

EXHIBIT Y

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

AQUA PENNSYLVANIA, INC.

DOCKET NO. A-2024-3049015

AQUA STATEMENT NO. 1

**DIRECT TESTIMONY OF
WILLIAM C. PACKER**

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

April 2025

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	OVERVIEW OF AQUA.....	7
III.	FITNESS.....	8
IV.	FUNDING.....	9
V.	APA RATE PROVISIONS AND RATE STABILIZATION PLAN.....	9
VI.	PUBLIC INTEREST	11
VII.	SECTION 1329 FAIR MARKET VALUE CONSIDERATIONS	24
VIII.	SECTION 507.....	28
IX.	CONCLUSION.....	29

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

1 **I. INTRODUCTION**

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

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

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

7 A. I am employed by Essential Utilities, Inc. (“Essential”), as Vice President, Rates,
8 Regulatory, and Regional Controller. In this position, I am the Regional Controller of
9 Aqua Pennsylvania, Inc. (“Aqua” or the “Company”), and Aqua New Jersey, Inc. (“Aqua
10 NJ”). Additionally, I oversee rates and regulatory issues for all subsidiaries of Essential.

11
12 **Q. Please provide a brief description of your education and work experience.**

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

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DIRECT TESTIMONY OF WILLIAM C. PACKER

1 In March 2005, I joined Aqua NJ, where I served as Assistant Controller until
2 December 2006, when I transferred to Aqua America, Inc. In July 2008, I was promoted
3 to the position of Mid-Atlantic Manager of Rates and since then have assumed increasing
4 levels of responsibility and promotions. In April 2017, I was promoted to Vice President
5 – Controller of Aqua. In 2020, I was promoted to Vice President, Regulatory Accounting
6 and Regional Controller where I have additional responsibilities to oversee rates and
7 regulatory accounting matters of Essential. My title changed to Vice President, Rates,
8 Regulatory and Regional Controller in 2025.

9 In addition to my corporate experience, I served three terms as a Councilman in the
10 Borough of Woodbury Heights, New Jersey. In that role, I served as the Chairman of the
11 Finance, Administration, and Personnel committee; in addition, I served as a member of
12 the Public Safety and Streets/Roads committees. I was elected as Mayor of the Borough
13 of Woodbury Heights in November of 2018 and was sworn in on January 5, 2019. I was
14 re-elected as Mayor in November of 2022 and sworn in on January 8, 2023. I served as
15 Mayor until July 31, 2024. The Borough of Woodbury Heights is one of 565 municipalities
16 in New Jersey and has a population of approximately 3,000 residents.

17
18 **Q. Have you testified before the Pennsylvania Public Utility Commission (“PUC” or the**
19 **“Commission”) before?**

20 **A.** Yes, I have testified in various proceedings before the Commission, including, Aqua’s last
21 six rate cases, the twelve previous Section 1329 proceedings of Aqua’s subsidiary Aqua
22 Pennsylvania Wastewater, Inc. (“APW”), and Aqua’s single prior water Section 1329
23 proceeding.

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DIRECT TESTIMONY OF WILLIAM C. PACKER

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Q. What is the purpose of your Direct Testimony?

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

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

A. Yes. Attached to my Direct Testimony as Appendix A is a schedule showing the revenue deficiency and overall estimated non-binding impact on customers of the Proposed Transaction. Attached to my Direct Testimony as Appendix B is an excerpt from Limerick Township’s 2023 Annual Financial Statements.

Q. Has the Company filed an application with the Commission for regulatory approval to acquire the water system assets of the GWA?

A. Yes.

Q. Please introduce the other witnesses submitting Direct Testimony with this Application.

A. GWA is submitting the following Statements of Direct Testimony in support of the Application:

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DIRECT TESTIMONY OF WILLIAM C. PACKER

- 1 • Greenville Statement No. 1 – Direct Testimony of Thomas Strahler. Mr. Strahler
2 will provide testimony regarding the background of the Proposed Transaction from
3 the GWA’s perspective and benefits of the Proposed Transaction
- 4 • Greenville Statement No. 2 – Direct Testimony of Jasson Urey. Mr. Urey will
5 provide testimony regarding financial benefits of the Proposed Transaction from
6 the GWA’s perspective.
- 7 • Greenville Statement No. 3 – Direct Testimony of Dylan W. D’Ascendis. Mr.
8 D’Ascendis will provide testimony regarding the appraisal conducted on behalf of
9 the GWA.

10 In addition to GWA’s Statement Nos. 1-3, Aqua is submitting my Direct Testimony
11 and the following Statements of Direct Testimony in support of the Application:

- 12 • Aqua Statement No. 2 – Direct Testimony of Zach Martin. Mr. Martin will provide
13 testimony regarding the operations of the System and the public benefits that will
14 arise from the Proposed Transaction.
- 15 • Aqua Statement No. 3 – Direct Testimony of Scott Steffy. Mr. Steffy will provide
16 testimony regarding the specifics of the System being acquired from an engineering
17 perspective and Aqua’s technical fitness.
- 18 • Aqua Statement No. 4 – Direct Testimony of Sumit Nair. Mr. Nair will provide
19 testimony regarding the security benefits to the System, its employees, and
20 customers resulting from Aqua’s ownership.
- 21 • Aqua Statement No. 5 – Direct Testimony of Rita Black. Ms. Black will provide
22 testimony regarding customer assistance benefits that will be available to the
23 GWA’s customers resulting from Aqua’s ownership.
- 24 • Aqua Statement No. 6 – Direct Testimony of Harold Walker III. Mr. Walker will
25 provide testimony regarding the appraisal conducted on behalf of Aqua.

26

27 **Q. What is Aqua seeking in its Application?**

28 A. There are three requests. First, Aqua is requesting approval of the Proposed Transaction
29 under Section 1102 of the Public Utility Code (the “Code”), 66 Pa.C.S. § 1102, similar to
30 many requests that come before the Commission. Second, pursuant to Act 12 of 2016
31 (“Act 12”), 66 Pa.C.S. § 1329, Aqua is seeking to utilize fair market value for the

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DIRECT TESTIMONY OF WILLIAM C. PACKER

1 determination of the ratemaking rate base of the System. Third, Aqua is requesting that
2 the Commission approve, to the extent necessary, the Asset Purchase Agreement (“APA”)
3 between Aqua and the GWA, and assignment of (existing or new) railroad agreements,
4 pursuant to Section 507 of the Code, 66 Pa.C.S. § 507.

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

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

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

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

21 Section 1329 recognizes that no reasoned argument would propose
22 that these public assets are of marginal value simply because the
23 book value and the Commission’s traditional rate setting

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

² TSIO at 7.

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DIRECT TESTIMONY OF WILLIAM C. PACKER

1 methodology dictate as much. Rather, the valuation methods of
2 Section 1329 provide municipalities and authorities with a wholistic
3 recognition of the fair market value of the public assets they seek to
4 sell based on a balancing of accepted business valuation principles,
5 specifically, the cost, market, and income approaches. 66 Pa. C.S.
6 § 1329(a). Thus, for sale purposes, Section 1329 works to value the
7 public assets as the businesses they are as opposed to what their
8 value might be under regulatory accounting for depreciated utility
9 assets.³

10 ...

11 Section 1329 enables a Seller to price its public assets at a market
12 value based on reasonable business valuation principles and enables
13 a Buyer to recover its investment in those public assets at that
14 market-based value.⁴

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

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

26 The Commission updated its guidance on Section 1329 when it entered its Final
27 Supplemental Implementation Order on July 2, 2024 (“2024 FSIO”) at Docket No. M-

³ TSIO at 6.

⁴ TSIO at 7.

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

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DIRECT TESTIMONY OF WILLIAM C. PACKER

1 2016-2543193.⁶ Aqua has included references with the Checklist indicating where in the
2 Application the relevant information is located.

3
4 **II. OVERVIEW OF AQUA**

5 **Q. Please provide a general overview of Aqua.**

6 A. Aqua is the second largest investor-owned regulated water/wastewater utility operating in
7 the Commonwealth of Pennsylvania. Aqua provides water and wastewater utility service
8 to approximately 522,000 customers – 458,000 water and 64,000 wastewater – across 32
9 counties in the Commonwealth. Aqua employs approximately 600 highly trained utility
10 professionals to achieve its mission to provide safe, adequate, and reliable utility service at
11 reasonable rates. In addition, Aqua is one of eight regulated water and wastewater
12 subsidiaries of Essential, which brings to bear its own financial, technical, and managerial
13 resources to assist in Aqua’s mission.

