

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.

21
22 Q. Will you list the exhibits you are sponsoring in this proceeding?

23 A. In addition to the exhibits identified in York Water Statement No. 3, I am sponsoring the
24 following exhibits prepared by me or under my direction and supervision:

25

1 Exhibit Nos. HI-1W and HI-2W relating to the statement of operations for the wastewater
2 division;

3
4 Exhibit Nos. H (b)-3W, HII-1W, HII-2W, HII-2-2W, HII-2-3W, HII-2-4W, HII-2-5W,
5 HII-2-6W, HII-2-7W, HII-2-8W, HII-3W, HII-4W, HII-5W, HII-7W, HII-8W and HII-
6 9W relating to operating revenues for the wastewater division;

7
8 Exhibit Nos. HIII-1W, HIII-2W, HIII-2-1W, HIII-2-2W, HIII-2-3W, HIII-2-4W, and
9 HIII-2-9W relating to operating expenses for the wastewater division;

10
11 Exhibit Nos. HIV-15W, HIV-15-1W, and HIV-15-2W relating to taxes other than income
12 taxes for the wastewater division; and

13
14 Exhibit Nos. HIV-6W, HIV-17W, HIV-17-2W, HIV-17-3W, HIV-17-3(a)W, HIV-17-
15 5W, and HIV-18W relating to operating income taxes for the wastewater division.

16
17 Exhibit No. HV-1-1W and HV-1-4W relating to the original cost measure of value for the
18 wastewater division; and

19
20 Exhibit No. HVII-28W relating to rate of return.

21
22 Q. Explain Exhibit No. HI-1W.

23 A. Exhibit No. HI-1W provides a detailed comparative operating statement for the
24 wastewater operations for the twelve months ended December 31, 2024, and December
25 31, 2023. Column 1 of pages 2 through 3 of Exhibit No. HI-1W reflects the Company's

1 detailed operating statement per books for the twelve months ended December 31, 2024,
2 showing operating income of \$543,390. Column 2 of pages 2 through 3 of Exhibit No.
3 HI-1W reflects the Company's detailed operating statement per books for the twelve
4 months ended December 31, 2023, showing operating income of \$833,072. Column 3 of
5 pages 2 through 3 of Exhibit No. HI-1W reflects the increases and decreases by account
6 between the operating statement for the twelve months ended December 31, 2024, and
7 the operating statement for the twelve months ended December 31, 2023. Major
8 wastewater account variances (>\$40,000) between the detailed operating statement for
9 the twelve months ended December 31, 2024, and the detailed operating statement for the
10 twelve months ended December 31, 2023, are identified in Column 4 of pages 2 through
11 3 of Exhibit No. HI-1W. Detailed explanations of the causes of the major account
12 variances between the operating statement for the twelve months ended December 31,
13 2024, and the operating statement for the twelve months ended December 31, 2023, are
14 provided beginning on page 4 of Exhibit No. HI-1W.

15
16 Q. Explain Exhibit No. HI-2W.

17 A. Exhibit No. HI-2W summarizes ratemaking adjustments under existing rates to per book
18 statement of income for the twelve months ended December 31, 2024, and the anticipated
19 statement of income when proposed rates become effective. The income per books for
20 the twelve months ended December 31, 2024, as shown in Column 1 of Exhibit No. HI-
21 2W is \$979,845. I note that this amount reflects non-operating income and other income
22 deductions not included in the calculation of net operating income for ratemaking
23 purposes. Net operating income, for ratemaking purposes, was \$543,390 for the twelve
24 months ended December 31, 2024, as shown in column 1, page 1 of Exhibit No. HI-2W.
25 Column 4 of Exhibit No. HI-2W shows adjusted net operating income of \$744,958. The

1 adjustments to net operating income in the amount of \$201,568 are shown in Column 3 of
2 Exhibit No. HI-2W. These adjustments are detailed in other exhibits, which will be
3 explained later in my testimony or others' testimony. Column 7 of Exhibit No. HI-2W
4 shows net operating income of \$3,565,707 after reflecting adjustments related to the
5 effects of proposed rates. The adjustments to net operating income in the amount of
6 \$2,820,750 are shown in Column 6 of Exhibit No. HI-2W, and these adjustments are
7 detailed in other exhibits, which will be explained later in my testimony or others'
8 testimony.

9
10 Q. Explain Exhibit No. H(b)-3W.

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

13
14 Q. Explain Exhibit No. HII-1W.

