

1 **YORK WATER STATEMENT NO. 3**

2  
3 **BEFORE THE**  
4 **PENNSYLVANIA PUBLIC UTILITY COMMISSION**

5  
6 **THE YORK WATER COMPANY**

7  
8 **DIRECT TESTIMONY OF MATTHEW E. POFF**  
9

10 Q. State your name and business address.

11 A. Matthew E. Poff. My business address is: 130 East Market Street, York, Pennsylvania.

12  
13 Q. By whom are you employed?

14 A. I am employed by The York Water Company (“York Water” or the “Company”).

15  
16 Q. State your present position with the Company and explain your duties and  
17 responsibilities.

18 A. I am Chief Financial Officer and Treasurer for the Company. My duties and  
19 responsibilities include managing the day to day financial transactions of the Company.

20  
21 Q. How long have you been employed by the Company?

22 A. I have been employed by the Company since June 15, 2009.

23  
24 Q. What is your educational background?

1 A. I have a Bachelor's Degree from the Pennsylvania State University, University Park,  
2 Pennsylvania and a Master's Degree in Business Administration from York College of  
3 Pennsylvania, York, Pennsylvania.

4  
5 Q. Are you a certified public accountant?

6 A. Yes, I am a certified public accountant licensed by the Commonwealth of Pennsylvania.

7  
8 Q. What has been your other business experience?

9 A. From September 2006 through June 2009, I was employed by I. B. Abel, Inc. in York,  
10 Pennsylvania as the Chief Financial Officer. In this capacity, I managed the day-to-day  
11 accounting and financial transactions of the Company.

12  
13 From July 1995 through September 2006, I was employed by Beard Miller Company  
14 LLP (now Baker Tilly US, LLP) as a certified public accountant. In this capacity, I  
15 oversaw the audits and reviews and preparation of financial statements and tax returns for  
16 various business entities, both private and public companies of various sizes.

17  
18 Q. Have you previously testified before a regulatory commission?

19 A. Yes, I have presented testimony to the Pennsylvania Public Utility Commission  
20 ("Commission") in the Company's last three rate cases.

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22 Q. Will you list the water operations exhibits you are sponsoring in this proceeding?

23 A. I am sponsoring the following water operations exhibits prepared by me or under my  
24 direction and supervision:

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Exhibit Nos. H (b)-2, H (c)-5, H (c)-6, HI-1, HI-2, HI-3, HI-4, and HI-5 relating to the statement of operations for the water division;

Exhibit Nos. H (a)-2, H (a)-3, H (a)-4, H (a)-5, H (b)-3, H (b)-4, H (b)-5, H (b)-6, HII-1, HII-2, HII-2-1, HII-2-2, HII-2-3, HII-2-4, HII-2-5, HII-2-6, HII-2-7, HII-2-8, HII-2-9, HII-2-10, HII-2-11, HII-2-12, HII-2-13, HII-2-14, HII-2-15, HII-2-16, HII-3, HII-4, HII-5, HII-6, HII-7, HII-8, HII-9, HII-10, HII-11, HII-12, and HII-13 relating to operating revenues for the water division;

Exhibit Nos. HIII-1, HIII-2, HIII-2-1, HIII-2-2, HIII-2-3, HIII-2-4, HIII-2-4 (a), HIII-2-5, HIII-2-6, HIII-2-7, HIII-2-8, HIII-2-9, HIII-2-10, HIII-2-12, HIII-2-13, HIII-2-14, HIII-2-15, HIII-2-16, HIII-2-17, HIII-2-18, HIII-2-19, HIII-2-20, HIII-2-21, HIII-2-22, HIII-2-23, HIII-2-24, HIII-2-25, HIII-2-26, HIII-2-27, HIII-2-28, HIII-2-29, HIII-2-30, HIII-2-31, HIII-2-32, HIII-2-33, HIII-2-34, HIII-2-35, HIII-2-36, HIII-2-37, HIII-2-38, HIII-2-39, HIII-2-40, HIII-3, HIII-4, HIII-5, HIII-6, HIII-7, HIII-8, HIII-9, HIII-10, HIII-11, HIII-12, HIII-13, HIII-14, HIII-15, HIII-16, HIII-17, HIII-18, HIII-19, HIII-20, HIII-21, HIII-23, HIII-24, HIII-25, HIII-26, HIII-27, and HIII-28 relating to operating expenses for the water division;

Exhibit Nos. HIV-2, HIV-12, HIV-15, HIV-15-1, HIV-15-2, HIV-15-3, HIV-15-4, and HIV-15-5 related to operating taxes other than income taxes for the water division;

1 Exhibit Nos. HIV-1, HIV-3, HIV-4, HIV-5, HIV-6, HIV-7, HIV-8, HIV-9, HIV-10, HIV-  
2 11, HIV-13, HIV-14, HIV-16, HIV-17, HIV-17-1, HIV-17-2, HIV-17-3, HIV-17-3 (a),  
3 HIV-17-4, HIV-17-5, and HIV-18 relating to operating income taxes for the water  
4 division;

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6 Exhibit No. HV-1-1, HV-1-10, HV-8-1 (g), HV-8-1 (g)1, HV-8-1 (g)2, and HV-10  
7 relating to the original cost measure of value for the water division;

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9 Exhibit Nos. HVII-1, HVII-2, HVII-3, HVII-4, HVII-5, HVII-6, HVII-7, HVII-8, HVII-9,  
10 HVII-10, HVII-11, HVII-12, HVII-13, HVII-14, HVII-15, HVII-16, HVII-17 HVII-18,  
11 HVII-19, HVII-20, HVII-21, HVII-22, HVII-23, HVII-24, HVII-25, HVII-26, HVII-27,  
12 HVII-28, HVII-29, HVII-30, HVII-31, and HVII-32, relating to rate of return;

13  
14 Exhibit Nos. H (c)-2, HX-1, HX-2, HX-3, HX-4, HX-5, HX-6, HX-7, HX-8, HX-9, HX-  
15 10, HX-11, HX-12, and HX-13 relating to the balance sheet; and

16  
17 Exhibit Nos. H (a)-1, H (a)-6, H (a)-9, H (a)-10, H (a)-11, H (b)-1, HVIII-1, HVIII-2,  
18 HXI-1, HXI-2, HXI-3, and HXI-4.

19  
20 Q. Explain Exhibit No. H (b)-1.

21 A. Exhibit No. H (b)-1 provides the specific reasons the Company proposes to increase its  
22 water rates. Despite the best efforts by York Water to control costs, the effects of  
23 increased expenses and net additions to rate base have reduced returns. The Company  
24 proposes to increase its water rates for the following reasons: (1) to provide sufficient

1 revenues to recover the cost of providing water service to its customers; (2) to allow the  
2 Company to properly discharge its public duties by continuing to furnish adequate, safe,  
3 and reliable service; (3) to maintain its facilities properly; and (4) to afford the  
4 opportunity to more nearly approach a fair and reasonable rate of return on the original  
5 cost measure of value of its used and useful property.  
6

7 Q. Explain Exhibit No. HI-1.

8 A. Exhibit No. HI-1 provides a detailed comparative operating statement for the twelve  
9 months ended December 31, 2024, and December 31, 2023. Column 1 of pages 2  
10 through 8 of Exhibit No. HI-1 reflects the Company's detailed water operating statement  
11 per books for the twelve months ended December 31, 2024, showing operating income of  
12 \$26,939,804. Column 2 of pages 2 through 8 of Exhibit No. HI-1 reflects the Company's  
13 detailed operating statement per books for the twelve months ended December 31, 2023,  
14 showing operating income of \$26,880,477. Column 3 of pages 2 through 8 of Exhibit  
15 No. HI-1 reflects the increases and decreases by account between the operating statement  
16 for the twelve months ended December 31, 2024, and the operating statement for the  
17 twelve months ended December 31, 2023. Major account variances (>\$75,000) between  
18 the detailed operating statement for the twelve months ended December 31, 2024, and the  
19 detailed operating statement for the twelve months ended December 31, 2023 are  
20 identified in Column 4 of pages 2 through 8 of Exhibit No. HI-1. Detailed explanations  
21 of the causes of the major account variances between the operating statement for the  
22 twelve months ended December 31, 2024, and the operating statement for the twelve  
23 months ended December 31, 2023, are provided beginning on page 9 of Exhibit No. HI-1.  
24

1 Pages 19 and 20 of Exhibit HI-1 show the increase in Company labor expense for the  
2 twelve months ended December 31, 2024. The increase is principally due to wage  
3 increases for existing employees, promotions, and an increase in the number of  
4 employees.

5  
6 As explained on pages 21 and 22 of Exhibit No. HI-1, each year the Company incurs  
7 expenses to maintain different components of its plant facilities. As a consequence, the  
8 level of maintenance costs charged to each account will vary from year to year,  
9 depending upon the nature of maintenance projects undertaken in any one year. The  
10 significant factor for ratemaking is not whether an individual account has varied, but  
11 whether the overall level of maintenance costs is reasonable. As pages 21 and 22  
12 demonstrate, while maintenance expenses rose by 24.9%, test year maintenance expense,  
13 as a percentage of plant in service, rose slightly during the historic test year as compared  
14 to the prior twelve-month period.

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16 Q. Explain Exhibit No. HI-2.

17 A. Exhibit No. HI-2 summarizes ratemaking adjustments under existing rates to per book  
18 water statement of income for the twelve months ended December 31, 2024, and the  
19 anticipated statement of income when proposed rates become effective. The water  
20 income per books for the twelve months ended December 31, 2024, as shown in Column  
21 1 of Exhibit No. HI-2 is \$19,613,442. I note that this amount reflects non-operating  
22 income and other income deductions not included in the calculation of net operating  
23 income for ratemaking purposes. Net operating income for ratemaking purposes was  
24 \$26,939,804 for the twelve months ended December 31, 2024, as shown in Column 1,

1 page 2 of Exhibit No. HI-2. Column 3 of Exhibit No. HI-2 shows adjusted net operating  
2 income of \$24,230,709. The adjustments to net operating income in the amount of  
3 \$(2,709,095) are shown in Column 2 of Exhibit No. HI-2. These adjustments are detailed  
4 in other exhibits, which I will explain later. Column 5 of Exhibit No. HI-2 shows net  
5 operating income of \$30,651,299 after reflecting adjustments related to the effects of  
6 proposed rates. The adjustments to net operating income in the amount of \$6,420,590 are  
7 shown in Column 4 of Exhibit No. HI-2, and these adjustments are detailed in other  
8 exhibits, which I will explain later.

9  
10 Q. Are you sponsoring any other exhibits regarding the Company's statement of operations?

11 A. Yes, I am also sponsoring Exhibit Nos. H (b)-2, H (c)-5, H (c)-6, HI-3, HI-4, and HI-5.

12  
13 Q. Explain Exhibit No. H (b)-3.

14 A. Exhibit No. H (b)-3 provides the number of water customers whose monthly bills will  
15 increase under proposed rates based on pro forma historic test year volumes.

16  
17 Q. Explain Exhibit No. H (b)-5.

18 A. Exhibit No. H (b)-5 states that no water customers' monthly bills will decrease under  
19 proposed rates based on pro forma historic test year volumes.

20  
21 Q. Explain Exhibit No. HII-1.

22 A. Exhibit No. HII-1 is a comparative statement of gallons sold and operating revenues per  
23 books by class for the twelve months ended December 31, 2024, and December 31, 2023,  
24 and the number of customers by class as of December 31, 2024, and December 31, 2023.

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Q. Explain Exhibit No. HII-2.

A. Exhibit No. HII-2 summarizes adjustments to per book operating revenues for the twelve months ended December 31, 2024, that are required for ratemaking purposes. As I will explain later, such adjustments reflect elimination of Distribution System Improvement Charge (“DSIC”) revenues billed and recorded on the books during the twelve months ended December 31, 2024, and elimination of net accrued operating revenues recorded on the corporate books during the twelve months ended December 31, 2024. The adjustments also annualize the effects of changes in number of customers, which occurred during the twelve months ended December 31, 2024.

Exhibit No. HII-2, page 2 of 3, shows operating revenues from metered sales, by class, from unmetered sales, by class, from fire protection, by class, and revenues from other than sales of water.

The operating revenues per books, for the twelve months ended December 31, 2024, as shown in Column 1, page 2 of 3 of Exhibit No. HII-2, were \$67,541,585. Adjustments under existing rates to decrease historic test year operating revenues in the amount of \$(190,505) are summarized on page 3 of 3 of Exhibit No. HII-2 and are shown in Column 2, page 2 of 3 of Exhibit No. HII-2. These adjustments are explained later in Exhibit Nos. HII-2-1 through HII-2-15. Pro forma operating revenues under existing rates, after adjustments, for twelve months ended December 31, 2024, of \$67,351,080 are shown in Column 3, page 2 of 3, of Exhibit No. HII-2. The proposed increase in historic test year operating revenues in the amount of \$9,001,370 is shown in Column 5, page 2 of 3 of

1 Exhibit No. HII-2. The corresponding percentage increase in operating revenues is  
2 shown in Column 6, page 2 of 3.

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4 For historic test year purposes, the increase of \$9,001,370 shown on Exhibit No. HII-2  
5 was not produced by the application of proposed rates to historic test year volumes.  
6 Since the Company's claim in this case is based upon data for a fully projected future test  
7 year ending February 28, 2027, annualized and normalized for ratemaking purposes, the  
8 increase of \$9,001,370, or 13.36%, is the increase calculated based upon pro forma  
9 historic test year revenues, expenses and rate base that is distributed proportionately  
10 among the customer classes.

11  
12 Q. Explain Exhibit No. HII-2-1.

13 A. Exhibit No. HII-2-1 eliminates DSIC revenues billed and recorded on the books during  
14 the twelve months ended December 31, 2024. The Company's calculations zero the  
15 DSIC and roll-into base rates the costs recovered through the charge. The adjustment to  
16 eliminate DSIC revenues is carried forward to Exhibit No. HII-2.

17  
18 Q. Explain Exhibit No. HII-2-2.

19 A. Exhibit No. HII-2-2 eliminates net accrued operating revenues recorded on the corporate  
20 books during the twelve months ended December 31, 2024. In response to the enactment  
21 of the Tax Reform Act of 1986, the Company estimates for income tax and financial  
22 reporting purposes the amount of income attributable to utility services provided during  
23 each accounting period, but after the final meter reading which falls within that  
24 accounting period.

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Since unbilled revenues from the end of one accounting period are included in the first meter reading for the next accounting period, unbilled revenues from one accounting period are offset by unbilled revenues in the succeeding accounting period, with the result that the Company will record for accounting purposes, as either a debit or credit, the negative or positive difference in accrued revenues between the two accounting periods. This difference represents net accrued revenues recorded for the latter accounting period.

Operating revenues are presented for ratemaking purposes on an “as billed basis” for the historic, future, and fully projected future test years, to eliminate the uncertainties inherent in estimated “unbilled revenues.” Therefore, for ratemaking purposes, net accrued operating revenues are eliminated.

Q. Explain Exhibit No. HII-2-3.

A. Exhibit No. HII-2-3 annualizes water operating revenues for metered residential, commercial, and industrial customers by applying metered base rates effective March 1, 2023, to test year water consumption. By Order entered at Docket No. R-2022-3031340, the Commission authorized increased base rates for the Company. These rates are the currently effective base rates of the Company. Annualization of revenues by customer class at present-metered base rates effective March 1, 2023, in the amount of \$61,350,103 are shown in Column 2 on Exhibit No. HII-2-3. Application of present base rates to the customer consumption analysis for the twelve months ended December 31, 2024, is shown on Exhibit No. HII-4, which I will explain later. Metered operating revenues by customer class billed and recorded on the corporate books during the twelve months

1 ended December 31, 2024, in the amount of \$61,378,462 are shown in Column 1 of  
2 Exhibit No. HII-2-3 and are subtracted from annualized revenues at metered base rates  
3 effective March 1, 2023, to determine the adjustment by customer class to operating  
4 revenues shown in Column 3 of Exhibit No. HII-2-3 [ $\$61,350,103 - \$61,378,462 =$   
5  $\$(28,359)$ ]. The adjustment by customer class of operating revenues in the amount of  
6  $\$(28,359)$  is carried forward to Exhibit No. HII-2, page 3.

7  
8 Q. Explain Exhibit No. HII-2-4.

9 A. Exhibit No. HII-2-4 annualizes operating revenues for metered residential gravity  
10 customers connected and disconnected during the twelve months ended December 31,  
11 2024. The net gain in number of metered residential gravity customers during the twelve  
12 months ended December 31, 2024, was 149 (21,137 metered residential gravity  
13 customers as of December 31, 2024, less 20,988 metered residential gravity customers as  
14 of December 31, 2023). Since 149 metered residential gravity customers were gained  
15 throughout the historic test year, it is assumed the historic test year average number of  
16 metered residential gravity customers is equal to the average of metered residential  
17 gravity customers at the beginning and end of the historic test year, or 21,063 ( $[(21,137 +$   
18  $20,988)] \div 2$ ). Annualized revenues for metered residential gravity customers of  
19  $\$11,706,893$  (refer to Exhibit No. HII-4) are divided by the historic test year average  
20 number of metered residential gravity customers of 21,063 to calculate the average annual  
21 revenue per average metered residential gravity customer in the amount of  $\$555.80$   
22 ( $\$11,706,893 \div 21,063 = \$555.80$ ). The adjustment to annualize revenues for the net gain  
23 in metered residential gravity customers during the twelve months ended December 31,  
24 2024, is determined by multiplying the net gain of 149 metered residential gravity

1 customers by the average annual revenue per average metered residential gravity  
2 customer in the amount of \$555.80 and by dividing the product of this calculation by two  
3 [149 x \$555.80 ÷ 2 = \$41,407]. The product is divided by two since it is reasonable to  
4 assume that customers were gained evenly through the historic test year and that  
5 annualized revenues already reflect the gain of one-half of one year's revenue, on  
6 average, for the 149 customers. The result of the calculations described above is the  
7 amount of \$41,407, which is carried forward to Exhibit No. HII-2, page 3.

8  
9 Q. Explain Exhibit No. HII-2-5.

10 A. Exhibit No. HII-2-5 annualizes operating revenues for metered residential repumped  
11 customers connected and disconnected during the twelve months ended December 31,  
12 2024. The net gain in number of metered residential repumped customers during the  
13 twelve months ended December 31, 2024, was 1,014 (45,262 metered residential  
14 repumped customers as of December 31, 2024, less 44,248 metered residential repumped  
15 customers as of December 31, 20203. Since 1,014 additional metered residential  
16 repumped customers were added throughout the twelve months ended December 31,  
17 2024, it is assumed the historic test year average number of metered residential repumped  
18 customers is equal to the average of the numbers of metered residential repumped  
19 customers at the beginning and end of the historic test year, or 44,755 ([45,262 + 44,248]  
20 ÷ 2). Annualized revenues for metered residential repumped customers of \$29,401,581  
21 (Refer to Exhibit No. HII-4) are divided by the historic test year average number of  
22 metered residential repumped customers of 44,755 to calculate the average annual  
23 revenue per average metered residential repumped customer in the amount of \$656,95  
24 (\$29,401,581 ÷ 44,755 = \$656.95). The adjustment to annualize revenues for the net

1 increase in metered residential repumped customers during the twelve months ended  
2 December 31, 2024, is determined by multiplying the net gain of 1,014 metered  
3 residential repumped customers by the average annual revenue per average metered  
4 residential repumped customer in the amount of \$656.95, and by dividing the product of  
5 this calculation by two ( $1,014 \times \$656.95 \div 2 = \$333,074$ ). The product is divided by two  
6 since it is reasonable to assume that customers were added evenly throughout the twelve  
7 months ended December 31, 2024, and that annualized revenues already reflect one-half  
8 of one year's revenue, on average, for the 1,014 customers. The result of the calculations  
9 described above is the amount of \$333,074, which is carried forward to Exhibit No. HII-  
10 2, page 3.

11  
12 Q. Explain Exhibit No. HII-2-6.