14
15 **Q. Please provide an overview of the Proposed Transaction.**

16 A. After arms-length negotiations between Aqua and the GWA, the APA was signed and
17 executed on September 26, 2023, providing for the sale of the assets, properties and rights
18 of the System. The purchase price totaled \$18,000,000. According to the APA, the
19 acquired customers will be charged the GWA’s existing rates upon Closing. Aqua’s tariff
20 rules and regulations will apply following Closing.

21

⁶ *Implementation of Section 1329 of the Public Utility Code*, Docket No. M-2016-2543193 Final Supplemental Implementation Order (Jul. 2, 2024).

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

1 **III. FITNESS**

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

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

6

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

8 A. As I mentioned in my overview, Aqua is a Class A water utility in the Commonwealth.
9 Aqua is the largest water/wastewater subsidiary of Essential, with total net utility plant
10 assets of approximately \$5.2 billion and annual operating revenues of approximately \$680
11 million in 2024. As of December 31, 2024, Aqua had operating income of approximately
12 \$360 million, net income of \$254 million, and its cash flows from operations equaled
13 approximately \$255 million. Aqua has an A- rating from Standard and Poor’s Rating
14 Service and has approximately \$2.209 billion in outstanding long-term debt at a weighted
15 average interest rate of approximately 4.30%. Aqua also utilizes low-cost long-term debt
16 financing instruments through the Pennsylvania Infrastructure Investment Authority
17 (“PENNVEST”). In addition to Aqua’s access to long-term debt, Aqua has its short-term
18 credit facility of \$100 million and has access to equity capital as a subsidiary of Essential.

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DIRECT TESTIMONY OF WILLIAM C. PACKER

1 **IV. FUNDING**

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

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

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

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

11
12 **V. APA RATE PROVISIONS AND RATE STABILIZATION PLAN**

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

14 A. Under the provisions of Paragraph 7.04(a) of the APA, as of the day of Closing, Aqua will
15 charge the same water base rates as those previously charged by the GWA and Aqua shall
16 apply its then-existing rules, regulations, fees, and charges as reflected in its Tariff, as
17 amended from time to time. Aqua will not be adopting GWA’s Pennsylvania Department
18 of Environmental Protection (“DEP”) Safe Drinking Water Fee.

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

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

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

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Q. Does the Application include a rate stabilization plan?

A. No.

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

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

Q. Are you requesting the implementation of a DSIC for the GWA’s customers at this time?

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

Q. Please explain how the Company will bill the GWA’s customers after Closing.

A. Currently, the GWA bills end use customers on a monthly basis based on water usage. The Company will continue to bill the GWA customers on a monthly basis. A schedule of rates tariff page implementing rates for the GWA customers post-Closing is attached to the Application as Exhibit G.

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

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VI. PUBLIC INTEREST

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

A. I, along with the other witnesses, will discuss several reasons why the Proposed Transaction is in the public interest. The Commonwealth and the PUC have a long-standing record of support for consolidation of water/wastewater systems, because it provides the utility industry with a better chance to realize the benefits of better management practices, economies of scale, and the resulting greater customer/environmental/economic benefits. The Commission has previously stated that “acquisitions of smaller systems by larger more viable systems will likely improve the overall long-term viability of the water and wastewater industry.”⁷ Additionally, these types of acquisitions will also enhance the quality of ratepayers’ daily lives, promote community economic development, and provide environmental enhancements.”⁸ Ultimately, these benefits inure to customers both existing and acquired. The Proposed Transaction with the GWA is no exception to the principles noted by the PUC in its Policy Statement. The benefits are evident by Aqua’s successful acquisition of numerous water and wastewater utilities in their over 135 years of operation.

⁷ See 66 Pa. Code § 69.721(a) (“The Commission believes that further consolidation of water and wastewater systems within this Commonwealth may, with appropriate management, result in greater environmental and economic benefits to customers. The regionalization of water and wastewater systems through mergers and acquisitions will allow the water industry to institute better management practices and achieve greater economies of scale.”)

⁸ *Pennsylvania Public Utility Commission, Final Policy Statement on Acquisitions of Water and Wastewater Systems*, Docket No. M-00051926, Final Order at 18 (Aug. 17, 2006) (“Policy Statement”).

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

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

3 A. Aqua currently provides utility service to approximately 458,000 water customers in the
4 Commonwealth and has years of experience operating water treatment and distribution
5 systems in a safe, reliable and efficient manner. Moreover, Aqua has the managerial,
6 technical, and financial resources to continue to operate, maintain and improve the System.

7 Aqua is essentially the compilation of smaller systems that have been acquired over
8 the last 135 plus years and make the utility what it is today. Aqua has acquired nine water
9 systems over the past 10 years.⁹ Many of these systems require significant investment to
10 correct service and environmental issues. Other systems did not need substantial capital
11 investment. The inherent diversification of systems and customers provides a foundation
12 of stability in the day to day, month to month, and year to year operations of the utility, in
13 that, they are all not requiring major capital investments at the same time. Thus, spreading
14 the financial impacts over the long-term operations of the utility. I would submit that if
15 Aqua were permitted to acquire only non-viable systems, rather than a mix of viable and
16 non-viable, this would have a significant impact on its existing customers’ rates and
17 service. Consolidation of both types of systems, viable and non-viable, is consistent with
18 the Commission’s policy statements regarding acquisitions.

19 The GWA System needs infrastructure investment as outlined in Aqua Statement
20 No. 3, the Direct Testimony of Mr. Steffy. The GWA System also will require operational
21 and safety improvements, as identified in Aqua Statement Nos. 2 and 4 – Direct

⁹ James Black Water Service Company (Belle Aire Acres) (2024); Municipal Authority of the Borough of Shenandoah (2023); Phoenixville (Outside Borough Systems) (2019); Sun Valley Water Company (2018); Superior Water Company, East Cameron Municipal Authority (2016); and Robin Hood Water Company, Bunker Hill Water System, Mt. Jewett Borough (2015).

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DIRECT TESTIMONY OF WILLIAM C. PACKER

1 Testimonies of Mr. Martin and Mr. Nair, respectively. The acquisition of the GWA System
2 will continue to address the Commission’s supported policy of acquiring systems in the
3 Commonwealth.

4

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

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

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DIRECT TESTIMONY OF WILLIAM C. PACKER

1 **Q. Does the Commonwealth Court’s recent reversal of the PUC’s approval of Aqua’s**
2 **acquisition of the East Whiteland wastewater system¹⁰ impact the standard of review**
3 **for the approvals requested in connection with the Proposed Transaction?**

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

9 Thus, in every Section 1329 case, it must be shown that the
10 affirmative public benefits that arise from and are specific to a
11 transaction outweigh the harms of the transaction, such that approval
12 of the transaction will “**affirmatively promote** the service,
13 accommodation, convenience, or safety of the public in **some**
14 **substantial way.**” *City of York*, 295 A.2d at 828 (quotation marks
15 omitted) (emphasis added). And, as stated above, the benefits or
16 potential benefits arising from the aspirational statements of Aqua
17 and its technical, financial, and operational assistance are not
18 substantial enough to outweigh the known harms of this proposed
19 transaction, making this matter distinguishable from *City of York*
20 and *Popowsky*.¹¹

21 While this decision is currently under appeal to the Pennsylvania Supreme Court,
22 in this Application the Company has included an extensive list of affirmative public
23 benefits which far outweigh any potential harms of an estimated future rate impact to
24 customers.

¹⁰ *Cicero v. Pennsylvania Public Utility Commission*, 300 A.3d 1106 (Pa. Commw. Ct. 2023) (cited as “*Cicero*”).

¹¹ *Id.* at 1120 (emphasis in original).

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DIRECT TESTIMONY OF WILLIAM C. PACKER

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

2 A. Yes. There are both financial and operational benefits, as mentioned in the Direct
3 Testimonies of Mr. Strahler, Mr. Urey, Mr. Martin, Mr. Steffy, and Ms. Black. The
4 Company is projecting that there will be less operating and maintenance costs under its
5 ownership. This is expected to be realized through efficiencies in administrative and
6 general costs, such as insurance, auditing and legal, and environmental, among others.
7 Specifically, referencing the GWA’s 2023 Financial Statements, Total Operating and
8 Maintenance Expenses for the System were approximately \$1.475 million, whereas the
9 Company is projecting annual expenses of approximately \$1.405 million, or an
10 approximate 5% reduction.

