THE NEWTOWN ARTESIAN WATER COMPANY
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PROPOSED RATES

Adj. Ref.	Explanation						Adjustment Increase (Decrease)
R-16	To annualize Residential and Commercial Operating Revenues for the net gain in the number of customers during the twelve months ended 3/31/2024.						
	Customer Classification	Number of Customers		Customer Gain/(Loss)	Average Annual Bill, Proposed Base Rates	Annualized Revenue Adjustment (Half Year)	
	(1)	(2)	(3)	(4)	(5)	(6)	
	Residential	9,718	9,723	21	\$ 484.57	\$ 5,088	\$ 5,088
	Commercial	818	822	16	\$ 1,420.72	11,366	\$ 11,366
							\$ 16,454

THE NEWTOWN ARTESIAN WATER COMPANY
FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PROPOSED RATES

Adj. Ref.	Explanation						Adjustment Increase (Decrease)
R-17	To annualize Residential and Commercial Operating Revenues for the projected gain in the number of customers during the twelve months ended 3/31/2025						
	Customer Classification	Increase in Customers		Average Customer Gain/(Loss)	Average Annual Bill, 3/31/2025 Rates	Annualized Revenue Adjustment	
	(1)	31-Dec-23 (2)	31-Mar-24 (3)	(4)	(5)	(6)	
	Residential	64	5	34.1	\$ 484.57	\$ 16,524	\$ 16,524
	Commercial	19	4	11.1	1,420.72	15,770	\$ 15,770
R-18	To annualize Private Fire revenues for the projected gain in the number of private fire lines and private fire hydrants for year ending 3/31/2025.						
	Customer Classification	Increase in Connections		Average Gain/(Loss)	Quarterly Proposed Base Rates	Annualized Revenue Adjustment	
	(1)	31-Dec-23 (2)	31-Mar-24 (3)	(4)	(5)	(6)	
	<u>Private Fire Protection</u>						
	4-inch Service	0	0	-	\$ 143.48	\$ -	
	6-inch Service	1	1	2.5	143.48	1,435	
	8-inch Service	1	1	2.5	167.37	1,674	
	Sprinkler Heads	0	0	-	0.31	-	
	Private Hydrants	4	7	16.0	120.54	7,715	
	Total					\$ 10,824	\$ 10,824
	Public Fire - Newtown	-	-	-	120.54	-	\$ -
	Total FTY Under Proposed Rates						\$ 43,118
R-19	To adjust Residential revenues for Declining usage as of 3/31/2025 under Proposed Rates						
	Declining Consumption:						
		Consumption		Present Rate	Total Revenue		
	Newtown	(1,556)		7.8604845	\$ (12,229)		
		(1,556)			(12,229)		\$ (12,229)
	Total FTY Under Proposed Rates						\$ 30,889

THE NEWTOWN ARTESIAN WATER COMPANY
FULLY PROJECTED FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PROPOSED RATES

Adj. Ref.	Explanation						Adjustment Increase (Decrease)
R-20	To annualize Residential and Commercial Operating Revenues for the projected gain in the number of customers during the twelve months ended 3/31/2026						
	Customer Classification	Increase in Customers		Average Customer Gain/(Loss)	Average Annual Bill, 3/31/2026 Rates	Annualized Revenue Adjustment	
	(1)	31-Dec-23 (2)	31-Mar-24 (3)	(4)	(5)	(6)	
	Residential	64	5	42.5	\$ 484.57	\$ 20,594	\$ 20,594
	Commercial	19	4	17.5	1,420.72	\$ 24,863	\$ 24,863
R-21	To annualize Private Fire revenues for the projected gain in the number of private fire lines and private fire hydrants for year ending 3/31/2026						
	Customer Classification	Increase in Connections		Average Gain/(Loss)	Quarterly Proposed Base Rates	Annualized Revenue Adjustment	
	(1)	31-Dec-23 (2)	31-Mar-24 (3)	(4)	(5)	(6)	
	<u>Private Fire Protection</u>						
	4-inch Service	0	0	-	\$ 143.48	\$ -	
	6-inch Service	1	1	2.5	143.48	1,435	
	8-inch Service	1	1	2.5	167.37	1,674	
	Sprinkler Heads	0	0	-	0.31	-	
	Private Hydrants			-	120.54		
	Total					\$ 3,109	\$ 3,109
	Public Fire - Newtown	0	0	-	120.54	-	\$ -
	Total FPPTY Under Proposed Rates						\$ 48,566
R-22	To adjust Residential revenues for Declining usage from 3/31/2025 to 3/31/2026 under Proposed Rates.						
	Declining Consumption:						
		Consumption		Present Rate	Total Revenue		
	Newtown	(3,889)		\$ 7.860	\$ (30,572)		
		(3,889)			(30,572)		\$ (30,572)
	Total FPPTY Under Proposed Rates						\$ 17,994

APPENDIX D
COMPARISON OF PRESENT AND PROPOSED RATES

THE NEWTOWN ARTESIAN WATER COMPANY
COMPARISON OF PRESENT AND PROPOSED RATES

Meter Size	Present Rates*		Proposed Rates	
	Quarterly	Monthly	Quarterly	Monthly
<u>Customer Charges</u>				
5/8	\$ 22.71	\$ 7.57	\$ 26.90	\$ 8.97
3/4	34.11	11.37	40.41	13.47
1	56.82	18.94	67.31	22.44
1 1/2	113.64	37.88	134.63	44.88
2	181.80	60.60	215.38	71.79
3	340.92	113.64	403.89	134.63
4	568.23	189.41	673.18	224.39
6	1,136.49	378.83	1,346.40	448.80
8	1,818.33	606.11	2,154.18	718.06
10	2,613.87	871.29	3,096.65	1,032.22

Consumption Charges,
per Thousand Gallons

Newtown Service Area	\$ 6.635	\$ 7.860
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* Present Rates also include PWAC, DSIC and STAS charges.

	<u>Per Quarter</u>	<u>Per Quarter</u>
<u>Private Fire Service</u>		
4-inch Service	\$ 121.11	\$ 143.48
6-inch Service	121.11	143.48
8-inch Service	141.28	167.37
Sprinkler Heads > 300	0.26	0.31
Private Hydrants:		
Newtown	101.75	120.54

Public Fire Service

Public Fire Hydrants:

Newtown	\$ 101.75	\$ 120.54
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THE NEWTOWN ARTESIAN WATER COMPANY
NEWTOWN SERVICE AREA

COMPARISON OF BILLS UNDER PRESENT AND PROPOSED RATES
5/8-INCH METERS, QUARTERLY

Usage 1,000 Gals. per Quarter (1)	Present Bill* (2)	Proposed Bill (3)	Increase (4)	Percent Increase (5)
0	\$ 22.97	\$ 26.90	\$ 3.93	17.1%
1	29.93	34.77	4.84	16.2%
2	36.88	42.63	5.75	15.6%
3	43.84	50.49	6.65	15.2%
4	50.79	58.35	7.56	14.9%
5	57.76	66.21	8.45	14.6%
6	64.71	74.07	9.36	14.5%
7	71.67	81.93	10.26	14.3%
8	78.62	89.79	11.17	14.2%
9	85.59	97.65	12.06	14.1%
10	92.54	105.51	12.97	14.0%
11	99.50	113.37	13.87	13.9%
12	106.45	121.23	14.78	13.9%
13	113.41	129.09	15.68	13.8%
14	120.37	136.95	16.58	13.8%
15	127.33	144.81	17.48	13.7%
16	134.28	152.67	18.39	13.7%
17	141.24	160.53	19.29	13.7%
18	148.19	168.39	20.20	13.6%
19	155.16	176.25	21.09	13.6%
20	162.11	184.11	22.00	13.6%
21	169.07	191.97	22.90	13.5%
22	176.02	199.84	23.82	13.5%
23	182.98	207.70	24.72	13.5%
24	189.94	215.56	25.62	13.5%
25	196.90	223.42	26.52	13.5%
26	203.85	231.28	27.43	13.5%
27	210.81	239.14	28.33	13.4%
28	217.76	247.00	29.24	13.4%
29	224.73	254.86	30.13	13.4%
30	231.68	262.72	31.04	13.4%
35	266.47	302.02	35.55	13.3%
40	301.25	341.32	40.07	13.3%
45	336.04	380.63	44.59	13.3%
56	412.56	467.09	54.53	13.2%
60	440.39	498.53	58.14	13.2%
70	509.96	577.14	67.18	13.2%
80	579.53	655.74	76.21	13.2%
90	649.10	734.35	85.25	13.1%
100	718.67	812.95	94.28	13.1%

* Includes PWAC, DSIC and STAS.



WE KEEP LIFE FLOWING™

Service Address:

NEWTOWN ARTESIAN WATER CO
AUTUMN DR
NEWTOWN, PA 18940

THANK YOU FOR BEING OUR CUSTOMER

Important Account Messages

- Want to get to know us better? Visit www.pennsylvaniaamwater.com to learn more about the services we provide.
- Thank you for being a long time customer! We work hard every day to deliver water service that is safe, reliable, and affordable – our customers deserve nothing less.

For more information, visit www.pennsylvaniaamwater.com



View your account information or pay your bill anytime at: www.amwater.com/MyAccount



Pay by Phone*: Pay anytime at 1-855-748-6066



Customer Service: 1-800-565-7292
M-F 7:00am to 7:00pm – Emergencies 24/7



PENNSYLVANIA AMERICAN WATER
PO BOX 371412
PITTSBURGH, PA. 15250-7412

▼ Please return bottom portion with your payment. DO NOT send cash. Retain upper portion for your records▼



WE KEEP LIFE FLOWING™



P.O. BOX 91623
RANTOUL, IL 61866-8623

Service to: AUTUMN DR
NEWTOWN, PA 18940

NEWTOWN ARTESIAN WATER CO
201 NORTH LINCOLN AVE
NEWTOWN, PA 18940

Statement

Account No. [REDACTED]

Total Amount Due: **\$23,029.44**

Payment Due By: **October 21, 2024**

Thank you for using AutoPay. Payment will be automatically deducted on the bill due date.

Billing Date: September 27, 2024

Service Period: Aug 22 to Sep 23 (33 Days)

Total Gallons: 6,720,000

Account Summary – See page 3 for Account Detail

Prior Billing:		\$20,990.38
Payments - Thank You!	-	\$20,990.38
Balance Forward:	=	\$0.00
Service Related Charges:	+	\$23,029.44
Total Amount Due:	=	\$23,029.44

Account No. [REDACTED]

Total Amount Due: **\$23,029.44**

Payment Due By: **October 21, 2024**

If paying after 10/21/24, pay this amount: \$23,374.88

Amount Enclosed \$ **Paid Electronically on Due Date**

PENNSYLVANIA AMERICAN WATER
PO BOX 371412
PITTSBURGH, PA. 15250-7412

00010242100329648230000000002302944015



Meter Reading and Usage Summary

Meter No.	Measure	Size	From Date	To Date	Previous Read	Current Read	Meter Units	Billing Units	Total Gallons
[REDACTED]	1,000 gal	4"	08/22/2024	09/23/2024	248,290 (A)	255,010 (E)	6,720	67,200.00	6,720,000

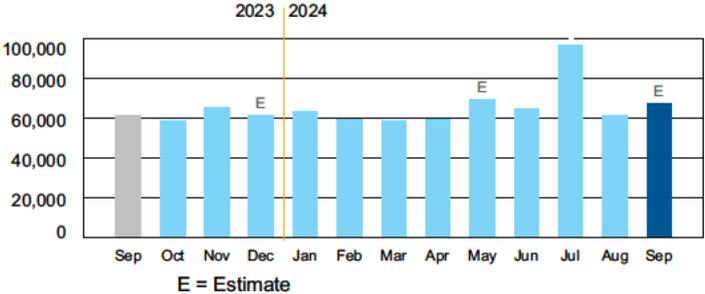
A = Actual E = Estimate

1 Billing Unit = 100 gallons

Total Gallons: 6,720,000

Billed Usage History (graph shown in 100 gallons)

- 6,720,000 gallons = usage for this period
- 6,109,000 gallons = usage for same period last year



Next Scheduled Read Date: on or about October 21, 2024
Account Type: Sale for Resale

Average daily use for this period is: (33 days)



Year to Date Billed Usage: 60,025,000 gallons

Account Detail

Account No. [REDACTED]

Service To: AUTUMN DR NEWTOWN, PA 18940

Prior Billing	20,990.38
Payments	-20,990.38
Total payments as of Sep 19. Thank you!	-20,990.38
Balance Forward	0.00
Service Related Charges - 08/22/24 to 09/23/24	
Water Service	23,029.44
Water Usage Charge (67,200 x \$0.3427)	23,029.44
Total Service Related Charges	23,029.44
Total Current Period Charges	23,029.44

Total Amount Due ➔ **\$23,029.44**

Understanding Your Bill

The information below defines some of the new terms you may find on your bill:

- **Service Related Charges:** This section includes charges for services related to water, wastewater and fire protection. If applicable, credits and debits for corrections to previously billed charges are itemized in this section.
- **Bill Period:** This section shows the time period for which the bill is based. Billing periods may range from 26-35 days in accordance with PUC regulations.
- **Fees and Adjustments:** This section provides details related to additional charges or adjustments for the service period referenced. Fees, when applicable, would include items such as service activation and late payment charges.
- **Billing Units:** One billing unit equals 100 gallons of water used. If the meter serving your property measures your water use in cubic feet or a different unit of measure, we convert the usage to gallons to make it easier to understand.
- **Average Daily Use:** The gallons shown in the water droplet above represent your average daily water use for the current billing period. Tracking the amount of water you use can help you manage your overall water use from month to month.
- **Protection programs for water, sewer and in-home plumbing** are offered by American Water Resources but are not required. Learn more in the Explanation of Fees and Other Terms section on page 2 of your bill.
- **Still have questions?** We are here to help. Our customer service representatives are available M-F, 7 a.m. to 7 p.m. More information on understanding your bill and charges can also be found on our website. See the link below.

Para obtener asistencia de traducción en la lectura de su factura, comuníquese con nuestro Centro de Atención al Cliente al 1-800-565-7292 de lunes a viernes de 7 a. m. a 7 p. m.

For more information about your charges and rates, please visit: <https://amwater.com/paaw/rates>

September 30, 2024

Newtown Artesian Water Company
201 North Lincoln Avenue
Newtown, PA 18940

To Whom It May Concern:

In accordance with Article VII of the Wholesale Water Agreement of 2011, BCWSA plans on implementing the CPI based increase starting in 2025.

BCWSA will use the previous base of June 2022 CPI measured by Philadelphia Urban Consumer Price Index, as published by the Department of Labor as the beginning index as that was the adjustment date from the June 2015 contractual base. As published, the current index for all items as of June 2022 is 294.207. BCWSA compared that number to the 314.328 published for June 2024 in order to calculate the increase to the BCWSA cost component, which is currently \$0.97 per thousand gallons. The increase to the BCWSA cost component calculates to \$0.06 per 1,000 gallons. The increase will appear on bills for usage occurring after January 1, 2025.

Please consider this the 90-day notice as required in the agreement.

Sincerely,

A handwritten signature in black ink, appearing to read "Jason C. Hillaert". The signature is written in a cursive style with a large initial "J" and "H".

Jason C. Hillaert
Chief Financial Officer

JCH:kaw

Information Request R-7

Chemicals Information

with annual revenues under \$100,000 and municipal corporations subject to Commission jurisdiction may provide operating income statements for a 12-month period, the end of which may not be more than 180 days prior to the filing.”

(Greg Herbert)

Information Request R-6:

NAWC’s filing did not address 52 Pa. Code § 53.52(c)(6). Please provide a response for 52 Pa. Code § 53.52(c)(6).

RESPONSE:

The Company did not experience a major change in the operating or financial condition of the utility occurring between the date of the balance sheet of 52 Pa. Code § 53.52(c)(2) and the date of the transmittal of the tariff, revision or supplement. Please reference Exhibit GRH-1, page 10, Subsection 53.52 of Tariff Regulations for the response to 52 Pa. Code § 53.52(c)(2). (Greg Herbert)

Information Request R-7:

The Tariff Supplement Filing’s Exhibit GRH-1, Page 28, Adjustment Reference E-3 adjusts chemical expense by \$9,709 to reflect the projected annual usage of chemicals and current unit prices, a 21% increase over NAWC’s \$46,033 HTY expense ($\$9,709 / \$46,033 = 21\%$). Please explain in detail the reasons for this proposed adjustment.

RESPONSE:

Included with this letter, as TUS R-7, is a chart which shows the chemicals used in the year 2023 and the prices. Phosphate rates did not change from the 2023 rates and the chlorine rates were increased by 3%. The second usage column of estimated BUCKS chlorine totaling 2,281 gallons for 2023 on page 1 of 2 in TUS R-7 is part of the chlorine usage total of 9,217 gallons in the first usage column. Therefore, the total projected quantity of chlorine in Adjustment E-3, Page 28 of Exhibit GRH-1 included 2,281 gallons of Bucks chlorine usage twice and should be corrected to reflect 9,217 gallons. See page 2 of 2 in TUS R-7 for the corrected Adjustment E-3, which will also be corrected in rebuttal testimony. (Greg Herbert)

Information Request R-8:

The Tariff Supplement Filing’s Exhibit GRH-1, Page 33, Adjustment Reference E-16 adjusts 2024 internet services costs by \$18,000, a 15% increase over NAWC’s \$120,761 HTY expense ($\$18,000 / \$120,761 = 15\%$). Please explain in detail the reasons for this proposed adjustment.