13 A. Exhibit No. HII-2-6 annualizes operating revenues for metered commercial gravity  
14 customers connected and disconnected during the twelve months ended December 31,  
15 2024. The net gain in number of metered commercial gravity customers during the  
16 twelve months ended December 31, 2024, was 12 (2,542 metered commercial gravity  
17 customers as of December 31, 2024, less 2,530 metered commercial gravity customers as  
18 of December 31, 2023). Since 12 metered commercial gravity customers were gained  
19 throughout the twelve months ended December 31, 2024, it is assumed the historic test  
20 year average number of metered commercial gravity customers is equal to the average of  
21 the numbers of metered commercial gravity customers at the beginning and end of the  
22 historic test year, or 2,536 ( $[2,542 + 2,530] \div 2$ ). Annualized revenues for metered  
23 commercial gravity customers of \$4,718,906 (Refer to Exhibit No. HII-4 reduced by  
24 priced out bulk truck sales) are divided by the historic test year average number of

1 metered commercial gravity customers of 2,536 to calculate the average annual revenue  
2 per average metered commercial gravity customer in the amount of \$1,860.77  
3 ( $\$4,718,906 \div 2,536 = \$1,860.77$ ). The adjustment to annualize revenues for the net  
4 increase in the number of metered commercial gravity customers during the twelve  
5 months ended December 31, 2024, is determined by multiplying the net gain of 12  
6 metered commercial gravity customers by the average annual revenue per metered  
7 commercial gravity customer in the amount of \$1,860.77 and by dividing the product of  
8 this calculation by two [ $12 \times \$1,860.77 \div 2 = \$11,165$ ]. The product is divided by two  
9 since it is reasonable to assume that customers were gained evenly throughout the twelve  
10 months ended December 31, 2024, and that annualized revenues already reflect the gain  
11 of one-half of one year's revenue, on average, for the 12 customers. The result of the  
12 calculations described above is the amount of \$11,165, which is carried forward to  
13 Exhibit No. HII-2, page 3.

14  
15 Q. Explain Exhibit No. HII-2-7.

16 A. Exhibit No. HII-2-7 annualizes operating revenues for metered commercial repumped  
17 customers connected and disconnected during the twelve months ended December 31,  
18 2024. The net gain in number of metered commercial repumped customers during the  
19 twelve months ended December 31, 2024, was 39 (2,259 metered commercial repumped  
20 customers as of December 31, 2024, less 2,220 metered commercial repumped customers  
21 as of December 31, 2023). Since 39 metered commercial repumped customers were  
22 added throughout the twelve months ended December 31, 2024, it is assumed the historic  
23 test year average number of metered commercial repumped customers is equal to the  
24 average of the numbers of metered commercial repumped customers at the beginning and

1 end of the historic test year, or 2,240 ( $[2,259 + 2,220] \div 2$ ). Annualized revenues for  
2 metered commercial repumped customers of \$10,052,230 (Refer to Exhibit No. HII-4  
3 reduced by priced out bulk truck sales) are divided by the historic test year average  
4 number of metered commercial repumped customers of 2,240 to calculate the average  
5 annual revenue per average metered commercial repumped customer in the amount of  
6 \$4,487.60 ( $\$10,052,230 \div 2,240 = \$4,487.60$ ). The adjustment to annualize revenues for  
7 the net increase in metered commercial repumped customers during the twelve months  
8 ended December 31, 2024, is determined by multiplying the net gain of 39 metered  
9 commercial repumped customers by the average annual revenue per average metered  
10 commercial repumped customer in the amount of \$4,487.60 and by dividing the product  
11 of this calculation by two ( $39 \times \$4,487.60 \div 2 = \$87,508$ ). The product is divided by two  
12 since it is reasonable to assume that customers were gained evenly throughout the twelve  
13 months ended December 31, 2024, and that annualized revenues already reflect the gain  
14 of one-half of one year's revenue, on average, for the 39 customers. The result of the  
15 calculations described above is the amount of \$87,508, which is carried forward to  
16 Exhibit No. HII-2, page 3.

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18 Q. Explain Exhibit No. HII-2-8.

19 A. Exhibit No. HII-2-8 eliminates operating revenues for three metered industrial gravity  
20 customers who were disconnected during the twelve months ended December 31, 2024.  
21 The annualized revenue adjustment for three metered industrial gravity customers  
22 disconnected during the test year of \$586 is carried forward to Exhibit No. HII-2, page 3.

23  
24 Q. Explain Exhibit No. HII-2-9.

1 A. Exhibit No. HII-2-9 annualizes operating revenues for two metered industrial repumped  
2 customers who were connected during the twelve months ended December 31, 2024. The  
3 annualized revenue adjustment for two metered industrial repumped customers connected  
4 during the test year of \$3,484 was carried forward to Exhibit No. HII-2, page 3.

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6 Q. Explain Exhibit No. HII-2-10.

7 A. Exhibit No. HII-2-10 eliminates the unmetered revenue for properties that have been  
8 metered during the twelve months ended December 31, 2024. The ongoing revenue from  
9 these customers is included in Exhibit No. HII-2-5. The revenue adjustment of \$(15,253)  
10 was carried forward to Exhibit No. HII-2, page 3.

11  
12 Q. Explain Exhibit No. HII-2-11.

13 A. Exhibit No. HII-2-11 annualizes operating revenues to reflect the number of private fire  
14 protection customers as of December 31, 2024, at present rates. Annualized private fire  
15 protection revenues in the amount of \$2,898,808 shown on Exhibit No. HII-2-10, page 2  
16 of 2 were determined by applying present private fire protection rates effective March 1,  
17 2023, authorized by the Commission's Order entered at Docket No. R-2022-3031340 to  
18 the number of private fire hydrants and standby service connections in service as of  
19 December 31, 2024. The difference in the amount of \$152,673 between the annualized  
20 private fire protection revenues of \$2,898,808 and the historic test year private fire  
21 protection revenues of \$2,746,136 ( $\$2,898,808 - \$2,746,136 = \$152,673$ ), shown on page  
22 2 of 2 of Exhibit No. HII-2-11, is the adjustment to annualize operating revenues for  
23 private fire protection customers as of December 31, 2024, which has been carried  
24 forward to Exhibit No. HII-2, page 3.

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Q. Explain Exhibit No. HII-2-12.

A. Exhibit No. HII-2-12 annualizes operating revenues to reflect the number of public fire protection customers as of December 31, 2024, at present rates. Annualized public fire protection revenues in the amount of \$1,827,851 shown on Exhibit No. HII-2-12 were determined by applying the present public fire protection rates effective March 1, 2023, authorized by the Commission’s Order entered at Docket No. R-2022-3031340 to the number of public fire hydrants in service as of December 31, 2024. The difference in the amount of \$32,120 between the annualized public fire protection revenues of \$1,827,851 and the historic test year public fire protection revenues of \$1,795,732 ( $\$1,827,851 - \$1,795,732 = \$32,120$ ) shown on Exhibit No. HII-2-12 is the adjustment to annualize operating revenues for public fire protection customers as of December 31, 2024, which has been carried forward to Exhibit No. HII-2, page 3.

Q. Explain Exhibit No. HII-2-13.

A. Exhibit No. HII-2-13 annualizes lease payments received for communication equipment installed on the Company’s standpipes in accordance with the non-exclusive license agreement between the Company and cellular telephone companies. These cellular telephone companies are not affiliated with the Company. This industry is experiencing consolidation. As cellular telephone companies merge, they may have leases with the Company for equipment on the same standpipe for each of the legacy companies. As a result, they are not renewing these duplicate leases or are providing notice they will not be renewing these duplicate leases upon the end of the lease. This is resulting in decreases in annualized lease payments. Rent from water property for the twelve months

1 ended December 31, 2024, reflects lease payments from the dates of the license  
2 agreements. The adjustment of \$(23,650) is determined by subtracting the lease  
3 payments received and recorded as rental income during the twelve months ended  
4 December 31, 2024, of \$454,236 from the annual lease payments for the installation of  
5 communication equipment in the amount of \$430,587 [ $\$430,587 - \$454,236 = \$(23,650)$ ].  
6 This adjustment of \$(23,650) has been carried forward to Exhibit No. HII-2, page 3.  
7

8 Q. Explain Exhibit No. HII-2-14.

9 A. Exhibit No. HII-2-14 eliminates the billing and revenue collection services provided to  
10 the City of York included in the historic test year miscellaneous water revenues. Before  
11 this year, the Company provided billing and revenue collection services to the City of  
12 York for their refuse service. The City of York did not renew this contract with the  
13 Company. As a result, the billing and revenue collection services the Company provided  
14 to the City of York ceased beginning in 2025. The City of York was billed on a monthly  
15 basis for the billing and revenue collection services provided by the Company. The  
16 Company determined the total revenue included in the historic test year for these services  
17 was \$418,643. This adjustment of \$(418,643) has been carried forward to Exhibit No.  
18 HII-2, page 3.  
19

20 Q. Explain Exhibit No. HII-2-15.

21 A. Exhibit No. HII-2-15 adjusts customers' late payment charges based on pro forma sales  
22 of water under existing rates and a two-year average ratio of customers' late payment  
23 charges to total sales of water. Pro forma sales of water under existing rates (Refer to  
24 Exhibit No. HII-2) of \$66,553,303 are multiplied by the two-year average ratio of

1 customers' late payment charges to total sales of water of 0.23% (rounded) to determine  
2 the annualized customers' late payment charges under existing rates of \$150,518  
3 (\$66,553,303 x 0.0023).

4  
5 The adjustment to customers' late payment charges in the amount of \$(1,382) is  
6 determined by subtracting test year customers' late payment charges of \$151,900 from  
7 annualized customers' late payment charges under existing rates of \$150,518 [ $\$150,518 -$   
8  $\$151,900 = \$(1,382)$ ]. The adjustment to customers' late payment charges of \$(1,382)  
9 has been carried forward to Exhibit No. HII-2, as an adjustment to Account No.  
10 47100500.

11  
12 Q. Explain Exhibit No. HII-2-16.

13 A. Exhibit No. HII-2-16 adjusts customers' late payment charges based on pro forma sales  
14 of water under proposed rates and a two-year average ratio of customers' late payment  
15 charges to total sales of water. Pro forma sales of water under proposed rates (Refer to  
16 Exhibit No. HII-2) of \$75,534,361 are multiplied by the two-year average ratio of  
17 customers' late payment charges to total sales of water of 0.23% (rounded) to determine  
18 the pro forma customers' late payment charges under proposed rates of \$170,829  
19 (\$75,534,361 x 0.0023).

20  
21 The adjustment to customers' late payment charges in the amount of \$20,312 is  
22 determined by subtracting pro forma customers' late payment charges under existing rates  
23 of \$150,518 (Refer to Exhibit No. HII-2-15) from pro forma customers' late payment  
24 charges under proposed rates of \$170,829 ( $\$170,829 - \$150,518 = \$20,312$ ). The

1 adjustment to customers' late payment charges of \$20,312 has been carried forward to  
2 Exhibit No. HII-2, page 2, Column 5, as an adjustment to Account No. 47100500.

3  
4 Q. Explain Exhibit No. HII-4.

5 A. Exhibit No. HII-4 provides a detailed customer consumption analysis by customer  
6 classification and meter size.

7  
8 Pages 2 through 4 of Exhibit No. HII-4 provide the application of present-metered base  
9 rates, which became effective March 1, 2023, to the customer consumption analysis for  
10 the twelve months ended December 31, 2024. The details of the customer consumption  
11 analysis are presented on pages 5 through 18 of Exhibit No. HII-4. The application of  
12 present-metered base rates to the customer consumption analysis for the twelve months  
13 ended December 31, 2024, results in annualized revenues at present-metered base rates  
14 on pages 2-4 of Exhibit No. HII-4 of \$61,350,103 (\$41,108,475 + \$14,980,795 +  
15 \$5,260,833). Annualized revenues at current base rates of \$61,350,103 have been carried  
16 forward to Exhibit No. HII-2-3, which I have explained previously.

17  
18 Q. Explain Exhibit No. HII-5.

19 A. Exhibit No. HII-5 provides a detailed explanation of the accounting procedures and  
20 methods used to determine accrued revenues and detailed computations of accrued  
21 revenues as of December 31, 2024, and December 31, 2023, based on the explanation that  
22 was previously provided with respect to Exhibit No. HII-2-2. Refer to Exhibit No. HII-2-  
23 2, which I explained previously, for an operating revenue adjustment, which eliminates  
24 net accrued revenues, recorded during the test year from the cost of service.

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Page 2 of Exhibit No. HII-5 provides a detailed computation of accrued utility revenues as of December 31, 2024.

Page 3 of Exhibit No. HII-5 provides a detailed computation of accrued utility revenues as of December 31, 2023.

Page 4 of Exhibit No. HII-5 provides a summary of entries recorded during the twelve months ended December 31, 2024, accounting for accrued revenues.

Q. Explain Exhibit No. HII-6.

A. Exhibit No. HII-6 provides a detailed analysis of miscellaneous water revenues for the twelve months ended December 31, 2024, and the calendar years 2023, and 2022.

Q. Explain Exhibit No. HII-7.

A. Exhibit No. HII-7 provides the number of customers, the number of customers added or lost, and the consumption by customer classification for the year ended December 31, 2024, and the year-to-date period ended February 28, 2025.

Q. Explain Exhibit No. HII-10.

A. Exhibit No. HII-10 provides a listing of all public fire protection customers as of December 31, 2024.

1 Q. Are you sponsoring any other exhibits regarding the Company's operating revenues?

2 A. Yes, I am also sponsoring Exhibit Nos. H (a)-2, H (a)-3, H (a)-4, H (a)-5, H (b)-4, H (b)-  
3 6, HII-3, HII-8, HII-9, HII-11, HII-12, and HII-13.

4  
5 Q. Explain Exhibit No. HIII-1.

6 A. Exhibit No. HIII-1 is a comparative statement of water operating expenses per books for  
7 the twelve months ended December 31, 2024, December 31, 2023, and December 31,  
8 2022.

9  
10 I note that in comparing operating expenses for the three twelve-month periods ended  
11 December 31, 2024, December 31, 2023, and December 31, 2022, there are variations in  
12 labor costs charged to the various expense accounts during the three twelve-month  
13 periods. The direct labor charge to the numerous accounts will vary from year to year, in  
14 proportion to the change in the number of man-hours from year to year, actually reported  
15 on time sheets for different activities charged to different accounts. To the extent  
16 permitted with respect to its unionized employees, York Water utilized its complement of  
17 employees during the twelve-month periods ended December 31, 2024, 2023, and 2022,  
18 where there was the greatest need for manpower. Employees are not assigned to the same  
19 work, nor do they perform the same functions, from year to year or from month to month,  
20 inasmuch as the need for manpower by system function changes. Therefore, the man-  
21 hours charged to the functional accounts, and thus, the labor expense recorded on the  
22 books, are directly related to the time the employees spend on the various functions as  
23 reported on time sheets. Consequently, the individual expense accounts reflect increases  
24 and decreases of various magnitudes in Company labor when comparing different twelve-

1 month periods. These variations in labor costs charged to different expense accounts can  
2 be seen on Exhibit No. HIII-2-4.

3  
4 Each year the Company incurs expenses to maintain different components of its plant  
5 facilities. Therefore, the level of maintenance costs charged to each account will vary  
6 from year to year, depending upon the nature of maintenance projects undertaken in any  
7 one year. The significant factor for ratemaking is not whether an individual account has  
8 varied, but whether the overall level of maintenance costs is reasonable. I note that test  
9 year maintenance expense as a percentage of plant in service, has remained the relatively  
10 the same during the twelve months ended December 31, 2024, as compared to the prior  
11 twelve-month period.

12  
13 Q. Explain Exhibit No. HIII-2.

14 A. Exhibit No. HIII-2 summarizes adjustments to operating expenses for the twelve months  
15 ended December 31, 2024, to: (1) annualize and normalize the effect of changes  
16 occurring during the twelve months ended December 31, 2024; and (2) reflect changes in  
17 uncollectible accounts expenses due to the increase in operating revenues resulting from  
18 the proposed increase in rates.

19  
20 Operating expenses per books for the twelve months ended December 31, 2024, in the  
21 amount of \$26,405,096 are shown in Column 1 of Exhibit No. HIII-2, pages 2 through 5.  
22 Adjustments to operating expenses in the amount of \$1,800,833, to annualize and  
23 normalize the effect of changes occurring during the twelve months ended December 31,  
24 2024, are shown in Column 3 of Exhibit No. HIII-2, pages 2 through 5, and are detailed

1 in Exhibit Nos. HIII-2-1 through HIII-2-39. Adjustments to operating expenses in the  
2 amount of \$59,288 to reflect changes in uncollectible accounts expenses due to the  
3 increase in operating revenues resulting from the proposed increase in rates are shown in  
4 Column 6 of Exhibit No. HIII-2, pages 2 through 5, and is detailed in Exhibit No. HIII-2-  
5 40.

6  
7 Q. Explain Exhibit No. HIII-2-1.

8 A. Exhibit No. HIII-2-1 adjusts per books operating expenses to reflect a normalized level of  
9 rate case expenses for this rate case in the amount of \$236,188. The estimated expenses  
10 of this rate case are \$944,750, assuming a fully litigated rate case, and Exhibit No. HIII-2-  
11 1 normalizes the estimated expenses of this rate case over 48 months. The Company  
12 proposes to normalize the cost of the current rate case over 48 months, which is the  
13 approximate average elapsed time between the filing dates for the Company's last three  
14 rate cases.

15  
16 The adjustment in the amount of \$136,964 is determined by subtracting amortization of  
17 rate case expenses in the amount of \$99,224 recorded on the corporate books during the  
18 twelve months ended December 31, 2024, from the annual normalized expenses of this  
19 rate case. The annual normalized expenses of the rate case of \$236,188 is determined by  
20 dividing the estimated expenses of this rate case of \$944,750 by 48 months and  
21 multiplying by 12 months ( $\$944,750 \div 48 \times 12$ ), the normalization period. The  
22 adjustment to Account No. 66680000 in the amount of \$136,964 ( $\$236,188 - \$99,224$ )  
23 has been carried forward to Exhibit No. HIII-2, Column 3.

24

1 Q. Explain Exhibit No. HIII-2-2.

2 A. Exhibit No. HIII-2-2 adjusts uncollectible accounts expense for the twelve months ended  
3 December 31, 2024, based on a two-year ratio of the net of uncollectible accounts  
4 written-off, less recoveries of amounts previously written-off to total operating revenues.

5  
6 The two-year ratio of 0.66% is multiplied by pro forma operating revenues of  
7 \$66,553,303 (see Exhibit HII-2) to calculate pro forma uncollectible accounts expense for  
8 ratemaking purposes of \$439,347 ( $\$66,553,303 \times 0.0066$ ). The adjustment to  
9 uncollectible accounts in the amount of  $\$(632,411)$  is determined by subtracting the  
10 uncollectible accounts accrual recorded on the books during the test year of  $\$1,071,758$   
11 from the calculated pro forma uncollectible accounts for ratemaking purposes of  
12  $\$439,347$  [ $\$439,347 - \$1,071,758 = \$(632,411)$ ]. The adjustment to uncollectible  
13 accounts expense of  $\$(632,411)$  to Account No. 67070000 has been carried forward to  
14 Exhibit No. HIII-2, Column 3.

15

16 Q. Explain Exhibit No. HIII-2-3.

17 A. Exhibit No. HIII-2-3 adjusts chemical expense, based on a two-year average of amounts  
18 of chemicals used. Pro forma chemical expense in the amount of  $\$1,577,777$  is based on  
19 applying unit prices of chemicals effective at the time of the rate filing to the two-year  
20 average amounts of chemicals used. The adjustment to chemical expense in the amount  
21 of  $\$(129,076)$  is determined by subtracting test year chemical expense of  $\$1,706,854$  from  
22 calculated pro forma chemical expense of  $\$1,577,777$  [ $\$1,577,777 - \$1,706,854 =$   
23  $\$(129,076)$ ]. The adjustment to Account No. 61830000 in the amount of  $\$(129,076)$  has  
24 been carried forward to Exhibit No. HIII-2, Column 3.

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Q. Why do you use a two-year average of chemicals used?

A. The Company’s raw water quality varies continually as a result of factors beyond the Company’s control, including in particular the amount and quality of rainfall. Different raw water qualities require different chemical treatment to ensure that the Company’s treated water quality meets the high-quality standards that York Water’s customers have come to expect. A two-year average provides a reasonable normalization of chemical usage. A two-year average has been used in prior base rate cases.