15 A. Exhibit No. HII-1W is a comparative statement of volumes received and operating
16 revenues per books by class for the twelve months ended December 31, 2024, and
17 December 31, 2023, and the number of customers by class as of December 31, 2024, and
18 December 31, 2023. Volumes received is based upon metered water usage for those
19 customers who are metered wastewater service customers of York Water. Volumes
20 received are not tracked for customers who are billed at flat rates.

21
22 Q. Explain Exhibit No. HII-2W.

23 A. Exhibit No. HII-2W summarizes adjustments to per book operating revenues for the
24 twelve months ended December 31, 2024, that are required for ratemaking purposes. As I
25 will explain later, such adjustments reflect elimination of net accrued operating revenues

1 recorded on the corporate books during the twelve months ended December 31, 2024.

2 The adjustments also annualize the effects of changes in number of customers and the
3 acquisition of the York Haven Borough wastewater collection and treatment system,
4 which occurred during the twelve months ended December 31, 2024.

5
6 The operating revenues per books, for the twelve months ended December 31, 2024, as
7 shown in Column 1 of Exhibit No. HII-2W, were \$7,417,557. Adjustments under
8 existing rates to increase historic test year operating revenues in the amount of \$418,263
9 are summarized on page 2 of 2 of Exhibit No. HII-2W and are shown in Column 2, page
10 1 of 2 of Exhibit No. HII-2W. These adjustments are explained later in Exhibit Nos. HII-
11 2-2W through HII-2-8W. Pro forma operating revenues under existing rates, after
12 adjustment, for twelve months ended December 31, 2024, of \$7,835,820 are shown in
13 Column 3 of Exhibit No. HII-2W. The proposed increase in historic test year operating
14 revenues in the amount of \$3,928,397 is shown in Column 5 of Exhibit No. HII-2W. The
15 corresponding percentage increase in operating revenues is shown in Column 6.

16
17 For historic test year purposes, the increase of \$3,928,397 shown on Exhibit No. HII-2W
18 was not produced by the application of proposed rates to historic test year volumes.

19 Since the Company's claim in this case is based upon data for a fully forecasted future
20 test year ending February 28, 2027, annualized and normalized for ratemaking purposes,
21 the increase of \$3,928,397, or 50.13%, is the increase calculated based upon pro forma
22 historic test year revenues, expenses, and rate base.

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

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

7

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

14

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

19

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

21 A. Exhibit No. HII-2-3W annualizes operating revenues for metered residential, commercial,
22 and industrial customers and unmetered residential and commercial/industrial customers
23 by applying base rates effective March 1, 2023, to test year units and consumption. By
24 Order entered in the Company’s 2022 base rate case at Docket No. R-2022-3031340, the
25 Commission authorized increased base rates for the Company. These rates along with the

1 rates approved by the Commission as part of the Company's acquisitions since the 2022
2 base rate case are the currently effective base rates of the Company. Annualization of
3 revenues by customer class at present base rates effective March 1, 2023, in the amount
4 of \$5,095,548 for metered customers and \$2,319,580 for unmetered customers are shown
5 in Column 2 on Exhibit No. HII-2-3W. Application of present base rates to the customer
6 units and consumption analysis for the twelve months ended December 31, 2024, is
7 shown on Exhibit No. HII-4W, which I will explain later. Metered operating revenues by
8 customer class billed and recorded on the corporate books during the twelve months
9 ended December 31, 2024, in the amount of \$5,030,191 are shown in Column 1 of
10 Exhibit No. HII-2-3W and are subtracted from annualized revenues at metered base rates
11 effective March 1, 2023, to determine the adjustment by customer class to operating
12 revenues shown in Column 3 of Exhibit No. HII-2-3 [$\$5,095,548 - \$5,030,191 =$
13 $\$65,357$]. Unmetered operating revenues by customer class billed and recorded on the
14 corporate books during the twelve months ended December 31, 2024, in the amount of
15 \$2,376,715 are shown in Column 1 of Exhibit No. HII-2-3W and are subtracted from
16 annualized revenues at unmetered base rates effective March 1, 2023, to determine the
17 adjustment by customer class to operating revenues shown in Column 3 of Exhibit No.
18 HII-2-3 [$\$2,319,580 - \$2,376,715 = (\$57,135)$]. The adjustment by customer class of
19 operating revenues in the amount of \$8,221 [$\$65,357 + (\$57,135)$] is carried forward to
20 Exhibit No. HII-2, page 3.