11 Regarding financial benefits that are specific to the GWA customers, which are by
12 the large majority tax paying residents of the Borough of Greenville, I have included a
13 Public Financial Benefits analysis in **Table 1** below. Specifically, this analysis is a
14 quantification of likely tangible financial proceeds that can, and will, be used for the
15 public’s benefit in Greenville and will offset rate impacts.

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DIRECT TESTIMONY OF WILLIAM C. PACKER

1 **Table 1:**

Greenville Water Authority			
Public Benefits Analysis - Acquired Customers			
	Amount	Source:	
GV Public Benefits Calc	Gross Proceeds	\$18,000,000	- Appendix A - Purchase Price
	Debt Repayment (net of current portion)	(6,106,928)	- GWA F/S 2023
	Cash on hand Available for use @ Closing	972,188	- GWA F/S 2023
	Net Proceeds - for Deposit (Public) =====>	\$12,865,260	
	Interest Income	\$540,341	- Annual @ 4.42% PLGIT Prime Rate
Interest Savings	68,790	- GWA F/S 2023	
O&M Expense Savings Muni-Post Sale	-	- Not yet determined	
Property Tax - Received from Aqua Post Sale	19,381	- Appendix A - TOTI Tab	
Avoided Rate Increases (NPV 10 yr) - If kept GWA	591,447	- NPV Increase per year for 10 years assumed	
A.) Income/Cost Reductions for Public Benefit =>	\$1,219,959		
Rate Impact	Present Revenue	\$2,177,623	- Appendix A
	Revenue Requirement	3,585,623	- Appendix A
	B.) Revenue Deficiency \$ =====>	\$1,408,000	- Appendix A - 100% Cost of Service
Revenue Deficiency %	64.66%		
C.) Net Public Benefit / (Impact) =====>	-\$188,041	- A.) minus B.)	
D.) Portion (%) of Revenue Deficiency offset ==>	86.64%	- A.) divided by B.)	

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3 Table 1 is an itemization of how the proceeds, after the repayment and satisfaction of all

4 obligations, will offset much of the initial revenue deficiency associated with this

5 transaction by approximately 86.64%. Combined with the value of not having to increase

6 their own rates if they kept the System, new property tax revenue, and savings on interest

7 expense, a net impact of approximately \$188,041 is expected to be realized from this

8 transaction. There are systems that Aqua and APW have acquired that still today have net

9 proceeds earning interest income that has been used to offset tax impacts to its residents.

10 One example of this is Limerick Township, which is seen in the notes to their 2023

11 Financial Statements, attached to my Direct Testimony as Appendix B.

12 There is also a public benefit for the GWA customers in that Aqua is subject to the

13 regulatory oversight of the PUC requiring it to provide safe, adequate and reliable service

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

1 at just and reasonable rates. The GWA is not subject to the PUC's jurisdiction and thus,
2 no such regulatory oversight currently exists for the GWA.

3

4 **Q. Will Aqua's existing customers benefit from the Proposed Transaction?**

5 A. Yes. The acquisition of the System will result in an approximate 0.60% increase in Aqua's
6 customer base. The system has a *lower revenue requirement per customer* than the existing
7 customers of Aqua. The overall future cost of providing utility service will decrease on a
8 per customer basis because of the Proposed Transaction and benefit existing Aqua
9 customers through the spreading of costs over a larger customer base.

10

11 **Q. Please explain your calculation of revenue requirement per customer as it pertains to**
12 **evaluating economies of scale.**

13 A. The revenue requirement of a system includes all financial components of the rate making
14 process of developing tariff rates used for customer billing. Revenue requirement is
15 established and set in base rate cases. It includes the return on and return of the cost of
16 utility assets serving customers, as well as all the requisite operating costs of running a
17 utility like operations and maintenance expenses, income taxes, payroll and property taxes.
18 Appendix A to my Direct Testimony quantifies the revenue requirement starting with the
19 existing revenues charged by GWA to its customers at its current rates, that number is
20 \$2,177,623. Appendix A quantifies the revenue requirement deficiency, which is the
21 increased revenues needed to be charged to recover all the costs of the utility and its
22 operations as I previously described, which is \$1,408,000. The sum of the present revenue
23 and the revenue requirement deficiency is the total revenue requirement for the GWA

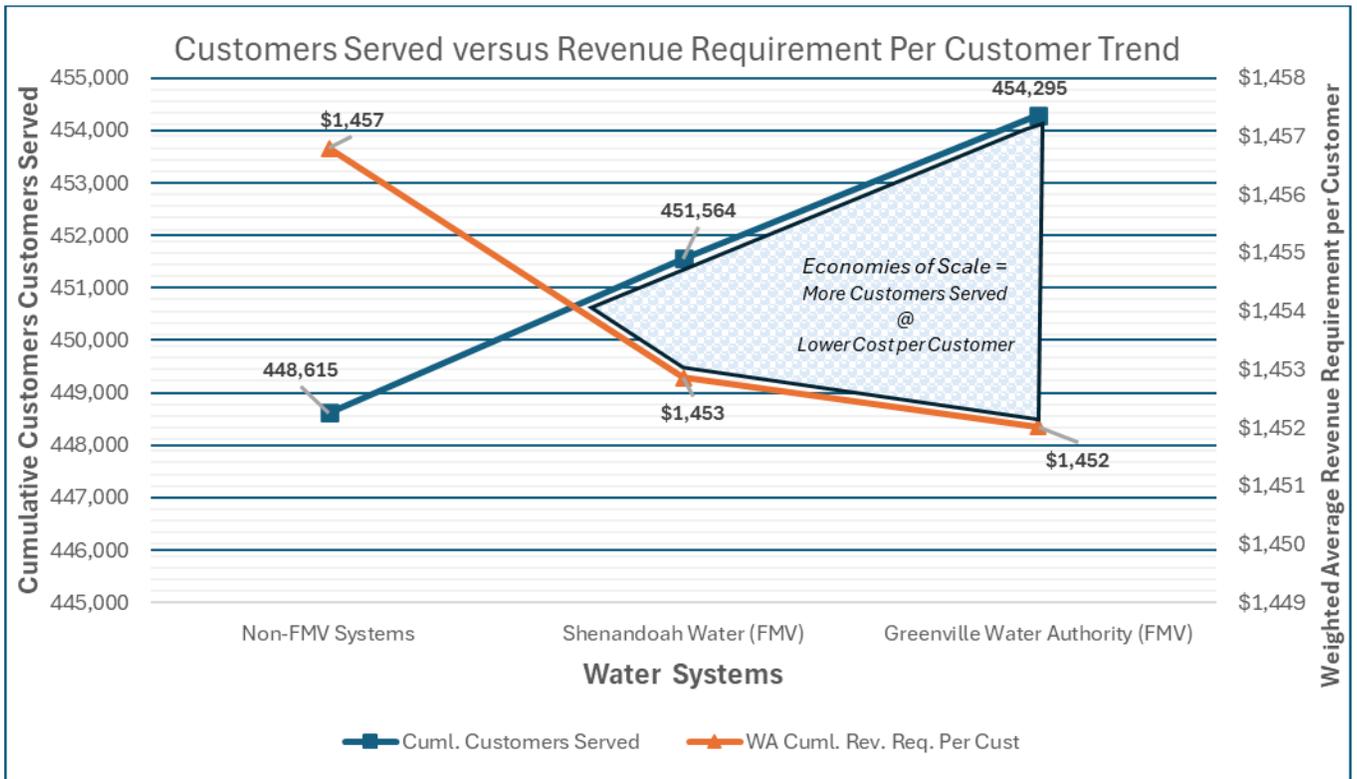
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DIRECT TESTIMONY OF WILLIAM C. PACKER

1 System, which is \$3,585,623. By dividing the GWA System revenue requirement by the
2 number of customers served for GWA of 2,731, the revenue requirement per customer is
3 therefore \$1,313 per customer annually. Said another way, this is the estimated cost today
4 to serve one customer of the GWA System.