Q. Explain Exhibit No. HIII-2-4.

A. Exhibit No. HIII-2-4 presents an adjustment of payroll expense for union and nonunion employees to reflect the full annual effect of actual hourly and salary rates and annual cash incentive awards and annual stock incentive awards that are effective December 31, 2024. I started by applying the actual hourly rates to a two-year average of regular, overtime and double time hours. Because the need for manpower by system function changes each year, the Company used an average of the two years ended December 31, 2024, and December 31, 2023, to calculate pro forma payroll hours and the distribution of pro forma payroll among capital and expense accounts. Pro forma payroll expense is determined by applying wage rates and annual incentive awards effective December 31, 2024, to the modified two-year average of regular, overtime, and double time payroll hours. The Company included year-end bonuses in an amount of \$49,094 in pro forma payroll expense. The Company has consistently provided year-end bonuses to employees for over 29 years as a part of the employees’ overall compensation package, and this is an expected part of compensation. The distribution of pro forma payroll among the various

1 capital and expense accounts is determined by allocating pro forma payroll over the two-  
2 year average payroll distribution. The allocation of pro forma payroll is reflected on  
3 Exhibit No. HIII-2-4 (a), which I will explain later. Total pro forma payroll expense, by  
4 account, of \$10,142,670 is shown in Column 1 on page 1 of Exhibit No. HIII-2-4. It is to  
5 be noted, in comparing pro forma payroll expense to test year payroll expense, the critical  
6 issue is not increases or decreases to individual accounts. The differences for individual  
7 accounts are substantially the result of using a two-year average to allocate pro forma  
8 payroll, combined with the fact that every year the need for manpower by system function  
9 changes.

10  
11 Total test year payroll expense, by account, in the amount of \$9,520,503 is shown in  
12 Column 2 on page 1 of Exhibit No. HIII-2-4. The increase in payroll expense of  
13 \$622,167 represents the difference between pro forma payroll expense, by account, and  
14 test year payroll expense, by account, and is shown by account in Column 3 on page 1 of  
15 Exhibit No. HIII-2-4. The adjustments have been carried forward to Exhibit No. HIII-2,  
16 Column 3.

17  
18 I note that a portion of pro forma payroll expense for certain specified supervisory and  
19 general office employees for twelve months ended December 31, 2024, was capitalized  
20 and is reflected, as a reduction to operating expenses, in Account No. 67580002,  
21 Miscellaneous Expenses-Administrative and General Expenses Transferred, on Exhibit  
22 No. HIII-2-6, which I will explain later.

23  
24 Q. Explain Exhibit No. HIII-2-4 (a).

1 A. Exhibit No. HIII-2-4 (a) is the distribution of pro forma labor based on Company labor  
2 for the two years ended December 31, 2024, and December 31, 2023. Company labor for  
3 the twelve months ended December 31, 2024, of \$10,263,675, is shown in Column 1 on  
4 page 1 of Exhibit No. HIII-2-4 (a). Company labor for the twelve months ended  
5 December 31, 2023, of \$9,354,020 is shown in Column 2 on page 1 of Exhibit No. HIII-  
6 2-4 (a). Two-year Company labor of \$19,617,595, which represents the addition of  
7 Company labor for the twelve months ended December 31, 2023, and Company labor for  
8 the twelve months ended December 31, 2024, is shown in Column 3 on page 1 of Exhibit  
9 No. HIII-2-4 (a). Pro forma payroll of \$10,916,302 is distributed among the various  
10 capital and expense accounts based on the two-year Company labor. The allocation  
11 factor of 0.55645183 shown in Column 4 on page 1 of Exhibit No. HIII-2-4 (a) used to  
12 distribute pro forma payroll among the various capital and expense accounts is calculated  
13 by dividing Pro Forma Company Labor of \$10,916,302 by Two Year Company Labor of  
14 \$19,617,695. The allocation factor of 0.55645183 is multiplied by each capital and  
15 expense amount of Two Year Company Labor shown in Column 3 on page 1 of Exhibit  
16 No. HIII-2-4 (a) to determine the pro forma Company labor amount allocated to each  
17 capital and expense account shown in Column 5 on page 1 of Exhibit No. HIII-2-4 (a).  
18 Pro Forma Company Labor Expense is carried forward to Column 1, pages 1 and 2 of  
19 Exhibit No. HIII-2-4.

20  
21 Q. Explain Exhibit No. HIII-2-5.

22 A. Exhibit No. HIII-2-5 normalizes over five years the costs of a customer survey. The  
23 purpose of the survey is to assist the Company in further improving its customer service.  
24 The Company commissions a customer survey approximately every five years. The

1 Company has commissioned a customer survey in 1989, 1992, 1996, 2000, 2004, 2009,  
2 2015, 2020, and 2024. The Company anticipates conducting another customer survey in  
3 2029. This expense was approved by the Commission as a normalized expense in its  
4 Order at Docket No. R-901813 entered July 17, 1991.

5  
6 The costs of the customer survey completed in 2024 of \$24,000 are divided by five years  
7 to determine the normalized level of \$4,800 ( $\$24,000 \div 5$ ). The adjustment to Account  
8 No. 63670000 in the amount of \$2,323 has been carried forward to Exhibit No. HIII-2,  
9 Column 3.

10  
11 The adjustment to the customer survey in the amount of \$(19,200) is determined by  
12 subtracting test year customer survey of \$24,000 from normalized level of \$4,800 ( $\$4,800$   
13  $- \$24,000$ ). The adjustment to the customer survey in the amount of \$(19,200) as an  
14 adjustment to Account No. 63670000 has been carried forward to Exhibit No. HIII-2,  
15 Column 3.

16  
17 Refer to Mr. Hand's testimony (York Water Statement No. 1) for a further explanation of  
18 the customer survey.

19  
20 Q. Explain Exhibit No. HIII-2-6.

21 A. Exhibit No. HIII-2-6, consistent with the settlements approved by the Commission in the  
22 Company's 1987 and 1996 base rate cases at Docket Nos. R-870769 and R-963619,  
23 respectively, adjusts administrative and general expenses capitalized for the twelve  
24 months ended December 31, 2024 based on pro forma indirect labor, employee benefit

1 costs, property insurance, workers' compensation insurance, and pension expense for the  
2 twelve months ended December 31, 2024, and a two-year average capitalization ratio.

3  
4 A portion of the pay of certain specified supervisory and general office employees is  
5 capitalized (referred to as "indirect labor") in addition to capitalized payroll determined  
6 directly from employee time records. The indirect labor capitalization is calculated based  
7 upon three, separate, experienced ratios of directly capitalized payroll to total payroll, as  
8 follows:

	<b><u>Employee Position</u></b>	<b><u>Allocation</u></b>
(a)	President and Chief Executive Officer Chief Operating Officer Chief Financial Officer Chief Administrative Officer and General Counsel Controller Finance Manager CPR Clerk CPR Clerk Purchasing Coordinator Materials and Supplies Clerk Vice President of Operations Operations Manager	Ratio of total payroll directly capitalized to total payroll
(b)	GIS Administrator Assistant Distribution Superintendent Assistant Distribution Superintendent Distribution Superintendent Operations & Supply Chain Manager Distribution Line Representative Engineering Technician Engineering Technician Dispatcher Relief Dispatcher	Ratio of directly capitalized payroll of Distribution System Department employees to total Distribution System Department payroll
(c)	Maintenance & Grounds Superintendent Maintenance & Grounds Assistant Superintendent Maintenance & Grounds Assistant	Ratio of directly capitalized payroll of Maintenance and Grounds Department employees to total

Superintendent

Maintenance and Grounds  
Department payroll

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The two-year average general and administrative employees' capitalized ratio is 10.55%. This ratio was applied to pro forma payroll of \$1,908,088 for the specified administrative and general employees to determine the pro forma capitalized indirect labor for general and administrative employees of \$201,351 ( $\$1,908,088 \times 0.1055$ ).

The two-year average distribution employees' capitalized ratio is 17.98%. This ratio was applied to pro forma payroll of \$677,398 for the specified distribution employees to determine the pro forma capitalized indirect labor for distribution employees of \$121,7642 ( $\$677,398 \times 0.1798$ ).

The two-year average maintenance and grounds employees' capitalized ratio is 2.55%. This ratio was applied to pro forma payroll of \$244,496 for the specified maintenance and grounds employees to determine the pro forma capitalized indirect labor for maintenance and grounds employees of \$6,247 ( $\$244,496 \times 0.0255$ ).

As further provided in the settlement of the Company's 1987 base rate proceeding at Docket No. R-870769, a portion of payroll taxes, group life and health insurance expense, workers' compensation insurance expense and property insurance expense are capitalized.

1 In addition, as provided in the settlement of the Company's 1996 base rate proceeding at  
2 Docket No. R-963619, a portion of pension expense is capitalized based upon the ratio of  
3 capitalized payroll to total payroll.  
4

5 The two-year average capitalized payroll ratio is 7.30%. This ratio was applied to pro  
6 forma group life and health insurance expense, property insurance expense, and pension  
7 expense of \$2,009,658, \$195,490, and \$341,281, respectively, to determine the pro forma  
8 capitalized employee benefits, property insurance expense, and pension expense of  
9 \$146,6161, \$14,262, and \$24,898, respectively.  
10

11 The capitalized payroll ratio of 7.30% used to capitalize a portion of group life insurance,  
12 health insurance, property insurance, and pension expense is different from the  
13 capitalization ratios used for indirect labor because the calculations are based on different  
14 allocation factors as prescribed by the prior 1987 and 1996 base rate case settlements.  
15

16 The capitalization ratios for workers' compensation and payroll taxes of 1.71% and  
17 7.90%, respectively, are based on a two-year average of the actual workers' compensation  
18 insurance premiums and payroll tax rates applied to capitalized payroll. The 1.71% ratio  
19 of workers' compensation was applied to pro forma capitalized labor from Exhibit HIII-  
20 2-4(a) of \$745,028 to determine capitalized workers' compensation expense of \$12,706.  
21 The 7.90% ratio of payroll taxes (including FICA, FUTA, and SUTA) was applied to pro  
22 forma capitalized labor from Exhibit HIII-2-4(a) of \$745,028 to determine capitalized  
23 payroll tax expense of \$58,890.  
24

1 Total pro forma capitalized indirect labor, employee benefits, property insurance expense,  
2 payroll taxes and pension expense total \$586,735 ( $\$201,351 + \$121,764 + \$6,247 +$   
3  $\$146,616 + \$14,262 + \$12,706 + \$58,890 + \$24,898$ ). The adjustment to capitalized  
4 indirect labor, employee benefits, property insurance expense, payroll taxes and pension  
5 expense in the amount of  $\$(52,906)$  is determined by subtracting test year capitalized  
6 indirect labor, employee benefits, property insurance expenses, payroll taxes and pension  
7 expense of  $\$639,641$  from calculated pro forma capitalized indirect labor, employee  
8 benefits, property insurance expense, payroll taxes and pension expense of  $\$586,735$   
9  $(\$586,735 - \$639,641)$ . The adjustment to capitalized indirect labor, employee benefits,  
10 property insurance expense, payroll taxes and pension expense in the amount of  
11  $\$(52,906)$  as an adjustment to Account No. 67580002 and Account No. 40801302 has  
12 been carried forward to Exhibit No. HIII-2, Column 3 and Exhibit No. HIV-15.

13  
14 Q. Explain Exhibit No. HIII-2-7.

15 A. Exhibit No. HIII-2-7 annualizes the standby letter of credit fees to reflect expected  
16 increases in fees. To keep variable interest rates down and to enhance the marketability  
17 of the Pennsylvania Economic Development Financing Authority Exempt Facilities  
18 Revenue Refunding Bonds, Series A of 2008, the Company entered into a  
19 Reimbursement, Credit and Security Agreement that provides a direct pay letter of credit  
20 issued to the trustee. Based on the current rising interest rate environment, the Company  
21 expects a 10-basis point increase in the fee from its current rate of 1.40% to 1.50%. The  
22 rate of 1.50% is applied to the basis of the letter of credit of  $\$12,185,425$  based on a 360-  
23 day year to determine the total annual fees of  $\$185,320$  ( $\$12,185,425 \times .015 \times 365/360 =$   
24  $\$185,230$ ).

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The adjustment to the letter of credit fees in the amount of \$18,532 is determined by subtracting test year letter of credit fees of \$166,788 from calculated letter of credit fees of \$185,320 (\$185,320 - \$166,788). The adjustment to letter of credit fees in the amount of \$18,532 as an adjustment to Account No. 67580402 has been carried forward to Exhibit No. HIII-2, Column 3.

Q. Explain Exhibit No. HIII-2-8.

A. Exhibit No. HIII-2-8 annualizes expenses for directors' fees for the twelve months ended December 31, 2024, based on the Company's current complement of directors and schedule of board of director and board committee meetings. President and Chief Executive Officer Hand, who also serves as a director of the Company, is not paid directors' fees.

The adjustment in the amount of \$1,352 is determined by subtracting directors' fees for the twelve months ended December 31, 2024, of \$418,009 from pro forma directors' fees for the twelve months ended December 31, 2024, of \$419,361 (\$419,316 - \$418,009 = \$1,352). The adjustment to directors' fees in the amount of \$1,352 as an adjustment to Account No. 67580800 has been carried forward to Exhibit No. HIII-2, Column 3.

Q. Explain Exhibit No. HIII-2-9.

A. Exhibit No. HIII-2-9 adjusts purchased power expenses by location for the twelve months ended December 31, 2024, to reflect generation, transmission, and distribution rates effective or contracted to in 2025, from the Company's electric service providers.

1 Purchased power expense charged to Account Nos. 61510000, 61530000, 61550000, and  
2 61580000 during the twelve months ended December 31, 2024, of \$790,156, \$65,457,  
3 \$559,160, and \$14,734, respectively, are subtracted from pro forma purchased power  
4 expense of \$1,150,568, \$84,844, \$952,234, and \$22,520, respectively, to determine the  
5 adjustments to purchased power expense of \$360,412, \$19,387, \$393,074, and \$7,786,  
6 respectively. Pro forma purchased power includes contracted credits related to a  
7 curtailment program with CPower Energy Management expected to be effective for  
8 future periods. The adjustments to purchased power expense of \$360,412, \$19,387,  
9 \$393,074, and \$7,786 have been carried forward to Exhibit No. HIII-2, Column 3.

10  
11 Q. Explain Exhibit No. HIII-2-10.

12 A. Exhibit No. HIII-2-10 eliminates expenses of the Company's annual employee picnic  
13 incurred during the twelve months ended December 31, 2024, of \$5,262. The elimination  
14 of the costs of the Company's annual employee picnic of \$(5,262) as an adjustment to  
15 Account No. 60480006 has been carried forward to Exhibit No. HIII-2, Column 3.

16  
17 Q. Explain Exhibit No. HIII-2-12.

18 A. Exhibit No. HIII-2-12 adjusts operating expenses in the amount of \$54,876 for additional  
19 costs of customer accounting and collecting (excluding uncollectible accounts),  
20 purchased power, and chemicals resulting from the annualization of the net increase in  
21 number of customers served during the twelve months ended December 31, 2024.

22  
23 The historical average ratio of customer accounting and collecting, purchased power, and  
24 chemical costs to sales of water of 8.50% for the two-year period ended December 31,

1 2024, was calculated. This ratio was applied to the total operating revenue adjustments in  
2 the amount of \$645,591 representing annualized increases from load growth, as  
3 calculated on Exhibit Nos. HII-2-4 through HII-2-12, to derive the adjustment of \$54,876  
4 (\$645,591 x 0.085). The adjustment in the amount of \$54,876 for additional costs of  
5 customer accounting and collecting, purchased power, and chemicals has been carried  
6 forward to Exhibit No. HIII-2, Column 3.

7  
8 Q. Explain Exhibit No. HIII-2-13.

9 A. Exhibit No. HIII-2-13 annualizes trustee and portfolio management fees for the  
10 Company's qualified defined benefit pension plans based on plan asset values as of  
11 December 31, 2024. The Company pays for trustee and portfolio management services  
12 for its qualified defined benefit pension plans based upon the plan asset values as of the  
13 end of each calendar quarter. The adjustment in trustee and portfolio management fees in  
14 the amount of \$(1,639) is determined by subtracting trustee and portfolio management  
15 fees recorded on the corporate books during the twelve months ended December 31,  
16 2024, of \$158,054 from the annual trustee and portfolio management fees based on plan  
17 asset values as of December 31, 2024, of \$156,415, which is calculated based on a trustee  
18 and portfolio management fee of 0.25% of the market value of pension plan assets as of  
19 December 31, 2024, of \$62,565,878 ( $\$62,565,878 \times 0.0025 = \$156,415$ ). The adjustment  
20 to Account No. 60480001 in the amount of \$(1,639) for annualized trustee and portfolio  
21 management fees has been carried forward to Exhibit No. HIII-2, Column 3. The  
22 recovery of administrative costs of the Company's qualified defined benefit pension plans  
23 as an expense was specifically approved by the Commission in accordance with the  
24 Settlement Agreement under Docket No. R-00027975, and in accordance with the

1 Settlement Agreements under Docket No. R-2008-2023067, Docket No. R-2010-  
2 2157140, Docket No. R-2012-2336379, Docket No. R-2019-3000019, and Docket No. R-  
3 2022-3031340.

4  
5 Q. Explain Exhibit No. HIII-2-14.

6 A. Exhibit No. HIII-2-14 adjusts fees for the Company's Standard & Poor's corporate credit  
7 rating based on the fee schedule in effect January 1, 2025 to December 31, 2025. The  
8 Company obtains an investment grade credit rating from Standard & Poor's to allow the  
9 Company to issue debt at lower interest rates than the Company could otherwise obtain,  
10 thereby reducing the cost of debt paid by York Water's customers. The adjustment of  
11 \$1,000 is determined by subtracting the corporate credit rating fee incurred and recorded  
12 on the books during the twelve months ended December 31, 2024, of \$93,000 from the  
13 corporate credit rating based on the fee schedule in effect January 1, 2025, of \$94,000  
14 (\$94,000 - \$93,000 = \$1,000).

15  
16 The adjustment to Account No. 67580403 in the amount of \$1,000 for the Standard &  
17 Poor's corporate credit rating has been carried forward to Exhibit No. HIII-2, Column 3.

18  
19 Q. Explain Exhibit No. HIII-2-15.

20 A. Exhibit No. HIII-2-15 amortizes over ten years the acquisition costs of the waterworks  
21 property and rights of the Westwood Mobile Home Park less than the original cost of the  
22 property when first devoted to public service less the applicable accrued depreciation. The  
23 negative acquisition adjustment of \$(75,474) is determined by subtracting the depreciated  
24 original cost of waterworks property and rights of \$96,795 from acquisition costs of

1           \$21,321 [ $\$21,321 - \$96,795 = \$(75,474)$ ]. The negative acquisition adjustment of  
2            $\$(75,474)$  is divided by ten years to determine the annual negative amortization of  
3            $\$(7,547)$  [ $\$(75,474) \div 10$ ]. The annual negative amortization of the acquisition costs of  
4            $\$(7,547)$  has been carried forward to Exhibit No. HIII-2, Column 3. This amortization was  
5           specifically approved by the Commission as part of the settlement in the Company's 2018  
6           base rate case at Docket No. R-2018-3000019. The amortization period began March 1,  
7           2019 (the effective date of rates under Docket No. R-2018-3000019) and ends February  
8           28, 2029.

9  
10    Q.    Explain Exhibit No. HIII-2-16.

11    A.    Exhibit No. HIII-2-16 annualizes health insurance expense and group life insurance  
12           expense based on the Company's complement of employees and the annualization of  
13           actual monthly premiums effective in 2025 for health insurance and group life insurance.  
14           The Company offers health insurance coverage for its employees. The Company pays  
15           health benefits up to 80% of the premium cost for all participating employees. The  
16           Company also offers dental and vision programs for its employees. The Company pays  
17           for 80% of the participating employees' dental and vision benefits. The Company pays  
18           for a group life insurance benefit for all employees.