21
22 Q. Explain Exhibit No. HII-2-4W.

23 A. Exhibit No. HII-2-4W annualizes operating revenues for metered residential wastewater
24 customers connected and disconnected during the twelve months ended December 31,
25 2024. For metered residential customers, the net gain in number of metered residential

1 customers during the twelve months ended December 31, 2024, was 326 (4,153 metered
2 residential wastewater customers as of December 31, 2024, less 3,827 metered residential
3 wastewater customers as of December 31, 2023). Since 326 metered residential
4 wastewater customers were gained throughout the test year, it is assumed the historic test
5 year average number of metered residential wastewater customers is equal to the average
6 of metered residential wastewater customers at the beginning and end of the historic test
7 year, or 3,990 $([4,153 + 3,827] \div 2)$. The increase in metered residential customers is
8 concentrated in the West Manheim and Amblebrook service territories. Based on that,
9 the average annual revenue per average metered residential customer for the West
10 Manheim and Amblebrook service territories was calculated to be \$1,054.58. The
11 adjustment to annualize revenues for the net gain in metered residential wastewater
12 customers during the twelve months ended December 31, 2024, is determined by
13 multiplying the net gain of 326 metered residential wastewater customers by the average
14 annual revenue per average metered residential West Manheim and Amblebrook
15 wastewater customer in the amount of \$1,054.88, and by dividing the product of this
16 calculation by two $(326 \times \$1,054.88 \div 2 = \$171,945)$. The product is divided by two
17 since it is reasonable to assume that customers were gained evenly through the historic
18 test year and that annualized revenues already reflect the gain of one-half of one year's
19 revenue, on average, for the 326 customers. The result of the calculations described
20 above is the amount of \$171,945, which is carried forward to Exhibit No. HII-2W, page
21 2.

22
23 Q. Explain Exhibit No. HII-2-5W.

24 A. Exhibit No. HII-2-5W annualizes operating revenues for metered commercial wastewater
25 customers connected and disconnected during the twelve months ended December 31,

1 2024. For metered commercial customers, the net gain in number of metered commercial
2 customers during the twelve months ended December 31, 2024, was 12 (197 metered
3 commercial wastewater customers as of December 31, 2024, less 185 metered
4 commercial wastewater customers as of December 31, 2023). Since 12 metered
5 commercial wastewater customers were gained throughout the test year, it is assumed the
6 historic test year average number of metered commercial wastewater customers is equal
7 to the average of metered commercial wastewater customers at the beginning and end of
8 the historic test year, or 191 $([197 + 185] \div 2)$. Annualized revenues for metered
9 commercial wastewater customers of \$658,339 (refer to Exhibit No. HII-4W) are divided
10 by the historic test year average number of metered commercial wastewater customers of
11 191 to calculate the average annual revenue per average metered commercial wastewater
12 customer in the amount of \$3,446.80 $(\$658,339 \div 191 = \$3,446.80)$. The adjustment to
13 annualize revenues for the net gain in metered commercial wastewater customers during
14 the twelve months ended December 31, 2024, is determined by multiplying the net gain
15 of 12 metered commercial wastewater customers by the average annual revenue per
16 average metered commercial wastewater customer in the amount of \$3,446.80, and by
17 dividing the product of this calculation by two $(12 \times \$3,446.80 \div 2 = \$20,681)$. The
18 product is divided by two since it is reasonable to assume that customers were gained
19 evenly through the historic test year and that annualized revenues already reflect the gain
20 of one-half of one year's revenue, on average, for the 12 customers. The result of the
21 calculations described above is the amount of \$20,681, which is carried forward to
22 Exhibit No. HII-2W, page 2.

23
24 Q. Explain Exhibit No. HII-2-6W.

1 A. Exhibit No. HII-2-6W annualizes operating revenues for metered MESCO residential
2 wastewater customers acquired by the Company during the twelve months ended
3 December 31, 2024. The addition of MESCO metered residential customers for the
4 twelve months ended December 31, 2024, occurred on January 31, 2024. There are not
5 twelve months of revenue included in the historic test year. January 2025 actual
6 residential revenue of \$7,956 was used to annualize metered MESCO residential revenue.
7 The adjustment of \$7,956 is carried forward to Exhibit No. HII-2W, page 2.
8