Total Chlorine/Phosphate Usage 2023

MONTH	Estimated BUCKS Chlorine Monthly		Phosphate Usage Total
	Chlorine Usage Total	Usage based on Scada Trends	
January	704.2		132
February	682.9		116.7
March	743	130.2	143.3
April	768	210	131.9
May	785.9	198.4	148.1
June	751.9	195	160
July	899.2	294.5	157.2
August	815.5	291.4	150.2
September	709.3	294	136.9
October	790.3	266.6	129.1
November	830	237	127
December	737	164.3	127.6
Total	9,217	2,281	1,660

Total Chlorine (Gallons) 9,217
Total Phosphate (Gallons) 1,660

Phosphate cost is \$11.32/GAL

No expected increases from vendor, minimal increase if any

Chlorine Cost is \$3.12/GAL

3% per year increases

\$29 delivery fee per chlorine delivery, estimated 26 deliveries per year

THE NEWTOWN ARTESIAN WATER COMPANY
HISTORIC, FUTURE AND FULLY PROJECTED FUTURE TEST YEARS

PRO FORMA OPERATING EXPENSE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation					Adjustment Increase (Decrease)
E-3	To adjust chemical expense to reflect the projected annual usage of chemicals and current unit prices.					
		Projected Quantity	Units	Unit Cost	Pro Forma Cost	
	Sodium Hypochlorite	9,217	Gallons	\$ 3.2136	\$ 29,620	
	Phosphate Usage	1,660	Gallons	11.3200	18,791	
	Total Proforma Chemical Expense				\$ 48,411	
	Less: Test Year Chemical Expense				46,033	
	Adjustment				\$ 2,378	\$ 2,378

BUREAU OF INVESTIGATION & ENFORCEMENT DATA REQUESTS

NEWTOWN ARTESIAN WATER COMPANY

Docket No. R-2024-3050208

Analyst: Vanessa Okum

I&E-RE-13-D Reference NAWCO Exhibit No. GRH-1, p. 32, Adjustment E-14 concerning declining usage. Provide the following:

- A. Actual usage for the three most recent historic years;
- B. Explanation of why the declining usage adjustment is an increase to expenses rather than a decrease.

Response:

- A. Please reference the response to I&E-RS-1-D for the declining usage workpapers and I&E-RS-7-D for the historical usage amounts and supporting documentation used to develop the declining usage adjustment.
- B. The adjustments in Adjustment E-14 related to declining usage had the signs inadvertently switched on the total usage amounts within the adjustment and the expense adjustments should reflect decreases in purchased water, purchased power, and chemicals costs rather than increases. Adjustment E-14 will be corrected in rebuttal testimony.

Responsible Witness: Gregory Herbert, Assistant Project Manager

Date: September 3, 2024

BUREAU OF INVESTIGATION & ENFORCEMENT DATA REQUESTS

NEWTOWN ARTESIAN WATER COMPANY

Docket No. R-2024-3050208

Analyst: Vanessa Okum

- I&E-RE-25-D** For the FPFTY, FTY, and the prior three corresponding historic 12-month periods, provide a listing of Company employees, uniquely identified, to include:
- A. The employee position/job title (with names redacted);
 - B. The job position status (indicating whether the employee/position is full-time or part-time, and filled or vacant);
 - C. The hourly rates/annual salaries, hours worked (regular and overtime), the amount of regular time wages earned, the amount of overtime wages earned and employer-related payroll taxes;
 - D. The amount of salaries and wages expensed;
 - E. The amount of salaries and wages capitalized;
 - F. The amount of employer-related payroll taxes expensed;
 - G. The amount of employer-related payroll taxes capitalized;
 - H. For each employee, indicate whether the individual provides labor/services for an affiliated interest. If so, identify each of the applicable affiliated interests the employee services.

Response:

- A. Please see, I&E-RE-25-D Attachment for the list of employees and directors. Pages 1 and 2 of the attachment shows the labor projections at the time Exhibit GRH-1 was being prepared for rate filing. Since the time Exhibit GRH-1 was filed on July 19th, the performance bonuses are now known and measurable for the FTY and FPFTY. Please see page 3 of I&E-RE-25-D which shows the updated known and measurable labor projections inclusive of performance bonuses, which will be updated in Exhibit GRH-1 during rebuttal testimony.
- B. See response to part A.
- C. See response to part A.
- D. See response to part A.
- E. Please see response to part A. above and I&E-RE-2-D, part D.

- F. The payroll taxes amounts expensed are as follows: \$82,348 year end 3.31.2022; \$85,834 year end 3.31.2023, \$97,762 HTY; \$90,507 FTY; \$92,387 FPFTY.
- G. The Company does not capitalize any employer related payroll taxes.
- H. None of the Company's employees provide labor or services for an affiliated interest.

Responsible Witness: Gregory Herbert, Assistant Project Manager

Date: September 3, 2024

4/1/21 - 3/31/22

<u>Title</u>	<u>Salary</u>	<u>Overtime Pay</u>	<u>Overtime</u>			<u>Employer 401K</u>	
			<u>Hours</u>	<u>Bonus</u>	<u>Benefits</u>	<u>Contribution</u>	
CEO	\$ 147,187.04			\$ 12,898.48	\$ 17,186.88	\$ 7,946.86	
Assistant General Manager	\$ 106,829.33			\$ 12,099.76	\$ 25,656.36	\$ 5,904.86	
Accounting Manager	\$ 89,942.69			\$ 5,900.00	\$ 1,211.28	\$ -	
Customer Service	\$ 49,604.63			\$ 3,980.72	\$ 26,547.60	\$ 2,654.37	
Customer Service	\$ 45,355.16			\$ 940.00	\$ 6,460.80	\$ -	
Operator	\$ 67,139.09	\$ 8,778.19	176	\$ 1,288.27	\$ 21,030.12	\$ 3,805.29	
Operator	\$ 86,374.11	\$ 9,402.94	148	\$ 1,651.52	\$ 8,789.88	\$ 4,740.12	
Operator	\$ 84,819.20	\$ 3,793.92	62	\$ 2,597.44	\$ 24,118.80	\$ 4,388.31	
Maintenance Technician - Part Time	\$ 50,828.09			\$ 1,007.76		\$ 2,590.99	
Inspector	\$ 83,060.90	\$ 2,830.37	44	\$ 2,125.73		\$ 4,380.13	
Field Technician - Part Time	\$ 7,590.00					\$ -	
Field Technician	\$ 55,065.77			\$ 1,087.01	\$ 21,284.76	\$ 2,792.77	
Field Technician	\$ 59,489.74	\$ 3,446.62	79	\$ 1,157.52	\$ 4,178.52	\$ -	

4/1/22 - 3/31/23

<u>Title</u>	<u>Salary</u>	<u>Overtime Pay</u>	<u>Overtime</u>			<u>Employer 401K</u>	
			<u>Hours</u>	<u>Bonus</u>	<u>Benefits</u>	<u>Contribution</u>	
CEO	\$ 159,059.99			\$ 3,101.37	\$ 17,186.88	\$ 7,876.14	
Assistant General Manager	\$ 118,329.81			\$ 1,215.40	\$ 25,656.36	\$ 5,730.25	
Accounting Manager	\$ 105,080.74			\$ 2,012.10	\$ 1,211.28	\$ 5,092.16	
Customer Service	\$ 55,945.82			\$ 1,051.98	\$ 26,547.60	\$ 2,726.42	
Customer Service	\$ 51,488.99			\$ 987.00	\$ 6,460.80	\$ 2,497.87	
Operator	\$ 73,397.21	\$ 8,080.55	147	\$ 1,414.90	\$ 21,030.12	\$ 4,091.54	
Operator	\$ 83,436.76	\$ 14,733.06	92	\$ 2,734.10	\$ 8,789.88	\$ 4,936.96	
Operator	\$ 86,340.60	\$ 5,256.00	81	\$ 2,677.31	\$ 24,118.80	\$ 4,623.71	
Maintenance Technician - Part Time	\$ 52,318.81			\$ 1,037.99		\$ 2,630.25	
Inspector	\$ 86,740.07	\$ 2,873.39	42	\$ 2,707.01		\$ 4,559.83	
Field Technician - Part Time	\$ 7,710.00					\$ 451.50	
Field Technician	\$ 58,965.81	\$ 124.52	3	\$ 1,151.14	\$ 21,284.76	\$ 2,963.37	
Field Technician	\$ 63,002.73	\$ 2,499.76	52	\$ 1,215.40	\$ 4,178.52	\$ 3,332.59	

4/1/23 - 3/31/24

<u>Title</u>	<u>Salary</u>	<u>Overtime Pay</u>	<u>Overtime</u>			<u>Employer 401K</u>	
			<u>Hours</u>	<u>Bonus</u>	<u>Benefits</u>	<u>Contribution</u>	
CEO	\$ 172,746.38			\$ 23,400.00	\$ 17,297.16	\$ 9,670.01	
Assistant General Manager	\$ 131,500.00			\$ 12,600.00	\$ 25,964.76	\$ 7,130.00	
Accounting Manager	\$ 121,384.78			\$ 12,400.00	\$ 1,211.28	\$ 6,620.00	
Office Manager	\$ 26,252.95					\$ -	
Customer Service	\$ 62,852.15			\$ 1,244.36	\$ 27,261.60	\$ 3,172.37	
Customer Service	\$ 58,910.59			\$ 1,167.51	\$ 693.12	\$ 2,979.95	
Operator	\$ 75,853.94	\$ 8,010.47	144	\$ 1,471.50	\$ 21,410.16	\$ 4,238.80	
Operator	\$ 92,185.58	\$ 8,577.49	130	\$ 3,794.79	\$ 9,034.44	\$ 5,158.80	
Operator	\$ 88,201.93	\$ 7,040.04	108	\$ 2,736.02	\$ 25,321.68	\$ 4,839.00	
Maintenance Technician - Part Time	\$ 54,087.97			\$ 1,074.32		\$ 2,739.52	
Inspector	\$ 89,783.47	\$ 4,005.37	61	\$ 2,766.76	\$ 1,142.28	\$ 4,765.00	
Field Technician - Part Time	\$ 9,810.00					\$ -	
Field Technician	\$ 60,412.11			\$ 1,197.19	\$ 21,004.92	\$ 3,052.83	
Field Technician	\$ 64,635.33	\$ 4,633.10	93	\$ 632.01	\$ 5,050.32	\$ 3,368.05	
Field Technician	\$ 24,811.22	\$ 686.64	13			\$ -	

		2024			2025				2026			
Title	Classification	2024 Annual Salary/Wage	Projected 2024 Benefits	Projected 2024 401K	Projected 2025 Increase	Projected 2025 Salary/Wage	Projected 2025 Benefits	Projected 2025 401K	Projected 2026 Increase	Projected 2026 Salary/Wage	Projected 2026 Benefits	Projected 2026 401K
		CEO	Salary	\$181,900.00	\$9,331.32	\$9,095.00	5%	\$190,995.00	\$9,797.89	\$9,549.75	5%	\$200,544.75
Assistant General Manager	Salary	\$136,500.00	\$26,758.92	\$6,825.00	5%	\$143,325.00	\$28,096.87	\$7,166.25	5%	\$150,491.25	\$29,501.71	\$7,524.56
Accounting Manager	Salary	\$126,000.00	\$1,230.48	\$6,300.00	5%	\$132,300.00	\$1,292.00	\$6,615.00	5%	\$138,915.00	\$1,356.60	\$6,945.75
Office Manager	Salary	\$110,000.00	\$26,758.92	\$5,500.00	5%	\$115,500.00	\$28,096.87	\$5,775.00	5%	\$121,275.00	\$29,501.71	\$6,063.75
Customer Service Representative	Hourly	\$64,706.71	\$28,517.76	\$3,235.34	5%	\$67,942.05	\$29,943.65	\$3,397.10	5%	\$71,339.15	\$31,440.83	\$3,566.96
Customer Service Representative	Hourly	\$60,710.34	\$75.27	\$3,035.52	5%	\$63,745.86	\$79.03	\$3,187.29	5%	\$66,933.15	\$82.99	\$3,346.66
Customer Service Representative	Hourly	\$12,000.00	\$0.00	\$0.00		\$0.00	\$0.00	\$0.00		\$0.00	\$0.00	\$0.00
Maintenance Technician	Part Time Hourly	\$55,327.64	\$0.00	\$2,766.38	5%	\$58,094.03	\$0.00	\$3,904.76	5%	\$60,998.79	\$0.00	\$3,049.94
Operator/Inspector	Hourly	\$90,988.14	\$1,161.48	\$4,549.41	5%	\$95,537.55	\$1,219.55	\$4,776.88	5%	\$100,314.42	\$1,280.53	\$5,015.72
Lead Operator	Hourly	\$92,431.65	\$9,156.96	\$4,621.58	5%	\$97,053.24	\$9,614.81	\$4,852.66	5%	\$101,905.90	\$10,095.55	\$5,095.29
Field Technician	Hourly	\$31,126.95	\$10,663.52	\$778.18		\$0.00	\$0.00	\$0.00		\$0.00	\$0.00	\$0.00
Operator	Hourly	\$89,404.99	\$27,070.80	\$4,470.25	5%	\$93,875.24	\$28,424.34	\$4,693.76	5%	\$98,569.00	\$29,845.56	\$4,928.45
Operator/Maintenance Technician	Hourly	\$76,517.75	\$26,505.84	\$3,825.89	5%	\$80,343.64	\$27,831.13	\$4,017.18	5%	\$84,360.82	\$29,222.69	\$4,218.04
Field Technician	Hourly	\$64,464.60	\$5,229.12	\$3,223.23	5%	\$67,687.83	\$5,490.58	\$3,384.39	5%	\$71,072.22	\$5,765.10	\$3,553.61
Field Technician	Hourly	\$60,008.00	\$26,471.52	\$3,000.40	5%	\$63,008.40	\$27,795.10	\$3,150.42	5%	\$66,158.82	\$29,184.85	\$3,307.94

4/1/21 - 3/31/22

Employee ID	Title		Salary	Overtime Pay	Overtime		Bonus	Benefits	Employer 401K	
					Hours				Contribution	
41	CEO	Full-Time	\$ 147,187.04				\$ 12,898.48	\$ 17,186.88	\$ 7,946.86	
42	Assistant General Manager	Full-Time	\$ 106,829.33				\$ 12,099.76	\$ 25,656.36	\$ 5,904.86	
47	Accounting Manager	Full-Time	\$ 89,942.69				\$ 5,900.00	\$ 1,211.28	\$ -	
40	Customer Service	Full-Time	\$ 49,604.63				\$ 3,980.72	\$ 26,547.60	\$ 2,654.37	
48	Customer Service	Full-Time	\$ 45,355.16				\$ 940.00	\$ 6,460.80	\$ -	
37	Operator	Full-Time	\$ 67,139.09	\$ 8,778.19	176		\$ 1,288.27	\$ 21,030.12	\$ 3,805.29	
11	Operator	Full-Time	\$ 86,374.11	\$ 9,402.94	148		\$ 1,651.52	\$ 8,789.88	\$ 4,740.12	
31	Operator	Full-Time	\$ 84,819.20	\$ 3,793.92	62		\$ 2,597.44	\$ 24,118.80	\$ 4,388.31	
43	Maintanance Technician - Part Time	Part-Time	\$ 50,828.09				\$ 1,007.76		\$ 2,590.99	
10	Inspector	Full-Time	\$ 83,060.90	\$ 2,830.37	44		\$ 2,125.73		\$ 4,380.13	
34	Field Technician - Part Time	Part-Time	\$ 7,590.00						\$ -	
21	Field Technician	Full-Time	\$ 55,065.77				\$ 1,087.01	\$ 21,284.76	\$ 2,792.77	
46	Field Technician	Full-Time	\$ 59,489.74	\$ 3,446.62	79		\$ 1,157.52	\$ 4,178.52	\$ -	

4/1/22 - 3/31/23

Employee	Title		Salary	Overtime Pay	Overtime		Bonus	Benefits	Employer 401K		Capitalized S&W
					Hours				Contribution		
41	CEO	Full-Time	\$ 159,059.99				\$ 3,101.37	\$ 17,186.88	\$ 7,876.14	\$ 5,293.23	
42	Assistant General Manager	Full-Time	\$ 118,329.81				\$ 1,215.40	\$ 25,656.36	\$ 5,730.25	\$ 3,078.48	
47	Accounting Manager	Full-Time	\$ 105,080.74				\$ 2,012.10	\$ 1,211.28	\$ 5,092.16		
40	Customer Service	Full-Time	\$ 55,945.82				\$ 1,051.98	\$ 26,547.60	\$ 2,726.42		
48	Customer Service	Full-Time	\$ 51,488.99				\$ 987.00	\$ 6,460.80	\$ 2,497.87		
37	Operator	Full-Time	\$ 73,397.21	\$ 8,080.55	147		\$ 1,414.90	\$ 21,030.12	\$ 4,091.54	\$ 15,475.44	
11	Operator	Full-Time	\$ 83,436.76	\$ 14,733.06	92		\$ 2,734.10	\$ 8,789.88	\$ 4,936.96	\$ 3,209.75	
31	Operator	Full-Time	\$ 86,340.60	\$ 5,256.00	81		\$ 2,677.31	\$ 24,118.80	\$ 4,623.71	\$ 11,571.84	
43	Maintanance Technician - Part Time	PartTime	\$ 52,318.81				\$ 1,037.99		\$ 2,630.25	\$ 8,400.43	
10	Inspector	Full-Time	\$ 86,740.07	\$ 2,873.39	42		\$ 2,707.01		\$ 4,559.83	\$ 6,893.71	
34	Field Technician - Part Time	Part-Time	\$ 7,710.00						\$ 451.50	\$ 9,879.34	
21	Field Technician	Full-Time	\$ 58,965.81	\$ 124.52	3		\$ 1,151.14	\$ 21,284.76	\$ 2,963.37	\$ 359.73	
46	Field Technician	Full-Time	\$ 63,002.73	\$ 2,499.76	52		\$ 1,215.40	\$ 4,178.52	\$ 3,332.59	\$ 1,899.04	