19  
20           The actual 2025 monthly insurance premiums by class are annualized to determine the  
21           pro forma annual health insurance and group life insurance expense of \$2,441,511. The  
22           adjustment in the amount of \$411,237 is determined by subtracting the portion of health  
23           insurance expense to be borne by all employees of \$431,853 and the health insurance  
24           expense recorded on the corporate books during the twelve months ended December 31,

1 2024, in the amount of \$2,009,658 from the pro forma annual health insurance expense of  
2 \$2,441,511 ( $\$2,441,511 - \$431,853 - \$2,009,658 = \$411,237$ ). The adjustment to  
3 Account No. 60480005 of \$201,392 has been carried forward to Exhibit No. HIII-2,  
4 Column 3.

5  
6 I note that a portion of pro forma health insurance expense and group life insurance  
7 expense for the twelve months ended December 31, 2024, was capitalized in accordance  
8 with Appendix "B" of the settlement approved in the Company's 1987 rate case (Docket  
9 No. R-870769) and is reflected, as a reduction to operating expenses, in Account No.  
10 67580002, Miscellaneous Expenses-Administrative and General Expenses Transferred on  
11 Exhibit No. HIII-2-6, which I have explained earlier.

12  
13 Q. Explain Exhibit No. HIII-2-17.

14 A. Exhibit No. HIII-2-17 adjusts workers' compensation insurance expense based on pro  
15 forma payroll at workers compensation rates in effect as of January 1, 2025. Total pro  
16 forma payroll of \$10,916,302 is detailed by workers' compensation insurance  
17 classifications of waterworks employees, outside sales, employees and clerical employees  
18 in the amounts of \$5,878,282, \$1,350,810, and \$3,687,210, respectively. The actual  
19 January 1, 2025 workers' compensation premium rates per \$100 by classifications are  
20 \$2.31, \$0.21, and \$0.08, respectively. These rates are applied to the pro forma payroll by  
21 classification to determine the initial workers' compensation insurance premiums. The  
22 initial premiums are \$135,788 for waterworks employees, \$2,837 for outside sales  
23 employees, and \$2,950 for clerical employees. The initial premiums are subject to an  
24 increased employer's liability limit factor of 1.10% and an experience modification factor

1 of 1.260 as established by the Pennsylvania Compensation Insurance Bureau. Total  
2 premiums subject to experience modification of \$141,575 ( $\$135,788 + \$2,837 + \$2,950 =$   
3  $\$141,575$ ) are multiplied by the employer's liability limit coverage factor of 1.10% to  
4 determine the cost of the increased employer's liability limit of \$1,557 ( $\$141,575 \times$   
5  $0.011$ ). The total of initial premiums of \$141,575 and increased employer's liability limit  
6 cost of \$1,557 are multiplied by the Pennsylvania Experience Modification of 1.260 to  
7 arrive at adjusted workers' compensation insurance premiums of \$180,346 [ $(\$141,575 +$   
8  $\$1,557) \times 1.260$ ]. Adjusted workers' compensation insurance premiums of \$180,346 are  
9 increased by a 5.0% schedule rating premium of \$9,017 ( $\$180,346 \times 0.05$ ). The  
10 premiums adjusted by application of experience modification of \$180,346 and schedule  
11 rating of \$9,017 are multiplied by and reduced by a 5% safety credit of \$(9,468)  
12 [ $(\$180,346 + \$9,017) \times (0.05)$ ] to arrive at premiums adjusted by application of schedule  
13 rating and safety credit of \$179,896 ( $\$180,346 + \$9,017 - \$9,468$ ). Premiums adjusted by  
14 application of schedule rating and safety credit of \$179,896 are reduced by an 11.33%  
15 premium discount of \$20,382 [ $\$179,896 \times (0.1133)$ ] and increased by the Pennsylvania  
16 Compensation Rating Bureau Fee of \$175, a foreign and domestic terrorism surcharge of  
17 \$3,275, a catastrophe (other than terrorism) surcharge of \$2,183, and a 2.42%  
18 Pennsylvania Employer Assessment of \$3,997 [ $(\$179,896 - \$20,382 + \$175 + \$3,275 +$   
19  $\$2,183) \times 0.0242$ ] to determine pro forma workers' compensation insurance expense of  
20 \$169,143 ( $\$179,896 - \$20,382 + \$175 + \$3,275 + \$2,183 + \$3,997$ ). The adjustment to  
21 Workers' Compensation Insurance expense of \$(309) is determined by subtracting  
22 Workers' Compensation Insurance expense recorded on the corporate books during the  
23 twelve months ended December 31, 2024, of \$169,452 from pro forma workers'  
24 compensation insurance expense of \$169,143 [ $\$169,143 - \$169,452 = \$(309)$ ]. The

1 adjustment to Account No. 65880000 of \$(309) has been carried forward to Exhibit No.  
2 HIII-2, Column 3.

3  
4 A portion of pro forma workers' compensation insurance expense for twelve months  
5 ended December 31, 2024, is capitalized and is reflected, as a reduction to operating  
6 expenses, in Account No. 67580002, Miscellaneous Expenses-Administrative and  
7 General Expenses Transferred, on Exhibit No. HIII-2-6, which I have explained earlier.

8  
9 Q. Explain Exhibit No. HIII-2-18.

10 A. Exhibit No. HIII-2-18 adjusts gas service expenses incurred during the historic test year  
11 to annualized levels based on service rates in effect as of January 1, 2025, reflecting  
12 average gas usage over the two-year period including the historic test year. Average gas  
13 usage was calculated for the Company's six facilities based on billings for calendar years  
14 2023 and 2024.

15  
16 The calculated average gas usage by facility was multiplied by the 2025 supply charge,  
17 gas cost, distribution charge, and pass through charge and added to the fixed customer  
18 charge for each facility. Sales tax was calculated on the combined costs to arrive at pro  
19 forma gas service costs of \$9,171, \$8,498, \$11,574, \$40,618, \$18,701, and \$6,378. Gas  
20 costs recorded on the corporate books for the twelve months ended December 31, 2024,  
21 in the amounts of \$7,450, \$6,032, \$9,973, \$31,313, \$16,082, and \$5,725 were subtracted  
22 from pro forma gas costs of \$9,171, \$8,498, \$11,574, \$40,618, \$18,701, and \$6,378,  
23 respectively, to determine the adjustments of \$1,721, \$2,466, \$1,601, \$9,304, \$2,620, and  
24 \$652, or a total adjustment of \$18,363. The adjustments to gas service expense of

1 \$1,721, \$2,466, \$1,601, \$9,304, \$2,620, and \$652 have been carried forward to Exhibit  
2 No. HIII-2, Column 3.

3  
4 Q. Explain Exhibit No. HIII-2-19.

5 A. Exhibit No. HIII-2-19 normalizes over three years the costs of accounting, legal, printing,  
6 and other services related to the Amendment to Form S-3 for the Company's Dividend  
7 Reinvestment and Direct Stock Purchase and Sale Plan filed with the Securities and  
8 Exchange Commission in 2022 and the filing of a Securities Certificate to allow  
9 shareholders to continue to reinvest their dividends and shareholders and first-time buyers  
10 to purchase and sell the Company's stock. Based on the present rate of issuance of  
11 common shares under the Company's Dividend Reinvestment and Direct Stock Purchase  
12 and Sale Plan, the Company would be required to file another Form S-3 with the  
13 Securities and Exchange Commission in 2025 in order to continue its Dividend  
14 Reinvestment and Direct Stock Purchase and Sale Plan.

15  
16 The costs of accounting, legal, printing, and other services related to the Amendment to  
17 Form S-3 for the Company's Dividend Reinvestment and Direct Stock Purchase and Sale  
18 Plan of \$23,285 is divided by three years to determine the annual normalization of  
19 \$7,762. The normalization of the costs of accounting, legal, printing, and other services  
20 related to the Amendment to Form S-3 for the Company's Dividend Reinvestment and  
21 Direct Stock Purchase and Sale Plan of \$7,762 has been carried forward to Exhibit No.  
22 HIII-2, Column 3.

23  
24 Q. Explain Exhibit No. HIII-2-20.

1 A. Exhibit No. HIII-2-20 normalizes over ten years the costs of accounting and legal  
2 services related to the Form S-8 for the Company's Long-term Incentive Plan filed with  
3 the Securities and Exchange Commission in 2016 and the filing of a Securities Certificate  
4 to allow shareholders to allow the Company to ensure its compensation practices are  
5 competitive in the industry to assist in the attraction and retention of directors and key  
6 employees vital to the Company's success. Based on the ten-year life of the Long-term  
7 Incentive Plan, the Company would be required to file another Form S-8 with the  
8 Securities and Exchange Commission in 2026 in order to continue its Long-term  
9 Incentive Plan.

10

11 The costs of accounting, legal, printing, and other services related to the Form S-8 for the  
12 Company's Long-term Incentive Plan of \$17,402 is divided by ten years to determine the  
13 annual normalization of \$1,740. The normalization of the costs of accounting and legal  
14 services related to the Amendment to Form S-3 for the Company's Long-term Incentive  
15 Plan of \$1,740 has been carried forward to Exhibit No. HIII-2, Column 3.

16

17 Q. Explain Exhibit No. HIII-2-21.

18 A. Exhibit No. HIII-2-21 normalizes over seventeen years the costs of accounting and legal  
19 services related to the Amendment to Form S-8 for the Company's Employee Stock  
20 Purchase Plan filed with the Securities and Exchange Commission in 2013 to register  
21 additional shares for the plan's use. Based on the present rate of issuance of common  
22 shares under the Company's Employee Stock Purchase Plan, the Company would be  
23 required to file another Form S-8 with the Securities and Exchange Commission in 2030  
24 in order to continue its Employee Stock Purchase Plan.

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The costs of accounting, legal, printing, and other services related to the Form S-8 for the Company's Employee Stock Purchase Plan of \$17,878 is divided by seventeen years to determine the annual normalization of \$1,052. The normalization of the costs of accounting and legal services related to the Amendment to Form S-8 for the Company's Employee Stock Purchase Plan of \$1,052 has been carried forward to Exhibit No. HIII-2, Column 3.

Q. Explain Exhibit No. HIII-2-22.

A. Exhibit No. HIII-2-22 amortizes over ten years the acquisition costs of the waterworks property and rights of Scott Water Company in excess of the original cost of the property when first devoted to public service less the applicable accrued depreciation. Reasonable acquisition costs greater than depreciated original cost are permitted to be included in rate base and amortized over ten years in accordance with Section 1327 of the Public Utility Code. The acquisition adjustment of \$22,659 is determined by subtracting the depreciated original cost of waterworks property and rights of \$9,144 from acquisition costs of \$31,803 ( $\$31,803 - \$9,144 = \$22,659$ ). The acquisition adjustment of \$22,659 is divided by ten years to determine the annual amortization of \$2,266 ( $\$22,659 \div 10$ ). The annual amortization of the acquisition costs of \$2,266 has been carried forward to Exhibit No. HIII-2, Column 3.

Refer to the testimony of Mr. Hand (York Water Statement No. 1) for a further explanation of this acquisition and the basis for the Company's proposed amortization.

1 Q. Explain Exhibit No. HIII-2-23.

2 A. Exhibit No. HIII-2-23 adjusts gasoline expense for the twelve months ended December  
3 31, 2024, based on the volumes of gasoline used during the twelve months ended  
4 December 31, 2024, and the gasoline price per gallon as of March 2025. Pro forma  
5 gasoline costs of \$256,726 are determined by multiplying the volume of gasoline used  
6 during the twelve months ended December 31, 2024, of 75,530 gallons times the price per  
7 gallon of gasoline as of March 2025 of \$3.399 ( $75,530 \times \$3.399 = \$256,726$ ). Gasoline  
8 costs recorded on the corporate books during the twelve months ended December 31,  
9 2024, of \$225,704 and pro forma gasoline costs charged to capital and non-operating  
10 accounts of \$2,671 are subtracted from the pro forma gasoline costs of \$256,726 to  
11 determine the adjustment of gasoline costs of \$28,352 ( $\$256,726 - \$225,704 - \$2,671 =$   
12  $\$28,352$ ). The adjustment of \$28,352 has been carried forward to Exhibit No. HIII-2,  
13 Column 3.

14  
15 Q. Explain Exhibit No. HIII-2-24.

16 A. Exhibit No. HIII-2-24 adjusts the present value costs of postretirement benefits other than  
17 pensions (unfunded health and death benefits) expensed during the twelve months ended  
18 December 31, 2024, to reflect pay-as-you-go costs of postretirement benefits other than  
19 pensions (unfunded death benefits). The present value costs of postretirement benefits  
20 other than pensions expensed during the twelve months ended December 31, 2024, is  
21 \$(10,712). Pay-as-you-go costs of postretirement benefits other than pensions incurred  
22 by the Company during the twelve months ended December 31, 2024, were \$2,000,  
23 representing one death. The adjustment in the amount of \$12,712 is determined by  
24 subtracting the present value of postretirement benefit other than pensions recorded on

1 the corporate books during the twelve months ended December 31, 2024, in the amount  
2 of \$(10,712) from the pay-as-you-go costs of postretirement benefits other than pensions  
3 during the twelve months ended December 31, 2024, in the amount of \$2,000 [ $\$2,000 -$   
4  $\$(10,712) = \$12,712$ ]. The adjustment to postretirement benefits other than pensions of  
5  $\$12,712$  has been carried forward to Exhibit No. HIII-2, Column 3.

6  
7 Q. Explain Exhibit No. HIII-2-25.

8 A. Exhibit No. HIII-2-25 adjusts fuel expense used for pumping to reflect current unit prices  
9 applied to a two-year average of fuel oil used. Pro forma fuel expense in the amount of  
10  $\$39,712$  for fuel oil used for pumping is based on applying the unit price of fuel oil near  
11 the time of the rate filing to the two-year average of fuel oil used. The adjustment to fuel  
12 expense in the amount of  $\$14,520$  is determined by subtracting test year fuel expense  
13 used for pumping of  $\$25,191$  from calculated pro forma fuel expense of  $\$39,712$  ( $\$39,712$   
14  $- \$25,191 = \$14,520$ ). The adjustment to fuel expense in the amount of  $\$14,520$  has been  
15 carried forward to Exhibit No. HIII-2, Column 3.

16  
17 Q. Explain Exhibit No. HII-2-26.

18 A. Exhibit No. HIII-2-26 amortizes over ten years the acquisition costs of the waterworks  
19 property and rights of Margareta Mobile Home Park in excess of the original cost of the  
20 property when first devoted to public service less the applicable accrued depreciation.  
21 Reasonable acquisition costs greater than depreciated original cost are permitted to be  
22 included in rate base and amortized over ten years in accordance with Section 1327 of the  
23 Public Utility Code. The acquisition adjustment of  $\$55,509$  is determined by subtracting  
24 the depreciated original cost of waterworks property and rights of  $\$46,159$  from

1 acquisition costs of \$101,667 ( $\$101,667 - \$46,159 = \$55,509$ ). The acquisition adjustment  
2 of \$55,509 is divided by ten years to determine the annual amortization of \$5,551  
3 ( $\$55,509 \div 10$ ). The annual amortization of the acquisition costs of \$5,551 has been  
4 carried forward to Exhibit No. HIII-2, Column 3. This amortization was specifically  
5 approved by the Commission as part of the settlement in the Company's 2018 base rate  
6 case at Docket No. R-2018-3000019. The amortization period began March 1, 2019 (the  
7 effective date of rates under Docket No. R-2018-3000019) and ends February 28, 2029.

8  
9 Q. Explain Exhibit No. HIII-2-27.

10 A. Exhibit No. HIII-2-27 includes, in operating costs, the expansion of The York Water  
11 Cares Low Income Customer Assistance Program. The Commission in its Order at  
12 Docket No. R-2022-3031340, dated March 1, 2023 approved \$40,000 annually until its  
13 next base rate case. The program has been a success in helping low-income customers  
14 pay their water and wastewater bills to avoid shut off. The Company requests the funding  
15 level be increased to \$60,000 annually on the basis that the \$40,000 each year has been  
16 fully expended and the Company's customer base and service territory continues to grow.  
17 This adjustment of \$20,000 has been carried forward to Exhibit No. FIII-2, Column 3.

18  
19 Q. Explain Exhibit No. HIII-2-28.

20 A. Exhibit No. HIII-2-28 adjusts bank fees to reflect current unit prices applied to the  
21 historic test year levels. Pro forma bank fees in the amount of \$162,964 are based on  
22 applying the unit prices of the various types of fees near the time of the rate filing to the  
23 historic test year levels of bank fees. The adjustment to bank fees in the amount of  
24 \$71,351 is determined by subtracting test year bank fees of \$91,614 from calculated pro

1 forma bank fees of \$162,964 ( $\$162,964 - \$91,614 = \$71,351$ ). The adjustment to bank  
2 fees in the amount of \$71,351 has been carried forward to Exhibit No. HIII-2, Column 3.

3  
4 Q. Explain Exhibit No. HIII-2-29.

5 A. Exhibit No. HIII-2-29 normalizes over ten years the costs of a survey of the Company's  
6 filter plant property conducted in 2015. The Company is aware of potential transfers of  
7 real estate on lands adjacent to the filter plant property, and desired to identify the  
8 boundaries of its filter plant property. The Company anticipates surveying its filter plant  
9 property approximately every ten years.

10  
11 The costs of the survey of the Company's filter plant property during the twelve months  
12 ended December 31, 2015, of \$30,810 are divided by 10 years to determine the  
13 normalized level of \$3,081 ( $\$30,810 \div 10$ ). The adjustment to normalize the costs of  
14 surveying the Company's filter plant property of \$3,081 as an adjustment to Account No.  
15 63620002 have been carried forward to Exhibit No. HIII-2, Column 3. I note that the  
16 Company reflected a normalized level of survey costs related to its filter plant property in  
17 its last rate case at Docket No. R-2022-3031340.

18  
19 Q. Explain Exhibit No. HIII-2-30.

20 A. Exhibit No. HIII-2-30 normalizes over five years the cost of a service life study incurred  
21 and recorded during the twelve months ended December 31, 2022, of \$25,688. The  
22 Company, as a public utility with gross intrastate revenues in excess of \$20 million, is  
23 required to file a service life study with the Commission every five years pursuant to  
24 Chapter 73 of the Public Utility Code.

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The costs of the service life study during the twelve months ended December 31, 2022, of \$25,688 are divided by five years to determine the normalized level of \$5,138. Cost of this study amortized on the corporate books during the twelve months ended December 31, 2024, of \$5,138 are subtracted from the normalized costs of \$5,138 to determine the adjustment of \$0. The adjustment to normalize the costs of the service life study of \$0 as an adjustment to Account No. 63280003 has been carried forward to Exhibit No. HIII-2, Column 3. I note that the Company reflected a normalized level of service life study costs in its last rate case at Docket No. R-2022-3031340.

Q. Explain Exhibit No. HIII-2-31.

A. Exhibit No. HIII-2-31 normalizes on-line bill payment fees for the twelve months ended December 31, 2024, based on the Company’s average monthly fees charged under the current contract. The Company does not charge customers to use the on-line bill payment system. Monthly fees have been generally increasing as more customers use the on-line bill payment method. Average monthly fees for the period January and February 2025 of \$42,510 were used as the baseline for normalization by dividing by two and multiplying by twelve to determine pro forma annual fees of \$510,126. Fees recorded on the corporate books for the twelve months ended December 31, 2024, of \$509,164 are subtracted from annualized fees of \$510,126 to determine the adjustment of \$962. The adjustment to on-line bill payment fees of \$962 to Account No. 67570400 has been carried forward to Exhibit No. HIII-2, Column 3.

Q. Explain Exhibit No. HIII-2-32.

1 A. Exhibit No. HIII-2-32 amortizes over ten years the acquisition costs of the waterworks  
2 property and rights of Lincoln Estates Mobile Home Park less than the original cost of the  
3 property when first devoted to public service less the applicable accrued depreciation. The  
4 negative acquisition adjustment of \$(77,186) is determined by subtracting the depreciated  
5 original cost of waterworks property and rights of \$146,957 from acquisition costs of  
6 \$69,772 [ $\$69,772 - \$146,957 = \$(77,186)$ ]. The negative acquisition adjustment of  
7 \$(77,186) is divided by ten years to determine the annual negative amortization of  
8 \$(7,719) [ $\$(77,186) \div 10$ ]. The annual negative amortization of the acquisition costs of  
9 \$(7,719) has been carried forward to Exhibit No. HIII-2, Column 3. This amortization was  
10 specifically approved by the Commission as part of the settlement in the Company's 2018  
11 base rate case at Docket No. R-2018-3000019. The amortization period began March 1,  
12 2019 (the effective date of rates under Docket No. R-2018-3000019) and ends February  
13 28, 2029.