9 Q. Explain Exhibit No. HII-2-7W.

10 A. Exhibit No. HII-2-7W annualizes operating revenues for metered York Haven Borough
11 residential wastewater customers acquired by the Company during the twelve months
12 ended December 31, 2024. The addition of York Haven Borough metered residential
13 customers for the twelve months ended December 31, 2024, occurred on December 5,
14 2024. No revenue was recognized from this acquisition in 2024 so there are twelve
15 months of revenue not included in the historic test year. The 299 acquired residential
16 wastewater customers are billed at a monthly base rate of \$50.00. Total monthly revenue
17 from the residential wastewater customers is \$14,950 (299 x \$50.00). Annual revenue
18 from the residential wastewater customers is \$179,400 (\$14,950 x 12). The adjustment of
19 \$179,400 is carried forward to Exhibit No. HII-2W, page 2.
20

21 Q. Explain Exhibit No. HII-2-8W.

22 A. Exhibit No. HII-2-8W annualizes operating revenues for metered York Haven Borough
23 commercial wastewater customers acquired by the Company during the twelve months
24 ended December 31, 2024. The addition of York Haven Borough metered commercial
25 customers for the twelve months ended December 31, 2024, occurred on December 5,

1 2024. No revenue was recognized from this acquisition in 2024 so there are twelve
2 months of revenue not included in the historic test year. The 6 acquired commercial
3 wastewater customers are billed at a monthly base rate of \$102.67 and a consumption rate
4 of \$9.75 per thousand gallons. Total base rate monthly revenue from the commercial
5 wastewater customers is \$616 (6 x \$102.67). Total consumption based monthly revenue
6 from the commercial wastewater customers is \$835 based on estimated consumption of
7 85,633 gallons (85,633 / 1,000 x \$9.75). Total monthly revenue from the commercial
8 wastewater customers is \$1,451 (\$616 + \$835). Annual revenue from the commercial
9 wastewater customers is \$17,411 (\$1,451 x 12). The adjustment of \$1,451 is carried
10 forward to Exhibit No. HII-2W, page 2.

11
12 Q. Explain Exhibit No. HII-4W.

13 A. Exhibit No. HII-4W provides a detailed customer consumption analysis by customer
14 classification for metered wastewater customers and a detailed customer revenue analysis
15 by customer classification for unmetered wastewater customers.

16
17 Pages 2 through 4 of Exhibit No. HII-4W provide the application of present-metered and
18 unmetered base rates to the customer analysis for the twelve months ended December 31,
19 2024. The application of present-metered and unmetered base rates to the customer
20 analysis for the twelve months ended December 31, 2024, results in annualized revenues
21 at present-metered and unmetered base rates on pages 2 through 4 of Exhibit No. HII-4W
22 of \$7,415,127 (\$6,215,672 + \$1,096,710 + \$102,745).

23
24 Q. Explain Exhibit No. HII-5W.

1 A. Exhibit No. HII-5W provides a detailed explanation of the accounting procedures and
2 methods used to determine accrued revenues and detailed computations of accrued
3 revenues as of December 31, 2024, and December 31, 2023.

4
5 In response to the enactment of the Tax Reform Act of 1986, the Company estimates for
6 income tax and financial reporting purposes the amount of income attributable to utility
7 services provided during each accounting period, but after the final meter reading which
8 falls within that accounting period. Since unbilled revenues from the end of one
9 accounting period are included in the first meter reading for the next accounting period,
10 unbilled revenues from one accounting period are offset by unbilled revenues in the
11 succeeding accounting period, with the result that the Company will record for
12 accounting purposes, as either a debit or credit, the negative or positive difference in
13 accrued revenues between the two accounting periods. This difference represents net
14 accrued revenues recorded for the latter accounting period. Operating revenues are
15 presented for ratemaking purposes on an “as billed basis” for the historic and future test
16 years, to eliminate the uncertainties inherent in estimated “unbilled revenues.” Refer to
17 Exhibit No. HII-2-2W, which I explained previously, for an operating revenue
18 adjustment, which eliminates net accrued revenues recorded during the test year from the
19 cost of service.

20
21 Page 2 of Exhibit No. HII-5W provides a detailed computation of accrued utility revenues
22 as of December 31, 2024.

23
24 Page 3 of Exhibit No. HII-5W provides a detailed computation of accrued utility revenues
25 as of December 31, 2023.