4/1/23 - 3/31/24

Employee	Title		Salary	Overtime Pay	Overtime		Bonus	Benefits	Employer 401K		Capitalized S&W
					Hours				Contribution		
41	CEO	Full-Time	\$ 172,746.38				\$ 23,400.00	\$ 17,297.16	\$ 9,670.01	\$ 4,985.56	
42	Assistant General Manager	Full-Time	\$ 131,500.00				\$ 12,600.00	\$ 25,964.76	\$ 7,130.00	\$ 18,937.50	
47	Accounting Manager	Full-Time	\$ 121,384.78				\$ 12,400.00	\$ 1,211.28	\$ 6,620.00	\$ 576.92	
50	Office Manager	Full-Time	\$ 26,252.95						\$ -		
40	Customer Service	Full-Time	\$ 62,852.15				\$ 1,244.36	\$ 27,261.60	\$ 3,172.37		
48	Customer Service	Full-Time	\$ 58,910.59				\$ 1,167.51	\$ 693.12	\$ 2,979.95		
37	Operator	Full-Time	\$ 75,853.94	\$ 8,010.47	144		\$ 1,471.50	\$ 21,410.16	\$ 4,238.80	\$ 25,079.08	
11	Operator	Full-Time	\$ 92,185.58	\$ 8,577.49	130		\$ 3,794.79	\$ 9,034.44	\$ 5,158.80	\$ 6,031.53	
31	Operator	Full-Time	\$ 88,201.93	\$ 7,040.04	108		\$ 2,736.02	\$ 25,321.68	\$ 4,839.00	\$ 9,994.65	
43	Maintanance Technician - Part Time	PartTime	\$ 54,087.97				\$ 1,074.32		\$ 2,739.52	\$ 18,680.16	
10	Inspector	Full-Time	\$ 89,783.47	\$ 4,005.37	61		\$ 2,766.76	\$ 1,142.28	\$ 4,765.00	\$ 13,539.49	
34	Field Technician - Part Time	Part-Time	\$ 9,810.00						\$ -	\$ 5,970.00	
21	Field Technician	Full-Time	\$ 60,412.11				\$ 1,197.19	\$ 21,004.92	\$ 3,052.83	\$ 949.68	
46	Field Technician	Full-Time	\$ 64,635.33	\$ 4,633.10	93		\$ 632.01	\$ 5,050.32	\$ 3,368.05	\$ 2,582.71	
49	Field Technician	Full-Time	\$ 24,811.22	\$ 686.64	13		\$ -	\$ -	\$ -	\$ 1,644.45	

4/1/24 - 3/31/25

Employee	Title		Salary	Overtime Pay	Overtime		Bonus	Benefits	Employer 401K		Capitalized S&W YTD
					Hours				Contribution		
41	CEO	Full-Time	\$ 190,995.00				\$ 20,000.00	\$ 9,797.89	\$ 9,549.75	\$ 7,695.75	
42	Assistant General Manager	Full-Time	\$ 143,325.00				\$ 10,000.00	\$ 28,096.87	\$ 7,166.25	\$ 12,468.75	
47	Accounting Manager	Full-Time	\$ 132,300.00				\$ 5,000.00	\$ 1,292.00	\$ 6,615.00	\$ 666.35	
51	Office Manager	Full-Time	\$ 115,500.00				\$ 5,000.00	\$ 28,096.87	\$ 5,775.00	\$ 158.66	
40	Customer Service	Full-Time	\$ 67,942.05				\$ 1,358.84	\$ 29,943.65	\$ 3,397.10		
48	Customer Service	Full-Time	\$ 63,745.86				\$ 1,274.92	\$ 79.03	\$ 3,187.29	\$ 2,305.22	
37	Operator	Full-Time	\$ 80,343.64	\$ 8290	156		\$ 1,606.87	\$ 27,831.13	\$ 4,017.18	\$ 5,849.19	
11	Operator	Full-Time	\$ 97,053.24	\$ 10904	123		\$ 1,941.06	\$ 9,614.81	\$ 4,852.66	\$ 2,777.38	
31	Operator	Full-Time	\$ 93,875.24	\$ 5363	84		\$ 1,877.50	\$ 28,424.34	\$ 4,693.76	\$ 14,184.48	
43	Maintanance Technician - Part Time	Part-Time	\$ 58,094.03				\$ 1,161.88	\$ -	\$ 2,904.70	\$ 4,255.97	
10	Inspector	Full-Time	\$ 95,537.55				\$ 1,910.75	\$ 1,219.55	\$ 4,776.88	\$ 21,631.59	
34	Field Technician - Part Time	Part-Time	\$ 5,000.00						\$ -	\$ 2,580.00	
21	Field Technician	Full-Time/Retire	\$ 61,609.30					\$ 21,004.92	\$ 3,052.83	\$ 7,213.09	
46	Field Technician	Full-Time	\$ 67,687.83	\$ 3526	75		\$ 1,353.76	\$ 5,490.58	\$ 3,384.39	\$ 2,492.75	
49	Field Technician	Full-Time	\$ 63,008.40	\$ 2250	50		\$ 1,260.17	\$ 27,795.10	\$ 3,150.42	\$ 2,059.83	

4/1/25 - 3/31/26

Employee	Title		Salary	Overtime Pay	Overtime		Bonus	Benefits	Employer 401K	
					Hours				Contribution	
41	CEO	Full-Time	\$ 200,544.75				\$ 20,000.00	\$ 10,287.78	\$ 10,027.24	
42	Assistant General Manager	Full-Time	\$ 150,491.25				\$ 10,000.00	\$ 29,501.71	\$ 7,524.56	
47	Accounting Manager	Full-Time	\$ 138,915.00				\$ 5,000.00	\$ 1,356.60	\$ 6,945.75	
51	Office Manager	Full-Time	\$ 121,275.00				\$ 5,000.00	\$ 29,501.71	\$ 6,063.75	
40	Customer Service	Full-Time	\$ 71,339.15				\$ 1,426.78	\$ 31,440.83	\$ 3,566.96	
48	Customer Service	Full-Time	\$ 66,933.13				\$ 1,338.66	\$ 82.98	\$ 3,346.66	
37	Operator	Full-Time	\$ 84,360.82	\$ 8290	49		\$ 1,687.22	\$ 29,222.69	\$ 4,218.04	
11	Operator	Full-Time	\$ 101,905.90	\$ 10904	123		\$ 2,038.12	\$ 10,095.55	\$ 5,095.30	
31	Operator	Full-Time	\$ 98,569.00	\$ 5363	84		\$ 1,971.38	\$ 29,845.56	\$ 4,928.45	
43	Maintanance Technician - Part Time	Part-Time	\$ 60,998.73				\$ 1,219.97	\$ -	\$ 3,049.94	
10	Inspector	Full-Time	\$ 100,314.42				\$ 2,006.29	\$ 1,280.53	\$ 5,015.72	
46	Field Technician	Full-Time	\$ 71,072.22	\$ 3526	75		\$ 1,421.44	\$ 5,765.11	\$ 3,553.61	
49	Field Technician	Full-Time	\$ 66,158.82	\$ 2250	50		\$ 1,323.18	\$ 29,184.86	\$ 3,307.94	

OCA-IV-4 Reference Company response to I&E-RE-25-D Attachment.

- a) Please clarify why the tables shown on pages 1 and 3 for salary and benefits in year ended March 2024 are different than the 2024 data shown in the table on page 2 and clearly state what each table represents. Please also clearly state which table identifies the data included in the cost of service.
- b) Please provide this attachment in excel format with formulae intact.
- c) The response to part A indicates a field technician announced retirement which will occur at the end of the FTY (March 31, 2025). Please identify which employee line item in the table on page 2 corresponds to the retired position shown on page 3.
- d) Per part A of the Company response, the company will be updating in rebuttal to account for a retired position, among other changes. The table on page 3 of the attachment (with the updated data) for the FPFTY has not changed from the FPFTY data on page 2 (labor projections at the time Exhibit GRH-1 was being prepared). Please clarify if/where the retired position is included in the FPFTY data on pages 2 and 3. Please clearly identify what adjustment the Company intends to make in rebuttal, stating the dollar values.
- e) Please provide the basis of the 5% increase to salary seen on page 2. Please include any backup data, documentation, or calculations. Please provide in excel format, as applicable.
- f) Please provide the basis of the 5% increase to benefits seen on page 2. Please include any backup data, documentation, or calculations. Please provide in excel format, as applicable.
- g) Please explain the variance on page 3 in office manager line-item data for the period ending 3/31/24 to the period ending 3/31/25. Please provide backup data, documentation, and calculations for the 2025 period determination, in excel format with formulae intact.
- h) Please explain the variance on page 3 in the line-item data shown for Employee 49 from the period ending 3/31/24 to the period ending 3/31/25. Please provide backup data, documentation, and calculations for the 2025 determination, in excel format with formulae intact.

Response:

- a. Page 1 and 3 show salaries and benefits totals for the years ended March 31st. Page 2 shows salaries and benefits totals for the calendar years ended December 31st.
- b. Please see ‘OCA-IV-4 Attachment’ for the I&E-RE-25-D Attachment in excel format.
- c. The Field Technician officially retired on July 31, 2024. However, the Company keeps him on the payroll for as-needed work. This employee is the Field Technician on page 2 with the salary of \$31,126.95 in year 2024, and is reflected as Employee 21 on page 3. The retired employee now is a part-time employee and the Company anticipates he will book \$61,609 in the FTY.
- d. The Company is planning to add the \$61,609 in salary and wages for the newly retired Field Technician that is now a part-time employee in the FTY. The Company will also add the performance bonuses for the FPFTY. Additionally, the Company hired a hybrid office/field position called, Capital Program Administrator that starts employment on October 7, 2024, with a starting salary of \$58,240, which will be pro-rated totaling \$26,024 (October 7, 2024 to March 31, 2025) for the FTY claim, and the full annual salary added to the FPFTY claim. See ‘OCA-IV-4 Attachment’, tab “OCA-IV-4 part d.”, which shows the increases to Adjustments E-1 and E-10 from the as-filed claims to the corrections that will be made in rebuttal testimony.
- e. Total salaries and wages of employees working the full twelve months of the historic test periods increased about 7% on average from the year ended March 31, 2022 to March 31, 2023, and increased about 9% on average from March 31, 2023 to March 31, 2024, which is shown on OCA-IV-4 Attachment, tab “I&E-RE-25-D – Pg. 3”. The 5% increases are conservative projections as the Company anticipates salaries and wages to increase by at least 5% in the FTY and FPFTY.
- f. The Company is changing its health insurance provider and increased coverage for its employees and anticipates 5% increases each year due to these changes.
- g. An Office Manager was hired on 10/23/2023 and was terminated on 1/21/24. The Company hired a new Office Manager on March 25, 2024, and the \$24,811.22 reflects the salaries booked for these time periods that the Office Managers were employed for the year ended March 31, 2024. The \$115,500 reflects the full year salary for the period ended

March 31, 2025 for the Company's Office Manager hired on March 25, 2024.

- h.** Employee 49 was hired on 10/23/2024, and the \$24,811.22 reflects the ~5 months of employment for the year ended March 31, 2024. The \$63,008.40 reflects the full year salary for the period ended March 31, 2025 of Employee 49.

Responsible Witness: Greg Herbert

Date: October 7, 2024

OCA-IV-9 Reference Company response to I&E-RE-6-D. Please provide the basis for the \$50,000 anticipated increase in health provider costs, including any backup documentation, backup data, or calculations. Please provide in excel format with formulae intact, as applicable.

Response:

Please see 'OCA-IV-9 Attachment' for the increases in health provider costs.

Responsible Witness: Greg Herbert

Date: October 7, 2024

Medical Insurance Analysis: 1/1/2024

Benefits	Current	Option #1		Option #2
	Keystone HMO Preferred \$40/\$80/\$650 - Gold	In-Network	Out-of-Network	Keystone HMO Preferred \$10/\$20/\$200 - Platinum
Deductible:				
Single/Family:	\$0/\$0	\$0/\$0	\$3,000/\$6,000	\$0/\$0
Calendar/Plan Year:	N/A	N/A	Plan Year	N/A
Embedded/Aggregate:**	N/A	N/A	Embedded	N/A
Out-of-Pocket Max:				
Single/Family:	\$9,450/\$18,900	\$3,000/\$6,000	\$9,000/\$18,000	\$3,500/\$7,000
Includes Deductible:	N/A	N/A	Yes	N/A
Embedded/Aggregate:**	Embedded	Embedded	Embedded	Embedded
Lifetime Max:	Unlimited	Unlimited	Unlimited	Unlimited
PCP Office Visits:	\$40	\$10	Covered at 50%	\$10
Specialist Office Visits:	\$80	\$20	Covered at 50%	\$20
Urgent Care Centers:	\$100	\$40	Covered at 50%	\$40
ER Copay:	\$500	\$100	\$100	\$150
Hospitalization:	\$650/Day - \$3,250 Max	\$150 Copay	Covered at 50%	\$200/Day - \$1,000 Max
Physician/Surgeon:	Covered at 100%	Covered at 100%	Covered at 50%	Covered at 100%
Out-Patient Surgery:				
Ambulatory/Hospital:	\$400/\$750 Copay	\$50/\$100 Copay	Covered at 50%	\$50/\$100 Copay
Prescriptions:	Low Preferred Generic: \$3, Preferred Generic: \$15, Preferred Brand: \$75, Non-Preferred: \$200	Low Preferred Generic: \$3, Preferred Generic: \$10, Preferred Brand: \$60, Non-Preferred: \$100	Low Preferred Generic: \$3, Preferred Generic: \$10, Preferred Brand: \$60, Non-Preferred: \$100	Low Preferred Generic: \$3, Preferred Generic: \$10, Preferred Brand: \$60, Non-Preferred: \$100
Adult Vision:	Davis Vision Network Only			
Eye Exam:	Covered at 100%	Covered at 100%	Covered at 100%	Covered at 100%
Hardware:	\$130 Annual Reimbursement (Up to \$180 at Visionworks)			
Pediatric Benefits:**	Dental & Vision Included			
Medical Underwriting:	None	None	None	None
Financial Summary:	Current			
Total Monthly Premium:	\$8,648.90	\$12,897.78	\$11,279.28	\$11,279.28
Total Annual Premium:	\$103,786.80	\$154,773.36	\$135,351.36	\$135,351.36
Monthly Difference:	N/A	49.1%	30.4%	30.4%

*An aggregate plan requires the family portion be met prior to paying benefits for any family member. An embedded plan only requires that each family member satisfy the individual portion before benefits can be paid.

**This coverage is for dependents age 19 and younger. It covers exams & dental cleanings at 100% every 6 months, and partially covers services like fillings & root canals. Orthodontics is covered when determined to be medically necessary.

The plan designs quoted are for illustrative purposes only. They are not a guarantee of coverage or benefits. Rates reflect a January 1, 2024 effective date. Please refer to the carrier's proposal for complete details.



Medical Insurance Analysis: 1/1/2024

Benefits	Current Personal Choice PPO HSA-0 \$5,600/50% - Bronze		Option #1 Personal Choice PPO HSA-0 \$3,600/90% - Silver		Option #2 Personal Choice PPO HSA-0 \$2,400/70% - Silver	
	In-Network	Out-of-Network	In-Network	Out-of-Network	In-Network	Out-of-Network
Deductible: Single/Family: Calendar/Plan Year: Embedded/Aggregate:**	\$5,600/\$11,200* Plan Year Aggregate	\$10,000/\$20,000 Plan Year Aggregate	\$3,600/\$7,200* Plan Year Aggregate	\$11,000/\$22,000 Plan Year Aggregate	\$2,400/\$4,800* Plan Year Aggregate	\$11,000/\$22,000 Plan Year Aggregate
Out-of-Pocket Max: Single/Family: Includes Deductible: Embedded/Aggregate:**	\$8,000/\$16,000 Yes Embedded Unlimited	\$20,000/\$40,000 Yes Embedded Unlimited	\$8,000/\$16,000 Yes Embedded Unlimited	\$22,000/\$44,000 Yes Embedded Unlimited	\$8,000/\$16,000 Yes Embedded Unlimited	\$22,000/\$44,000 Yes Embedded Unlimited
PCP Office Visits:	Covered at 50%	Covered at 50%	Covered at 90%	Covered at 50%	Covered at 70%	Covered at 50%
Specialist Office Visits:	Covered at 50%	Covered at 50%	Covered at 90%	Covered at 50%	Covered at 70%	Covered at 50%
Urgent Care Centers:	Covered at 50%	Covered at 50%	Covered at 90%	Covered at 50%	Covered at 70%	Covered at 50%
ER Copay:	Covered at 50%	Covered at 50%	Covered at 90%	Covered at 50%	Covered at 70%	Covered at 50%
Hospitalization:	Covered at 50%	Covered at 50%	Covered at 90%	Covered at 50%	Covered at 70%	Covered at 50%
Physician/Surgeon:	Covered at 50%	Covered at 50%	Covered at 90%	Covered at 50%	Covered at 70%	Covered at 50%
Out-Patient Surgery: Ambulatory/Hospital:	Covered at 50%	Covered at 50%	Covered at 90%	Covered at 50%	Covered at 70%	Covered at 50%
Prescriptions:	Low Preferred Generic: \$5, Preferred Generic: \$25, Preferred Brand: \$85, Non-Preferred: \$175 (After Deductible) (Mandatory Generic) (Preferred Pharmacy Network Applies)***	Low Preferred Generic: \$5, Preferred Generic: \$25, Preferred Brand: \$85, Non-Preferred: \$175 (After Deductible) (Mandatory Generic) (Preferred Pharmacy Network Applies)***	Low Preferred Generic: \$3, Preferred Generic: \$20, Preferred Brand: \$75, Non-Preferred: \$150 (After Deductible) (Mandatory Generic) (Preferred Pharmacy Network Applies)***	Low Preferred Generic: \$3, Preferred Generic: \$20, Preferred Brand: \$75, Non-Preferred: \$150 (After Deductible) (Mandatory Generic) (Preferred Pharmacy Network Applies)***	Low Preferred Generic: \$3, Preferred Generic: \$20, Preferred Brand: \$75, Non-Preferred: \$150 (After Deductible) (Mandatory Generic) (Preferred Pharmacy Network Applies)***	Low Preferred Generic: \$20, Preferred Brand: \$75, Non-Preferred: \$150 (After Deductible) (Mandatory Generic) (Preferred Pharmacy Network Applies)***
Adult Vision:	Davis Vision Network Only	Davis Vision Network Only				
Eye Exam:	Covered at 100%	Covered at 100%				
Hardware:	\$130 Annual Reimbursement (Up to \$180 at Visionworks)	\$130 Annual Reimbursement (Up to \$180 at Visionworks)				
Pediatric Benefits:****	Dental & Vision Included	Dental & Vision Included				
Medical Underwriting:	None	None	None	None	None	None
HSA Bank:	Health Equity	Health Equity				
Fees:	\$3.95/Member Monthly Fee Not Included	\$3.95/Member Monthly Fee Not Included				
Funding:	Not Included in Premium	Not Included in Premium				
Financial Summary:	Current	Current				
Total Monthly Premium:	\$2,580.61	\$2,580.61	\$3,775.99	\$3,775.99	\$3,392.75	\$3,392.75
Total Annual Premium:	\$30,967.32	\$30,967.32	\$45,311.88	\$45,311.88	\$40,713.00	\$40,713.00
Monthly Difference:	N/A	N/A	46.3%	46.3%	31.5%	31.5%

*In-network deductible applies to all services except preventive care.
 **An aggregate plan requires the family portion be met prior to paying benefits for any family member. An embedded plan only requires that each family member satisfy the individual portion before benefits can be paid.
 ***IBC's Preferred Pharmacy Network excludes Walgreens.
 ****This coverage is for dependents age 19 and younger. It covers exams & dental cleanings at 100% every 6 months, and partially covers services like fillings & root canals. Orthodontics is covered when determined to be medically necessary.