14  
15 Q. Explain Exhibit No. HIII-2-33.

16 A. Exhibit No. HIII-2-33 amortizes over ten years the acquisition costs of the waterworks  
17 property and rights of The Meadows less than the original cost of the property when first  
18 devoted to public service less the applicable accrued depreciation. The negative  
19 acquisition adjustment of \$(158,818) is determined by subtracting the depreciated original  
20 cost of waterworks property and rights of \$221,778 from acquisition costs of \$62,960  
21 [ $\$62,960 - \$221,778 = \$(158,818)$ ]. The negative acquisition adjustment of \$(158,818) is  
22 divided by ten years to determine the annual negative amortization of \$(15,882)  
23 [ $\$(158,818) \div 10$ ]. The annual negative amortization of the acquisition costs of \$(15,882)  
24 has been carried forward to Exhibit No. HIII-2, Column 3. This amortization was

1 specifically approved by the Commission as part of the settlement in the Company's 2018  
2 base rate case at Docket No. R-2018-3000019. The amortization period began March 1,  
3 2019 (the effective date of rates under Docket No. R-2018-3000019) and ends February  
4 28, 2029.

5  
6 Q. Explain Exhibit No. HIII-2-34.

7 A. Exhibit No. HIII-2-34 normalizes over five years the costs of legal services related to the  
8 Company's Long Term Infrastructure Improvement Plan filed with the Commission in  
9 2021 to file the plan required pursuant to 52 Pa. Code Section 121. The Code requires the  
10 Company to file a Long Term Infrastructure Improvement Plan every five years with the  
11 Commission, so the Company would be required to file another plan in 2026.

12  
13 The costs of legal services related to the Company's Long Term Infrastructure  
14 Improvement Plan of \$3,358 are divided by five years to determine the annual  
15 normalization of \$672. Fees recorded on the corporate books for the twelve months  
16 ended December 31, 2024, of \$0 are subtracted from normalized fees of \$672 to  
17 determine the adjustment of \$672. The adjustment of the costs of legal services related to  
18 the Company's Long Term Infrastructure Improvement Plan of \$672 has been carried  
19 forward to Exhibit No. HIII-2, Column 3.

20  
21 Q. Explain Exhibit No. HIII-2-35.

22 A. Exhibit No. HIII-2-35 adjusts fees for the Securities and Exchange Commission reporting  
23 software to reflect actual fees effective January 1, 2025. The software allows the  
24 Company to file all legally required Securities and Exchange Commission documents and

1 the upgrade is necessary to be compliant with the EDGAR Next requirements  
2 promulgated by the Securities and Exchange Commission. The adjustment of \$7,654 is  
3 determined by subtracting the reporting software fees incurred and recorded on the books  
4 during the twelve months ended December 31, 2024, of \$20,900 from the reporting  
5 software fees based on the updated contract in effect January 1, 2025 of \$28,544 (\$28,544  
6 - \$20,900 = \$7,654). The adjustment of \$7,654 has been carried forward to Exhibit No.  
7 HIII-2, Column 3.

8  
9 Q. Explain Exhibit No. HIII-2-36.

10 A. Exhibit No. HIII-2-36 eliminates legal expenses related to potential acquisitions incurred  
11 during the twelve months ended December 31, 2024, of \$133,751. The elimination of the  
12 costs of the Company's legal expense related to potential acquisitions of \$(133,751) as an  
13 adjustment to Account No. 63380000 has been carried forward to Exhibit No. HIII-2,  
14 Column 3.

15  
16 Q. Explain Exhibit No. HIII-2-37.

17 A. Exhibit No. HIII-2-37 amortizes the actual costs of replacing customer-owned lead  
18 service lines, excluding the costs recovered as part of the Commission-approved  
19 settlements in the Company's 2018 base rate case at Docket No. R-2018-3000019 and the  
20 Company's 2022 base rate case at Docket No. R-2022-3031340 over a period of four  
21 years. In accordance with Commission's Order entered at Docket No. P-2016-2577404,  
22 the Company is permitted to record the cost of all customer-owned lead service line  
23 replacements as a regulatory asset. The Company is permitted to amortize the amounts

1 booked to the regulatory asset account in a base rate proceeding over a reasonable period  
2 to be not less than four years and not to exceed six years.

3  
4 The Company has incurred actual costs replacing customer-owned lead service lines since  
5 its last base rate case of \$581,191. As part of the settlements in the Company 2018 base  
6 rate case at Docket No. R-2018-3000019 and the Company's 2022 base rate case at  
7 Docket No. R-2022-3031340, the Commission allowed the regulatory asset to be  
8 amortized over a period of four years. The amortization is determined to be \$145,298  
9 ( $\$581,191 \div 4 = \$145,298$ ). The adjustment to maintenance of services in the amount of  
10 \$137,767 is determined by subtracting the updated amortization of \$145,298 from the  
11 amortization recorded during the twelve months ended December 31, 2024, of \$283,064  
12 [ $\$283,064 - \$145,298 = \$(137,767)$ ]. The adjustment for customer-owned lead service  
13 line replacements of  $\$(137,767)$  as an adjustment to Account No. 63660004 has been  
14 carried forward to Exhibit No. HIII-2, Column 3.

15  
16 Q. Explain Exhibit No. HIII-2-38.

17 A. Exhibit No. HIII-2-38 adjusts licensing fees for the enterprise resource planning software  
18 to reflect actual licensing fees effective January 1, 2025. The software integrates and  
19 manages the Company's core business processes, and the upgrade is necessary as the  
20 previous software was in use for over twenty years and has reached its end of life. The  
21 adjustment of \$640,939 is determined by subtracting the enterprise resource planning  
22 software fees incurred and recorded on the books during the twelve months ended  
23 December 31, 2024, of \$191,972 from the enterprise resource planning software fees  
24 based on the updated contract in effect January 1, 2025 of \$832,910 ( $\$832,910 -$

1 \$191,9720 = \$640,939). The adjustment of \$640,939 has been carried forward to Exhibit  
2 No. HIII-2, Column 3.

3  
4 Q. Explain Exhibit No. HIII-2-39

5 A. Exhibit No. HIII-2-39 adjusts automobile insurance for the twelve months ended  
6 December 31, 2024, based on the policy effective January 1, 2025. Automobile insurance  
7 costs recorded on the corporate books during the twelve months ended December 31,  
8 2024, of \$73,350 and pro forma automobile insurance costs charged to capital and non-  
9 operating accounts of \$2,245 are subtracted from the pro forma automobile insurance  
10 costs of \$99,425 to determine the adjustment of automobile insurance costs of \$23,830  
11 (\$99,425 - \$73,350 - \$2,245 = \$23,830). The adjustment of \$23,830 has been carried  
12 forward to Exhibit No. HIII-2, Column 3.

13  
14 Q. Explain Exhibit No. HIII-2-40.

15 A. Exhibit No. HIII-2-40 adjusts uncollectible accounts expense based on pro forma  
16 revenues under proposed rates and a two-year average ratio of net uncollectible accounts  
17 written off to total operating revenues.

18  
19 Pro forma historic test year revenues under proposed rates (Refer to Exhibit No. HII-2) of  
20 \$75,534,361 are multiplied by the two-year average ratio of net write-offs to total  
21 operating revenues of 0.66% to determine the pro forma uncollectible accounts expense  
22 under proposed rates of \$498,634 ( $\$75,534,361 \times 0.0066$ ). The adjustment to  
23 uncollectible accounts expense in the amount of \$59,288 is determined by subtracting pro  
24 forma uncollectible accounts expense under existing rates of \$439,347 (Refer to Exhibit

1 No. HIII-2-2) from pro forma uncollectible accounts expense under proposed rates of  
2 \$498,634 ( $\$498,634 - \$439,347 = \$59,288$ ). The adjustment to uncollectible accounts  
3 expense of \$59,288 to Account No. 67070000 has been carried forward to Exhibit No.  
4 HIII-2, Column 6.

5  
6 Q. Explain Exhibit No. HIII-9.

7 A. Exhibit No. HIII-9 provides a comparative statement of advertising expense per books for  
8 the twelve months ended December 31, 2024, December 31, 2023, and December 31,  
9 2022. The Company did not have advertising expenses during the three-year period  
10 ended December 31, 2024.

11  
12 Q. Explain Exhibit No. HIII-10.

13 A. Exhibit No. HIII-10 provides a schedule of social and service organization memberships  
14 paid for by the Company during the twelve months ended December 31, 2024, in the  
15 amount of \$2,480.

16  
17 The Company charged social and service membership fees for the twelve months ended  
18 December 31, 2024, to Account No. 42600060, Miscellaneous Non-operating Expenses.  
19 No social or service memberships are included in the cost of service in this rate  
20 proceeding.

21  
22 Q. Explain Exhibit No. HIII-11.

23 A. Exhibit No. HIII-11 provides a schedule, by major components, of Contractual Services,  
24 Rate Case Expense and Miscellaneous Expense for the twelve months ended December

1 31, 2024, 2023, and 2022. Page 2 of Exhibit No. HIII-11 provides a schedule of  
2 Contractual Services-Auditing for the twelve months ended December 31, 2024, 2023,  
3 and 2022. Page 3 of Exhibit No. HIII-11 provides a schedule of Contractual Services-  
4 Tax, for the twelve months ended December 31, 2024, 2023, and 2022. Page 4 of Exhibit  
5 No. HIII-11 provides a schedule by major components of Contractual Services-Other  
6 Accounting for the twelve months ended December 31, 2024, 2023, and 2022. Page 5 of  
7 Exhibit No. HIII-11 provides a schedule of Legal Fees Expense for the twelve months  
8 ended December 31, 2024, 2023, and 2022. Page 6 of Exhibit No. HIII-11 provides a  
9 schedule, by major components, of Contractual Services-Outside Services for the twelve  
10 months ended December 31, 2024, 2023, and 2022. Page 7 of Exhibit No. HIII-11  
11 provides a schedule of Rate Case Expense for the twelve months ended December 31,  
12 2024, 2023, and 2022. Page 8 of Exhibit No. HIII-11 shows the components of Other  
13 Miscellaneous Expense for the twelve months ended December 31, 2024, 2023, and  
14 2022.

15  
16 Q. Explain Exhibit No. HIII-13.

17 A. Exhibit No. HIII-13 provides a detailed schedule of all charitable and civic contributions  
18 in the amount of \$133,863 for the twelve months ended December 31, 2024. These  
19 contributions were offset by \$112,600 of tax credits received from the state for  
20 educational improvement and scholarship contributions, for a net contribution of \$21,263.  
21 York Water charged charitable and civic contributions for the twelve months ended  
22 December 31, 2021, to Account No. 42600020, Contributions. No charitable or civic  
23 contributions are included in the cost of service in this rate proceeding.  
24

1 Q. Explain Exhibit No. HIII-15.

2 A. Exhibit No. HIII-15 provides a schedule of pension contributions, SFAS87 pension  
3 expense, the amount of SFAS87 pension that was expensed to Operations & Maintenance  
4 expenses, and the amount of SFAS87 that was deferred. The Commission, in its Order at  
5 Docket No. R-2022-3031340, dated March 1, 2023, limited the contribution to the  
6 pension plans to the maximum deductible amount under the Internal Revenue Code,  
7 reducing the amount contributed in the year ended December 31, 2024. The Company  
8 has two defined benefit pension plans (one plan for union-represented employees and one  
9 plan for administrative and general employees). The Company has reflected in its cost of  
10 service for ratemaking purposes the cash contributions to its two defined benefit pension  
11 plans since the pension plans were established in 1959. The Commission, in its Order at  
12 Docket No. R-00027975, dated June 26, 2003, in its Order at Docket No. R-00049165,  
13 dated November 9, 2004, in its Order at Docket No. R-00063122, dated September 15,  
14 2006, in its Order at Docket No. R-2008-2023067, dated October 9, 2008, in its Order at  
15 Docket No. R-2010-2157140, dated November 4, 2010, in its Order at Docket No. R-  
16 2012-2336379, dated February 28, 2014, in its Order at Docket No. R-2018-3000019,  
17 dated March 1, 2019, and in its Order at Docket No. R-2022-3031340, dated March 1,  
18 2023 approved cash contributions plus administrative costs as the basis for the  
19 Company's ratemaking claim for pension expenses and authorized the Company to defer  
20 on its books, the difference between cash contributions and SFAS87 expense.

21

22 Q. Explain Exhibit No. HIII-16.

23 A. Exhibit No. HIII-16 provides SFAS106 expenses incurred during the twelve months  
24 ended December 31, 2024, for postretirement death benefits. These expenses were

1 eliminated from the cost of service on Exhibit No. HIII-2-24. The “pay-as-you-go”  
2 expense of \$2,000, representing one death benefit paid, is reflected as part of the historic  
3 test year cost of service.  
4

5 Q. Explain Exhibit No. HIII-24.

6 A. Exhibit No. HIII-24 provides a listing of payments made to industry organizations during  
7 the twelve months ended December 31, 2024. These payments are exclusive of lobbying  
8 fees, and they are included in cost of service.  
9

10 Q. Explain Exhibit No. HIII-27.

11 A. Exhibit No. HIII-27 indicates that no employee positions have been eliminated in the  
12 2024/2025 timeframe.  
13

14 Q. Are you sponsoring any other exhibits regarding the Company’s operating expenses?

15 A. Yes, I am also sponsoring Exhibit Nos. HIII-3, HIII-4, HIII-5, HIII-6, HIII-7, HIII-8,  
16 HIII-12, HIII-14, HIII-17, HIII-18, HIII-19, HIII-20, HIII-21, HIII-23, HIII-25, HIII-26,  
17 and HIII-28.  
18

19 Q. Explain Exhibit No. HIV-1.

20 A. Exhibit No. HIV-1 provides a copy of the Company’s latest Pennsylvania corporate tax  
21 report (calendar year 2023). A Pennsylvania corporate tax settlement is not included as  
22 the Department of Revenue no longer sends tax settlements.  
23

24 Q. Explain Exhibit No. HIV-5.

1 A. Exhibit No. HIV-5 provides a schedule of deferred water operations investment tax  
2 credits as of December 31, 2024. In 1972, the Company timely elected the special rule  
3 for ratable flow-through of investment tax credits under former Section 46(f)(2) (at that  
4 time, Section 46(e)(2)) of the Internal Revenue Code which requires that the Federal  
5 investment tax credits be flowed through to ratepayers as a reduction to federal income  
6 taxes ratably over the depreciable life of the property. The Company adopted a fifty-year  
7 amortization period for Federal investment tax credits to meet the requirements of former  
8 Section 46(f)(2) of the Internal Revenue Code. The Company's books reflect the annual  
9 amortization for the test year. Because the Company timely elected in 1972 the special  
10 rule for ratable flow-through of Federal investment tax credits under former Section  
11 46(f)(2) (at that time Section 46(e)(2)) of the Internal Revenue Code, the only reduction  
12 that may be made to the Company's cost of service, with respect to Federal investment  
13 tax credits generated in calendar year 1972 and thereafter, is to amortize the Federal  
14 investment tax credits ratably over the life of the property. Under the special rule for  
15 ratable flow-through, the rate base of the utility cannot be reduced by any portion of  
16 deferred Federal investment tax credits.

17  
18 Q. Explain Exhibit No. HIV-6.

19 A. Exhibit No. HIV-6 provides a schedule of the adjustments to water taxable net income  
20 per books for the twelve months ended December 31, 2024. Adjustments to taxable net  
21 income per books for the twelve months ended December 31, 2024, are classified as  
22 Expenses Recorded on Books Not Deducted on Return, Income on Books Not Included  
23 on Return, and Deductions Not Charged against Booked Income. Tax adjustments  
24 classified as expenses recorded on books not deducted on return include: (1) depreciation

1 on the books in excess of tax depreciation in the amount of \$2,231,238; (2) nondeductible  
2 lobbying expenses in the amount of \$24,228 (for ratemaking purposes the Company does  
3 not include lobbying expenses in the cost of service); (3) amortization of rate case  
4 expense in the amount of \$99,224 (the Company deducts rate case expense in the year  
5 incurred for tax purposes but amortizes the expense for book purposes); (4) amortization  
6 of service life study expense in the amount of \$5,138 (the Company deducts service life  
7 study expense in the year incurred for tax purposes but amortizes the expense for book  
8 purposes); (5) debt expense amortization on the PEDFA Exempt Facilities Revenue  
9 Bonds, Series 2004, the PEDFA Exempt Facilities Revenue Bonds, Series 2008B, the  
10 PEDFA Exempt Facilities Revenue Bonds, Series 2004, Monthly Senior Notes, Series  
11 2010A, YCIDA Revenue Bonds, Series 2006, and the PEDFA Exempt Facilities Revenue  
12 Refunding Bonds, Series 2014 in the amount of \$107,409 (the Company deducted the  
13 debt expense in the year it was refinanced for tax purposes but amortizes the expense for  
14 book purposes); (6) postretirement benefits in the amount of \$(12,712) (for ratemaking  
15 purposes the Company does not include the present value of postretirement benefits in  
16 the cost of service) (Refer to Exhibit No. HIII-2-24 for the elimination of postretirement  
17 benefits from the cost of service); (7) nondeductible vacation pay in the amount of \$6,243  
18 (for ratemaking purposes, the Company does not include accrued vacation pay in the cost  
19 of service); (8) amortization of acquisition adjustments in the amount of \$(51,395) that  
20 are not deductible for income taxes (acquisition adjustments are reflected on the  
21 Company's income statement as "below the line"); (9) change in bad debt reserve in the  
22 amount of \$605,000 (the Company deducts bad debt expense when it is incurred and not  
23 when it is reserved); (10) expenses relative to the Company's savings plan and  
24 supplemental retirement plan in the amount of \$(386,104) (savings plan and supplemental

1 retirement plan expenses are reflected on the Company's income statement as "below the  
2 line"); (11) stock based compensation in the amount of \$(418) (for ratemaking purposes,  
3 the Company does not include non-vested stock based compensation in the cost of  
4 service); (12) nondeductible parking expenses in the amount of \$8,357 (pursuant to the  
5 Tax Cuts and Jobs Act of 2017, the cost of qualified parking expenses provided to  
6 employees are 50% deductible); (13) nondeductible business meals in the amount in the  
7 amount of \$16,770 (only 50% of otherwise allowable meal expenses are deductible); and  
8 (14) a prior year state income tax adjustment in the amount of \$1,786 (included on 2024's  
9 Form 1120).

10  
11 Tax adjustments classified as income on books not subject to income taxes include  
12 interest income received in the amount of \$157,875, which is exempt from Federal and  
13 state income taxes, and the portion of dividends from domestic corporations (Columbia  
14 Water Company common stock) not subject to income tax of \$9,184 (interest income and  
15 dividends are reflected on the Company's income statement as "below the line").