5 Next, I look at the existing (non-FMV) water customers served by Aqua to measure
6 their equivalent revenue requirement per customer, as established in its most recent base
7 rate case, Docket Number R-2024-3047822. Those figures are included in Appendix A.
8 Specifically, the water revenue requirement established in R-2024-3047822 was
9 \$653,525,232, not including the recently acquired Shenandoah water system. The
10 estimated number of customers served on December 31, 2025 is 448,613. The resulting
11 revenue requirement therefore is \$1,457 per Aqua customer annually. **Figure 1** below
12 demonstrates the economic impact of the customers served and revenue requirement per
13 customer for the Company's existing systems, including the recently acquired Shenandoah
14 Water system in 2023 and the GWA System which is pending in this Application:

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1 **Figure 1:**



2

3 The above chart demonstrates and quantifies the economies of scale realized by the

4 Company through the provision of water service by Aqua to *more customers* at a *lower*

5 *overall cost per customer*. **Table 2** below shows a different view of the same data in **Figure**

6 **1** above – that the GWA System, including its estimated full regulatory cost of service,

7 operates at a 10% lower cost than the existing Aqua (non-FMV) customers (i.e., (Aqua -

8 \$1,457) less (GWA - \$1,313) = \$144 or 9.88% lower revenue requirement per customer,

9 as follows:

10

11

12

13

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1 **Table 2**

	Actual Aqua PA Water Existing (Non-FMV)	Actual Shenandoah Water System (FMV)	Pending GWA System (FMV)	Combined Water Systems
Rate Base=>	\$4,318,244,093	\$16,013,341	\$18,000,000	\$4,352,257,434
Customers=>	448,615	2,949	2,731	454,295
Rate Base per Customer=>	\$9,626	\$5,430	\$6,591	\$9,580
Revenue Requirement=>	\$653,540,873	\$2,516,628	\$3,585,615	\$659,643,116
Revenue Requirement per Customer Served - Annually=>	\$1,457	\$853	\$1,313	\$1,452
Revenue Requirement per Customer Served - Monthly=>	\$121.40	\$71.12	\$109.41	\$121.00
Revenue Requirement per Customer Served Difference to Existing % =>		-41.42%	-9.88%	-0.33%
Revenue Requirement per Customer Served Difference to Existing \$ =>		-\$603.41	-\$143.87	-\$4.78

2

3 While the above examples are a macroeconomic view of the total cost to serve

4 customers, there are microeconomic examples of the types of economies of scale that Aqua

5 is able to bring to bear for this system, some of which are reflected in estimated lower

6 operating and maintenance costs of \$70,000 under Aqua’s ownership (O&M Costs - GWA

7 = \$1.475M less Aqua = \$1.405M), such as:

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

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1 All of the above facts and circumstances demonstrate that the GWA System is being
2 acquired at a reasonable price, supported by outside expert valuation, and provides benefits
3 to existing utility customers that are indeed substantial. I note again that Aqua has
4 developed into the utility it is today by acquiring and operating smaller and mid-sized
5 systems. This progression has successfully happened over the last several decades and
6 taken the form of both viable and non-viable systems. Over the long term, this process has
7 benefited both current customers, acquired customers, and the Commonwealth.

8
9 **Q. In *McCloskey*, the Commonwealth Court concluded that the Commission must**
10 **address rate impact “in a general fashion” when deciding whether there is substantial**
11 **public benefit. Please address the rate impact of the Proposed Transaction.**

12 A. The current average monthly bill of a GWA residential customer is approximately \$52.65
13 per month. As my calculations in Appendix A illustrate, the average bill would increase
14 to approximately \$86.69 per month or a 64.66% increase, which assumes that one hundred
15 percent of the revenue requirement deficiency is borne by the acquired customers of the
16 GWA. While this quantification is one possible outcome, as the Commission noted in its
17 2019 FSIO “the Section 1329 valuation could have a highly unlikely rate effect of \$0.
18 Equally unlikely is the full allocation of all costs – acquisition and perhaps others – to a
19 rate division consisting of only the customers of the acquired municipal system. The more
20 likely *outcome* is indeterminate; it will be found somewhere between possible extremes.”¹²

¹² 2019 FSIO at 32 (emphasis original).

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

1 **Q. Please restate what the full cost of service rate would be if GWA customers were given**
2 **no allocation to current Aqua water customers.**

3 A. At \$86.69 per month for an average customer bill, the underlying rates for the GWA would
4 cover 100% of the cost of service for the acquisition including the return on and return of
5 rate base and operating costs with zero allocation to other existing Aqua customers.

6
7 **Q. How does this full cost of service rate compare to other Aqua rate zones?**

8 A. The estimated GWA average bill of \$86.69 per month is approximately 4.59% lower than
9 Aqua's largest tariff area, Rate Zone 1, has an average bill of \$90.67. Rate Zone 1 is also
10 Aqua's zone with the lowest average rates and bill, thus the GWA System average bill
11 estimated at full cost of service is lower than all other water rate zones.

12
13 **Q. Do you believe that the benefits that were described in your Direct Testimony and the**
14 **Direct Testimonies of Mr. Strahler, Mr. Urey, Mr. Martin, Mr. Steffy, and Ms. Black**
15 **outweigh the potential estimated rate increase at full cost of service?**

16 A. Yes, the benefits outweigh the potential rate impacts. While looking solely at the
17 percentage increase it appears large, however, the fact is that the current average bill for
18 the GWA customers at their existing rates is low and even if they were to bear the entirety
19 of the cost of service increase (which cannot be determined at this stage) the resulting
20 increase would still be lower than Aqua's Rate Zone 1 rates. Considering the full cost of
21 service in Figure 1 and Table 2, showing a 10% lower revenue requirement per customer
22 served and resultant economies of scale, the substantial improvements that will be made

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

1 by the Company to the GWA System, and lastly the benefits of the proceeds the GWA and
2 its customers will receive, the benefits far outweigh the potential rate impacts.

3 If approved, the combined larger water utility will have greater flexibility to deal
4 with rate impacts of future investments spread over a much larger customer base at a lower
5 incremental cost per customer. Both existing and acquired customers benefit to the extent
6 costs can be shared between systems over longer periods of time such that rate shock and
7 affordability concerns are mitigated.

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

11 A. Yes. While Appendix A shows there could be future increases in rates because of the
12 Proposed Transaction, this is unusual, and the possibility of increased rates in transactions
13 such as this one is noted by the Commonwealth Court in *McCloskey* and, most recently, in
14 *Cicero*. However, the positive factors from the Proposed Transaction outweigh the
15 possibility of increased rates. These types of transactions further a recognized legislative
16 objective and are consistent with the Commission's consolidation/regionalization policy.
17 The Company's Application demonstrates that there will be both tangible and intangible
18 positive factors that are likely realized because of the Proposed Transaction, including
19 operational, security, and capital improvements, as well as expense efficiencies and
20 economies of scale.

21

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

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

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

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

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

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

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

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

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

5
6 **Q. Please describe the conclusions of the two appraisals used to determine the Fair**
7 **Market Value of the GWA’s assets.**

8 A. The two appraisals used the USPAP employing the cost, market, and income approaches
9 to arrive at the Fair Market Value of the System. The GWA sponsored appraisal performed
10 by ScottMadden arrived at a System value of \$20,512,657. The Company sponsored
11 appraisal performed by Gannett arrived at a System value of \$33,246,833. Therefore, the
12 Fair Market Value as defined in Act 12 is the average of these two appraisals which is
13 \$26,879,745.

14
15 **Q. Pursuant to Section 1329 of the Code, what is the resulting rate base determination**
16 **for the System?**

17 A. According to Section 1329, the ratemaking rate base is the lesser of either the purchase
18 price in the APA, which is \$18,000,000, or the Fair Market Value which is \$26,879,745.
19 In this instance, since the purchase price is lower than the fair market value, the ratemaking
20 rate base for the System is \$18,000,000.

21
22 **Q. Have you reviewed the Commission’s 2024 FSIO?**

23 A. Yes.

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

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Q. Did the Commission establish a Reasonableness Review Ratio (“RRR”) to assist in reviewing acquisitions under Section 1329?

A. Yes. The Commission establishes the RRR by using the Enterprise Value (“EV”) divided by Net Property Plant & Equipment (“Net PP&E”). The EV is calculated as Market Capitalization PLUS Debt MINUS Cash. In determining depreciated original cost (“DOC”) the Commission will take the Net PP&E from the balance sheets of investor-owned utilities in a barometer group of investor-owned water utilities. The barometer group is the same group of water utilities used in the Commission’s Quarterly Earnings of Jurisdictional Utilities Report. The Commission then uses the rate base addition divided by the DOC to provide a resulting ratio for the transaction that can be compared to the RRR, which is referred to as the Market Value Ratio (“MVR”). DOC is determined by averaging the DOC of the two UVE appraisals.