The plan designs quoted are for illustrative purposes only. They are not a guarantee of coverage or benefits. Rates reflect a January 1, 2024 effective date. Please refer to the carrier's proposal for complete details.

- OCA-II-5** Reference Company response to I&E-RE-1-D Attachment. For the following line items, please provide an annual variance explanation for the changes each year from 2022 to 2024 seen in columns 2a, 2b, and 2c:
- a) Line no. 8 (excel row 24), “620.2 Materials & supplies – maintenance”
 - b) Line no. 21 (excel row 43) “620.6 Materials & supplies – maintenance”
 - c) Line no. 39 (excel row 66) “656-659 Insurance expense”
 - d) Line no. 44 (excel row 71) “675.3 Source of Supply DEP Fees”
 - e) Line no. 47 (excel row 74), “675.7 Uniforms”
 - f) Line no. 51 (excel row 78) “675.1 Travel”

Response:

- a. The costs of materials and supplies related to source of supply maintenance have been increasing over the past few years due to inflation. Additionally, well pumps and stations preventative maintenance and upkeep maintenance costs have increased over the past several years to improve efficiency and safety of the Company’s source of supply operations.
- b. The costs of materials and supplies related to transmission and distribution mains maintenance have been increasing over the past few years due to inflation. Additionally, more maintenance has been required due to outside utilities (Electric, Cable and Internet) projects replacing their respective facilities in large developments located in the Company’s service area. The Company has also placed emphasis on replacing its curb boxes to ensure proper shut off capability.
- c. The Company’s insurance premiums have increased each year from 2022 to 2023 and from 2023 to 2024.
- d. The Company began booking DEP fees on a monthly basis starting in 2022, and in prior years they were booked on an annual basis. Therefore, only three months of DEP Fees were booked in this account for the year ended March 31, 2022. An additional \$18,749.97 in monthly DEP Fees would have been booked in the nine months of 2021 for the historic test period provided in I&E-RE-1-D, if the Company booked DEP Fees on a monthly basis in 2021. These additional nine months of DEP fees would result in the annual booked costs totaling \$26,786.96 (\$8,036.99 + \$18,749.97) for the year ended March 31, 2022, which is similar to the costs booked in this

account in the year ended March 31, 2023 of \$26,417.97. For the year ended March 31, 2024, the monthly DEP payments were the same as the prior two years. However, the Company was required to file additional DEP applications in the year ended March 31, 2024, which required additional Engineering Consulting services to complete, and these costs were booked in the Source of Supply DEP Fees expense account.

- e. Uniform prices have increased due to inflation from 2022 to 2024. In the HTY, more employees required replacement uniforms than in previous years due to the Company rebranding its logos.
- f. The Company's CEO joined the board of directors of the National Association of Water Companies (NAWC), and travel costs have increased for attending additional NAWC sponsored meetings and conferences.

Responsible Witness: Dan Angove and Greg Herbert

Date: September 25, 2024

NAWCO STATEMENT NO. 3-R
Docket No. R-2024-3050208

REBUTTAL TESTIMONY OF
HAROLD WALKER, III
GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

ON BEHALF OF
THE NEWTOWN ARTESIAN WATER COMPANY

Addressing: Rate of Return

November 1, 2024

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INTRODUCTION

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

A. My name is Harold Walker, III. I am employed by Gannett Fleming Valuation and Rate Consultants, LLC as Manager, Financial Studies. My business address is 1010 Adams Avenue, Audubon, Pennsylvania 19403.

Q. Are you the same Harold Walker who previously submitted Direct Testimony in this proceeding?

A. Yes, I am.

SCOPE OF TESTIMONY

Q. What is the purpose of your Rebuttal Testimony?

A. The Newtown Artesian Water Company (“NAWCO” or the “Company”) asked me to respond to and comment on the direct testimony submitted by Bureau of Investigation and Enforcement (“I&E”) witness D. C. Patel and the direct testimony submitted by Office of Consumer Advocate (“OCA”) witness Morgan N. DeAngelo concerning rate of return. My Rebuttal Testimony is supported by Exhibit HW-1R, which is composed of four Schedules. Therefore, when discussing rate of return and I refer to a schedule, I am referring to the schedules contained in Exhibit HW-1R unless noted otherwise.

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SUMMARY OF RATE OF RETURN RECOMMENDATIONS

Q. What is your recommended overall rate of return and cost of equity?

A. My recommendation is that NAWCO be permitted an overall rate of return of 8.03%, including a 10.80% cost of common equity, based upon the Company’s capital structure projected at March 31, 2026 consisting of 45% debt and 55% equity. My recommended cost of common equity reflects NAWCO’s unique risk characteristics. A review of more recent measurable capital cost rates since I prepared my original study suggests similar results and indicates my recommendation for NAWCO is reasonable.

Q. What overall rate of return and cost of equity do I&E and OCA recommend?

A. Mr. Patel recommends an overall rate of return of 7.25% and a 9.39% cost of common equity applicable to the Company’s capital structure consisting of 45% debt and 55% equity.¹ Ms. DeAngelo recommends an overall rate of return of 6.29% and a 7.94% cost of common equity applicable to a hypothetical capital structure consisting of 50% debt and 50% equity.²

Q. Please summarize your comments on I&E’s and OCA’s testimonies.

A. I respectfully disagree with Mr. Patel’s proposed return on equity (“ROE”) of 9.39% and Ms. DeAngelo’s proposed ROE of 7.94% for NAWCO. I also disagree with Mr. Patel’s proposed overall rate of return (“ROR”) of 7.25% and Ms. DeAngelo’s proposed ROR of

¹ See I&E Statement No. 2, D. C. Patel Direct, p. 6.
² See OCA St. 2, Morgan N. DeAngelo Direct, p. 17.

1 6.29% for NAWCO, as well as her proposal that the Company use a hypothetical capital
2 structure.

3 Specifically, the Pennsylvania Public Utility Commission (“Commission” or
4 “PUC”) should not accept Mr. Patel’s and Ms. DeAngelo’s proposals because:

- 5 • Ms. DeAngelo’s recommended hypothetical capital structure is not supported by
6 financial theory and/or regulatory practice for utilities, nor is it reflective of
7 NAWCO’s actual capital structure;
- 8 • Mr. Patel’s and Ms. DeAngelo’s recommended returns on equity and related overall
9 rates of return do not afford NAWCO the opportunity to earn a fair rate of return;
- 10 • Mr. Patel’s and Ms. DeAngelo’s recommended returns on equity are not consistent
11 with current and recently authorized return rates on common equity by the
12 Commission;
- 13 • Mr. Patel’s and Ms. DeAngelo’s recommended returns on equity and related overall
14 rates of return do not reflect current capital cost rates;
- 15 • Mr. Patel’s and Ms. DeAngelo’s recommended returns on equity are below the
16 returns their own proxy group companies will earn;
- 17 • Mr. Patel’s and Ms. DeAngelo’s proposals show a lack of understanding of the
18 precepts of a fair rate of return, including the comparable earnings standard, capital
19 attraction standard, and the financial integrity standard.

20 Finally, my Rebuttal Testimony examines and refutes Mr. Patel’s and Ms.
21 DeAngelo’s alleged criticisms of my recommendations. As I describe later in this
22 testimony, these claims are baseless and should be rejected.

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INITIAL COMMENTS

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Q. Do you have any initial general comments concerning the cost of equity that I&E and OCA recommend?

A. Yes. Schedule 1 shows the average projected earned ROE for Mr. Patel’s and Ms. DeAngelo’s proxy group companies will be 10.8% to 11.1% during the period 2027-2029.³ Mr. Patel’s proxy group’s average projected ROE of 10.8% to 11.1% is 1.41-percentage points to 1.71-percentage points higher than Mr. Patel’s recommended cost of equity of 9.39% and highlights the inadequacy of Mr. Patel’s recommendation.⁴ Similarly, Ms. DeAngelo’s proxy group’s average projected ROE of 10.8% to 11.1% is 2.86-percentage points to 3.16-percentage points higher than Ms. DeAngelo’s recommended cost of equity of 7.94% and highlights the inadequacy of Ms. DeAngelo’s recommendation.

Q. Is there a difference between earned returns, or “accounting ROEs” and the ROE to be determined in this case?

A. No, not really. I agree there is a distinction between a market return and an accounting return. The ROE that the Commission will determine in this case will become NAWCO’s accounting ROE benchmark by which under-earning and over-earning will be measured. If Mr. Patel’s and Ms. DeAngelo’s proxy groups are earning an accounting return of 10.8% to 11.1% while NAWCO earns only 9.39% or 7.94% based on their recommendations,

³ The projected earned return on equity shown are published by *Value Line Investment Survey* (“*Value Line*”). *Value Line* is relied upon by many investors and is the only investment advisory service of which I am aware that projects earned return on equity.

⁴ A percentage point is a common unit of measure for interest rates and other percentages in finance. A percentage point is the unit for the arithmetic difference between two percentages. For example, a bond yield that increased from 3.00% to 4.25% has increased by 1.25-percentage points (4.25% - 3.00% = 1.25%).

1 respectively, it places NAWCO at a competitive disadvantage in the competition to attract
2 capital.

3
4 **Q. Why are I&E’s and OCA’s recommended cost of equity for NAWCO so much lower
5 than their proxy groups’ comparable returns?**

6 A. Mr. Patel’s and Ms. DeAngelo’s recommended cost of equity are based on the result of
7 only one model, the Discounted Cash Flow (“DCF”). Although they provide comparative
8 cost rates with another model, the Capital Asset Pricing Model (“CAPM”), their
9 recommendations are based on the result of only one model.⁵

10
11 **Q. Is it important to use more than one market model?**

12 A. Yes. It is necessary to estimate common equity cost rates using a number of different
13 models. At any given time, a particular model may understate or overstate the cost of
14 equity. While any single investor may rely solely upon one model, different investors rely
15 on different models and many investors use multiple models. Therefore, because the price
16 of common stock reflects a number of valuation models, it is appropriate to estimate the
17 market-required common equity cost rate by applying a broad range of analytical models.

18

⁵ “Additionally, I provide a CAPM analysis to be used as a comparison, not as a check, to the DCF results.” (I&E Statement No. 2, D. C. Patel Direct, p. 17) “I calculated the cost rate of equity for ratemaking purposes using the constant growth Discounted Cash Flow Model, with the Capital Asset Pricing Model as a check on reasonableness for NAWC’s allowed rate of return.” (OCA St. 2, Morgan N. DeAngelo Direct, p. 6.)

1 **Q. How did you determine your recommended common equity cost rate?**

2 A. I used several models to help me in formulating my recommended common equity cost
3 rate including the DCF, the CAPM and Risk Premium (“RP”). On pages 32 and 33 of my
4 direct testimony (NAWCO Statement No. 3), I explained the importance and rationale
5 necessitating the use of more than one model when determining the cost of equity and cited
6 three authoritative sources. Furthermore, the Commission has stated, “where evidence
7 based on other methods suggests that the DCF-only results may understate the utility’s
8 ROE, we will consider those other methods.”⁶ Clearly, there is evidence based on the
9 comparison of returns that proves the DCF-only results recommended by Mr. Patel and
10 Ms. DeAngelo understate NAWCO’s cost of equity. Additionally, the current unusual and
11 extremely high inflation rate has resulted in increases in interest rates and capital costs
12 rates.

13
14 **Q. What proof do you have that the current unusual and extremely high inflation rate
15 has resulted in higher capital cost rates?**

16 A. The current yield (as of 10/23/24) of 10-year treasury notes was 4.24%. Prior to the recent
17 12 months, the last month the yield on 10-year treasury notes exceeded the current 4.24%
18 yield was October 2007, or about 17 years ago. The current yield on 10-year treasury notes
19 is 0.28-percentage points higher than it was for 2023, 1.29-percentage points higher than it
20 was for 2022, 2.80-percentage points higher than it was for 2021, and 3.35-percentage
21 points higher than it was for 2020.

⁶ *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket Nos. R-2021-3027385 & R-2021-3027386, pp. 154-155 (Order entered May 16, 2022).

1 Further, the current yield (as of 10/23/24) of A rated public utility bonds was 5.59%.
2 The current yield on A rated public utility bonds is 0.05-percentage points higher than it
3 was for 2023, 0.87-percentage points higher than it was for 2022, 2.48-percentage points
4 higher than it was for 2021, and 2.58-percentage points higher than it was for 2020. Figure
5 1 depicts the trailing 12-month rolling average yield on 10-year treasury notes and A rated
6 public utility bonds from March 2017 through September 2024.⁷

7
8 **Figure 1**
9

10 The increased capital cost rates for 10-year treasury notes and A rated public utility
11 bonds shown in Figure 1 have similarly resulted in higher common equity cost rates today,
12 than existed over the last several years.

13
14 **Q. I&E witness Patel stated, on page 25 of his testimony, that on September 18, 2024, the**
15 **Federal Reserve made their first interest rate cut and “charted a course for two**
16 **additional cuts this year followed by four more rate cuts in 2025.” How has the credit**
17 **market reacted to this news?**

18 A. The signal from the credit market indicates that investors’ inflation expectations have not
19 been influenced by the Federal Reserve’s rate cut news. Table 1 shows a comparison
20 between the current (as of 10/23/24) interest rate yield curve and the yield curve from
21 September 17, 2024.⁸ The comparison shown in Table 1 proves that investors’ inflation

⁷ Trailing 12-month rolling average yields are used to measure some capital cost rates considered in a typical fully litigated decision. The trailing 12-month rolling average yield on 10-year treasury notes and A rated public utility bonds since March 2017 are calculated on Schedule 2.

⁸ A yield curve is a line that compares interest rates of bonds that have equal credit quality but differing maturity dates.

1 expectations have not been influenced by the Federal Reserve’s rate cut news as is
 2 evidenced by the increase in yields along the yield curve.

<u>Treasury Bills, Notes and Bonds Yields</u>					
	<u>1-Year</u>	<u>2-Year</u>	<u>5-Year</u>	<u>10-Year</u>	<u>30-Year</u>
9/17/2024	3.99	3.59	3.44	3.65	3.96
10/23/2024	4.27	4.07	4.05	4.24	4.51
Percentage Point Change	0.28	0.48	0.61	0.59	0.55

Table 1

3
 4
 5 **Q. I&E witness Patel stated, on page 25 of his testimony, that the August 30, 2024 Blue**
 6 **Chip Financial Forecasts projected inflation “to be slightly over 2%” over the next**
 7 **six quarters, through the fourth quarter 2025, to buttress his assertion that the**
 8 **“Federal Reserve’s commitment for a series of interest rate reductions in 2024-2025**
 9 **would have the effect of reducing the inflation pressure and interest rate risks in the**
 10 **2025-2026 capital costs, when NAWC’s rates will be in effect.” Do you agree with his**
 11 **conclusion?**

12 A. No, the market has not reacted consistently with expectations of reduced interest rates as
 13 demonstrated by the fact that the yield of the 10-year treasury note increased from 3.91%
 14 on August 30, 2024, the date of the Blue Chip Financial Forecasts’ publication date, to the
 15 recent (as of 10/23/24) 4.24% yield, an increase of 0.33-percentage points.

16 Similarly, the yield of the 30-year treasury bond increased from 4.20% on August
 17 30, 2024, to 4.51% recently (as of 10/23/24), an increase of 0.31-percentage points. This
 18 comparison proves that investors’ expectations have not been influenced by the inflation

1 rates shown in the Blue Chip Financial Forecasts' August 30, 2024 publication as is
2 evidenced by the increase in yields.

3 The increase in yields is indicative of rising inflation expectations and concerns
4 over US fiscal spending, according to T. Rowe Price:

5 The 10-year Treasury yield will test the 5% threshold in the next six months,
6 steepening the yield curve," according to Arif Husain, chief investment
7 officer of fixed-income, who helps oversee about \$180 billion of assets at
8 the firm. The fastest path to 5% "would be in the scenario that features
9 shallow Fed rate cuts," he wrote in a note.