16  
17 Tax adjustments classified as deductions not charged against book income include: (1)  
18 tax repair expense in the amount of \$15,825,216 (the Company deducts repair items for  
19 tax purposes but capitalizes repair items for book purposes); (2) cost of customer-owned  
20 lead service line replacements in the amount of \$(83,895) (the Company deducts the cost  
21 of customer-owned lead service line replacements in the year incurred for tax purposes  
22 but amortizes the expense for book purposes); (3) cost of removal deducted currently in  
23 the amount of \$3,505,008 (the Company deducts cost of removal for tax purposes but  
24 capitalizes cost of removal for book purposes); (4) tank painting deducted currently of

1 \$16,414 (the Company capitalizes tank painting for book purposes but deducts the costs  
2 immediately for tax purposes); (5) changes in prepaid expenses during the current  
3 accounting period of \$542,011 (the Company deducts prepaid expenses in the year  
4 incurred for tax purposes but amortizes the expense for book purposes); (6) contributions  
5 and advances deducted currently of \$67,419 (the Company deducts refunds paid for those  
6 advances that were taxable pursuant to the Tax Cuts and Jobs Act of 2017); and (7)  
7 charitable contributions carryover deducted currently of \$343,271 (charitable or civic  
8 contributions are reflected on the Company's income statement as "below the line").  
9

10 Adjustments to pro forma taxable net income for ratemaking purposes for the twelve  
11 months ended December 31, 2024, are shown on Exhibit No. HIV-17-2, which I will  
12 explain later.  
13

14 Q. Explain Exhibit No. HIV-12.

15 A. Page 2 of Exhibit No. HIV-12 provides a detail of taxes accrued per books as of  
16 December 31, 2024, as well as an explanation of the basis for the accrual of each tax.  
17 Page 3 of Exhibit HIV-12 provides a schedule of the amount of taxes accrued monthly  
18 for the twelve months ended December 31, 2024.  
19

20 Q. Explain Exhibit No. HIV-14.

21 A. Exhibit No. HIV-14 provides a copy of the Company's corporate federal tax returns and  
22 supporting schedules for the calendar years 2023, 2022, and 2021. The 2024 corporate  
23 federal tax return is on extension and will not be filed until September or October 2025.  
24

1 Q. Explain Exhibit No. HIV-15.

2 A. Exhibit No. HIV-15 summarizes adjustments to operating taxes other than income taxes  
3 for the twelve months ended December 31, 2024, for ratemaking purposes and to reflect  
4 additional operating taxes other than income taxes resulting from the proposed increase in  
5 operating revenues.

6

7 Operating taxes other than income taxes per books for the twelve months ended  
8 December 31, 2024, in the amount of \$1,525,678 are shown in Column 1 of Exhibit No.  
9 HIV-15 page 2.

10

11 Adjustments to operating taxes other than income taxes of \$119,870 are made to reflect  
12 the calculation of the pro forma level of taxes other than income taxes under existing  
13 rates for the twelve months ended December 31, 2024. Such adjustments are shown in  
14 Column 3 of Exhibit No. HIV-15 and are detailed in Exhibit Nos. HIV-15-1 through  
15 HIV-15-4, and HIII 2-6. Adjustments to operating taxes other than income taxes  
16 amounting to \$60,725 are made to reflect the increased operating taxes other than income  
17 taxes that result from the increase in water operating revenues under proposed rates, and  
18 these adjustments are shown in Column 6 of Exhibit No. HIV-15 and are detailed in  
19 Exhibit No. HIV-15-5.

20

21 Q. Explain Exhibit No. HIV-15-1.

22 A. Exhibit No. HIV-15-1 presents an adjustment to reflect FICA payroll taxes on pro forma  
23 payroll for twelve months ended December 31, 2024, at the tax rate and wage bases  
24 effective January 1, 2025. The January 1, 2025 hospitalization insurance (“HI”)

1 component of the FICA tax of 1.45% is applied to taxable pro forma payroll of  
2 \$10,916,302 (Refer to Exhibit No. HIII-2-4 (a), page 1) to determine pro forma HI  
3 component of FICA taxes of \$158,286 ( $\$10,916,302 \times 0.0145 = \$158,286$ ). Total pro  
4 forma payroll in the amount of \$10,916,302 is reduced by \$637,909, which is that portion  
5 of pro forma payroll not subject to old age, survivors, and disability insurance component  
6 (“OASDI”) of FICA tax to arrive at taxable pro forma payroll of \$10,278,394  
7 ( $\$10,916,302 - \$637,909 = \$10,278,394$ ). The January 1, 2025 OASDI component of  
8 FICA tax rate of 6.2% is applied to the taxable pro forma payroll of \$10,278,394 to  
9 determine pro forma OASDI component of FICA taxes of \$637,260 ( $\$10,278,394 \times$   
10  $0.062$ ). The HI component in the amount of \$158,286 and the OASDI component in the  
11 amount of \$637,260 are totaled to determine pro forma FICA taxes in the amount of  
12 \$795,547 ( $\$158,286 + \$637,260 = \$795,547$ ). The adjustment to FICA taxes, in the  
13 amount of \$60,144, is determined by subtracting the test year FICA taxes of \$735,403  
14 from the calculated pro forma FICA taxes of \$795,547 ( $\$795,547 - \$735,403 = \$60,144$ ).  
15 The FICA adjustment, in the amount of \$60,144, has been carried forward to Exhibit No.  
16 HIV-15, Column 3.

17  
18 I note that a portion of pro forma FICA taxes for the twelve months ended December 31,  
19 2024, was capitalized and is reflected, as a reduction to operating expenses, in Account  
20 40801201, Taxes Other than Income Taxes-FICA on Exhibit No. HIII-2-6.

21  
22 Q. Explain Exhibit No. HIV-15-2.

23 A. Exhibit No. HIV-15-2 presents an adjustment to reflect Federal unemployment tax on pro  
24 forma payroll for twelve months ended December 31, 2024, at the tax rate and wage base

1 effective January 1, 2025. Total pro forma payroll in the amount of \$10,916,302 (Refer  
2 to Exhibit No. HIII-2-4 (a), page 1) is reduced by \$9,958,782, which is that portion of pro  
3 forma payroll that exceeds the 2025 taxable wage base per employee of \$7,000, to arrive  
4 at taxable pro forma payroll of \$957,520 ( $\$10,916,302 - \$9,958,782 = \$957,520$ ). The  
5 2025 Federal unemployment tax rate of 0.6% is applied to the taxable pro forma payroll  
6 of \$957,520 to determine pro forma Federal unemployment tax of \$5,745. The  
7 adjustment to Federal unemployment tax in the amount of \$(1,262) is determined by  
8 subtracting the test year Federal unemployment tax of \$5,745 from the calculated pro  
9 forma Federal unemployment tax of \$7,007 [ $\$5,745 - \$7,007 = \$(1,262)$ ]. The Federal  
10 unemployment tax adjustment, in the amount of \$(1,262), has been carried forward to  
11 Exhibit No. HIV-15, Column 3.

12  
13 I note that a portion of pro forma Federal unemployment tax for the twelve months ended  
14 December 31, 2024, was capitalized and is reflected, as a reduction to operating  
15 expenses, in Account No. 40801202, Taxes Other than Income Taxes-Federal  
16 Unemployment on Exhibit No. HIII-2-6.

17  
18 Q. Explain Exhibit No. HIV-15-3.

19 A. Exhibit No. HIV-15-3 presents an adjustment to reflect Pennsylvania unemployment tax  
20 on pro forma payroll for twelve months ended December 31, 2024, at the tax rate and  
21 wage base effective January 1, 2025. Total pro forma payroll in the amount of  
22 \$10,916,302 (Refer to Exhibit No. HIII-2-4 (a), page 1) is reduced by \$9,556,802, which  
23 is that portion of pro forma payroll expense that exceeds the 2025 taxable wage base per  
24 employee of \$10,000, to arrive at taxable pro forma payroll of \$1,359,501 ( $\$10,916,302 -$

1           \$9,556,802 = \$1,359,501). The 2025 Pennsylvania unemployment tax rate of 1.5282% is  
2           applied to the taxable pro forma payroll of \$1,359,501 to determine pro forma  
3           Pennsylvania unemployment tax of \$20,776. The adjustment to Pennsylvania  
4           unemployment tax in the amount of \$(3,970) is determined by subtracting the test year  
5           Pennsylvania unemployment tax of \$24,746 from the calculated pro forma Pennsylvania  
6           unemployment tax of \$20,776 [ $\$20,776 - \$24,746 = \$(3,970)$ ]. The Pennsylvania  
7           unemployment tax adjustment, in the amount of \$(3,970), has been carried forward to  
8           Exhibit No. HIV-15, Column 3.

9  
10          I note that a portion of pro forma Pennsylvania unemployment tax for the twelve months  
11          ended December 31, 2024, was capitalized and is reflected as a reduction to operating  
12          expenses in Account No. 40801203, Taxes Other than Income Taxes-State  
13          Unemployment on Exhibit No. HIII-2-6.

14  
15    Q.     Explain Exhibit No. HIV-15-4.

16    A.     Exhibit No. HIV-15-4 presents an adjustment to reflect the Commission's General  
17          Assessment, the Consumer Advocate's Assessment, the Small Business Advocate's  
18          Assessment, and the Damage Prevention Committee Assessment based on pro forma  
19          operating revenues under existing rates for twelve months ended December 31, 2024, and  
20          the 2024-2025 assessment factors. The currently-effective combined 2024-2025  
21          assessment rate of 0.676148% for the Commission's General Assessment, the Consumer  
22          Advocate's Assessment, the Small Business Advocate's Assessment, and the Damage  
23          Prevention Committee Assessment is applied to pro forma operating revenues at existing  
24          rates for combined assessment purposes for the twelve months ended December 31, 2024,

1 in the amount of \$64,546,731. The pro forma operating revenues at existing rates for  
2 combined assessment purposes is determined by removing sales for resale customers  
3 included on Exhibit No. FII-11 and Exhibit No. FII-12 and priced out bulk truck sales  
4 included on Exhibit No. HII-4 from total pro forma operating revenues at existing rates  
5 on Exhibit No. HII-2, Page 2, Column 3. Sales for resale customers and priced out bulk  
6 truck sales are not included in the combined assessment calculation. The currently-  
7 effective combined 2024-2025 assessment rate of 0.676148% is applied to the pro forma  
8 operating revenues at existing rates for combined assessment purposes for the twelve  
9 months ended December 31, 2024, in the amount of \$64,546,731 to determine the pro  
10 forma combined assessment under existing rates for twelve months ended December 31,  
11 2024, in the amount of \$436,432 ( $\$64,546,731 \times 0.676148\%$ ). The adjustment in the  
12 amount of \$59,984 is determined by subtracting the test year assessments of \$376,448  
13 from the calculated pro forma amount of \$436,432 ( $\$436,432 - \$376,448 = \$59,984$ ).  
14 The adjustment in the amount of \$59,984 has been carried forward to Exhibit No. HIV-  
15 15, Page 2, Column 3.

16  
17 Q. Explain Exhibit No. HIV-15-5.

18 A. Exhibit No. HIV-15-5 presents an adjustment to reflect the Commission's General  
19 Assessment, the Consumer Advocate's Assessment, the Small Business Advocate's  
20 Assessment, and the Damage Prevention Committee Assessment based on pro forma  
21 historic test year operating revenues at proposed rates. The currently effective combined  
22 2024-2025 assessment rate of 0.676148% for the Commission's General Assessment, the  
23 Consumer Advocate's Assessment, the Small Business Advocate's Assessment, and the  
24 Damage Prevention Committee Assessment is applied to pro forma operating revenues

1 under proposed rates in the amount of \$73,527,788. The pro forma operating revenues at  
2 existing rates for combined assessment purposes is determined by removing sales for  
3 resale customers included on Exhibit No. FII-11 and Exhibit No. FII-12 and priced out  
4 bulk truck sales included on Exhibit No. HII-4 from total pro forma operating revenues at  
5 proposed rates on Exhibit No. HII-2, Page 2, Column 6. Sales for resale customers and  
6 priced out bulk truck sales are not included in the combined assessment calculation. The  
7 currently effective combined 2024-2025 assessment rate of 0.676148% is applied to the  
8 pro forma operating revenues at proposed rates for combined assessment purposes for the  
9 twelve months ended December 31, 2024, in the amount of \$73,527,788 to determine the  
10 pro forma combined assessment under existing rates for twelve months ended December  
11 31, 2024, in the amount of \$497,157 ( $\$73,527,788 \times 0.00676148$ ). The adjustment in the  
12 amount of \$60,725 is determined by subtracting the calculated pro forma expense for the  
13 combined assessment under existing rates in the amount of \$436,432 (Refer to Exhibit  
14 No. HIV-15-4) from the calculated pro forma expense under proposed rates in the amount  
15 of \$497,157 ( $\$497,157 - \$436,432 = \$60,725$ ). The adjustment in the amount of \$60,725  
16 has been carried forward to Exhibit No. HIV-15, Column 3.

17  
18 Q. Explain Exhibit No. HIV-17.

19 A. Exhibit No. HIV-17 summarizes adjustments to water operating income taxes for the  
20 twelve months ended December 31, 2024, for ratemaking purposes and to reflect  
21 additional operating income taxes resulting from the proposed increase in operating  
22 revenues.

23

1 Operating income taxes per books for the twelve months ended December 31, 2024, in  
2 the amount of \$661,290 are shown in Column 1 of Exhibit No. HIV-17. Pro forma  
3 adjustments to operating income taxes of \$(781,849) are shown in Column 3 of Exhibit  
4 No. HIV-17 and are detailed in Exhibit Nos. HIV-17-1 through HIV-17-4. Adjustments  
5 to operating income taxes amounting to \$2,460,766 are made to reflect the increased  
6 operating income taxes that result from the increase in operating revenues under proposed  
7 rates, and these adjustments are shown in Column 6 of Exhibit No. HIV-17 and are  
8 detailed in Exhibit No. HIV-17-5.

9  
10 Q. Explain Exhibit No. HIV-17-1.

11 A. Exhibit No. HIV-17-1 presents an annualized amortization of Federal investment tax  
12 credits for the twelve months ended December 31, 2024. The Tax Reform Act of 1986  
13 repealed the investment tax credit provisions effective December 31, 1985. The  
14 investment tax credits for 1986 through 2024 are claimed under the transitional property  
15 provisions of TRA-86.

16  
17 Federal investment tax credits as of December 31, 2024, generated during the period  
18 1972 through 2024 are shown on Column 2 of Exhibit No. HIV-17-1. The Company  
19 adopted a fifty-year amortization period for Federal investment tax credits to meet the  
20 requirements of former Section 46(f)(a) of the Internal Revenue Code. The pro forma  
21 annual amortization of Federal investment tax credits in the amount of \$(38,309) shown  
22 in Column 4 of Exhibit No. HIV-17-1 is determined by dividing the Federal investment  
23 tax credits generated, shown in Column 2, by the fifty-year amortization period shown in  
24 Column 3.

1  
2 In 1972, the Company timely elected the special rule for ratable flow-through of  
3 investment tax credits under former Section 46(f)(2) (at that time Section 46(e)(2)) of the  
4 Internal Revenue Code, which requires that Federal investment tax credits be flowed  
5 through to ratepayers as a reduction to Federal income taxes ratably over the depreciable  
6 life of the property. The Company's books reflect the annual amortization for the twelve  
7 months ended December 31, 2024. An adjustment of the annual amortization of Federal  
8 investment tax credits in the amount of \$(2,556) is determined by subtracting the  
9 amortization of Federal investment tax credits recorded on the corporate books during the  
10 twelve months ended December 31, 2024, in the amount of \$(35,753) from the calculated  
11 pro forma annual amortization of Federal investment tax credits in the amount of  
12 \$(38,309), shown in Column 4 [ $$(38,309) - $(35,753) = $(2,556)$ ]. The adjustment of the  
13 annual amortization of Federal investment tax credits in the amount of \$(2,556) has been  
14 carried forward to Exhibit HIV-17, Column 3.

15  
16 Because the Company timely elected in 1972, the special rule for ratable flow-through of  
17 Federal investment tax credits under former Section 46(f)(2) (at that time Section  
18 46(e)(2)) of the Internal Revenue Code, the only reduction that may be made to the  
19 Company's cost of service, with respect to Federal investment tax credits generated in  
20 calendar year 1972 and thereafter, is to amortize the Federal investment tax credits  
21 ratably over the life of the property. Under the special rule for ratable flow-through, the  
22 rate base of the utility cannot be reduced by any portion of deferred Federal investment  
23 tax credits.

1 Q. Explain Exhibit No. HIV-17-2.

2 A. Exhibit No. HIV-17-2 presents an adjustment to reflect current Federal income tax and  
3 current Pennsylvania corporate net income tax based on pro forma water taxable income  
4 under existing rates at the currently effective Federal income tax rate of 21% and at the  
5 currently effective Pennsylvania corporate net income tax rate of 8.49%.

6

7 Total pro forma operating income before income taxes and excluding depreciation under  
8 existing rates in the amount of \$37,499,603 is determined by subtracting pro forma  
9 operating expenses under existing rates in the amount of \$28,205,929 (Refer to Exhibit  
10 No. HIII-2, Page 2 of 8, Column 4) and pro forma operating taxes other than income  
11 taxes under existing rates in the amount of \$1,645,548 (Refer to Exhibit No. HIV-15,  
12 Page 2 of 2, Column 4) from pro forma operating revenues under existing rates in the  
13 amount of \$67,351,080 (Refer to Exhibit No. HII-2, Page 2 of 3, Column 3) (\$67,351,080  
14 - \$28,205,929 - \$1,645,548 = \$37,499,603). To arrive at taxable income at present rates,  
15 amounts are added for expenses of the Customer Survey of \$(19,200), Dividend  
16 Reinvestment and Direct Stock Purchase and Sale Plan of \$7,762, Long-term Incentive  
17 Plan of \$1,740, Employee Stock Purchase Plan of \$1,052, Normalization of Rate Case  
18 Expenses of \$236,188, Amortization of Acquisition Adjustments of \$(23,331),  
19 Amortization of Lead Service Line Replacements of \$145,298, Filter Plant Yard Piping  
20 Survey of \$3,081, Service Life Study of \$5,138, Long-term Infrastructure Improvement  
21 Plan of \$672, Nondeductible Parking of \$8,357, and Nondeductible Meals of \$16,770,  
22 and amounts are then deducted for tax repair expense in the amount of \$15,825,216, cost  
23 of removal in the amount of \$3,505,008, tank painting in the amount of \$16,414, state tax  
24 depreciation in the amount of \$11,261,347, and pro forma interest expense deduction for

1 ratemaking purposes in the amount of \$7,885,662. Expenses of the Company's Customer  
2 Survey of \$(19,200), Dividend Reinvestment and Direct Stock Purchase and Sale Plan of  
3 \$7,762, Long-term Incentive Plan of \$1,740, Employee Stock Purchase Plan of \$1,052,  
4 Normalization of Rate Case Expenses of \$236,188, Amortization of Acquisition  
5 Adjustments of \$(23,331), Amortization of Lead Service Line Replacements of \$145,298,  
6 Filter Plant Yard Piping Survey of \$3,081, Service Life Study of \$5,138, Long-term  
7 Infrastructure Improvement Plan of \$672, Nondeductible Parking of \$8,357, and  
8 Nondeductible Meals of \$16,770 are not allowed as a deduction for income tax purposes.  
9 Since these amounts are included in operating expenses and deducted in arriving at the  
10 figure of \$37,499,603, they must be added back in arriving at taxable income. Tax repair  
11 expense in the amount of \$15,825,216 has been capitalized on the corporate books but is  
12 taken as a current deduction on the Company's Federal and State income tax returns.  
13 Cost of removal in the amount of \$3,505,008 has been capitalized on the corporate books  
14 but is taken as a current deduction on the Company's Federal and State income tax  
15 returns. Tax depreciation in the amount of \$11,261,347 is detailed on Exhibit No. HIV-  
16 17-3 and Exhibit No. HIV-17-3 (a). I note that the state tax depreciation is greater than  
17 Federal tax depreciation due to the provisions of Act 89 of 2002, which I will explain  
18 later with respect to Exhibit No. HIV-17-3 (a). Pro forma interest expense deduction for  
19 ratemaking purposes in the amount of \$7,885,662 is determined by reflecting the interest  
20 charges to ratepayers in the cost of capital determination (Interest Synchronization) (Rate  
21 Base of \$382,415,236 x Weighted Debt Cost Rate of 2.06%).

22  
23 Pro forma taxable income under existing rates in the amount of \$(610,520) is determined  
24 by adding the expenses of the Customer Survey of \$(19,200), Dividend Reinvestment and

1 Direct Stock Purchase and Sale Plan of \$7,762, Long-term Incentive Plan of \$1,740,  
2 Employee Stock Purchase Plan of \$1,052, Normalization of Rate Case Expenses of  
3 \$236,188, Amortization of Acquisition Adjustments of \$(23,331), Amortization of Lead  
4 Service Line Replacements of \$145,298, Filter Plant Yard Piping Survey of \$3,081,  
5 Service Life Study of \$5,138, Long-term Infrastructure Improvement Plan of \$672,  
6 Nondeductible Parking of \$8,357, and Nondeductible Meals of \$16,770, and deducting  
7 tax repair expense in the amount of \$15,825,216, cost of removal in the amount of  
8 \$3,050,008, tank painting in the amount of \$16,414, state tax depreciation in the amount  
9 of \$11,261,347, and pro forma interest expense in the amount of \$7,885,662 from pro  
10 forma net operating income in the amount of \$37,499,603 [ $\$37,499,603 + \$(19,200) +$   
11  $\$7,762 + \$1,740 + \$1,052 + \$236,188 + \$(23,331) + \$145,298 + \$3,081 + \$5,138 + \$672$   
12  $+ \$8,357 + \$16,770 - \$15,825,216 - \$3,505,008 - \$16,414 - \$11,261,347 - \$7,885,662 =$   
13  $\$(610,520)$ ].