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

Q. Explain Exhibit No. HII-7W.

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

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

A. Yes, I am also sponsoring Exhibit Nos. HII-3W, HII-8W, and HII-9W.

Q. Explain Exhibit No. HIII-1W.

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

Q. Explain Exhibit No. HIII-2W.

A. Exhibit No. HIII-2W summarizes adjustments to operating expenses for the twelve months ended December 31, 2024, to annualize and normalize the effect of changes occurring during the twelve months ended December 31, 2024.

Operating expenses per books for the twelve months ended December 31, 2024, in the amount of \$5,409,092 are shown in Column 1 of Exhibit No. HIII-2W. Adjustments to operating expenses in the amount of \$294,734, to annualize and normalize the effect of

1 changes occurring during the twelve months ended December 31, 2024, are shown in
2 Column 3 of Exhibit No. HIII-2W and are detailed in Exhibit Nos. HIII-2-4 of the water
3 portion of the case, and HIII-2-1W through HIII-2-4W, and HIII-2-9W of the wastewater
4 portion of the case. The Company has made no adjustments to operating expenses due to
5 the increase in operating revenues resulting from the proposed increase in rates.

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

8 A. Exhibit No. HIII-2-1W amortizes over ten years the acquisition costs of the wastewater
9 property and rights of Felton Borough in excess of the original cost of the property when
10 first devoted to public service less the applicable accrued depreciation. Reasonable
11 acquisition costs greater than depreciated original cost are permitted to be included in rate
12 base and amortized over ten years in accordance with Section 1327 of the Public Utility
13 Code. The acquisition adjustment of \$294,808 is determined by subtracting the
14 depreciated original cost of wastewater property and rights of \$618,871 from acquisition
15 costs of \$913,679 ($\$913,679 - \$618,871 = \$294,808$). The acquisition adjustment of
16 \$294,808 is divided by ten years to determine the annual amortization of \$29,481
17 ($\$294,808 \div 10$). The approved amount was one-half of the annual amortization of the
18 acquisition costs in the amount of \$14,741 ($\$29,481 \times 0.50$). The annual amortization of
19 the acquisition costs of \$14,741 has been carried forward to Exhibit No. HIII-2W, Column
20 3. This amortization was specifically approved by the Commission as part of the
21 settlement in the Company's 2022 base rate case at Docket No. R-2022-3031340. The
22 amortization period began March 1, 2023 (the effective date of rates under Docket No. R-
23 2022-3031340) and ends February 28, 2033.

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

2 A. Exhibit No. HIII-2-2W annualizes operating costs for the York Haven Borough
3 wastewater collection and treatment system acquired on December 5, 2024.

4
5 The annualized amount of sludge removal from the treatment plant was budgeted at
6 \$36,000 and from the pumping stations was budgeted at \$3,000. The annualized amount
7 of purchased power for the treatment plant of \$16,400 and from the pumping stations of
8 \$2,200 was based on a review of the first three invoices received. The annualized
9 amount of chemicals for the treatment plant was budgeted at \$15,000 based on historical
10 usage of similar treatment plants. The annualized amount of maintenance for the
11 treatment plant was budgeted at \$45,000 and for the pumping stations was budgeted at
12 \$3,000 based on their initial inspections, age, and operating characteristics. The
13 annualized amount of testing expense was budgeted at \$6,000 based on historical
14 amounts at similar wastewater systems. The annualized amount of communications
15 expense to remotely monitor the pumping stations was budgeted at \$1,500 based on
16 historical amounts at similar wastewater systems. The adjustments of \$36,000, \$3,000,
17 \$16,400, \$2,200, \$15,000, \$45,000, \$3,000, \$6,000, and \$1,500 have been carried
18 forward to Exhibit No. HIII-2W, Column 3.

19

20 Q. Explain Exhibit No. HIII-2-3W.

21 A. Exhibit No. HIII-2-3W adjusts the purchased treatment from Pennsylvania American
22 Water Company. Pennsylvania American Water Company provides the treatment for the
23 Company's customers in the West York Borough service territory. The Pennsylvania
24 American Water Company's agreement with Company allows it to increase the current
25 rate by a Consumer Price Index factor. The current consumptive rate per 100 gallons is

1 \$0.375. Based on the current data, the Consumer Price Index factor will be 1.0466,
2 increasing the consumption rate to \$0.392 ($\0.375×1.0466). The volume sent in the
3 historic test year was 2,505,245 hundred gallons. The adjusted purchased treatment
4 amount will be \$983,246 ($2,505,245 \times 0.392$). The adjustment of \$48,911 was
5 determined by comparing the actual purchased treatment amount during the twelve
6 months ended December 31, 2024, of \$934,246 to the estimated amount of \$983,246
7 ($\$983,246 - \$934,335 = \$48,911$). The adjustment of \$48,911 has been carried forward
8 to Exhibit No. HIII-2W, Column 3.