10
11 Husain, a near three-decade market veteran, said ongoing issuance by the
12 Treasury to fund the government deficit is "flooding the market" with new
13 supply. At the same time, the Federal Reserve's policy of quantitative
14 tightening — an attempt to reduce its balance sheet following years of bond-
15 buying — has removed a key source of demand for government debt.

16
17 The yield curve is likely to steepen further because any rises in the yields of
18 short-maturity Treasury bills will be limited by rate cuts, said Husain, who
19 is also T. Rowe Price's head of fixed income.⁹

20 **Q. Mr. Patel cited nine Commission orders on pages 17 and 22 of his testimony. Do the**
21 **authorized ROEs determined by the Commission in the nine orders cited by Mr. Patel**
22 **highlight the inadequacy of I&E's and OCA's recommended ROE for NAWCO?**

23 A. Yes. Table 3 shows the authorized ROE determined by the Commission in the nine orders
24 cited by I&E and compares the authorized ROEs to Mr. Patel's and Ms. DeAngelo's

⁹ Carson, Ruth, "Treasury 10-Year Yields Will Test 5% in Six Months, T. Rowe Says," *Bloomberg*, October 21, 2024, <https://finance.yahoo.com/news/treasury-10-yields-may-hit-063041035.html> (assessed October 23, 2024).

1 recommended ROE for NAWCO to show the unreasonableness of their
 2 recommendations.¹⁰

<u>Utility and Order Date</u>	<u>Authorized ROE</u>	<u>Recommended ROE For VWPA</u>		<u>Recommended ROE Less Authorized ROE</u>	
		<u>I&E</u>	<u>OCA</u>	<u>I&E</u>	<u>OCA</u>
City of DuBois – March 2017	9.30% *	9.39%	7.94%	0.09%	-1.36%
UGI Utilities, Inc. (Electric Div) – October 2018	9.85%	9.39%	7.94%	-0.46%	-1.91%
Wellsboro Electric Co. – April 2020	9.31%	9.39%	7.94%	0.08%	-1.37%
Citizens Electric Co. – April 2020	9.54%	9.39%	7.94%	-0.15%	-1.60%
Columbia Gas of PA – February 2021	9.86%	9.39%	7.94%	-0.47%	-1.92%
PECO Energy Co. (Gas Div.) – June 2021	10.24%	9.39%	7.94%	-0.85%	-2.30%
Aqua Pennsylvania – May 2022	10.00%	9.39%	7.94%	-0.61%	-2.06%
Columbia Water Co. – January 2024	9.75%	9.39%	7.94%	-0.36%	-1.81%
Pennsylvania American – July 2024	9.45%	9.39%	7.94%	-0.06%	-1.51%
Average	<u>9.70%</u>	<u>9.39%</u>	<u>7.94%</u>	<u>-0.31%</u>	<u>-1.76%</u>

* - City's ROE before income tax adjustment.

3

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Table 2

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As shown in Table 3, Mr. Patel's recommended ROE for NAWCO averages 0.31-
 percentage points **below** the authorized returns found for other Pennsylvania utilities. Ms.
 DeAngelo's recommended 7.94% ROE for NAWCO averages 1.76-percentage points
below the authorized returns found for other Pennsylvania utilities. Further, Mr. Patel's
 recommended ROE for NAWCO is 0.61-percentage points **below** the authorized return
 found in *Aqua 2022*, 0.36-percentage points **below** the authorized return found in *Columbia*
Water 2024, and 0.06-percentage points **below** the authorized return found in *PA American*

¹⁰ *Pa. PUC v. City of DuBois – Bureau of Water*, Docket No. R-2016-2554150 (Order Entered March 28, 2017), p. 97; *Pa. PUC v. UGI Utilities, Inc. - Electric Division*, Docket No. R-2017-2640058 (Order Entered October 25, 2018), p. 121; *Pa. PUC v. Wellsboro Electric Company*, Docket No. R-2019-3008208 (Order Entered April 29, 2020), p. 87; *Pa. PUC v. Citizens Electric Company of Lewisburg, PA*, Docket No. R-2019-3008212 (Order Entered April 27, 2020), p. 114; *Pa. PUC v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2020-3018835 (Order Entered February 19, 2021), p. 143; *Pa. PUC v. PECO Energy Company – Gas Division*, Docket No. R-2020-3018929 (Order Entered June 22, 2021), p. 173; *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket Nos. R-2021-3027385 & R-2021-3027386 (Order Entered May 16, 2022), p. 181; *Pa. PUC v. Columbia Water Company*, Docket No. R-2023-3040258 (Order Entered January 18, 2024), p.113; and *Pa. PUC v. Pennsylvania American Water Company*, Docket Nos. 2023-3043189 and 2023-3043190, (Order Entered July 22, 2024), p. 199.

1 As shown in Table 3, the trailing 12-month rolling average yield on 10-year
2 treasury notes averages 2.01-percentage points **below** the September 2024 trailing 12-
3 month rolling average yield. Similarly, the trailing 12-month rolling average yield on A
4 rated public utility bonds averages 1.68-percentage points **below** the September 2024
5 trailing 12-month rolling average yield. Further, the measurable capital cost rates related
6 to the *Aqua 2022* order are 2.45-percentage points and 2.21-percentage points **below** the
7 September 2024 trailing 12-month rolling average yields for the 10-year treasury notes and
8 A rated public utility bonds, respectively. In most instances since the authorized returns
9 shown in Table 3 were determined the measurable capital cost rates have increased, further
10 showing the inadequacy of Mr. Patel's and Ms. DeAngelo's recommended ROE for
11 NAWCO. That is, not only does Mr. Patel's recommended ROE for NAWCO average
12 0.31-percentage points **below** the authorized returns found for other Pennsylvania utilities
13 and Ms. DeAngelo's recommended ROE for NAWCO average 1.76-percentage points
14 **below** the authorized returns found for other Pennsylvania utilities, but the **measurable**
15 **capital cost rates have increased** 2.01-percentage points to 1.68-percentage points as
16 well.

17 Looking at *Aqua 2022* shown in Table 2, Mr. Patel's recommendation for NAWCO
18 is 0.61-percentage points **below** the authorized ROE found, plus **measurable capital cost**
19 **rates have increased** 2.45-percentage points to 2.21-percentage points (Table 3) since the
20 month of the decision. Still looking at *Aqua 2022* shown in Table 2, Ms. DeAngelo's
21 recommendation for NAWCO is 2.06-percentage points **below** the authorized ROE found,
22 plus **measurable capital cost rates have increased** 2.45-percentage points to 2.21-
23 percentage points (Table 3) since the month of the decision. Mr. Patel's recommendation

1 for NAWCO is 0.36-percentage points **below** the authorized ROE found in *Columbia*
2 *Water 2024* shown in Table 2, plus **measurable capital cost rates have increased** 0.25-
3 percentage points to 0.08-percentage points (Table 3) since the month of the decision.
4 Similarly, Ms. DeAngelo's recommendation for NAWCO is 1.81-percentage points **below**
5 the authorized ROE found in *Columbia Water 2024* shown in Table 2, plus **measurable**
6 **capital cost rates have increased** 0.25-percentage points to 0.08-percentage points (Table
7 3) since the month of the decision.

8 Schedule 3 shows a similar comparison of changes in measurable capital cost rates
9 since the Commission's orders were entered but instead of using trailing 12-month rolling
10 average yields, the measurable capital cost rates for the month the orders were entered is
11 compared to the measurable capital cost rates on October 23, 2024. This comparison shows
12 a similar conclusion that measurable capital cost rates have increased substantially since
13 the Commission's orders were entered. The information shown on Schedule 3 proves
14 increased inflation has led to increases in interest rates and capital costs.

15 **Q. Please explain why I&E's and OCA's recommendations understate NAWCO's cost**
16 **of equity.**

17 A. First, as mentioned previously, the current unusual and extremely high inflation rate has
18 resulted in increases in interest rates and capital costs rates. Second, the models, especially
19 the DCF, used to estimate the cost of equity are less reliable the larger the difference
20 between the market values and book values are. Schedule 4 shows the difference between
21 the market values and book values for Mr. Patel's and Ms. DeAngelo's proxy groups.

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Q. Please explain why the models, especially the DCF, are less reliable the larger the difference between market values and book values are.

A. Sure. The basic proposition of financial theory regarding the economic value of a company is based on market value. That is, a company's value is based on its **market value** weighted average cost of capital.¹¹ The American Society of Appraisers, ASA Business Valuation Standards, 2009, and the National Association of Certified Valuation Analysts, Professional Standards, 2007, use the same definition:

Weighted Average Cost of Capital (WACC). The cost of capital (discount rate) determined by the weighted average, **at market values**, of the cost of all financing sources in the business enterprise's capital structure. (Emphasis added)

Accordingly, the market value derived cost rate reflects the financial risk or leverage associated with **capitalization ratios based on market value**, not book value.

As shown in Schedule 4, there is a large difference in both Mr. Patel's proxy group and Ms. DeAngelo's proxy group's market capitalization ratios and their proxy group's book capitalization ratios. This difference in market values and book values results in debt/equity ratios based on **market value of 31%/69% (debt/equity)** versus book value of 51%/49% (debt/equity) for Mr. Patel's proxy group and **market value of 31%/69% (debt/equity)** versus book value of 48%/52% (debt/equity) for Ms. DeAngelo's proxy group as shown on Schedule 4. The larger the difference between market values and book values, the less reliable the models' results are since **the models provide an estimate of the cost of capital of market value**, not book value.

¹¹ For other examples, see <http://www.investinganswers.com/financial-dictionary/financial-statement-analysis/weighted-average-cost-capital-wacc-2905>. Also see <http://www.wallstreetmojo.com/weighted-average-cost-capital-wacc/>, or <http://accountingexplained.com/misc/corporate-finance/wacc>.

1 Financial theory concludes capital structure and firm value are related. Since
2 capital structure and firm value are related, a leverage adjustment (*e.g.*, Hamada
3 adjustment) is required when a cost of common equity model is based on market value and
4 if its results are then applied to book value. As explained previously, the market value
5 derived cost rate reflects the financial risk or leverage associated with **capitalization ratios**
6 **based on market value**, not book value. The authors Brealey, Myers and Allen provide a
7 similar definition of the cost of capital being based on market capitalization, not book
8 value,

9 The values of debt and equity add up to overall firm value ($D + E = V$) and
10 firm value V equals asset value. **These figures are all market values, not**
11 **book (accounting) values.** The market value of equity is often much larger
12 than the book value, so the market debt ratio D/V is often much lower than
13 a debt ratio computed from the book balance sheet.¹²

14 The work of Modigliani and Miller concludes that the market value of any firm is
15 independent of its capital structure, and this is precisely the reason why the leverage
16 adjustment (*e.g.*, Hamada adjustment) is appropriate.¹³ The only way for the market value
17 of a firm to remain independent of its capital structure is if the capital cost rates change to
18 offset changes in the capital structure. If the capital cost rates do not change to offset
19 changes in the capital structure, then the value of the firm will change. Clearly a leverage
20 adjustment (*e.g.*, Hamada adjustment) is required when a cost of common equity model is

¹² Brealey, Myers and Allen, *Principles of Corporate Finance*, 10th edition, at 216 (emphasis added).

¹³ The Nobel Prize winning professors Franco Modigliani and Merton Miller's proposition on firm value and capital structure is well-established in academic literature and common knowledge among finance practitioners.

1 based on **market value** and if its results are then applied to **book value** because the capital
2 structure is changed from **market value** capitalization to **book value** capitalization.

3 Referring to Schedule 4, Mr. Patel's proxy group and Ms. DeAngelo's proxy
4 group's cost of capital is based on debt/equity ratios based on **market value of 31%/69%**
5 **(debt/equity)**. Therefore, Mr. Patel's proxy group and Ms. DeAngelo's proxy group's
6 market value equity cost rates reflect an equity ratio of 69%. That is not just my opinion,
7 but it is a cornerstone of financial theory.¹⁴ Mr. Patel's proxy group and Ms. DeAngelo's
8 proxy group's market value DCF cost rates of 9.39% to 7.94%, respectively, reflect a 69%
9 market value equity ratio and yet they recommend their 9.39% to 7.94% cost of equity be
10 applied to the recommended NAWCO 55% for Mr. Patel or 50% equity ratio for Ms.
11 DeAngelo based on book value. Even if Mr. Patel's proxy group's 9.39% or Ms.
12 DeAngelo's proxy group's 7.94% cost of equity were appropriate for a 69% market value
13 equity ratio, respectively, it cannot simultaneously be appropriate for their recommended
14 NAWCO 55% or 50% book value equity ratio without violation of Modigliani and Miller's
15 precept. Accounting for the increased amount of leverage between Mr. Patel's and Ms.

¹⁴ *Id.*

1 DeAngelo's market value derived DCF cost rates and book value cost rates indicate a book
2 value DCF cost rate of 10.09% for Mr. Patel, and 8.64% for Ms. DeAngelo.

3
4 **Q. Mr. Patel discussed the Distribution System Improvement Charge, or DSIC rate,**
5 **authorized by the Commission for water and wastewater utilities on pages 22 and 50**
6 **of his testimony. Do you have any comments regarding this testimony?**

7 A. Yes. The Distribution System Improvement Charge ("DSIC") rate is a guaranteed return
8 since DSIC recoveries are reconciled annually and therefore there are no under (over)
9 recoveries. A guaranteed return is different than an opportunity return related to a fair rate
10 of return determination. As such, the DSIC rate is a less risky return and I believe investors
11 view the DSIC rate as a foundation or sub-floor of a likely fair rate of return determination
12 since a fair rate of return provides only an opportunity and not a guarantee.

13 Another aspect of the DSIC rate is its determination which indicates the
14 Commission does not rely on a single model's results in reaching its conclusion of the rate.
15 For example, the DSIC rate is usually set well above the cost of equity indicated by the
16 DCF model alone. Rather, the Commission relies on informed judgment and information
17 provided by other models, especially in a rising interest rate environment as is currently
18 the case.

19
20 **Q. Both I&E, at pages 16, 29 and 30, and OCA, at pages 4, and 14-16, discuss**
21 **unsystematic risk and systematic risk in their Direct Testimonies. Do you agree with**
22 **their conclusions regarding unsystematic risk and systematic risk?**

1 A. No. I believe Mr. Patel’s and Ms. DeAngelo’s testimonies are misleading or vague in these
2 areas because systematic risk (non-diversifiable) is the only risk germane under CAPM
3 and portfolio theory. The CAPM is based upon the assumption that investors hold
4 diversified portfolios and that the market only recognizes or rewards systematic risk (non-
5 diversifiable) when determining the price of a security because unsystematic risk
6 (company-specific) is removed through diversification. However, both systematic risk
7 (non-diversifiable) and unsystematic risk (company-specific) are relevant under the DCF,
8 risk premium, comparable earnings, credit analyses, bond ratings, etc. and both systematic
9 risk and unsystematic risk are precepts of a fair rate of return which must be considered.

10

11 **Q. Do you have any final initial general comments concerning the testimony of I&E?**

12 A. Yes. Mr. Patel’s testimony quantifies the impact on revenue requirement and ratepayers
13 regarding equity ratios and equity cost rates as a means of justifying his selections of lower
14 ratios and lower cost rates.¹⁵ This type of testimony presents a myopic view because his
15 quantifications also represent revenue losses for investors of NAWCO if Mr. Patel’s
16 recommendation is adopted by the Commission.

17 Further, his testimony double count issues already considered by this Commission
18 and other commissions regarding ROE and equity ratios. For example, the Commission
19 already considered the impact on revenue requirement and ratepayers when they decided
20 DSIC rates, *Aqua 2012*, *Columbia Water 2024*, or *PA American Water 2024*.

21

22

¹⁵ See I&E Statement No. 2, D. C. Patel Direct, pp. 13, 34-36, 43-44, and 51.

1 **AREA OF AGREEMENT**

2 **Q. Are there any areas of agreement in the fair rate of return testimonies presented in**
3 **these proceedings?**

4 A. Yes. Mr. Patel, Ms. DeAngelo, and I agree regarding the appropriate debt cost rate. We all
5 recommend an embedded debt cost rate of 4.64% for NAWCO.

6
7 **PROXY GROUPS**

8 **Q. What companies did I&E and OCA use to estimate the cost of common equity for**
9 **NAWCO?**

10 A. Ms. DeAngelo included the same seven water utility comparison companies or proxy group
11 that I used. Mr. Patel used six of the seven water utility comparison companies that Ms.
12 DeAngelo and I used.¹⁶ Mr. Patel did not include The York Water Company in his six
13 company water comparison group. The York Water Company is the only company in the
14 proxy group used by Ms. DeAngelo and I that operates entirely in the Commonwealth of
15 Pennsylvania. Moreover, financial information is readily available for The York Water
16 Company and investors view The York Water Company as a comparable company to the
17 other six water utility proxy group companies that are included in Mr. Patel's proxy group
18 as is evident by the typical default stock ticker comparable screener that is provided by
19 internet financial resource services when entering stock ticker symbols.

20

¹⁶ Note that the phrases "proxy group," "comparison group," and "comparison companies" are used interchangeably, and to refer to the group of water utility companies utilized by each witness.

1 **Q. What would your recommended cost of common equity for NAWCO have been if you**
 2 **used Mr. Patel's proxy group?**

3 A. I would still recommend at least a 10.80% cost of common equity for NAWCO if I used
 4 Mr. Patel's proxy group. The only difference between Mr. Patel's proxy group and the
 5 group of companies I selected is The York Water Company. A comparison of the results
 6 of the models discussed my Direct Testimony, both including (Water Group Followed by
 7 Analysts) and excluding (Mr. Patel's Proxy Group) The York Water Company, is shown
 8 in Table 4. As shown in Table 4, only the market value DCF result is impacted from
 9 excluding The York Water Company from my comparison group.