14  
15 Pro forma State income tax under existing rates in the amount of \$(51,833) is determined  
16 by applying the Pennsylvania corporate net income tax rate of 8.49% to pro forma  
17 taxable income in the amount of \$(610,520) [ $\$(610,520) \times 0.0849 = \$(51,833)$ ]. Pro  
18 forma Federal taxable income under existing rates in the amount of \$249,844 is  
19 determined by subtracting pro forma State income tax under existing rates in the amount  
20 of \$(51,833) and adding back State depreciation in excess of Federal depreciation of  
21 \$808,531 (Refer to Exhibit No. HIV-17-3 (a)) from pro forma taxable income in the  
22 amount of \$(610,520) [ $\$(610,520) - \$(51,833) + \$808,531 = \$249,844$ ]. Pro forma  
23 Federal income tax under existing rates in the amount of \$52,467 is determined by  
24 applying the presently effective Federal income tax rate of 21% to the pro forma Federal

1 taxable income under existing rates in the amount of \$249,844 ( $\$249,844 \times 0.21 =$   
2  $\$52,467$ ). Total pro forma current income taxes under existing rates in the amount of  
3  $\$634$  is determined by adding pro forma state income tax under existing rates in the  
4 amount of  $\$(51,833)$  and pro forma Federal income tax under existing rates in the amount  
5 of  $\$52,467$  [ $\$(51,833) + \$52,467 = \$634$ ]. The adjustment to income taxes in the amount  
6 of  $\$(598,377)$  is determined by subtracting current income taxes recorded on the  
7 corporate books during the twelve months ended December 31, 2024, in the amount of  
8  $\$599,011$  from total pro forma current income taxes under existing rates in the amount of  
9  $\$634$  [ $\$634 - \$599,011 = \$(598,377)$ ]. The adjustment to income taxes at present rates in  
10 the amount of  $\$(598,377)$  has been carried forward to Exhibit No. HIV-17, Column 3.

11  
12 Q. Explain Exhibit No. HIV-17-3.

13 A. Exhibit No. HIV-17-3 provides information concerning income tax depreciation used to  
14 calculate current and deferred Federal Income Taxes for ratemaking purposes. To  
15 explain Exhibit HIV-17-3, a general explanation of the tax depreciation methods used by  
16 York Water for various vintages of property is required.

17  
18 For property placed in service during calendar year 1970 and prior years, the Company's  
19 method of tax depreciation is the straight-line method. No provision has been made in  
20 the rate case exhibits for normalization of tax depreciation for property placed in service  
21 in 1970 and prior years.

22  
23 For property placed in service during calendar years 1971 through 1978, the Company's  
24 method of tax depreciation is the double declining balance method. As explained later,

1 normalization of the income tax deferrals resulting from use of an accelerated tax  
2 depreciation method for property placed in service during calendar years 1971 through  
3 1978 is required by Internal Revenue Code Section 167(1)(2)(B) because the Company's  
4 "applicable 1968 method" was straight line. The Company also filed, as a precaution, a  
5 timely election with the Internal Revenue Service electing normalization of accelerated  
6 depreciation.

7  
8 For property placed in service during calendar years 1979 and 1980, the Company's  
9 method of tax depreciation is the double declining balance method under the Internal  
10 Revenue Service's Asset Depreciation Range System. Normalization of the income tax  
11 deferrals resulting from use of an accelerated depreciation method for property placed in  
12 service during the calendar years 1979 and 1980 also is required by Internal Revenue  
13 Code Section 167(1)(2)(B).

14  
15 Normalization of the income tax deferrals resulting from the use of an accelerated tax  
16 depreciation method for property placed in service during calendar years 1971 through  
17 1980 is required because the Company's "applicable 1968 method," for purposes of  
18 Section 167 of the Internal Revenue Code, was the straight-line method. Under Section  
19 167(1)(2)(B) of the Internal Revenue Code, because the Company's "applicable 1968  
20 method" was straight line, the Company may not deduct accelerated depreciation for  
21 property placed in service during calendar years 1971 through 1980 for income tax  
22 purposes unless there is normalization for ratemaking purposes.  
23

1 For property placed in service beginning with calendar year 1981 and continuing through  
2 2024, the Company employs various methods of tax depreciation as permitted by law.  
3 Normalization of the tax deferrals resulting from the use of these accelerated depreciation  
4 methods is required by the Internal Revenue Code.

5  
6 I note that for qualified property placed in service after September 10, 2001, and before  
7 January 1, 2005, the Company's method of tax depreciation includes either the Internal  
8 Revenue Code's Special 30 Percent Depreciation Allowance or the Internal Revenue  
9 Code's Special 50 Percent Depreciation Allowance.

10  
11 I note that for qualified property placed in service after January 1, 2008, and before  
12 January 1, 2018, the Company's method of tax depreciation includes either the Internal  
13 Revenue Code's 50 Percent First Year Bonus Depreciation or the Internal Revenue  
14 Code's 100 Percent First Year Bonus Depreciation.

15  
16 If the Company is not permitted to recover revenues necessary to provide for  
17 normalization of the income tax effects of accelerated depreciation, the Company will not  
18 be permitted to deduct accelerated depreciation for Federal income tax purposes.

19  
20 Tax depreciation by vintage year in the amount of \$13,777,980 for property included in  
21 the measure of value is shown on Exhibit No. HIV-17-3, Column 3.

22  
23 Deferred taxes must comply with the normalization requirements of Internal Revenue  
24 Code Sections 167 and 168. The amount of \$13,777,980 is reduced by \$12,091,684,

1 which is the amount included for ratemaking purposes as depreciation to determine the  
2 difference of \$1,686,296 to be used for calculating the deferred Federal income tax  
3 (\$13,777,980 - \$12,091,684 = \$1,686,296). The Federal income tax rate of 21% is  
4 applied to the \$1,686,296 to determine the deferred Federal income tax amount of  
5 \$354,122 ( $\$1,686,296 \times 0.21$ ). The adjustment to deferred Federal income tax in the  
6 amount of \$(196,269) is determined by subtracting deferred Federal income tax recorded  
7 on the corporate books during the twelve months ended December 31, 2024, in the  
8 amount of \$550,391 from the calculated deferred Federal income tax amount of \$354,122  
9 [ $\$354,122 - \$550,391 = \$(196,269)$ ]. The adjustment to deferred Federal income tax in  
10 the amount of \$(196,269) has been carried forward to Exhibit No. HIV-17, Column 3.

11  
12 Q. Explain Exhibit No. HIV-17-3 (a).

13 A. Exhibit No. HIV-17-3 (a) presents the calculation of the state tax decoupling from the  
14 Federal Special 30-Percent and 50 Percent Depreciation Allowance in accordance with  
15 Act 89 of 2002 signed into law June 29, 2002 and the Economic Growth and Tax Relief  
16 Reconciliation Act of 2001, the Job Creation and Worker Assistance Act of 2002, the  
17 Jobs and Growth Tax Relief Reconciliation Act of 2003, the Economic Stimulus Act of  
18 2008, and the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation  
19 Act of 2010. These acts require corporate taxpayers who elect the Federal Special 30-  
20 Percent and 50 Percent Depreciation Allowance to make adjustments that eliminate the  
21 effect of the Federal Special 30-Percent and 50 Percent Depreciation Allowance in  
22 arriving at Pennsylvania taxable income. Because Act 89 of 2002 eliminated the effect of  
23 the first-year Federal bonus depreciation, additional State depreciation deductions are  
24 allowed in subsequent years.

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23

The recovery of a portion of the bonus depreciation of \$808,531 is carried forward to Exhibit No. HIV-17-2 as an adjustment to State Tax Depreciation.

The basis of property qualified for the additional first year depreciation allowance is reflected in Column 2 of Exhibit No. HIV-17-3 (a). Total Federal tax depreciation is shown in Column 3 of Exhibit No. HIV-17-3 (a). The adjustment for additional allowed state depreciation in lieu of the Federal Special 30-Percent and 50 Percent depreciation is reflected in Column 6 and is determined by multiplying Federal depreciation shown in Column 5 by 0.42857 (3/7). The factor of 0.42857 (3/7) is reflected in the Bureau of Corporation Taxes Adjustment for Bonus Depreciation (Form REV-784).

Q. Explain Exhibit No. HIV-17-4.

A. Exhibit No. HIV-17-4 calculates the reversal of excess deferred Federal income taxes related to accelerated depreciation on property. Upon passage of the Tax Cuts and Jobs Act of 2017, the Company adjusted the balance of its deferred Federal income taxes related to accelerated depreciation on property to the newly enacted statutory Federal income tax rate of 21%. The difference between the existing balance of deferred Federal income taxes related to accelerated depreciation on property and the adjusted balance of deferred Federal income taxes related to accelerated depreciation on property was recorded as a regulatory liability for the excess deferred Federal income taxes related to accelerated depreciation on property.

1 A reversal is recorded for the excess deferred Federal income taxes whose normalized  
2 depreciation exceeds tax depreciation, that is, the tax life of the property has reached  
3 what is commonly referred to as the “turnaround point.” The vintage years that have  
4 reached the turnaround point are 1971 through 1972, 1979, 1980 through 1998, 2006,  
5 2011, and 2015 through 2017. Tax depreciation for these vintage years subject to  
6 normalization requirements of Internal Revenue Code Section 167 and 168 is \$907,719.  
7 The amount of tax depreciation of \$907,719 is less than \$2,226,824, which is the amount  
8 included for ratemaking purposes as depreciation on property placed in service during  
9 these vintage years. The difference of \$(1,319,105) is to be used for calculating the  
10 return of excess previously deferred Federal income tax to be reversed [ $\$907,719 -$   
11  $\$2,226,824 = \$(1,319,105)$ ]. Tax depreciation, and thus excess deferred Federal income  
12 taxes recovered from customers, was computed to the turnaround point for all of these  
13 properties at a rate of 21%, 34%, 46%, or 48%. The excess of 2% between 48% and 46%  
14 has been amortized as a reduction to the cost of service in prior rate proceedings.  
15 However, the Tax Reform Act of 1986 and the Tax Cuts and Jobs Act of 2017 prohibits  
16 flow back of the excess between the prior rates and the current rate any faster than ratably  
17 over the tax life of the property following the property attaining the turnaround point.  
18 This ratable flow back is to be achieved by using a weighted average tax rate,  
19 representing the weighted average rate for each vintage for all years prior to the  
20 turnaround year. The weighted average rate for each vintage year, which has reached the  
21 turnaround point, is shown in Column 6. The weighted average tax rate is applied to the  
22 tax depreciation subject to deferral shown in Column 4 to determine the reversal of  
23 deferred Federal income taxes in the amount of \$(454,868). This was compared to the  
24 value of the deferred Federal income taxes at the newly enacted rate of \$(277,012)

1 determined by multiplying the total tax depreciation subject to deferral of \$(1,319,105)  
2 by the newly enacted rate of 21% [ $$(1,319,105) \times 0.21 = $(277,012)$ ]. The difference  
3 between the deferred Federal income taxes at prior rates of \$(454,868) and those at the  
4 newly enacted rate of \$(277,012) is the reversal of the excess deferred Federal income  
5 taxes of \$(177,856) [ $$(454,868) - $(277,012) = $(177,856)$ ]. An adjustment of the excess  
6 deferred Federal income taxes in the amount of \$15,353 is determined by subtracting the  
7 reversal of excess deferred Federal income taxes recorded on the corporate books during  
8 the twelve months ended December 31, 2024, in the amount of \$(193,209), from the  
9 calculated pro forma reversal of excess deferred Federal income taxes in the amount of  
10 \$(177,856) [ $$(177,856) - $(193,209) = $15,353$ ]. The adjustment of the reversal of  
11 deferred Federal income taxes in the amount of \$15,353 has been carried forward to  
12 Exhibit HIV-17, Column 3.

13  
14 Q. Please explain Exhibit No. HIV-17-5.

15 A. Exhibit No. HIV-17-5 presents an adjustment to reflect increased Federal income tax and  
16 state income tax based on the calculated revenue increase using historic test year data.

17  
18 The total calculated water operating revenue increase using historic test year data in the  
19 amount of \$8,981,058 (Refer to Exhibit No. HII-2, page 2, Column 5) is increased by the  
20 increase in late charges of \$20,312 (Refer to Exhibit No. HII-2-15) and is reduced by the  
21 increase in pro forma expense for the Commission's General Assessment, the Consumer  
22 Advocate's Assessment, the Small Business Advocate's Assessment, and the Damage  
23 Prevention Committee Assessment under calculated rates in the amount of \$60,725  
24 (Refer to Exhibit No. HIV-15-5) and the increase in pro forma uncollectible accounts

1 expense under calculated rates of \$59,288 (Refer to Exhibit No. HIII-2-40) to arrive at  
2 the net increase in taxable income subject to state income tax in the amount of  
3 \$8,881,356 ( $\$8,981,058 + \$20,312 - \$60,725 - \$59,288 = \$8,881,356$ ). The state income  
4 tax rate of 8.49% is applied to the net increase in taxable income subject to state income  
5 tax in the amount of \$8,881,356 to determine the increase of \$754,027 in the state income  
6 tax as a result of the proposed revenue increase ( $\$8,881,356 \times 0.0849$ ). The increase in  
7 the amount of \$754,027 in the state income tax has been carried forward to Exhibit No.  
8 HIV-17, Column 6.

9  
10 The proposed revenue increase subject to state income tax of \$8,881,356 is reduced  
11 further by the increase of \$754,027 in state income tax to determine the proposed revenue  
12 increase in the amount of \$8,127,329 subject to Federal income tax ( $\$8,881,356 -$   
13  $\$754,027 = \$8,127,329$ ). The presently effective Federal income tax rate of 21% is  
14 applied to determine the increase in the amount of \$1,706,739 in the Federal income tax  
15 that results from the proposed revenue increase ( $\$8,127,329 \times 0.21$ ), and this amount has  
16 been carried forward to Exhibit No. HIV-17, Column 6.

17  
18 Q. Explain Exhibit No. HIV-18.

19 A. Exhibit No. HIV-18 provides an explanation of the debt interest expense utilized for the  
20 income tax calculation reflected on the Company's corporate books, and an explanation  
21 and the calculation of debt interest expense utilized for the income tax calculation on pro  
22 forma income for the twelve months ended December 31, 2024.

23

1 Debt interest expense utilized for the income tax calculation reflected on the Company's  
2 corporate books for the twelve months ended December 31, 2024, is actual debt expense  
3 incurred during that period. Debt interest expense utilized for the income tax calculation  
4 on pro forma income for the twelve months ended December 31, 2024, is determined by  
5 reflecting the interest charges to ratepayers in the cost of capital determination (interest  
6 synchronization).

7  
8 The original cost measure of value as of December 31, 2024 (Refer to Exhibit No. HV-1,  
9 page 2) of \$382,415,236 times the weighted debt cost rate of 2.06% equals the interest  
10 expense utilized for income tax calculation on pro forma income for the twelve months  
11 ended December 31, 2024, of \$7,885,662 ( $\$382,415,236 \times 2.06\% = \$7,885,662$ ).

12  
13 Debt interest expense on pro forma income for the twelve months ended December 31,  
14 2024, in the amount of \$7,885,662 has been carried forward to Exhibit No. HIV-17-2,  
15 which I explained previously.

16  
17 Q. Are you sponsoring any other exhibits regarding the Company's operating taxes?

18 A. Yes, I am also sponsoring Exhibit Nos. HIV-2, HIV-3, HIV-4, HIV-7, HIV-8, HIV-9,  
19 HIV-10, HIV-11, HIV-13, and HIV-16.

20  
21 Q. Explain Exhibit No. HV-1-1.

22 A. Exhibit No. HV-1-1 is a summary, by year, of the unamortized balances of deferred  
23 income taxes related to accelerated depreciation and the unamortized balances of excess

1 deferred income taxes related to accelerated depreciation that are deducted from the  
2 measure of value.

3  
4 Page 1 of Exhibit No. HV-1-1 is a summary, by year, of the unamortized balance in the  
5 amount of \$25,514,033, as of December 31, 2024, of deferred income taxes related to  
6 accelerated depreciation, that are deducted from the measure of value. Column 2 lists, by  
7 year, deferred federal income taxes resulting from accelerated depreciation from 1971  
8 through 2024. The balance in Column 2 is \$25,514,033.

9  
10 Deferred Federal Income Tax Related to Accelerated Depreciation on Property  
11 Constructed with Customers' Advances for Construction and Contributions in Aid of  
12 Construction have been eliminated from this schedule.

13  
14 By Order entered April 28, 1988, at Docket Nos. R-870769 and P-870225, the  
15 Commission approved the Company's proposal to account for income taxes on  
16 Customers' Advances for Construction ("Advances") and Contributions in Aid of  
17 Construction ("Contributions") pursuant to what is known as "Method 5" treatment.  
18 Under Method 5 treatment, the Company excluded, for ratemaking purposes, all income  
19 taxes paid by the Company as a result of receipt of Contributions or Advances and  
20 excluded, from the calculation of income taxes, the portion of tax depreciation that  
21 related to property constructed with Contributions or Advances. Under this procedure,  
22 customers did not bear the increased income taxes resulting from the receipt of  
23 Contributions or Advances, and the Company recovered, over the tax life of the property,  
24 reductions in income taxes in an amount equal to the increased income taxes resulting

1 from receipt of Contributions and Advances. Under Method 5, it is necessary for the  
2 Company to retain the benefits resulting from depreciation on property constructed with a  
3 Contribution or Advance, so that York Water is compensated for the additional income  
4 taxes paid as a result of the TRA-86 requirement that a Contribution or Advance be  
5 recognized as taxable income in the year received.

6  
7 The unamortized balance of deferred income taxes as of December 31, 2024, in the  
8 amount of \$25,514,033 has been carried forward to Exhibit No. HV-1, page 2 and has  
9 been deducted from the original cost measure of value.

10  
11 Page 2 of Exhibit No. HV-1-1 is a summary, by year, of the unamortized balance in the  
12 amount of \$13,089,927, as of December 31, 2024, of excess deferred income taxes  
13 related to accelerated depreciation, that are deducted from the measure of value. Column  
14 2 lists, by year, excess deferred federal income taxes resulting from accelerated  
15 depreciation from 1971 through 2017. The balance in Column 2 is \$13,089,927.

16  
17 The unamortized balance of excess deferred income taxes as of December 31, 2021, in  
18 the amount of \$13,089,927 has been carried forward to Exhibit No. HV-1, page 2 and has  
19 been deducted from the original cost measure of value.

20  
21 Q. Explain Exhibit No. HV-1-10.

22 A. Exhibit No. HV-1-10 is a summary, by year, of the unamortized balance in the amount of  
23 \$1,157,922, as of December 31, 2024, of taxes on deposits for construction and customer  
24 advances, that are added to the original measure of value. Column 2 lists, by year, taxes

1 on deposits for construction and customer advances from 2018 through 2020. The  
2 balance in Column 2 is \$1,157,922.

3  
4 Under the Tax Cuts and Jobs Act of 2017, the definition of tax contributions in aid of  
5 construction was modified under Section 118(b) and the exclusion from gross income  
6 under Section 118(c) was repealed. The modification to the definition of taxable  
7 contribution in aid of construction includes contributions from customers as well as any  
8 payment received from a governmental or civic entity. Under the Company's approved  
9 tariff, the Company will pay income taxes on any deposit, Customer Advance,  
10 Contribution in Aid of Construction, or other like amounts received from an applicant  
11 which shall constitute taxable income as defined by the Internal Revenue Service. Such  
12 income taxes shall be segregated in a deferred account for inclusion in rate base in a  
13 future rate case proceeding. Such income taxes associated with a deposit or advance will  
14 not be charged to the specific depositor of capital. This provision was rescinded under  
15 the Infrastructure Investment and Jobs Act of 2021.