Q. Has the Commission issued a report establishing the RRR?

A. Yes. Currently the RRR is 1.63.¹³

¹³ See *Bureau of Technical Utility Services Report on the Reasonable Review Ratio for the Year Ended 12.31.2023 to Approximate Market Value in Section 1329 Proceedings*, Docket No. M-2024-3050303.

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

1 **Q. Applying the RRR to the Aqua-GWA Proposed Transaction, does the Proposed**
2 **Transaction come in under the RRR established by the Commission?**

3 A. Yes. The purchase price of the GWA System is well within the RRR established by the
4 Commission. The MVR establishes a comparative ratio of 1.06 to the current RRR of 1.63.
5 Please see Table 3 below for this calculation.

6 **Table 3**

RRR	1.63
------------	------

Gannett	
Original Cost	\$ 26,980,448
Depreciation	\$ 6,832,182
DOC	\$ 20,148,266

ScottMadden	
Original Cost	\$ 24,179,112
Depreciation	\$ 10,349,835
DOC	\$ 13,829,277

Average DOC	\$ 16,988,772
--------------------	---------------

Rate Base Addition	\$ 18,000,000
---------------------------	---------------

MVR (RB / Avg. DOC)	1.06
----------------------------	-------------

7
8 **Q. Please comment on the Commission's checklist item 14.c. as set forth in the**
9 **Commission's 2024 FSIO.**

10 A. Aqua and GWA entered into the APA in September 2023, which is 10 months before the
11 entry of the Commission's 2024 FSIO. Aqua understands that at least two public meetings
12 were held by GWA prior to signing the APA (see Application Exhibit II). As such,
13 response to public input was not required at the time of these public meetings.

14

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

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

2 A. The UVE fees for the Company's appraisal received as of the date of the Application
3 totaled \$29,830. The Company's UVE fees will be included in the transaction and closing
4 costs of this Proposed Transaction. Based on the scope of work, the methods used as
5 accepted industry practice, and that the UVEs' fees were less than 5% of the fair market
6 value benchmark noted in the Final Implementation Order and FSIO, I believe the fees are
7 reasonable. Per the Final Implementation Order, FSIO, and Checklist, the contract
8 engaging the Company's UVE, Gannett, along with Gannett's invoices are included as
9 Exhibit S1. The contract engaging the GWA's UVE, ScottMadden, along with
10 ScottMadden's invoices are included as Exhibit S2.

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

13 A. The Company anticipates that the transaction and closing costs will be approximately
14 \$359,019 including the Company's UVE fees. The exact closing costs will be determined
15 at Closing.

16
17 **VIII. SECTION 507**

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

20 A. Yes. Aqua is asking for the Commission to approve the APA between the GWA and Aqua.
21 Aqua is also requesting the Commission to approve the assignment of existing, or new,
22 agreements regarding railroad crossings currently held by GWA.

23

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

1 **IX. CONCLUSION**

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

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

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

1.)	Greenville Water		2026	
			Year 1	Notes
	Revenue	\$	2,177,623	
	O&M		1,405,465	
	Depreciation		430,985	***2.37% Composite Depreciation Rate
	Taxes Other		73,185	
	Income Taxes	\$	(21,614)	*****21% Federal & 7.49% State
	Operating Income	\$	289,602	
	Rate Base at Fair Market Value	\$	18,000,000	
	Capital Investments (Year 1)	\$	185,000	
	Rate Base (Including Capital Investments less depreciation year 1)	\$	17,754,016	
	Interest Expense ^		348,286	
	^ Includes Interest Expense synchronized with rate base			
	Required Operating Income (Rate Base x Rate of Return)	\$	1,306,115	
	Operating Income Deficiency	\$	1,016,513	
	Gross Revenue Conversion Factor		1.384670	
	Revenue Deficiency (Excess) \$	\$	1,408,000	
	Revenue Deficiency (Excess) %		64.66%	
	Increase applied to Acquired (Authority) customers 80% Cost of Service	\$	690,875	
	Increase %		31.73%	
	Increase applied to Acquired (Authority) customers 100%	\$	1,408,000	
	Increase %		64.66%	
	Increase applied to Acquired (Authority) customers 50%	\$	704,000	
	Increase %		32.33%	
	Increase applied to Existing (Company Wastewater) customers 50%	\$	-	
	Increase %		0.00%	
	Increase applied to Existing (Company Water) customers 20% - Cost of Service	\$	717,125	
	Increase %		0.11%	
	Increase applied to Existing (Company Water) customers 100%	\$	1,408,000	
	Increase %		0.21%	

	Avg. Usage / Kgal	Estimated Monthly Increase	Estimated Percentage Increase
Residential - 80% Cost of Service	3.05	\$16.70	31.73%
Commercial - 80% Cost of Service	12.41	\$50.33	31.73%
Industrial - 80% Cost of Service	244.58	\$746.67	31.73%
Public - 80% Cost of Service	16.14	\$80.11	31.73%
Private Fire - 80% Cost of Service	0.00	\$26.41	31.73%
Residential - 100% Revenue Deficiency	3.05	\$34.04	64.66%
Commercial - 100% Revenue Deficiency	12.41	\$102.56	64.66%
Industrial - 100% Revenue Deficiency	244.58	\$1,521.71	64.66%
Public - 100% Revenue Deficiency	16.14	\$163.27	64.66%
Private Fire - 80% Revenue Deficiency	0.00	\$53.83	64.66%
Residential - 50% Revenue Deficiency	3.05	\$17.02	32.33%
Commercial - 50% Revenue Deficiency	12.41	\$51.28	32.33%
Industrial - 50% Revenue Deficiency	244.58	\$760.85	32.33%
Public - 50% Revenue Deficiency	16.14	\$81.63	32.33%
Private Fire - 50% Revenue Deficiency	0.00	\$26.92	32.33%
Impact Existing Customers (Company Wastewater) - Residential - 50%	3.87	\$0.00	0.00%
Impact Existing Customers (Company Wastewater) - Commercial - 50%	5.21	\$0.00	0.00%
Impact Existing Customers (Company Wastewater) - Industrial - 50%	0.00	\$0.00	0.00%
Impact Existing Customers (Company Wastewater) - Public - 50%	5.21	\$0.00	0.00%
Impact Existing Customers (Company Water) - Residential - 20% Cost of Service	3.87	\$0.10	0.11%
Impact Existing Customers (Company Water) - Commercial - 20% Cost of Service	37.13	\$0.64	0.11%
Impact Existing Customers (Company Water) - Industrial - 20% Cost of Service	234.64	\$3.21	0.11%
Impact Existing Customers (Company Water) - Public - 20% Cost of Service	37.13	\$0.64	0.11%
Impact Existing Customers (Company Water) - Residential - 100%	3.87	\$0.19	0.21%
Impact Existing Customers (Company Water) - Commercial - 100%	37.13	\$1.25	0.21%
Impact Existing Customers (Company Water) - Industrial - 100%	234.64	\$6.30	0.21%
Impact Existing Customers (Company Water) - Public - 100%	37.13	\$1.25	0.21%

2.)	Rate of Return		Ratio	Cost Rate	WACC
	Debt		46.05%	4.26%	1.96%
	Equity		53.95%	10.00%	5.40%
			100.00%		7.36%

3.)	Gross Revenue Conversion Factor		2025
	Dollar of Revenue		1.0000
	Less: Gross Receipts (Revenue) Tax		0.00%
	Less: Reg Assessments		0.67%
	Less: Bad Debts		0.51%
	State Taxable Income		0.9881844
	State Income Tax		7.49%
			7.40%
	Federal Taxable Income		0.9141694
	Federal Tax Rate		21.00%
	Federal Income Tax		0.19
	Net Revenue Dollar		0.72
	Gross Revenue Conversion Factor		1.38
	EFT		26.92%