10

<u>Exhibit HW-1 Schedules</u>	<u>Water Group Followed by Analysts</u>	<u>Mr. Patel's Proxy Group</u>
Market Value DCF (Schedule 12)	9.1%	9.4%
Market Value CAPM (Schedule 17)	11.0%	11.0%
Market Value RP (Schedule 18)	10.5%	10.5%
Check of Reasonableness of Common Equity Cost Rate (Schedule 19)	10.6% to 10.8%	10.6% to 10.8%

11

12

Table 4

13

14 **Q. Do you have any other comments regarding Mr. Patel's and Ms. DeAngelo's proxy**
 15 **groups?**

16 A. Yes. In addition to using a comparison group (or proxy group) to estimate the cost of
 17 equity, proxy groups are used as a benchmark to satisfy the long-established guideline of
 18 providing a utility the opportunity to earn a return equal to that of similar risk enterprises.

1 **Q. What capital structure ratios are appropriate to be used to develop NAWCO's overall**
2 **rate of return?**

3 A. Consistent with settled rate setting principles, I believe it is necessary to evaluate
4 NAWCO's current cost of capital based on NAWCO's projected March 31, 2026 capital
5 structure, which includes 45% debt and 55% common equity.

6
7 **Q. What capital structure ratios do I&E and OCA recommend be used to develop**
8 **NAWCO's overall rate of return?**

9 A. Mr. Patel recommends the same capital structure ratios that I recommend. Ms. DeAngelo
10 recommends a hypothetical capital structure for NAWCO based on her proxy group's
11 average capital structure ratio of 50% debt and 50% common equity.

12 I have several concerns regarding Ms. DeAngelo's recommended hypothetical
13 capital structure. First, Ms. DeAngelo's workpapers show her proxy group's average
14 capital structure ratio is 48% debt and 52% common equity, not 50% debt and 50%
15 common equity. Second, the problem with using a proxy group's average capital structure
16 ratios is the average capital structure is comprised of an average capitalization too. In the
17 case of Ms. DeAngelo's proxy group, their average capitalization is \$6.157 billion (2023),
18 while NAWCO's capitalization is only \$0.013 billion (2023).¹⁷ Within the water industry
19 there is a relationship between size and common equity ratio because larger companies
20 typically have a lower equity ratio than smaller companies. Third, three of the companies
21 in Ms. DeAngelo's seven company proxy group have common equity ratios of between
22 55.1% to 57.5% and a fourth company has a common equity ratio of 54.0% according to

¹⁷ NAWCO Statement No. 3, Exhibit HW-1, Schedule 8.

1 Ms. DeAngelo's workpapers.¹⁸

2 Finally, it is my understanding that there is longstanding Commission precedent
 3 that the choice of capital structure is within the discretion of the specific utility's
 4 management and is not to be changed absent proof that the capital structure is atypical or
 5 heavily weighted to one side.¹⁹ NAWCO's claimed capital structure falls within the range
 6 of the companies in Ms. DeAngelo's proxy group, which she has determined to be the
 7 companies that are most representative of NAWCO.²⁰ Based on the aforesaid, I believe
 8 the Commission should not accept Ms. DeAngelo's recommendation, and instead should
 9 adopt the use of NAWCO's proposed capital structure.

10
 11 **REVIEW OF I&E'S RECOMMENDED COST OF EQUITY**

12 **Q. What is I&E's recommended cost of equity for NAWCO?**

13 A. Mr. Patel's recommended 9.39% cost of equity for NAWCO is based on the result of only
 14 one model, the DCF. Although he provided a "comparative" cost rate using another model,
 15 the CAPM, his recommendation is based on the result of only one model, the DCF.²¹

¹⁸ According to Ms. DeAngelo's Excel workpapers three companies in her proxy group have common equity ratios which range from 55% to 58%, including American States Water Co., California Water Serv. Group, and York Water Co. Middlesex Water Co. has a common equity ratio of 54% according to Ms. DeAngelo's Excel workpapers.

¹⁹ See *Pa. PUC v. PPL Electric Utilities Corporation*, Docket No. R-2012-2290597 (Order entered December 28, 2012), pp. 68-69; *Aqua 2022*, pp. 138-139; and *Columbia Water 2024*, pp. 83-86.

²⁰ NAWCO's proposed common equity ratio is equal to or below the *Value Line* projected common equity ratio of five of the companies in Ms. DeAngelo's proxy group (*i.e.*, American States Water Co., American Water Works Co., California Water Serv. Group, Middlesex Water Co., and SJW Corp.), whose common equity ratios range from 55% to 66%. Further, only one of the companies in Ms. DeAngelo's proxy group (*i.e.*, Essential Utilities) is projected to have a common equity ratio below NAWCO's proposed common equity by *Value Line* (10/4/24).

²¹ "Additionally, I provide a CAPM analysis to be used as a comparison, not as a check, to the DCF results." (I&E Statement No. 2, D. C. Patel Direct, p. 17)

1 **Q. Have you reviewed I&E's growth rates used in the DCF?**

2 A. Yes. Mr. Patel recommends a 6.78% growth rate to be used in his DCF. However, Mr.
3 Patel's average growth rate shown on I&E Exhibit No. 2 Schedule 5, should be 6.89%, not
4 6.78%. That is, the mathematical average of his individual company's growth shown on
5 I&E Exhibit No. 2 Schedule 6 is 6.89%.²² If Mr. Patel used the mathematically correct
6 growth rate in his DCF model, his DCF model's results would be 9.50%, not 9.39%. This
7 would result in his recommended cost of equity for NAWCO being 9.50%, not 9.39%.

8
9 **Q. Do you have any other comments regarding I&E's DCF recommendation?**

10 A. Yes. Mr. Patel's recommended market value DCF of 9.39% (or 9.50% corrected) is
11 significantly impacted by one company's result, Middlesex Water Company
12 ("Middlesex"). Mr. Patel's recommended market value DCF for Middlesex is just 6.86%.
13 A 6.86% cost of equity for a water utility is clearly below the zone of reasonableness. Since
14 Mr. Patel's recommended cost of equity is based entirely on the result of his market value
15 DCF, it is imperative that his recommended market value DCF be precise and not heavily
16 impacted by the results of just one company, Middlesex. Had Mr. Patel's recommended
17 cost of equity been based on multiple common equity models instead of just his DCF, his
18 inclusion of the results for Middlesex would not be as significant.²³

19 Mr. Patel's recommended market value DCF for Middlesex of 6.86% is **27%**
20 **below his overall recommended market value DCF** result of 9.39% (and 28% below his

²² See Mr. Patel's Excel workpaper worksheet "Individual Company DCF" for the 6.89% growth rate average. Also note, in other recent testimony Mr. Patel has included an "average" growth rate column on I&E Exhibit No. 2 Schedule 6 but excluded that column in the current case, which downward biased his growth rate result.

²³ See pages 5-6 of this testimony for the reasons and support for the use of multiple models.

1 corrected market value DCF result of 9.50%). Further, his overall market value DCF
2 excluding Middlesex, 10.03%, is 46% higher than his recommended market value DCF for
3 Middlesex.

4 Mr. Patel has presented no evidence which supports the conclusion that
5 Middlesex's cost of equity is only 68% that of his other proxy group companies.
6 Mr. Patel's recommended market value **DCF for Middlesex**, of 6.86%, is **2.53-percentage**
7 **points below** his **overall** recommended market value **DCF** result, of 9.39%, and is **3.17-**
8 **percentage points below** his overall recommended market value **DCF for his other proxy**
9 **group companies**, of 10.03%.

10 Although Middlesex is also included in my market value DCF result, I ameliorated
11 its impact on my overall recommendation by recognizing the proper leverage adjustment
12 (e.g., Hamada adjustment) and through the use of multiple models to estimate the cost of
13 equity for NAWCO.

14
15 **Q. What is the indicated cost of equity based on I&E's CAPM?**

16 A. Mr. Patel calculated a cost of equity using his CAPM of 10.18%.²⁴ Mr. Patel also
17 calculated a second CAPM of 8.02% based on *Kroll's* recommended ERP but Mr. Patel's
18 recommended CAPM is 10.18%.

19
20 **Q. Do you agree with I&E Witness Patel's CAPM methodology?**

21 A. No. The two areas of disagreement I have with Mr. Patel's CAPM relate to his risk-free
22 rate and the market risk premium. Mr. Patel's risk-free rate is based on the 10-year

²⁴ See I&E Statement No. 2, D. C. Patel Direct, pp. 32, 34, and 35.

1 Treasury note. However, Mr. Patel's analysis significantly understates the risk-free rate of
2 return because he incorrectly gives the same weight to the yield on 10-year Treasury notes
3 for the first **five quarters** (4Q 2024 through 4Q 2025) as he does for the entire **five-year**
4 **period** 2026 through 2030 (*i.e.*, 20 total quarters). Had Mr. Patel given proper weighting
5 to the projected periods represented (*i.e.*, 25 total quarters) his risk-free rate would be
6 4.04%, not 3.87%. Mr. Patel's understatement of the risk-free rate is apparent when one
7 considers the fact the actual the yield on 10-year Treasury notes has averaged 4.25% over
8 the last 12 months (October 2023 – September 2024) and is currently 4.24% as of 10/23/24.

9 Accordingly, Mr. Patel's analysis significantly understates the risk-free rate of
10 return because he incorrectly gave 100% weighting to Blue Chip Financial Forecasts'
11 projections of 10-year Treasury note which is shown to underestimate actual money cost
12 rates as explained above. For example, Mr. Patel's CAPM only reflects a 3.87% yield on
13 10-year Treasury notes while the actual yield on 10-year Treasury notes was 4.24% on
14 10/23/24. Therefore, Mr. Patel's 3.87% yield on 10-year Treasury notes is **0.37-**
15 **percentage points below** their actual yield of 4.24%. Mr. Patel should have considered
16 the actual yields on 10-year Treasury notes of 4.24% in his CAPM, not just Blue Chip
17 Financial Forecasts. If Mr. Patel used the actual yields on 10-year Treasury notes of 4.24%
18 in his CAPM, his CAPM result would be 10.24%, not 10.18%.

19 On final point regarding Mr. Patel's selection of the 10-year Treasury note for his
20 risk-free rate involves financial theory. Financial theory indicates the term matching of
21 the risk-free rate should be based on the life of the asset, not the time horizon of the
22 investor. In this case, water assets have a much longer life than the 10 years that results
23 from using 10-year notes. Besides matching the life of the asset, another mistake of using

1 10-year Treasury notes is that they are more sensitive to monetary policy activities taken
2 by the Federal Open Market Committee, whereas the 30-year Treasury bonds are more of
3 an indication of investor sentiment of their required returns.

4 The other area of disagreement I have with Mr. Patel's CAPM is he did not reflect
5 the required CAPM size premium. The size premium reflects the risks associated with
6 Mr. Patel's proxy group's small size relative to the market and its impact on the
7 determination of their beta.²⁵ The size premium adjustment is necessary because beta
8 (systematic risk) does not capture or reflect the proxy group's small size. According to
9 Brealey, Myers, and Allen, "the relationship among stock returns and firm size and book-
10 to-market ratio has been well documented."²⁶ Brealey, Myers, and Allen also state, that
11 "between 1926 and 2008 the difference between the annual returns on small and large
12 capitalization stocks averaged 3.6%"²⁷ which should be included in Mr. Patel's CAPM.

13 Additionally, on page 20 of his Direct Testimony, Mr. Patel cites to an article by
14 Eric Berg and to a second article/study by Fama and French on page 21.²⁸ Page 3 of the
15 article by Eric Berg states, "[t]he professors theorize that investors view smaller companies
16 as more vulnerable to economic downturns and therefore demand higher returns." Page 20
17 (*Journal of Economic Perspectives* page 44) of the article/study by Fama and French states,
18 "[a]s a result, CAPM estimates of the cost of equity for high beta stocks are too high

²⁵ Mr. Patel incorrectly claims the CAPM's size premium is due to NAWCO's small size. See I&E Statement No. 2, D. C. Patel Direct, p. 46.

²⁶ Brealey, Myers and Allen, *Principles of Corporate Finance*, 10th edition, page 198.

²⁷ *Id.* at 202.

²⁸ The articles/study cited by I&E are: Berg, Eric N. "Market Place; A Study Shakes Confidence in the Volatile-Stock Theory," *The New York Times*, February 18, 1992, *nytimes.com*, March 23, 2016; and Fama, Eugene F. and French, Kenneth R., "The Capital Asset Pricing Model: Theory and Evidence." *Journal of Economic Perspectives* (2004): Volume 18, Number 3, pp. 25-46.

1 (relative to historical average returns) and estimates for low beta stocks are too low (Friend
2 and Blume, 1970).” Both articles/studies conclude that the CAPM understated the return
3 for **small companies** and for **companies with betas below 1.0**. Most water utilities are
4 considered small companies relative to other publicly traded stocks, and all have betas
5 below 1.0. My CAPM reflects these factors. However, Mr. Patel’s CAPM does not reflect
6 the findings of the two article/studies he cited. Accordingly, Mr. Patel’s CAPM cost rate
7 is understated.

8 Investors prefer liquidity to lack of liquidity. Accordingly, a share in a business is
9 worth more if it is easily marketable or, conversely, worth less if it is not. Privately held
10 water utilities such as NAWCO are worth less than publicly traded water utilities. Further,
11 publicly traded water utilities are not as marketable as the larger companies which comprise
12 the S&P 500. The size premium used in the CAPM accounts for some of these differences.

13
14 **Q. Do you have any more comments regarding the articles that Mr. Patel referenced on**
15 **pages 20 and 21 of his Direct Testimony concerning the CAPM?**

16 A. Yes. The articles support the widely held point of view that the return for small companies,
17 such as NAWCO, should include a premium for the additional risk associated with their
18 small size. Investors’ expectations reflect the highly publicized existence of the small firm
19 effect. For example, many mutual funds classify their investment strategy as small
20 capitalization to profit from the existence of the small firm effect. Because firm size plays
21 a role in the pricing of securities in the unregulated financial markets, it is necessary to
22 reflect this fact when determining capital cost rates for utilities. Otherwise, a small utility
23 is at a competitive disadvantage in the money market when competing for capital.

1 On page 21 of his Direct Testimony, Mr. Patel quotes from one of the articles and
2 then states, “[a]s a result, I conclude that the CAPM’s relevance to the investment decision
3 making process does not carry over into the regulatory rate setting process.” Mr. Patel’s
4 conclusion is contrary to the Commission’s position, authoritative sources, and
5 practitioners’ viewpoints. In *Columbia Water 2024*, at page 107-108, the Commission
6 stated,

7 Based on the record, **we agree with the ALJs that it is appropriate to**
8 **consider the CAPM results** to account for economic changes such as those
9 occurring currently, in addition to the DCF results, to determine Columbia’s
10 ROE. As the ALJs noted, **the CAPM is more responsive to changes in**
11 **interest rates.** R.D. at 59-60. While I&E did use its CAPM as a
12 comparison to its DCF result, I&E made no CAPM based adjustment to its
13 final ROE recommendation. I&E M.B. at 23. Additionally, we agree with
14 the ALJs’ comparison to *Aqua 2022*, wherein we stated, as follows:

15 We are persuaded by the arguments of Aqua that the ALJ
16 erred by concluding I&E used its DCF *and* CAPM results to
17 determine Aqua’s ROE. I&E did use its CAPM as a
18 comparison to its DCF result, however I&E made no CAPM
19 based adjustment to its final ROE recommendation. I&E
20 M.B. at 47. As Aqua points out, the U.S. economy is in a
21 period of high inflation. To help control rising inflation, the
22 Federal Open Market Committee has signaled that it is
23 ending its policies designed to maintain low interest rates.
24 Aqua Exc. at 9. **The DCF model does not directly account**
25 **for interest rates, consequently it is slow to respond to**
26 **interest rate changes.** However, I&E’s CAPM model uses
27 forecasted yields on 10-year Treasury bonds, accordingly its
28 methodology captures forward looking changes in interest
29 rates.

30 In *Aqua 2022*, the Commission **determined the ROE by using informed**
31 **judgment based on** I&E’s DCF and CAPM methodologies. We conclude
32 that methodologies other than the DCF can be used as a check upon the
33 reasonableness of the DCF derived ROE calculation. We historically have
34 primarily relied upon the DCF methodology in arriving at ROE
35 determinations and utilized the results of the CAPM, as a check upon the
36 reasonableness of the DCF derived equity return. As such, where evidence
37 based on other methods suggests that the DCF-only results may understate
38 the utility’s ROE, we will consider those other methods, to some degree, in
39 determining the appropriate range of reasonableness for our ROE

1 determination. Considering the above, **we shall determine an appropriate**
 2 **ROE** for Columbia using informed judgment **based on** I&E’s DCF and
 3 **CAPM** methodologies. (*Emphasis added.*)

4 Finance literature chronicles the CAPM as widely used by practitioners. Shannon

5 Pratt and Roger Grabowski state in their book *Cost of Capital*,

6 **The CAPM is the most widely used method for estimating the cost of**
 7 **equity capital.** For example, one survey found that 75% of firms use the
 8 CAPM to estimate the cost of equity, 34% of firms use the CAPM with
 9 additional adjustment factors (with common adjustments being adding
 10 additional premiums for such added risks as the risks of operating in
 11 developing economies), 39% of firms use historical average returns (which
 12 in essence combines systematic and unique risk), and 16% of firms impute
 13 the cost of equity (*see* Chapter 17). The survey also found that many firms
 14 use multiple methods.²⁹

15 According to the website of the Chartered Financial Analysts (“CFA”) Institute,

16 Survey evidence tells us that the CAPM method is the most popular method
 17 used by companies in estimating the cost of equity. The CAPM method is
 18 more popular with larger, publicly traded companies, which is
 19 understandable considering the additional analyses and assumptions
 20 required in estimating systematic risk for a private company or project.³⁰

21 Additionally, surveys of chief financial officers (“CFO”) found, “[w]idespread
 22 **reliance on the CAPM, even in the face of evidence of the model’s empirical**
 23 **shortcomings**, suggests that firms rely on straightforward, simple and familiar techniques.
 24 The enduring popularity of the CAPM may also reflect teaching emphasis.”³¹ The
 25 surveyor asked CFOs the question, *How do you determine your firm’s cost of equity*
 26 *capital?* The surveyor then compared the results he found in his 2001 survey to his 2022

²⁹ Shannon P. Pratt, Roger J. Grabowski. *Cost of Capital: Applications and Examples*, 4th ed. (Wiley), 2010, at 103. (*Emphasis added and footnotes omitted*)

³⁰ “Refresher Reading: Cost of Capital,” CFA Institute, accessed May 28, 2024, <https://www.cfainstitute.org/en/membership/professional-development/refresher-readings/cost-capital>.