16  
17 The unamortized balance of taxes on deposits for construction and customer advances as  
18 of December 31, 2024, in the amount of \$1,157,922 has been carried forward to Exhibit  
19 No. HV-1, page 2 and has been included in the original cost measure of value.

20  
21 Q. Explain Exhibit No. HV-8-1 (g).

22 A. Exhibit No. HV-8-1 (g) is the calculation by service territory of the average lag days from  
23 the provision of service to receipt of operating revenues. Calculations of the lag days in  
24 receipt of operating revenues of 61.4 for metered repumped customers and lag days of

1 60.5 for metered gravity customers are shown in Columns 2 and 3, respectively. The  
2 components of the operating revenue lag day calculation, shown in Column 1, include the  
3 lag from the midpoints of the billing cycle (service lag), the lag from mid-point of the  
4 meter reading to billing (billing lag) and the lag from billing to collection (“collection  
5 lag”). “Billing” for purposes of determining the billing lag and the collection lag is the  
6 date that bills are entered into the Company’s accounts receivable for that billing cycle.  
7 The calculation of the billing lag for metered repumped customers and metered gravity  
8 customers are presented on Exhibit No. HV-8-1 (g) 1, which I will explain later. The  
9 calculation of the collection period lag is presented in Exhibit No. HV-8-1 (g) 2, which I  
10 will explain later. The total lag days have been carried forward to Column 3 of Exhibit  
11 No. HV-8-1.

12  
13 Q. Explain Exhibit No. HV-8-1 (g) 1.

14 A. Exhibit No. HV-8-1 (g) 1 provides the calculation of average lag days to read meters,  
15 enter data, validate and process data, and enter amounts into accounts receivable. The  
16 calculation of average lag days for repumped customers during the twelve months ended  
17 December 31, 2024, of 5.5 is shown on page 1 of Exhibit No. HV-8-1 (g) 1, and the  
18 calculation of average lag days for gravity customers during the twelve months ended  
19 December 31, 2024, of 4.6 is shown on page 2 of Exhibit No. HV-8-1 (g) 1.

20  
21 For each service area, the date of the mid-point of the meter reading for each billing cycle  
22 is shown in Column 2, and the date amounts were entered into the Company’s accounts  
23 receivable for each billing cycle is shown in Column 3. The number of days of lag  
24 between the date of the mid-point of the meter reading and the date amounts were entered

1 into the Company's accounts receivable is calculated and shown in Column 4. The  
2 twelve-month average of lag days per billing cycle is determined by adding the lag days  
3 for each billing cycle shown in Column 4 and dividing by the number of billing cycles.  
4

5 The average billing lag days of 5.5 and 4.6 for metered repumped and metered gravity  
6 billing cycles, respectively, have been carried forward to Exhibit HV-8-1 (g).  
7

8 Under the Company's validation procedure, if a customer's meter reading meets certain  
9 criteria of either high or low consumption based on historical averages, the reading is  
10 listed on a report for review by the accounts receivable coordinator. If the coordinator is  
11 unable to determine the reason for the unusual consumption, a reread order is generated,  
12 and a meter reader is dispatched to the customer's premises to investigate the situation.  
13 The meter reader rereads the meter and, assuming the reading confirms the initial reading,  
14 checks for leaks, checks meter operation, and notifies the customer of the results of the  
15 investigation. Only after this process is completed is the meter reading considered to be  
16 validated. I note that internal controls set up within our accounting system require that  
17 validation for all bills be completed before all bills for each cycle are booked to accounts  
18 receivable.  
19

20 Page 3 of Exhibit No. HV-8-1 (g) 1 is a summary of the Company's billing lag calculated  
21 during the period 1991 to 2024. The billing lag calculations demonstrate a significant  
22 improvement (reduction) in the billing lag during this period. As reflected on this exhibit,  
23 the billing lag for repumped and gravity customers has been reduced by 64.7% and  
24 62.3%, respectively, since 1991 due to the installation of radio frequency reading for all

1 meters and the realignment of meter reading routes and cycles. The Company continues  
2 to look at other automated meter reading options to make the meter reading process even  
3 more efficient.

4  
5 Q. Explain Exhibit No. HV-8-1 (g) 2.

6 A. Exhibit No. HV-8-1 (g) 2 presents the calculation of the weighted average operating  
7 revenue collection lag. This is the average lag between billing customers and receipt of  
8 revenues.

9  
10 The weighted average operating revenue collection lag of 40.7 days is determined by  
11 dividing the number of days in the test year by the calculated turnover ratio of 9.0 times  
12 ( $365 \div 9.0 = 40.7$ ). The calculated turnover ratio of 9.0 times is determined by dividing  
13 test year sales of water and penalties (excluding unbilled) in the amount of \$66,473,760  
14 by the annual average of outstanding customers' monthly accounts receivable balances  
15 per books in the amount of \$7,408,701 ( $\$66,473,760 \div \$7,408,701 = 9.0$ ). The weighted  
16 average operating revenue collection lag of 40.7 days has been carried forward to Exhibit  
17 No. HV-8-1 (g).

18  
19 Q. Are you sponsoring any other exhibits regarding the original cost measure of value?

20 A. Yes, I am also sponsoring Exhibit No. HV-10.

21  
22 Q. Explain Exhibit No. HVII-1.

1 A. Exhibit No. HVII-1 provides capitalization and capitalization ratios for the five years  
2 ended December 31, 2024, and the projected capitalization and capitalization ratios for  
3 December 31, 2025, through February 28, 2027.

4  
5 Exhibit No. HVII-1 also provides year-end interest coverages for the last three years.

6  
7 Q. Explain Exhibit No. HVII-2.

8 A. Exhibit No. HVII-2 details the latest prospectus offered by the Company. A copy of the  
9 prospectus, dated April 1, 2022, issued in connection with the common stock offering is  
10 attached to Exhibit No. HVII-2.

11  
12 Q. Explain Exhibit No. HVII-3.

13 A. Attached to Exhibit No. HVII-3 is a copy of Projected Five Year Capital Requirements  
14 for Five Years Ended December 31, 2029 and a Schedule of Projected Statement of Cash  
15 Flows for Five Years Ended December 31, 2029, which reflects the sources of funds for  
16 each of the future five years.

17  
18 Q. Explain Exhibit No. HVII-6.

19 A. Exhibit No. HVII-6 provides information concerning the rate used for the Company's  
20 allowance for funds used during construction ("AFUDC"). The AFUDC rate used by the  
21 Company as of December 31, 2024, was 10.04%. The AFUDC rate is set by the  
22 Company based upon the sum of the weighted cost of debt and the weighted cost of  
23 common equity as determined in the Company's most recent fully litigated rate

1 proceeding before the Commission. The AFUDC rate used by the Company has not  
2 changed since December 31, 1992.

3  
4 Q. Explain Exhibit No. HVII-7.

5 A. Exhibit No. HVII-7 describes the Company's indenture requirements and dividend  
6 restrictions.

7  
8 Q. Explain Exhibit No. HVII-9.

9 A. Exhibit No. HVII-9 describes long-term debt reacquisitions by the Company. There have  
10 been no long-term debt reacquisitions by the Company since 1969.

11  
12 Q. Explain Exhibit No. HVII-11.

13 A. Exhibit No. HVII-11 provides information on the lines of credit available to the  
14 Company. The Company had average daily borrowings of \$10,086,510 under its lines of  
15 credit during the twelve months ended December 31, 2024. Refer to Exhibit No. FVII-11  
16 for the projected borrowings under the Company's lines of credit during the twelve  
17 months ending February 28, 2027.

18  
19 Q. Explain Exhibit No. HVII-15.

20 A. Attached to Exhibit No. HVII-15 is a copy of the 2024 Annual Report to Shareholders,  
21 The York Water Company 2024 SEC Form 10-K, and the 2024 SEC Forms 10-Q.

22  
23 Q. Explain Exhibit No. HVII-17

1 A. Exhibit No. HVII-17 provides the corporate and bond rating history for the Company.  
2 The Company has obtained a Standard & Poor's Corporate Rating to meet the criteria for  
3 the issuance of tax-free bonds through the Pennsylvania Economic Development  
4 Financing Authority. In addition to meeting the criteria to secure tax-free debt, obtaining  
5 an investment grade credit rating from Standard & Poor's allows the Company to issue  
6 tax-free debt at lower interest rates than the Company could otherwise obtain, thereby  
7 reducing the cost of debt paid by York Water's customers.

8

9 On October 9, 2022, Standard and Poor's assigned its 'A-' rating to the Company's  
10 Pennsylvania Economic Development Financing Authority \$10,500,000 Exempt  
11 Facilities Revenue Refunding Bonds Series A of 2022 and the Company's Pennsylvania  
12 Economic Development Financing Authority \$14,870,000 Exempt Facilities Revenue  
13 Refunding Bonds Series B of 2022. The rating on the bonds reflects the Company's  
14 credit rating without the use of credit enhancements.

15

16 The Company's overall corporate rating of 'A-' from Standard and Poor's has been  
17 reaffirmed every year since 2004.

18

19 Q. Explain Exhibit No. HVII-20.

20 A. Exhibit No. HVII-20 provides a listing of security issuances for the Company for the next  
21 two years.

22

23 It is important for York Water to maintain a strong financial profile so that it can raise  
24 both equity and debt capital needed to finance construction during 2025 and 2026. The

1 Company expects to incur \$100 million in construction expenditures (exclusive of  
2 acquisitions) during this two-year period. While a portion of these expenditures will be  
3 provided from internally generated funds and developer contributions, a strong financial  
4 profile is necessary to access capital markets for the remaining capital requirements at  
5 reasonable terms.

6  
7 Capital is needed to meet the ongoing capital needs of providing water and wastewater  
8 service to customers in the Company's service territory.

9  
10 The Company plans to continue to issue equity through its Dividend Reinvestment and  
11 Direct Stock Purchase and Sale Plan and its Employee Stock Purchase Plan.

12  
13  
14 Q. Explain Exhibit No. HVII-27.

15 A. Exhibit No. HVII-27 provides the Company's capital structure target.

16  
17 The Company's capital structure target is to maintain an equity ratio between 50% and  
18 55% of capital.

19  
20 The target capital structure is determined based on the Company's projected capital  
21 needs, the Company's size and the capital structures employed by other comparable  
22 investor-owned water utilities.

1 The Company believes that it must maintain a strong financial profile, including a strong  
2 equity ratio given its construction expenditures and external capital requirements over the  
3 next several years. The Company's relatively small size makes it more difficult and  
4 expensive to raise external capital, and a strong equity ratio offsets the increased risk to  
5 investors.

6  
7 Q. Explain Exhibit No. HVII-28.

8 A. Exhibit No. HVII-28 shows the Company's short-term debt balance, the construction  
9 work in progress balance, and the balance of construction work in progress, which is  
10 eligible for AFUDC for the most recent twenty-four months.

11  
12 Q. Explain Exhibit No. HVII-32.

13 A. Exhibit No. HVII-32 provides various financial ratios not provided elsewhere for the five  
14 years ended December 31, 2021.

15  
16 Q. Are you sponsoring any other Exhibits relating to rate of return?

17 A. Yes, I am also sponsoring Exhibit Nos. HVII-4, HVII-5, HVII-8, HVII-10, HVII-12,  
18 HVII-13, HVII-14, HVII-16, HVII-18, HVII-19, HVII-21, HVII-22, HVII-23, HVII-24,  
19 HVII-25, HVII-26, HVII-29, HVII-30 and HVII-31.

20  
21 Q. Explain Exhibit No. HX-1.

22 A. Exhibit No. HX-1 is the Company's comparative balance sheet, per books, as of  
23 December 31, 2024, and December 31, 2023. Page 2 of Exhibit HX-1 reflects the assets  
24 of the Company net of depreciation reserve and reserve for uncollectible accounts in the

1 amount of \$610,295,603 as of December 31, 2024, and \$567,805,133 as of December 31,  
2 2023. Page 3 of Exhibit No. HX-1 reflects the liabilities and total capitalization of the  
3 Company in the amount of \$610,295,603 as of December 31, 2024, and \$567,805,133 as  
4 of December 31, 2023.

5  
6 Q. Explain Exhibit No. HX-2.

7 A. Exhibit No. HX-2 sets forth the major items of Other Physical Property, Investment in  
8 Affiliated Companies and Other Investments as of December 31, 2024. Exhibit No. HX-  
9 2 reflects the Other Physical Property of the Company as of December 31, 2024, in the  
10 amount of \$2,070,079 and other investments as of December 31, 2021, in the amount of  
11 \$59,724. Other investments of \$59,724 represent shares of stock of Columbia Water  
12 Company purchased by York Water. The Company has no affiliates.

13  
14 Q. Explain Exhibit No. HX-3.

15 A. Exhibit No. HX-3 sets forth the amount and a description of Special Cash Deposits held  
16 by the Company as of December 31, 2024. As of December 31, 2024, the Company has  
17 deposited in an interest-bearing statement savings account funds of its employees in the  
18 amount of \$45,748. These funds of the Company's employees in the amount of \$45,748  
19 are offset by a credit amount, reflected in Account 23100211, Employee Benefits  
20 Withheld-ESPP and can be used only for purchase of the Company's common stock on  
21 behalf of employees in accordance with the Company's Employee Stock Purchase Plan.

1 As of December 31, 2024, the Company has deposited \$500 with York Township to be  
2 used to indemnify the Township against any loss or damage caused by the Company  
3 while working in the Township's streets.  
4

5 Q. Explain Exhibit No. HX-4.

6 A. Exhibit No. HX-4 details and describes Notes Receivable, Accounts Receivable from  
7 Associated Companies and Other Accounts Receivable as of December 31, 2024. Page 1  
8 of Exhibit No. HX-4 details Notes Receivable as of December 31, 2024, in the amount of  
9 \$255,481, comprised of a note receivable from a water district. A general description of  
10 the water district procedure can be found in the Commission's Order in York Water's  
11 1992 rate case (77 Pa. P.U.C. 367).  
12

13 York Water had no accounts receivable from associated companies  
14 as of December 31, 2024.  
15

16 York Water classifies other significant receivables, other than customer accounts, in  
17 Account 142, Other Accounts Receivable. A detail of Other Accounts Receivable as of  
18 December 31, 2024, in the amount of \$457,036 is shown on page 2 of Exhibit No. HX-4.  
19

20 A component of Other Accounts Receivable as of December 31, 2021, shown on page 2  
21 of Exhibit No. HX-4 is The York Water Company Employees' Stock Purchase Plan in the  
22 amount of \$45,748.  
23

1 York Water has an Employee Stock Purchase Plan program. Stock purchases are paid  
2 entirely by employees through employee payroll deductions. Stock purchases are made  
3 on a quarterly basis. Pending the actual stock purchases, the employee payroll deductions  
4 are deposited in a segregated bank account and are credited on the Company's books as  
5 Employee Benefits Withheld-ESPP (See Exhibit No. HX-3). As an offsetting entry, the  
6 Company debits, to Other Accounts Receivable, an amount that matches the payroll  
7 deductions. Interest earned on the payroll deductions also is credited to the employees.  
8 When stock purchases are made, the purchase price of the stock is credited to Other  
9 Accounts Receivable and is debited to Amounts Withheld from Employees.

10  
11 Q. Explain Exhibit No. HX-5.

12 A. York Water uses the reserve method of recording uncollectible accounts for book  
13 purposes. Exhibit No. HX-5 provides the amount of accumulated reserve for  
14 uncollectible accounts as of December 31, 2024, 2023, and 2022. Exhibit No. HX-5 also  
15 provides the annual accruals, amounts of accounts written off and recoveries of amounts  
16 previously written off for the twelve months ended December 31, 2024, 2023, and 2022.  
17 Exhibit Nos. HIII-2-2 and HIII-2-40 present the Company's uncollectible accounts  
18 expense for ratemaking purposes.

19  
20 Q. Explain Exhibit No. HX-6.

21 A. Exhibit No. HX-6 provides a list of prepayments as of December 31, 2024, in the amount  
22 of \$1,702,663.

23  
24 Q. Explain Exhibit No. HX-8.

1 A. Exhibit No. HX-8 details and describes Other Deferred Assets as of December 31, 2024.  
2 As of December 31, 2024, the Company reflected on its balance sheet Unamortized Debt  
3 Expense in the amount of \$2,665,793. This account includes the unamortized portion of  
4 debt expense as of December 31, 2024, associated with the issuance of long-term debt.  
5 The debt expense is amortized over the respective terms of long-term debt by crediting  
6 this account and debiting Account 428, Amortization of Debt Expense.

7  
8 As of December 31, 2024, the Company reflected on its balance sheet Deferred Rate Case  
9 Expense in the amount of \$214,986. The normalization of rate case expenses for book  
10 purposes will be credited to this account and charged to Account No. 66680000, Rate  
11 Case Expenses. I note that the Company's claim for rate case expense is based upon a  
12 normalization of estimated expenses.

13  
14 As of December 31, 2024, the Company reflected on its balance sheet Cash Value of  
15 Deferred Compensation Plans in the amount of \$4,934,554. The Company has a  
16 supplemental retirement plan for five key employees of the Company, consisting of the  
17 President and Chief Executive Officer, Chief Financial Officer, Chief Administrative  
18 Officer and General Counsel, Vice-President-Operations, and Vice President-Engineering  
19 and seven retired former key employees. The plan is funded through life insurance  
20 policies. The Company has a deferred savings plan for fifteen of its management and  
21 supervisory employees and ten retired former management employees. The plan is also  
22 funded through life insurance policies. The deferred debit related to both plans' benefits  
23 represents the current cash surrender value of the life insurance policies that have been  
24 purchased to reimburse the Company for the costs of the plans. The Company also

1 reflects on its books of account as a deferred credit the current accrued amount of the  
2 Company's future liability with respect to the deferred compensation benefits.

3  
4 The expenses and income associated with the Company's supplemental retirement and  
5 deferred savings plans have been eliminated from this rate case in accordance with the  
6 settlement approved by the Commission in the Company's 2001 base rate case at Docket  
7 No. R-00016236 with the exception of expenses from the deferred savings plan for  
8 employees not in the defined benefit pension plan.

9  
10 As of December 31, 2024, the Company reflected on its balance sheet deferred  
11 preliminary survey costs in the amount of \$7,056. This account includes expenditures for  
12 preliminary surveys, plans and investigations made for the purpose of determining the  
13 feasibility of projects under consideration. These expenditures are not included in the  
14 Company's rate base or in the cost of service in this case.

15  
16 York Water does not have deferred asset accounts for temporary facilities, research and  
17 development and property losses, and therefore, there is no amortization with regard to  
18 such items, which would affect operating results.

19  
20 Q. Explain Exhibit No. HX-10.

21 A. Exhibit No. HX-10 details and describes Other Deferred Credits as of December 31,  
22 2024. As of December 31, 2024, the Company reflected on its corporate books deferred  
23 interest rate swap in the amount of \$385,890. The Company utilizes an interest rate swap  
24 agreement to convert its variable rate debt to a fixed rate (a cash flow hedge). As of

1 December 31, 2024, the Company recorded an unrealized loss on the interest rate swap.

2 The interest rate swap agreement will expire on October 1, 2029.

3

4 Q. Explain Exhibit No. HX-12.

5 A. Page 2 of Exhibit No. HX-12 provides an analysis of Retained Earnings for the twelve  
6 months ended December 31, 2024, 2023, 2022, and 2021.

7

8 Q. Are you sponsoring any other exhibits regarding the Company's balance sheet?

9 A. Yes, I am also sponsoring Exhibit Nos. H (c)-2, HX-7, HX-9, HX-11, and HX-13.

10

11 Q. Are you sponsoring any other exhibits?

12 A. Yes, I am also sponsoring Exhibit Nos. H (a)-1, H (a)-6, H (a)-9, H (a)-10, H (a)-11,  
13 HVIII-1, HVIII-2, HXI-1, HXI-2, HX1-3, and HXI-4.

14

15 Q. Does this conclude your historic test year direct testimony at this time?

16 A. Yes.