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

<i>Address Type</i>	<i>Service</i>	<i>Billed Dollars</i>	<i>Monthly Meter Size Charge ^</i>	<i>Avg. Rate per Kgal*</i>	<i>Customers</i>	<i>EDUs</i>	<i>Total Usage</i>	<i>Average Usage</i>	<i>Average Monthly Bill</i>	<i>Average Quarterly Bill</i>
Residential	Water	\$1,516,269	\$23.02	\$9.72	2,400		87,793,000			
Domestic/Residential Total		\$1,516,269			2,400	0	87,793,000	3,048	\$ 52.65	\$ 157.94
Commercial	Water	\$470,168	\$42.71	\$9.34	247		36,796,000			
Commercial Total		\$470,168			247	0	36,796,000	12,414	\$ 158.63	\$ 475.88
Industrial	Water	\$84,725	\$397.20	\$8.00	3		8,805,000			
Industrial Total		\$84,725			3	0	8,805,000	244,583	\$ 2,353.48	\$ 7,060.45
Public	Water	\$51,513	\$89.29	\$10.11	17		3,293,300			
Public Total		\$51,513			17	0	3,293,300	16,144	\$ 252.51	\$ 757.54
Private Fire	Water	\$54,948	N/A	N/A	55					
Bulk Total		\$54,948			55	0	0	0	\$ 83.25	\$ 249.76
Other/Inactive	Water	\$0	N/A	N/A	9		8,398,000			
Bulk Total		\$0			9	0	8,398,000			
Total Service Revenue		\$2,177,623			2,731	0	145,085,300			

Aqua Pennsylvania, Inc. - Water
Calculation of Greenville Water - Operating and Maintenance Expenses

	2026
	<u>Year 1</u>
<u>OPERATING AND MAINTENANCE EXPENSES:</u>	
O&M Labor Exp Reg	\$ 489,753
O&M Labor Exp OT	11,268
O&M Employee Benefits	293,852
O&M Sludge Removal	7,700
O&M Purchased Power	73,592
O&M Chemicals	143,579
O&M Mgmt Fees	107,325
O&M OS Lab Testing	14,000
O&M OS Operations	50,000
O&M OS Maintenance	149,696
O&M Leases	1,000
O&M Supplies	50,000
O&M Transportation	13,700
Total O&M Expenses =>	<u><u>\$ 1,405,465</u></u>

Aqua Pennsylvania, Inc. - Water
Calculation of Greenville Water - Taxes Other Than Income

<u>TAXES OTHER THAN INCOME (PRE-RATE CASE)</u>	<u>Rate</u>	<u>Year 1</u>
Payroll Taxes (FICA, FUTA, SUTA)	8.000%	\$ 39,180
Property Taxes / (Purta)	0.890%	\$ 19,381
Regulatory Assessments	0.672%	\$ 14,624
Total		<u>\$ 73,185</u>

Assessment Rates

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

Docket No. R-2024-3047822
Exhibit 1-A through 1-B

Schedule A-2
Witness: William C. Packer

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

LINE NO.	CUSTOMER CLASS	SERVED AT 12/31/2022	SERVED AT 12/31/2023	TO BE SERVED AT 12/31/2024	TO BE SERVED AT 12/31/2025	INCREASED BILLS	DECREASED BILLS	UNCHANGED BILLS
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Metered:							
2	Residential	406,878	411,539	413,173	414,807	414,523	-	284
3	Commercial	23,102	23,579	23,749	23,919	23,891	-	28
4	Industrial	722	724	724	724	720	-	4
5	Public	1,212	1,227	1,227	1,227	1,222	-	5
6	Bulk Water	-	-	-	-	-	-	-
7	Private Fire Protection	5,729	5,770	5,770	5,770	5,770	-	-
8	Sales to Water Utilities	21	22	22	22	22	-	-
9	Total Metered Customers	437,664	442,861	444,665	446,469	446,148	-	111
10	Other:							
11	Unmetered	875	1,030	1,030	1,030	1,010	-	20
12	Availability Charge	-	-	-	-	-	-	-
13	Public Fire Protection	265	267	267	267	267	-	-
14	Private Fire Protection	838	849	849	849	849	-	-
15	Total Customers	439,642	445,007	446,811	448,615	448,274	-	341
ADD Greenville					2,401			
	Res Com				251			
	Ind				3			
	Public				21			
	Private Fire				55			
Total Existing Water Customers					451,346			

Docket No. R-2024-3047824

Schedule A-2
Witness: William C. Packer

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

LINE NO.	CUSTOMER CLASS	SERVED AT 12/31/2022	SERVED AT 12/31/2023	TO BE SERVED AT 12/31/2024	TO BE SERVED AT 12/31/2025	INCREASED BILLS	DECREASED BILLS	UNCHANGED BILLS
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Residential	53,124	53,586	54,025	54,464	54,464	-	-
2	Commercial	3,124	3,137	3,137	3,137	3,137	-	-
3	Industrial	77	77	77	77	77	-	-
4	Public	70	68	68	68	68	-	-
5	Miscellaneous	-	-	-	-	-	-	-
6	Availability Charge	-	-	-	-	-	-	-
7	Total Customers	56,395	56,868	57,307	57,746	57,746	-	-
Total Existing WW Customers					57,746			

Wastewater Revenues at Tariff Rates=> Proof of Revenue & Exhibit 1-C through 1-E APWW Rate Case => \$ 87,675,177

Total Existing Wastewater Revenues R-2024-3047824 =====> **\$ 87,675,177**

Water Revenues at Tariff Rates=> Proof of Revenue & Exhibit 1-A through 1-B APW Rate Case =>

Residential \$ 656,041,861
Commercial \$ 426,427,210
Industrial Revenues \$ 164,010,465
Other Revenues \$ 26,241,674
Subtotal Existing Water Revenues - R-2024-3027385 =====> **\$ 656,041,861**

Total Existing Revenues **\$ 743,717,038**

Docket No. R-2021-3027385

AQUA PENNSYLVANIA, INC.

1-A WATER AND 1-B WASTEWATER REVENUE REQUIREMENT - SUMMARY

	Total Company	Water Operations	Water Shenandoah	Wastewater Base	Wastewater Lower Makefield	Wastewater East Whiteland*
Present Rate Revenue	670,717,038	\$ 595,813,556	\$ 1,828,305	\$ 57,936,265	\$ 11,613,830	\$ 3,525,082
Additional Revenue Requirement	73,000,000	45,902,115	2,097,865	20,221,314	4,778,705	
Cost of Service Allocation	-	1,409,542	(1,409,542)			
Act 11 Allocation (1)	-	10,400,019		(9,473,186)	(926,834)	
Proposed Revenues	<u>\$ 743,717,038</u>	<u>\$ 653,525,232</u>	<u>\$ 2,516,629</u>	<u>\$ 68,684,394</u>	<u>\$ 15,465,701</u>	<u>\$ 3,525,082</u>
Rate Increase/(Decrease) - \$	\$ 73,000,000	\$ 57,711,676	\$ 688,324	\$ 10,748,129	\$ 3,851,871	\$ -
Rate Increase/(Decrease) - %	10.88%	9.69%	37.65%	18.55%	33.17%	0.00%

Notes:

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

Aqua Pennsylvania, Inc.
Residential Average Monthly Bill Comparison - Wastewater
Docket Nos. R-2024-3047822 and R-2024-3047824