³¹ Graham, John. 2022. “Presidential Address: Corporate Finance And Reality.” NBER Working Paper 29841, National Bureau of Economic Research, Cambridge, MA., p17. (*Emphasis added*) <http://www.nber.org/papers/w29841>.

1 survey's results for participants who responded, "Always or Almost Always," and reported
 2 findings that are shown in Table 6.³²

CFOs' Survey Response to the Question: <i>How Do You Determine Your Firm's Cost of Equity Capital?</i>				
<u>Response</u>	Responses from Firms With Revenue Greater Than \$1 Billion		Responses from Firms With Revenue Less Than \$1 Billion	
	<u>2001</u>	<u>2022</u>	<u>2001</u>	<u>2022</u>
CAPM	83.1%	82.6%	61.9%	26.6%
Historical Average	38.0%	32.6%	41.1%	17.3%
DCF model	15.7%	17.5%	15.8%	13.3%
Market Return ('22 only)	-	16.7%	-	20.5%
Regulatory Decisions	8.6%	14.3%	5.3%	18.7%

3
 4 **Table 5**

5 Mr. Patel's conclusion regarding the usefulness of the CAPM is clearly divergent
 6 from the Commission's position, authoritative sources, and practitioners' views.

7
 8 **Q. Do you have any comments regarding I&E's second CAPM based on *Kroll's***
 9 **recommended ERP?**

10 A. Yes, Mr. Patel's second CAPM is based on *Kroll's* recommended ERP, or equity risk
 11 premium. *Kroll's* recommended ERP of 5.0% is based on a total market return of 8.5%
 12 projection that was published June 5, 2024. To date, since the June 5, 2024 ERP was
 13 published, the market (S&P 500) has provided investors an annualized market return of
 14 23.1%, excluding dividends of about 1.3%. Similarly, to date since the June 5, 2024 ERP
 15 was published, the Dow Jones Industrial average has provided an annualized market return

³² *Id.* at 64.

1 of 26.9%, excluding dividends of about 1.3%.

2 Therefore, the market has provided an annualized market return of about 23.1% to
 3 26.9%, excluding dividends, during the period *Kroll* projected a total market return of
 4 8.5%. Clearly, investors' return requirements are higher than what *Kroll* advocates. Based
 5 on the aforesaid, I conclude that investors in the market have not relied upon the cited *Kroll*
 6 study/article used by Mr. Patel since the projected market return cited in the study/article
 7 is considerably below the returns earned from investing.

8
 9 **Q. You previously explained that Mr. Patel gave no weight to the result of his CAPM in
 10 determining his recommended cost of equity for NAWCO. What recommended cost
 11 of equity would be indicated if Mr. Patel had given weight to his CAPM result?**

12 A. Depending on the weight given to Mr. Patel's CAPM result, his recommended cost of
 13 equity would range from 9.39%, with no weight given to CAPM, up to 10.18%, if 100%
 14 weight were given to CAPM. Table 7 shows a range of recommended cost of equity that
 15 result from giving alternative weightings to Mr. Patel's DCF and CAPM models' results.

	Mr Patel's		Alternative Weighting of Models' Results				
	Mr Patel's Model Results	Actual Weighting of Models	2/3	1/2	1/3	1/4	0%
DCF	9.39%	100%	2/3	1/2	1/3	1/4	0%
CAPM	10.18%	0%	1/3	1/2	2/3	3/4	100%
Recommendations	<u>9.39%</u>		<u>9.65%</u>	<u>9.79%</u>	<u>9.92%</u>	<u>9.98%</u>	<u>10.18%</u>

16
 17 **Table 6**

18 As shown in Table 7, if 2/3rd weight was given to the DCF result and 1/3rd weight was
 19 given to the CAPM, the recommended cost of equity would be 9.65%. If equal weight
 20 were given to both models, the recommended cost of equity would be 9.79%. Since the

1 CAPM is more responsive to changes in interest rates than the DCF, it is imperative, given
2 today' high interest rate environment, that the Commission consider models that directly
3 measure interest rate levels (e.g., CAPM and RP) when determining NAWCO's cost of
4 equity.

6 REVIEW OF OCA'S RECOMMENDED COST OF EQUITY

7 **Q. What is OCA's recommended cost of equity for NAWCO?**

8 A. Ms. DeAngelo's recommended 7.94% cost of equity for NAWCO is based on the result of
9 only one model, the DCF. Although she provided a "check" cost rate using another model,
10 the CAPM, her recommendation is based on the result of only one model, the DCF.³³

11
12 **Q. Have you reviewed OCA's growth rates used in her DCF?**

13 A. Yes. Ms. DeAngelo's recommended growth rate reflects incorrect growth rates from *Value*
14 *Line*. This can be verified by comparing Ms. DeAngelo's "Value Line Projected 5 Year
15 Growth in EPS", shown in column 2 of Sch. MND-2 contained in OCA Statement 2, to
16 Mr. Patel's *Value Line* growth rates, shown on Schedule 6 of I&E Exhibit No. 2, which
17 rely on the same July 5, 2024, edition of *Value Line*. This can be further verified by
18 reviewing Ms. DeAngelo's pdf workpaper file provided in discovery which matches the
19 *Value Line* growth rates used by Mr. Patel and does not support the *Value Line* growth rates
20 used by Ms. DeAngelo. Ms. DeAngelo **error results** in her *Value Line*'s growth rate **being**
21 **understated by an average of 3.17-percentage points** and produces her unrealistically
22 low 7.94% DCF recommendation.

³³ See OCA St. 2, Morgan N. DeAngelo Direct, p. 6.

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Q. Do you have any other comments regarding OCA’s DCF 7.94% recommendation?

A. Yes. Ms. DeAngelo’s recommended market value DCF of 7.94% is significantly impacted by one company’s result, Middlesex Water Company (“Middlesex”). Ms. DeAngelo’s recommended market value DCF for Middlesex is just 5.15%. A 5.15% cost of equity for a water utility is clearly below the zone of reasonableness since it below the current (10/23/24) 5.59% yield of A rated public utility bonds. Since Ms. DeAngelo’s recommended cost of equity is based entirely on the result of her market value DCF, it is imperative that her recommended market value DCF be precise and not heavily impacted by the results of just one company, Middlesex. Had Ms. DeAngelo’s recommended cost of equity been based on multiple common equity models instead of just his DCF, her inclusion of the results for Middlesex would not be as significant.³⁴

Ms. DeAngelo’s recommended market value DCF for Middlesex of 5.15% is **35% below her overall recommended market value DCF** result of 7.94%. Further, her overall market value DCF excluding Middlesex, 8.31%, is 61% higher than her recommended market value DCF for Middlesex.

Ms. DeAngelo has presented no evidence which supports the conclusion that Middlesex’s cost of equity is only 62% that of his other proxy group companies. Ms. DeAngelo’s recommended market value **DCF for Middlesex**, of 5.15%, is **2.79-percentage points below** her **overall** recommended market value **DCF** result, of 7.94%, and is **3.16-percentage points below her** overall recommended market value **DCF for her other proxy group companies**, of 8.31%.

³⁴ See pages 5-6 of this testimony for the reasons and support for the use of multiple models.

1 Although Middlesex is also included in my market value DCF result, I ameliorated
2 its impact on my overall recommendation by recognizing the proper leverage adjustment
3 (e.g., Hamada adjustment) and through the use of multiple models to estimate the cost of
4 equity for NAWCO.

5
6 **Q. What market value CAPM estimate does OCA recommend?**

7 A. Ms. DeAngelo calculated a market value CAPM of 9.80%.

8
9 **Q. Do you agree with OCA's CAPM methodology?**

10 A. No, I disagree with Ms. DeAngelo's CAPM methodology for two reasons. First, Ms.
11 DeAngelo's CAPM reflects market premiums she gathered from various sources. Her
12 historical market premium is based on the geometric mean return instead of the appropriate
13 arithmetic mean return. The arithmetic mean best measures the expectancy of a single
14 year. The geometric mean contains a downward bias in return rates in that as long as there
15 is variability among return rates in any given series, the geometric mean will appear smaller
16 with the existence of a majority of positive returns, while it will appear larger in absolute
17 terms (+/-) with the existence of a majority of negative returns.

18 The geometric mean return is a measure of the accumulation of wealth. It is
19 backward looking and only explains how you got from a beginning value to an ending
20 value. It does not explain what occurred between the two points. The arithmetic mean
21 best measures the expected or likely return in any single year. Cost of capital is not related
22 to the measurement of the accumulation of wealth. Cost of capital is the estimation of the
23 expected return in any single year.

1 The expected rate of return is “the rate of return expected to be realized from an
2 investment; the mean value of the probability distribution of possible results.”³⁵ The
3 arithmetic mean is the mean value of a probability distribution. Accordingly, the expected
4 equity risk premium should always be calculated using the arithmetic mean.³⁶

5 Her forecasts of the market premium is based on three articles/studies, *Knoll*,
6 *Schwab* and *Vanguard*.³⁷ I previously discussed the problems of the *Knoll* article/study
7 when I discussed Mr. Patel’s use of the *Knoll* ERP in his CAPM. The *Schwab* article/study
8 is based on data from October 31, 2023 and projects a total market return of 6.2%. To date,
9 since the *Schwab* article/study was published, the market (S&P 500) has provided investors
10 an annualized market return of 39.1%, excluding dividends of more than 1.4%. Similarly,
11 to date since *Schwab*’s October 31, 2023 data period, the Dow Jones Industrial average has
12 provided an annualized market return of 29.3%, excluding dividends of more than 1.4%.

13 The *Vanguard* article/study is based on data from June 30, 2024, and projects a
14 total market return of 3.2% to 5.2%. To date, since the *Vanguard* article/study was
15 published, the market (S&P 500) has provided investors an annualized market return of
16 20.2%, excluding dividends of about 1.3%. Similarly, to date since *Vanguard*’s June 30,
17 2024, data period, the Dow Jones Industrial average has provided an annualized market
18 return of 29.6%, excluding dividends of about 1.3%.

19 Therefore, the market has provided an annualized market return of about 29.3% to
20 39.1%, excluding dividends, during the period *Schwab* projected a total market return of
21 6.2% and an annualized market return of about 20.2% to 29.6%, excluding dividends,

³⁵Eugene F. Brigham, *Fundamentals of Financial Management*, Fifth Edition, The Dryden Press, 1989, p. 106.

³⁶*Stocks, Bonds, Bills & Inflation: 1997 Yearbook*, Ibbotson Associates, 1997, p.154.

³⁷ See OCA St. 2, Morgan N. DeAngelo Direct, p. 13.

1 during the period *Vanguard* projected a total market return of 3.2% to 5.2%. Clearly,
2 investors' return requirements are higher than what *Schwab* and *Vanguard* advocate.
3 Based on the aforesaid, I conclude that investors in the market have not relied upon the
4 cited *Schwab* and *Vanguard* studies/articles used by Ms. DeAngelo since the projected
5 market returns cited in the studies/articles are considerably below the returns earned from
6 investing.

7 The second area of disagreement I have with Ms. DeAngelo's CAPM is she did not
8 reflect the required CAPM size premium, which I believe should be included in her CAPM
9 for the same reasons I articulated when I discussed Mr. Patel's failure to reflect a CAPM
10 size premium above.³⁸ Contrary to Mr. Patel's and Ms. DeAngelo's contention, the
11 required CAPM size premium has nothing to do with the size of NAWCO but rather, the
12 size of the proxy group companies relative to the market and its impact on the
13 determination of their betas.

14 Finally, accounting for the increased amount of leverage between Ms. DeAngelo's
15 market value CAPM cost rate and her book value cost rate indicates a book value CAPM
16 cost rate of 10.5% for Ms. DeAngelo.

³⁸ It should be noted that Ms. DeAngelo's cited *Schwab* and *Vanguard* studies/articles project higher market returns for small company stock than large company stocks and thus support the small company risk adjustment that I recommend be included in the CAPM.

1 **RESPONSE TO I&E'S AND OCA'S CRITICISMS OF MR. WALKER'S TESTIMONY**

2 **Q. I&E, at pages 44 to 47, and OCA, at pages 4, and 14 to 16, contend size is not an**
3 **indicator of risk. Is risk due to the size of a company widely accepted by the academic**
4 **community and the financial community?**

5 A. Yes. Size is a recognized and meaningful element of risk, and it is appropriate to reflect
6 that risk in a company's cost of equity. Credit rating agencies recognize that size impacts
7 credit rating. Valuation professionals and courts recognize the use of a size premium. The
8 finance literature supports the fact that, as the size of a firm decreases, its risk and, hence,
9 its required return increases.

10 When scholars have tried to explain actual security returns, several
11 anomalies (*i.e.*, deviations from what is considered normal) have become
12 evident. One is a *small-firm*, or *size, effect*. It has been found that common
13 stocks of firms with small market capitalizations (price per share times the
14 number of shares outstanding) provide higher returns than common stocks
15 of firms with high capitalizations, holding other things constant.³⁹

16 Further, since size is a recognized and meaningful element of risk, it is appropriate to reflect
17 that risk in a company's cost of equity.

18 Recent studies have provided strong evidence that the degree of risk and
19 corresponding cost of capital increase with decreasing size of company.
20 The studies show that this addition to the equity risk premium is over and
21 above the amount that would be warranted just as a result from a company's
22 systematic risk.⁴⁰

23
24 Two independent sets of empirical studies provide strong support for the
25 proposition that cost of capital tends to increase with decreasing size. Users
26 of cost of capital data should make themselves aware of updates of these
27 and possibly other similar studies in order to incorporate the latest current
28 size effect data in cost of capital estimates, whether using build-up models,

³⁹ James C. Van Horne, John M. Wachowicz. Fundamentals of Financial Management, 13th ed. (Pearson Education Limited), 2008, at 114.

⁴⁰ Shannon P. Pratt. Cost of Capital: Estimation and Applications, (Wiley), 1998, at 64.

1 CAPM, or other cost of capital models.⁴¹

2 Dr. Thomas Zepp presented research on **water utilities** that support a small firm
3 effect in the utility industry.⁴² Moreover, Professor Brigham has indicated that smaller
4 firms have higher capital costs than otherwise similar larger firms.⁴³ The credit rating
5 agency, Standard & Poor's, documents that relationship between size and credit rating,

6 Company size and diversification often plays role. While we have no
7 minimum size criterion for any given rating level, company size tends to be
8 significantly correlated to rating levels. This is because larger companies
9 often benefit from economies of scale and/or diversification, translating into
10 a stronger competitive position. Small companies are, almost by definition,
11 -more concentrated in terms of product, number of customers, and
12 geography. To the extent that markets and regional economies change, a
13 broader scope of business affords protection.⁴⁴ (Underline added.)

14
15 While we have no minimum size criterion for any given rating level, size
16 and ratings do end up being correlated, given that size often provides a
17 measure of diversification, and/or affects competitive positioning.⁴⁵
18 (Underline added.)

19 On pages 46 and 47, Mr. Patel cites a 1993 article by *Wong* to support his assertion
20 that the size premium is not applicable to utilities. However, *Wong's* conclusion is
21 specifically rebutted by a 2002 article by T. M. Zepp.⁴⁶ In the *Zepp* article he explains that
22 size premium does exist and presented research on water utilities that support a small firm
23 effect. Additional support for the use of the size premium for utilities is also found in a
24 1995 article by M. Annin.⁴⁷

⁴¹ *Id.* at 95.

⁴² See Zepp (2002), "Utility Stocks and the Size Effect: Revisited", *Economics and Finance Quarterly*, 43, 578-582.

⁴³ See *Fundamentals of Financial Management*, 5th Edition, page 623.

⁴⁴ *Standard & Poor's, Corporate Ratings Criteria 2008*; pg. 22.

⁴⁵ *Id.* at 23.

⁴⁶ See Zepp (2002), at 578-582.

⁴⁷ See Annin (1995), "Equity and the Small Stock Effect", *Public Utilities Fortnightly*, October 15, 1995, at 42-43.

1 **Q. On pages 36 to 41 I&E claims your leverage adjustment is a market-to-book ratio**
2 **adjustment. Is he correct?**

3 A. No. My proxy group's market-to-book ratio was 228% when my Direct Testimony was
4 prepared. I did not, and I do not recommend adjusting the proxy group's market value cost
5 of equity by 228%. Mr. Patel's testimony is false or misleading because a market-to-book
6 ratio is a stock price metric and is not part of the leverage adjustment contrary to Mr. Patel's
7 testimony.

8 I previously explained the foundation for the required leverage adjustment, and I
9 will not repeat it here. However, both Mr. Patel and Ms. DeAngelo face a similar quandary
10 as they did not account for the risk difference between the 31%/69% (debt/equity) market
11 value ratios used to calculate their returns which they advocate be applied to 45%/55%
12 (debt/equity) book value ratios of NAWCO for Mr. Patel, nor the 50%/50% (debt/equity)
13 book value ratios for Ms. DeAngelo.