9
10 Q. Explain Exhibit No. HIII-2-4W.

11 A. Exhibit No. HIII-2-4W amortizes over ten years the acquisition costs of the wastewater
12 property and rights of York Haven Borough in excess of the original cost of the property
13 when first devoted to public service less the applicable accrued depreciation. Reasonable
14 acquisition costs greater than depreciated original cost are permitted to be included in rate
15 base and amortized over ten years in accordance with Section 1327 of the Public Utility
16 Code. The acquisition adjustment of \$127,481 is determined by subtracting the
17 depreciated original cost of wastewater property and rights of \$281,095 from acquisition
18 costs of \$408,576 ($\$408,576 - \$281,095 = \$127,481$). The acquisition adjustment of
19 \$127,481 is divided by ten years to determine the annual amortization of \$12,748
20 ($\$127,481 \div 10$). The annual amortization of the acquisition costs of \$12,748 has been
21 carried forward to Exhibit No. HIII-2W, Column 3.

22
23 Refer to the testimony of Mr. Hand (York Water Statement No. 1) for a further
24 explanation of this acquisition and why the acquisition costs above depreciated original
25 cost should be reflected in accordance with Section 1327.

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

A. Exhibit No. HIII-2-9W adjusts purchased power expense 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. Purchased power expense charged to Account Nos. 71530000 and 71550000 during the twelve months ended December 31, 2024, of \$45,234 and \$176,095, respectively, are subtracted from pro forma purchased power expense of \$50,333 and \$217,096, respectively, to determine the adjustment to purchased power expense of \$5,099 and \$41,008, respectively. The adjustments to purchased power expense of \$5,099 and \$41,088 has been carried forward to Exhibit No. HIII-2W, Column 3.

Q. Explain Exhibit No. HIV-6W.

A. Exhibit No. HIV-6W provides a schedule of the adjustments to wastewater taxable net income per books for the twelve months ended December 31, 2024. Adjustments to taxable net income per books for the twelve months ended December 31, 2024, are classified as Expenses Recorded on Books Not Deducted on Return and Deductions Not Charged against Booked Income. Tax adjustments classified as expenses recorded on books not deducted on return include nondeductible vacation pay of (\$823) (for ratemaking purposes, the Company does not include accrued vacation pay in the cost of service), amortization of acquisition adjustments of \$(27,311) which is not deductible for income taxes (acquisition adjustments are reflected on the Company’s income statement as “below the line”), nondeductible penalties of \$12,225 which is not deductible for income taxes (penalties are reflected on the Company’s income statement as “below the line”), and nondeductible business meals of \$99 (only 50% of otherwise allowable meal

1 expenses are deductible). Tax adjustments classified as deductions not charged against
2 book income include tax depreciation in excess of depreciation recorded on books in the
3 amount of \$280,286 (the normalization of accelerated tax depreciation expense for
4 ratemaking purposes is explained later in this testimony), tax repair expense in the
5 amount of \$44,940 (the Company deducts eligible repair items for tax purposes, but
6 capitalizes repair items for book purposes), and cost of removal deducted currently in the
7 amount of \$3,000 (the Company deducts cost of removal for tax purposes, but capitalizes
8 cost of removal for book purposes).

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-17-2W, which I will
12 explain later.

13
14 Q. Explain Exhibit No. HIV-15W.

15 A. Exhibit No. HIV-15W summarizes adjustments to operating taxes other than income
16 taxes for the twelve months ended December 31, 2024, for ratemaking purposes and to
17 reflect additional operating taxes other than income taxes resulting from the proposed
18 increase in operating revenues. Operating taxes other than income taxes per books for the
19 twelve months ended December 31, 2024, in the amount of \$92,906 are shown in Column
20 1 of Exhibit No. HIV-15W. Adjustments to operating taxes other than income taxes of
21 \$16,885 are made to reflect the calculation of the pro forma level of taxes other than
22 income taxes under existing rates for the twelve months ended December 31, 2024. Such
23 adjustments are shown in Column 3 of Exhibit No. HIV-15W and are detailed in Exhibit
24 No. HIV-15-1W, which I will explain later. Adjustments to operating taxes other than
25 income taxes amounting to \$26,562 are made to reflect the increased operating taxes