Current Rate Zone / Division	Current	New	Avg. Consumption	Present Rates	Proposed Rates	\$ Change	% Change	Metered	Metered & Unmetered
	Rate Zone	Rate Zone						Number of Bills	Number of Bills
RZ 1 - Bridlewood, Eagle Rock, Media	1	1	3,870	\$ 96.42	\$ 101.34	\$ 4.92	5.10%	28,768	28,796
RZ 7 - Limerick	7	1	3,870	\$ 78.39	\$ 101.34	\$ 22.95	29.28%	58,212	63,909
RZ 9 - Cheltenham	9	1	3,870	\$ 61.68	\$ 101.34	\$ 39.66	64.30%	119,214	119,214
RZ 10 - East Norriton	10	1	3,870	\$ 66.35	\$ 101.34	\$ 34.99	52.74%	53,168	55,524
RZ 12 - Lower Makefield	12	1	3,870	\$ 70.51	\$ 101.34	\$ 30.83	43.72%	131,928	133,611
RZ 14 - North Heidelberg	14	1	3,870	\$ 65.48	\$ 101.34	\$ 35.86	54.76%	3,240	3,252
RZ 1A - Treasure Lake, Villiage at VF, Bunker Hill	1A	1A	3,870	\$ 95.19	\$ 101.34	\$ 6.15	6.46%	25,945	27,103
RZ 2 - Emlenton, Rivercrest, White Haven (Kidder)	2	2	3,870	\$ 106.04	\$ 106.73	\$ 0.69	0.65%	13,250	20,920
RZ 8 - East Bradford	8	2	3,870	\$ 104.41	\$ 106.73	\$ 2.32	2.22%	14,877	15,153
RZ 11 - New Garden	11	2	3,870	\$ 137.29	\$ 106.73	\$ (30.56)	-22.26%	24,659	24,659
RZ 3 - Beech Mountain Lakes, Deerfield Knoll, Laurel Lakes, Links at Gettysburg, Stony Creek, Thornhurst, and Willistown Woods	3	3	3,870	\$ 115.36	\$ 116.30	\$ 0.94	0.81%	27,917	27,917
RZ 3 - Links of Gettysburg, Thornhurst Div, Laurel Lakes, Woodloch Springs Unmetered	3	3	Unmetered	\$ 115.36	\$ 116.30	\$ 0.94	0.81%	11,729	11,729
RZ 4 - Honeycroft Village, Lake Harmony, New Daleville, Peddlers View, Tobyhanna Township, Twin Hills	4	4	3,870	\$ 137.01	\$ 137.06	\$ 0.05	0.04%	6,513	6,513
RZ 4 - Honeycroft Village, Lake Harmony, New Daleville, Peddlers View, Tobyhanna Township, Twin Hills Unmetered	4	4	Unmetered	\$ 137.01	\$ 137.06	\$ 0.05	0.04%	24,984	24,984
RZ 5 - East Bradford (Bradburyville), Little Washington, Greens at Penn Oaks, Sage Hill and Plumsock, Newlin Green, Sage Hill	5	5	3,870	\$ 150.62	\$ 150.02	\$ (0.60)	-0.40%	7,015	7,279
RZ 6 - Masthope	6	6	3,870	\$ 71.17	\$ 73.16	\$ 1.99	2.80%	16,719	16,755
*RZ 13 - East Whiteland	13	7	Unmetered	\$ 33.33	\$ 99.48	\$ 66.15	198.47%	40,195	40,195

Weighted Average Residential Bill (Metered & Unmetered) => \$ 104.29 * @ 3,870 Average Consumption

Where applicable, present rates includes DSIC at 1.34%.

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

* The Company's authority to increase rates in East Whiteland is being fully litigated as part of the Company's pending rate case. The rates shown for East Whiteland reflect the average bill for an East Whiteland customer if the Company is allowed to increase rates.

Aqua Pennsylvania, Inc.
Commercial Average Monthly Bill Comparison - Wastewater
Docket Nos. R-2024-3047822 and R-2024-3047824

Current Rate Zone / Division	Current Rate Zone	New Rate Zone	Avg. Consumption	Present Rates	Proposed Rates	\$ Change	% Change	Metered	Metered & Unmetered
								Number of Bills	Number of Bills
RZ 1 - Bridlewood, Eagle Rock, Media	1	1	22,700	\$ 315.02	\$ 332.43	\$ 17.41	5.53%	5,212	5,296
RZ 7 - Limerick	7	1	5,700	\$ 93.59	\$ 120.48	\$ 26.89	28.73%	28,471	28,864
RZ 9 - Cheltenham	9	1	3,300	\$ 56.42	\$ 90.55	\$ 34.13	60.49%	83,403	83,403
RZ 10 - East Norriton	10	1	38,500	\$ 331.54	\$ 529.43	\$ 197.89	59.69%	3,998	4,324
RZ 12 - Lower Makefield	12	1	5,400	\$ 77.57	\$ 116.74	\$ 39.17	50.50%	10,712	10,712
RZ 14 - North Heidelberg	14	1	54,100	\$ 482.47	\$ 723.93	\$ 241.46	50.05%	12	12
RZ 1A - Treasure Lake, Villiage at VF, Bunker Hill	1A	1A	160,600	\$ 1,937.21	\$ 2,051.77	\$ 114.56	5.91%	772	820
RZ 2 - Emlenton, Rivercrest, White Haven (Kidder)	2	2	9,800	\$ 178.47	\$ 178.12	\$ (0.35)	-0.20%	2,303	4,830
RZ 8 - East Bradford	8	2	88,700	\$ 1,077.20	\$ 1,161.84	\$ 84.64	7.86%	406	406
RZ 11 - New Garden	11	2	3,500	\$ 126.87	\$ 99.57	\$ (27.30)	-21.52%	5,187	5,187
RZ 3 - Beech Mountain Lakes, Deerfield Run, Laurel Lakes, Links at Gettysburg, Stony Creek, Thornhurst, and Willistown Woods	3	3	3,400	\$ 107.59	\$ 107.59	\$ -	0.00%	1,452	3,472
RZ 4 - Honeycroft Village, Lake Harmony, New Daleville, Peddlers View, Tobyhanna Township, Twin Hills Unmetered	4	4	Unmetered	\$ 132.76	\$ 144.17	\$ 11.41	8.59%	1,385	7,486
RZ 5 - East Bradford (Brandywine), Little Washington, Greens at Penn Oaks, Sage Hill and Plumsock	5	5	25,200	\$ 420.53	\$ 414.97	\$ (5.56)	-1.32%	42	42
RZ 5 - Avon Grove School District	5	5	Flat	\$ 10,925.36	\$ 11,670.73	\$ 745.37	6.82%	12	12
RZ 6 - Masthope	6	6	12,700	\$ 94.16	\$ 99.05	\$ 4.89	5.19%	100	112
*RZ 13 - East Whiteland (High Users)	13	7	168,600	\$ 1,045.32	\$ 3,040.37	\$ 1,995.05	190.86%	120	120
*RZ 13 - East Whiteland	13	7	Unmetered	\$ 33.33	\$ 99.48	\$ 66.15	198.47%	46,768	46,768

Weighted Average COMMERCIAL Bill (Metered & Unmetered) =>	\$ 131.32
Weighted Average COMMERCIAL Consumption (Metered) =>	5,214.61

Where applicable, present rates includes DSIC at 1.34%.

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

* The Company's authority to increase rates in East Whiteland is being fully litigated as part of the Company's pending rate case. The rates shown for East Whiteland reflect the average bill for an East Whiteland customer if the Company is allowed to increase rates.

Aqua Pennsylvania, Inc.
Industrial Average Monthly Bill Comparison - Wastewater
Docket Nos. R-2024-3047822 and R-2024-3047824

<u>Current Rate Zone / Division</u>	<u>Current Rate Zone</u>	<u>New Rate Zone</u>	<u>Avg. Consumption</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Metered Number of Bills</u>	<u>Metered & Unmetered Number of Bills</u>
RZ 1 - Media	1	1	4,700	\$ 103.27	\$ 108.01	\$ 4.74	4.59%	12	12
RZ 9 - Cheltenham	9	1	3,000	\$ 54.23	\$ 86.81	\$ 32.59	60.09%	107	107
*RZ 13 - East Whiteland (High Users)	13	1	168,600	\$ 1,045.32	\$ 3,040.37	\$ 1,995.05	190.86%	36	36
*RZ 13 - East Whiteland (Unmetered)	13	1	Unmetered	\$ 33.33	\$ 99.48	\$ 66.15	198.47%	10888	10888

Weighted Average INDUSTRIAL Bill (Meterd & Unmetered) => \$ 108.95

Where applicable, present rates includes DSIC at 1.34%.

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

* The Company's authority to increase rates in East Whiteland is being fully litigated as part of the Company's pending rate case. The rates shown for East Whiteland reflect the average bill for an East Whiteland customer if the Company is allowed to increase rates.