14 I recommend a 10.80% fair and reasonable return for NAWCO, reflecting the
15 required leverage adjustment. My recommended return for NAWCO is similar to the
16 average 10.8% to 11.1% return on equity projected for proxy groups, and thus is fair and
17 reasonable. However, neither Mr. Patel nor Ms. DeAngelo have shown how their
18 recommended 9.39% or 7.94% return for NAWCO would be fair and reasonable when
19 their proxy group companies are earning 10.8% to 11.1%.

20

1
2
3
4

CONCLUSION

Q. Does this conclude your Rebuttal Testimony?

A. Yes, it does. However, I reserve the right to supplement this Rebuttal Testimony as appropriate throughout the course of this proceeding.

VERIFICATION

I, Harold Walker, III, Manager, Financial Studies of Gannett Fleming Valuation and Rate Consultants, LLC, hereby state that the testimony set forth in The Newtown Artesian Water Company Statement No. 3 and Statement No. 3R (including Exhibit Nos. HW-1 and HW-1R) in the matter at PaPUC Docket No. R-2024-3050208 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 hereby state that the aforementioned testimony and exhibits are true and correct to the best of my knowledge information and belief. I am also sponsoring any discovery responses attached to the other parties' testimony, in which I am the sponsoring witness. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).



Harold Walker, III
Manager, Financial Studies
Gannett Fleming Valuation and Rate
Consultants, LLC

Dated: November 19, 2024

NEWTOWN ARTESIAN WATER COMPANY
NEWTOWN, PENNSYLVANIA

RATE OF RETURN

EXHIBIT

TO ACCOMPANY THE
REBUTTAL TESTIMONY

NOVEMBER 2024

Prepared by:



Value Line Projected ROE Based on Year-End and Average Equity,
For I&E and OCA Proxy Groups, for 2027 - 2029

	Value Line Projected <u>ROE</u>	Projected Average ROE <u>(1)</u>
<u>I&E and OCA Proxy Group Companies</u>		
American States Water Co	13.5 %	14.0 %
American Water Works Co Inc	11.0	11.7
California Water Service Gp	9.5	9.7
Essential Utilities, Inc.	9.5	9.8
Middlesex Water Co	13.5	13.5
SJW Corp	8.0	8.1
York Water Co	<u>NA</u>	<u>NA</u>
Averages:		
I&E's Proxy Goup	<u>10.8</u> %	<u>11.1</u> %
OCA's Proxy Group	<u>10.8</u> %	<u>11.1</u> %

Notes: (1) Value Line ROE, which is a year-end ROE, is converted to average ROE by the factor derived from the following formula: $2((1+g)/(2+g))$, where "g" is the rate of growth in common equity.

Source of Information: Value Line Investment Survey, 10/4/24

Yields on 10-Year Treasury Notes and A-Rated Utility Bonds

<u>Months & Years</u>	<u>Monthly</u>		<u>Trailing 12-Month Average</u>	
	<u>10-Year Treasury Notes</u>	<u>A Rated Public Utility Bonds</u>	<u>10-Year Treasury Notes</u>	<u>A Rated Public Utility Bonds</u>
Apr 2016	1.81	4.00		
May 2016	1.81	3.93		
Jun 2016	1.64	3.78		
Jul 2016	1.50	3.57		
Aug 2016	1.56	3.59		
Sep 2016	1.63	3.66		
Oct 2016	1.76	3.77		
Nov 2016	2.14	4.08		
Dec 2016	2.49	4.27		
Jan 2017	2.43	4.14		
Feb 2017	2.42	4.18		
Mar 2017	2.48	4.23	1.97	3.93
Apr 2017	2.30	4.12	2.01	3.94
May 2017	2.30	4.12	2.05	3.96
Jun 2017	2.19	3.94	2.10	3.97
Jul 2017	2.32	3.99	2.17	4.01
Aug 2017	2.21	3.86	2.22	4.03
Sep 2017	2.20	3.87	2.27	4.05
Oct 2017	2.36	3.91	2.32	4.06
Nov 2017	2.35	3.83	2.34	4.04
Dec 2017	2.40	3.79	2.33	4.00
Jan 2018	2.58	3.86	2.34	3.98
Feb 2018	2.86	4.09	2.38	3.97
Mar 2018	2.84	4.13	2.41	3.96
Apr 2018	2.87	4.17	2.46	3.96
May 2018	2.98	4.28	2.51	3.98
Jun 2018	2.91	4.27	2.57	4.00
Jul 2018	2.89	4.27	2.62	4.03
Aug 2018	2.89	4.26	2.68	4.06
Sep 2018	3.00	4.32	2.74	4.10
Oct 2018	3.15	4.45	2.81	4.14
Nov 2018	3.12	4.52	2.87	4.20
Dec 2018	2.83	4.37	2.91	4.25
Jan 2019	2.71	4.35	2.92	4.29
Feb 2019	2.68	4.25	2.91	4.30
Mar 2019	2.57	4.16	2.88	4.31

Yields on 10-Year Treasury Notes and A-Rated Utility Bonds

<u>Months & Years</u>	<u>Monthly</u>		<u>Trailing 12-Month Average</u>	
	<u>10-Year Treasury Notes</u>	<u>A Rated Public Utility Bonds</u>	<u>10-Year Treasury Notes</u>	<u>A Rated Public Utility Bonds</u>
Apr 2019	2.53	4.08	2.86	4.30
May 2019	2.40	3.98	2.81	4.27
Jun 2019	2.07	3.82	2.74	4.24
Jul 2019	2.06	3.69	2.67	4.19
Aug 2019	1.63	3.29	2.56	4.11
Sep 2019	1.70	3.37	2.45	4.03
Oct 2019	1.71	3.39	2.33	3.94
Nov 2019	1.81	3.43	2.23	3.85
Dec 2019	1.86	3.40	2.14	3.77
Jan 2020	1.76	3.29	2.07	3.68
Feb 2020	1.50	3.11	1.97	3.58
Mar 2020	0.87	3.50	1.83	3.53
Apr 2020	0.66	3.19	1.67	3.46
May 2020	0.67	3.14	1.53	3.39
Jun 2020	0.73	3.07	1.41	3.32
Jul 2020	0.62	2.74	1.29	3.24
Aug 2020	0.65	2.73	1.21	3.20
Sep 2020	0.68	2.84	1.13	3.15
Oct 2020	0.79	2.95	1.05	3.12
Nov 2020	0.87	2.85	0.97	3.07
Dec 2020	0.93	2.77	0.89	3.02
Jan 2021	1.08	2.91	0.84	2.98
Feb 2021	1.26	3.09	0.82	2.98
Mar 2021	1.61	3.44	0.88	2.98
Apr 2021	1.64	3.30	0.96	2.99
May 2021	1.62	3.33	1.04	3.00
Jun 2021	1.52	3.16	1.11	3.01
Jul 2021	1.32	2.95	1.16	3.03
Aug 2021	1.28	2.95	1.22	3.05
Sep 2021	1.37	2.96	1.27	3.06
Oct 2021	1.58	3.09	1.34	3.07
Nov 2021	1.56	3.02	1.40	3.08
Dec 2021	1.47	3.13	1.44	3.11
Jan 2022	1.76	3.33	1.50	3.15
Feb 2022	1.93	3.68	1.56	3.20
Mar 2022	2.13	3.98	1.60	3.24

Yields on 10-Year Treasury Notes and A-Rated Utility Bonds

<u>Months & Years</u>	<u>Monthly</u>		<u>Trailing 12-Month Average</u>	
	<u>10-Year Treasury Notes</u>	<u>A Rated Public Utility Bonds</u>	<u>10-Year Treasury Notes</u>	<u>A Rated Public Utility Bonds</u>
Apr 2022	2.75	4.32	1.69	3.33
May 2022	2.90	4.75	1.80	3.44
Jun 2022	3.14	4.86	1.93	3.59
Jul 2022	2.90	4.78	2.06	3.74
Aug 2022	2.90	4.76	2.20	3.89
Sep 2022	3.52	5.28	2.38	4.08
Oct 2022	3.98	5.88	2.58	4.31
Nov 2022	3.89	5.75	2.77	4.54
Dec 2022	3.62	5.28	2.95	4.72
Jan 2023	3.53	5.20	3.10	4.88
Feb 2023	3.75	5.29	3.25	5.01
Mar 2023	3.66	5.39	3.38	5.13
Apr 2023	3.46	5.13	3.44	5.20
May 2023	3.57	5.36	3.49	5.25
Jun 2023	3.75	5.38	3.54	5.29
Jul 2023	3.90	5.41	3.63	5.34
Aug 2023	4.17	5.71	3.73	5.42
Sep 2023	4.38	5.86	3.81	5.47
Oct 2023	4.80	6.34	3.87	5.51
Nov 2023	4.50	6.05	3.92	5.53
Dec 2023	4.02	5.42	3.96	5.55
Jan 2024	4.06	5.48	4.00	5.57
Feb 2024	4.21	5.56	4.04	5.59
Mar 2024	4.21	5.55	4.09	5.60
Apr 2024	4.54	5.79	4.18	5.66
May 2024	4.48	5.74	4.25	5.69
Jun 2024	4.31	5.61	4.30	5.71
Jul 2024	4.25	5.64	4.33	5.73
Aug 2024	3.87	5.38	4.30	5.70
Sep 2024	3.72	5.20	4.25	5.65
Oct 2024 *	4.24	5.59	4.25	5.65

* - As of 10/23/24

** - Estimated based on yield spreads developed on the last page of this Schedule.

*** - 12-months of October 2023 through September 2024.

Average Estimated A Rated Public Utilities Yields Based on Yield Spreads of Aaa Rated And Baa Rated Corporate Bond Yields

		Moodys Bond Yield Avg - Aaa Rated Corporates	Moody's Bond Yield Avg - Baa Rated Corporate	Moodys Bond Yield Avg - A Rated Public Utilities	A Rated Public Utilities Minus Aaa Rated Corporates	A Rated Public Utilities Minus Baa Rated Corporates	Estimated A Rated Public Utilities Based on Aaa Rated Corporates Spread	Estimated A Rated Public Utilities Based on Baa Rated Corporates Spread	Average Estimated A Rated Public Utilities Based on Spreads
Jun	2024	5.13	5.82	5.61	0.48	(0.21)			
Jul	2024	5.12	5.84	5.64	0.52	(0.20)			
Aug	2024	4.87	5.60	5.38	0.51	(0.22)			
					<u>0.50</u>	<u>(0.21)</u>			
Sep	2024	4.68	5.42	5.20	**		5.18	5.21	5.20
Oct	2024 *	5.11	5.78	5.59	**		5.61	5.57	5.59

* - As of 10/23/24

** - Estimated based on yield spreads on Aaa rated and Baa rated corporate bond yields.

Comparison of ROEs and Comparison of Changes in Measure of Capital Cost Rates Since the Commission's Orders Were Entered

Comparison of ROEs

<u>Utility and Order Date</u>	<u>Authorized ROE</u>	<u>Recommended ROE For NAWCO</u>		<u>Recommended ROE Less Authorized ROE</u>	
		<u>I&E</u>	<u>OCA</u>	<u>I&E</u>	<u>OCA</u>
City of DuBois – March 2017	9.30% *	9.39%	7.94%	0.09%	-1.36%
UGI Utilities, Inc. (Electric Div) – October 2018	9.85%	9.39%	7.94%	-0.46%	-1.91%
Wellsboro Electric Co. – April 2020	9.31%	9.39%	7.94%	0.08%	-1.37%
Citizens Electric Co. – April 2020	9.54%	9.39%	7.94%	-0.15%	-1.60%
Columbia Gas of PA – February 2021	9.86%	9.39%	7.94%	-0.47%	-1.92%
PECO Energy Co. (Gas Div.) – June 2021	10.24%	9.39%	7.94%	-0.85%	-2.30%
Aqua Pennsylvania – May 2022	10.00%	9.39%	7.94%	-0.61%	-2.06%
Columbia Water Co. – January 2024	9.75%	9.39%	7.94%	-0.36%	-1.81%
Pennsylvania American – July 2024	9.45%	9.39%	7.94%	-0.06%	-1.51%
Average	9.70%	9.39%	7.94%	-0.31%	-1.76%

* - City's ROE before income tax adjustment.

Comparison of Changes in Measure of Capital Cost Rates Using Trailing 12-Month Rolling Average Yields

<u>Utility and Order Date</u>	<u>Trailing 12-Month</u>		<u>Current Trailing 12-</u>		<u>Change in Average</u>	
	<u>10-Year Treasury Notes</u>	<u>A Rated Public Utility Bonds</u>	<u>10-Year Treasury Notes</u>	<u>A Rated Public Utility Bonds</u>	<u>10-Year Treasury Notes</u>	<u>A Rated Public Utility Bonds</u>
City of DuBois – March 2017	1.97%	3.93%	4.25%	5.65%	2.28%	1.72%
UGI Utilities, Inc. (Electric Div) – October 2018	2.81%	4.14%	4.25%	5.65%	1.44%	1.51%
Wellsboro Electric Co. – April 2020	1.67%	3.46%	4.25%	5.65%	2.58%	2.20%
Citizens Electric Co. – April 2020	1.67%	3.46%	4.25%	5.65%	2.58%	2.20%
Columbia Gas of PA – February 2021	0.82%	2.98%	4.25%	5.65%	3.43%	2.67%
PECO Energy Co. (Gas Div.) – June 2021	1.11%	3.01%	4.25%	5.65%	3.14%	2.64%
Aqua Pennsylvania – May 2022	1.80%	3.44%	4.25%	5.65%	2.45%	2.21%
Columbia Water Co. – January 2024	4.00%	5.57%	4.25%	5.65%	0.25%	0.08%
Pennsylvania American – July 2024	4.33%	5.73%	4.25%	5.65%	-0.08%	-0.08%
Average	2.24%	3.97%	4.25%	5.65%	2.01%	1.68%

Comparison of Changes in Measure of Capital Cost Rates Using the Month the Orders Were Entered Compared to Rates on 10/23/24

<u>Utility and Order Date</u>	<u>Average Yield of Month</u>		<u>Current Yield</u>		<u>Change in Yield</u>	
	<u>10-Year Treasury Notes</u>	<u>A Rated Public Utility Bonds</u>	<u>10-Year Treasury Notes</u>	<u>A Rated Public Utility Bonds</u>	<u>10-Year Treasury Notes</u>	<u>A Rated Public Utility Bonds</u>
City of DuBois – March 2017	2.48%	4.23%	4.24%	5.59%	1.76%	1.36%
UGI Utilities, Inc. (Electric Div) – October 2018	3.15%	4.45%	4.24%	5.59%	1.09%	1.14%
Wellsboro Electric Co. – April 2020	0.66%	3.19%	4.24%	5.59%	3.58%	2.40%
Citizens Electric Co. – April 2020	0.66%	3.19%	4.24%	5.59%	3.58%	2.40%
Columbia Gas of PA – February 2021	1.26%	3.09%	4.24%	5.59%	2.98%	2.50%
PECO Energy Co. (Gas Div.) – June 2021	1.52%	3.16%	4.24%	5.59%	2.72%	2.43%
Aqua Pennsylvania – May 2022	2.90%	4.75%	4.24%	5.59%	1.34%	0.84%
Columbia Water Co. – January 2024	4.06%	5.48%	4.24%	5.59%	0.18%	0.11%
Pennsylvania American – July 2024	4.25%	5.64%	4.24%	5.59%	-0.01%	-0.05%
Average	2.33%	4.13%	4.24%	5.59%	1.91%	1.46%

Differences in Book Value and Market Values for the
Mr. Patel's and Ms. DeAngelo's Proxy Groups

	Recent Book Value Capitalization Ratios <u>(1)</u>	Recent Market Value Capitalization Ratios <u>10/23/2024</u>
<u>Mr. Patel's Proxy Group</u>		
Long Term Debt	51%	31%
Preferred Stock	0%	0%
Common Equity	<u>49%</u>	<u>69%</u>
Total	<u><u>100%</u></u>	<u><u>100%</u></u>
 <u>Ms. DeAngelo's Proxy Group</u>		
Long Term Debt	48%	31%
Preferred Stock	0%	0%
Common Equity	<u>52%</u>	<u>69%</u>
Total	<u><u>100%</u></u>	<u><u>100%</u></u>

Note: (1) See I&E Exhibit No. 2, Schedule 2,
and Ms. DeAngelo's workpapers.

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
Docket No. R-2024-3050208
Office of Consumer Advocate Data Request to
The Newtown Artesian Water Company

Reference Company Exhibit GRH-1R, page 2. Mr. Herbert appears to have applied an ROR of 7.68% to his calculations, reaching a requested revenue increase of \$923,418. Mr. Walker's rebuttal testimony, however, recommends an ROR of 8.03%. Please clarify the company's rebuttal position for the ROR, and the total dollar value increase in revenue requirement NAWC is requesting in their rebuttal. If applicable, please provide a corrected version of Exhibit GRH-1R, page 2.

Response:

The Company acknowledges it cannot request higher rates than its proposed as-filed rates, and therefore, the proposed rates were not altered in my rebuttal Exhibit GRH-1R. There were corrections made to revenue adjustments R-10 and R-15 that were highlighted in my rebuttal testimony, which caused the rebuttal FPPTY pro forma revenues under present rates to be reduced by \$996, totaling \$6,593,991, down from the as-filed FPPTY pro forma revenues under present rates totaling \$6,594,988.

A \$923,418 requested increase is determined due to the as-filed proposed rates being maintained in rebuttal testimony and the corrections to revenue adjustments R-10 and R-15 under present rates. The various corrections to expense adjustments described in my rebuttal testimony in addition to these revenue adjustment corrections and maintaining the as-filed proposed rates in Exhibit GRH-1R derives a ROR of 7.68%. The Company maintains that the 8.03% ROR is reasonable for the reasons stated in rebuttal testimony of Company Witness Harold Walker. However, the Company understands any allowable increase the Commission grants to the Company that is lower than the as-filed \$922,418 requested increase would result in a reduction of the 8.03% ROR.

Respondent: Gregory R. Herbert