1 other than income taxes that result from the increase in operating revenues under
2 proposed rates. These adjustments are shown in Column 6 of Exhibit No. HIV-15W and
3 are detailed in Exhibit No. HIV-15-2W, which I will explain later.
4

5 Q. Explain Exhibit No. HIV-15-1W.

6 A. Exhibit No. HIV-15-1W is an adjustment to reflect the Commission's General
7 Assessment, the Consumer Advocate's Assessment, the Small Business Advocate's
8 Assessment, and Damage Prevention Committee Assessment based on pro forma
9 operating revenues under existing rates for twelve months ended December 31, 2024, and
10 the 2024-2025 assessment factors. The currently-effective combined 2024-2025
11 assessment rate of 0.676148% for the Commission's General Assessment, the Consumer
12 Advocate's Assessment, the Small Business Advocate's Assessment, and Damage
13 Prevention Committee Assessment is applied to pro forma operating revenues at existing
14 rates for twelve months ended December 31, 2024, in the amount of \$7,812,521 (See
15 Exhibit No. HII-2W, Column 3) to determine the pro forma combined assessment under
16 existing rates for twelve months ended December 31, 2024, in the amount of \$52,824
17 (\$7,812,521 x 0.00676148). The adjustment in the amount of \$16,885 is determined by
18 subtracting the test year assessments of \$35,939 from the calculated pro forma amount of
19 \$52,824 ($\$52,824 - \$35,939 = \$16,885$). The adjustment in the amount of \$16,885 has
20 been carried forward to Exhibit No. HIV-15W, Column 3.
21

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

23 A. Exhibit No. HIV-15-2W presents an adjustment to reflect the Commission's General
24 Assessment, the Consumer Advocate's Assessment, the Small Business Advocate's
25 Assessment, and Damage Prevention Committee Assessment based on pro forma

1 operating revenues under proposed rates for twelve months ended December 31, 2024,
2 and the 2024-2025 assessment factors. The currently-effective combined 2024-2025
3 assessment rate of 0.676148% for the Commission's General Assessment, the Consumer
4 Advocate's Assessment, the Small Business Advocate's Assessment, and the Damage
5 Prevention Committee Assessment General is applied to pro forma operating revenues at
6 proposed rates for twelve months ended December 31, 2024, in the amount of
7 \$11,740,918 (See Exhibit No. HII-2W, Column 6) to determine the pro forma combined
8 assessment under proposed rates for twelve months ended December 31, 2024, in the
9 amount of \$79,386 ($\$11,740,918 \times 0.00676148$). The adjustment in the amount of
10 \$26,562 is determined by subtracting the pro forma assessment under existing rates for
11 the twelve months ended December 31, 2024, of \$52,824 from the calculated pro forma
12 amount of \$79,386 ($\$79,386 - \$52,824 = \$26,562$). The adjustment in the amount of
13 \$26,562 has been carried forward to Exhibit No. HIV-15W, Column 6.

14
15 Q. Explain Exhibit No. HIV-17W.

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

19
20 Operating income taxes per books for the twelve months ended December 31, 2024, in
21 the amount of \$341,618 are shown in Column 1 of Exhibit No. HIV-17W. Pro forma
22 adjustments to operating income taxes of \$(415,489) are shown in Column 3 of Exhibit
23 No. HIV-17W and are detailed on Exhibit Nos. HIV-17-2W through HIV-17-3W.

24 Adjustments to operating income taxes amounting to \$1,081,085 are made to reflect the
25 increased operating income taxes that result from the increase in operating revenues

1 under proposed rates, and these adjustments are shown in Column 6 of Exhibit No. HIV-
2 17W and are detailed in Exhibit No. HIV-17-5W.

3
4 Q. Explain Exhibit No. HIV-17-2W.