Aqua Pennsylvania, Inc.
Residential Average Monthly Bill Comparison - Water
Docket Nos. R-2024-3047822 and R-2024-3047824

<u>Current Rate Zone / Division</u>	<u>Current Rate Zone</u>	<u>New Rate Zone</u>	<u>Meter Size</u>	<u>Avg. Consumption</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Number of Bills</u>	<u>Consumption</u>	<u>Average Gallons</u>
Rate Zone 1 - Main Division	1	1	5/8"	3,870	\$ 80.91	\$ 90.86	\$ 9.95	12.30%	4,529,358	179,052,635	3,953
Beech Mountain	1*	1*	5/8"	3,870	\$ 47.52	\$ 62.57	\$ 15.05	31.67%			
Bristol Township	1*	1*	5/8"	3,870	\$ 57.54	\$ 78.34	\$ 20.80	36.15%			
Belle Aire	Belle Aire	1*	5/8"	3,870	\$ 50.00	\$ 70.65	\$ 20.65	41.30%			
Shenandoah	Shenandoah	1*	5/8"	3,870	\$ 56.14	\$ 74.87	\$ 18.73	33.36%	31,932	950,808	2,978
Rate Zone 2	2	2	5/8"	3,870	\$ 80.91	\$ 90.86	\$ 9.95	12.30%	110,357	4,182,060	3,790
Concord Park	2	2*	5/8"	3,870	\$ 65.80	\$ 85.27	\$ 19.47	29.59%			
Treasure Lake	2	2*	5/8"	3,870	\$ 60.15	\$ 82.44	\$ 22.29	37.06%			
Rate Zone 3	3	3	5/8"	3,870	\$ 83.42	\$ 90.86	\$ 7.44	8.92%	66,921	1,229,730	1,838
Bunker Hill	Bunker Hill	Bunker Hill	5/8"	3,870	\$ 40.26	\$ 56.36	\$ 16.10	39.99%	833	32,438	3,894
Sun Valley	Sun Valley	Sun Valley	5/8"	3,870	\$ 40.02	\$ 56.84	\$ 16.82	42.03%	750	23,684	3,158
Phoenixville	Phoenixville	Phoenixville	5/8"	3,870	\$ 23.66	\$ 33.12	\$ 9.46	39.98%	5,431	195,927	3,608

Weighted Average RESIDENTIAL Bill @ 3,870 Avg. Gallons => \$ 90.67

Based on 5/8" meter and an average consumption of 3,870 per month.

Where applicable, present rates includes DSIC at 7.16%.

*Consumption Charge Exceptions

Aqua Pennsylvania, Inc.
Commercial Average Monthly Bill Comparison - Water
Docket Nos. R-2024-3047822 and R-2024-3047824

<u>Current Rate Zone / Division</u>	<u>Current Rate Zone</u>	<u>New Rate Zone</u>	<u>Meter Size</u>	<u>Avg. Consumption</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Number of Bills</u>
Rate Zone 1 - Main Division	1	1	5/8"	37,900	\$ 530.03	\$ 594.02	\$ 63.99	12.07%	266,082
Country Club and Sand Springs	1*	1*	5/8"	36,200	\$ 565.72	\$ 654.05	\$ 88.33	15.61%	
Beech Mountain	1*	1*	5/8"	39,800	\$ 284.62	\$ 415.76	\$ 131.14	46.08%	
Bristol Township	1*	1*	5/8"	15,500	\$ 254.80	\$ 284.35	\$ 29.55	11.60%	
Shenandoah	Shenandoah	1*	5/8"	9,100	\$ 93.18	\$ 127.18	\$ 34.00	36.49%	2,388
Concord Park	2*	2*	4"	331,900	\$ 4,332.32	\$ 5,977.05	\$ 1,644.73	37.96%	
Treasure Lake	2*	2*	5/8"	46,200	\$ 477.65	\$ 739.10	\$ 261.45	54.74%	
Rate Zone 2	2	2	5/8"	7,400	\$ 133.13	\$ 147.46	\$ 14.33	10.76%	3,304
Oakland Beach, CS water (Masthope), Eagle Rock	3	3	5/8"	13,900	\$ 223.65	\$ 249.31	\$ 25.66	11.47%	1,115
Phoenixville	Phoenixville	Phoenixville	5/8"	19,700	\$ 115.71	\$ 153.60	\$ 37.89	32.75%	848

WA Consumption =>	37,126	WA Bill => \$	581.79
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Where applicable, present rates includes DSIC at 7.16%.

*Consumption Charge Exceptions

Aqua Pennsylvania, Inc.
Industrial Average Monthly Bill Comparison - Water
Docket Nos. R-2024-3047822 and R-2024-3047824

<u>Current Rate Zone / Division</u>	<u>Current Rate Zone</u>	<u>New Rate Zone</u>	<u>Meter Size</u>	<u>Avg. Consumption</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Number of Bills</u>
Rate Zone 1	1	1	5/8"	227,600	\$ 2,606.96	\$ 2,930.75	\$ 323.79	12.42%	8,373
Shenandoah	Shenandoah	1*	4"	1,584,200	\$ 4,644.60	\$ 7,668.61	\$ 3,024.01	65.11%	60
Rate Zone 2	2	1	2"	42,600	\$ 735.25	\$ 808.62	\$ 73.37	9.98%	60
Rate Zone 3	3	3	5/8"	51,300	\$ 676.75	\$ 759.08	\$ 82.33	12.17%	12
Phoenixville	Phoenixville	Phoenixville	5/8"	4,200	\$ 25.23	\$ 35.32	\$ 10.09	39.99%	36

WA Consumption =>	234,641	WA Bill => \$	2,933.87
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Where applicable, present rates includes DSIC at 7.16%.

*Consumption Charge Exceptions

LIMERICK TOWNSHIP

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY
INFORMATION**

Year Ended December 31, 2023

**LIMERICK TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2023**

Discussion also took place on the expected return to full staffing in several departments which have been understaffed due to attrition and related personnel departures. As stated previously in this report, discussion has been ongoing for several years on the need for higher level support for both the fire and EMS services within the Township. The additional funding that was identified to provide stability to both services was analyzed repeatedly against other funding requests to limit the burden on existing taxpayers.

Based on these guidelines, the following items are highlights of the issues incorporated into the Preliminary Budget presented to the Board for approval at their November 21st meeting.

Taxes

The projected assessed value of the Township is anticipated to realize General Fund real estate tax receipts of \$3,307,000 which is a slight \$10,000 increase from the final 2023 Budget amendment. Act 511 revenues are projected to decrease by \$436,000 to \$6,790,000. The reduction is mostly due to the continued decline of Real Estate Transfer Taxes from the high mark of 2022 when \$1,405,900 was received. Only \$500,000 is projected for 2024 based on the ongoing impacts of inflation and high interest rates.

To support the volunteer fire department, an increase of Real Estate Fire Taxes was approved from .421 mills to .721 mills. This is projected to generate an additional \$454,000 for fire department operations. To better account for the ongoing costs of fire hydrants, a separate Hydrant Fund was established, and the \$160,000 of fire tax revenue used to maintain all township hydrants, which equates to .10 mills, will now be shifted into this new fund.

Interest Income

General Fund interest earnings are projected to be \$430,200 which is a \$161,000 decrease from 2023. This conservation projection is based on economic reports that the Federal Reserve will begin to lower interest rates in 2024 if signs of a recession come to fruition. The General Fund Balance is estimated to be \$7,658,155 at the end of 2024.

Capital Reserve Funds interest earnings on the PFM Investments are budgeted at \$1,550,000, which could fluctuate based on what transpires with interest rates. The Capital Reserve Fund holds the net proceeds from the 2018 sale of the sewer system and the business strategy of utilizing the investment earnings of these funds, to offset the need for additional taxes, continues to provide benefits. The planned transfer of \$1,200,000 of interest earnings into the General Fund represents 26% of the Real Estate tax burden required to balance this fund. As School District and County property taxes continue to rise due to inflation, the Township can turn to these investment earnings, as another source of revenue, to offset rising costs instead of enacting additional taxes. If the sale of the sewer system did not occur, it is safe to assume that Limerick Township real estate taxes would be at a minimum, 30% higher. This does not include costs the Township would be incurring for Township debt, which was eliminated with the sale proceeds, or financing costs which for the new municipal and fire company buildings, and capital projects completed to date with the sewer monies.

General Fund Deficit and Capital Reserve Transfer

Discussion ensued on the use of General Fund Reserves to bridge an operating deficit. For 2024, the deficit is projected to be \$753,831. This is after a transfer of \$1.2 million from the Capital Reserves Fund which, per the approved 2018 Investment Strategy, is interest funding available to offset the need for additional General Fund taxes. The Board was reminded that this transfer of \$1.2 million, along with the projected deficit, represents an operational funding shortfall above recurrent revenue stream. The Township's ability to offset 61% of this \$1,953,831 shortfall with interest earnings, as opposed to increased taxes, is another example of the benefits of the business strategy behind the sale of the sewer system. The Board was also reminded that when the sale took place in 2018, projections showed that