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

9
10 Total pro forma operating income before income taxes and excluding depreciation under
11 existing rates in the amount of \$2,022,203 is determined by subtracting pro forma
12 operating expenses under existing rates in the amount of \$5,703,826 (Refer to Exhibit
13 No. HIII-2W, Column 4) and pro forma operating taxes other than income taxes under
14 existing rates in the amount of \$109,791 (Refer to Exhibit No. HIV-15W, Column 4)
15 from pro forma operating revenues under existing rates in the amount of \$7,835,820
16 (Refer to Exhibit No. HII-2W, Column 3) [$\$7,835,820 - \$5,703,826 - \$109,791 =$
17 $\$2,022,203$]. To arrive at taxable income at present rates, amounts are added for
18 Amortization of Acquisition Adjustments of \$27,489 and nondeductible meals of \$99,
19 and amounts are then deducted for tax repair expense in the amount of \$44,940, cost of
20 removal in the amount of \$3,000, state tax depreciation in the amount of \$1,381,744 and
21 pro forma interest expense deduction for ratemaking purposes in the amount of \$917,796.
22 Expenses of the Company's Amortization of Acquisition Adjustments of \$27,489 and
23 Nondeductible Meals of \$99 are not allowed as a deduction for income tax purposes.
24 Since these amounts are included in operating expenses and deducted in arriving at the
25 figure of \$2,022,203, they must be added back in arriving at taxable income. Tax repair

1 expense in the amount of \$44,940 has been capitalized on the corporate books but is
2 taken as a current deduction on the Company's Federal and State income tax returns.
3 Cost of removal in the amount of \$3,000 has been capitalized on the corporate books but
4 is taken as a current deduction on the Company's Federal and State income tax returns.
5 Tax depreciation in the amount of \$1,381,744 is detailed on Exhibit No. HIV-17-3W and
6 Exhibit No. HIV-17-3 (a)W. I note that the state tax depreciation is greater than Federal
7 tax depreciation due to the provisions of Act 89 of 2002, which I will explain later with
8 respect to Exhibit No. HIV-17-3 (a)W. Pro forma interest expense deduction for
9 ratemaking purposes in the amount of \$917,796 is determined by reflecting the interest
10 charges to ratepayers in the cost of capital determination (Interest Synchronization) (Rate
11 Base of \$44,508,541 x Weighted Debt Cost Rate of 2.06%).

12
13 Pro forma taxable income under existing rates in the amount of \$(297,690) is determined
14 by adding the expenses of the Amortization of Acquisition Adjustments of \$27,489 and
15 Nondeductible Meals of \$99 and deducting tax repair expense in the amount of \$44,940,
16 cost of removal in the amount of \$3,000, tax depreciation in the amount of \$1,381,744,
17 and pro forma interest expense in the amount of \$917,796 from pro forma net operating
18 income in the amount of \$2,034,951 [$\$2,022,203 + \$27,489 + 99 - \$44,940 - \$3,000 -$
19 $\$1,381,744 - \$917,796 = \$(297,690)$].

20
21 Pro forma State income tax under existing rates in the amount of \$(25,274) is determined
22 by applying the Pennsylvania corporate net income tax rate of 8.49% to pro forma
23 taxable income in the amount of \$(297,690) [$\$(297,690) \times 0.0849 = \$(25,274)$]. Pro
24 forma Federal taxable income under existing rates in the amount of \$(263,078) is
25 determined by subtracting pro forma State income tax under existing rates in the amount

1 of \$(25,274) and adding back state depreciation in excess of Federal depreciation of
2 \$9,339 [Refer to Exhibit No. HIV-17-3 (a)W] from pro forma taxable income in the
3 amount of \$(297,690) [$$(297,690) - $(25,274) + 9,339 = $(263,078)$]. Pro forma Federal
4 income tax under existing rates in the amount of \$(55,246) is determined by applying the
5 presently effective Federal income tax rate of 21% to the pro forma Federal taxable
6 income under existing rates in the amount of \$(263,078) [$$(263,078) \times 0.21 = $(55,246)$].
7 Total pro forma current income taxes under existing rates in the amount of \$(80,520) is
8 determined by adding pro forma state income tax under existing rates in the amount of
9 \$(25,274) and pro forma Federal income tax under existing rates in the amount of
10 \$(55,246) [$$(25,274) + $(55,246) = $(80,520)$]. The adjustment to income taxes in the
11 amount of \$(355,790) is determined by subtracting current income taxes recorded on the
12 corporate books during the twelve months ended December 31, 2024, in the amount of
13 \$275,270 from total pro forma current income taxes under existing rates in the amount of
14 \$(80,520) [$$(80,520) - $275,270 = $(355,790)$]. The adjustment to income taxes at
15 present rates in the amount of \$(355,790) has been carried forward to Exhibit No. HIV-
16 17W, Column 3.

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

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

23
24 For property placed in service beginning with calendar year 2012, the Company employs
25 various methods of tax depreciation as permitted by law. Normalization of the tax

1 deferrals resulting from the use of these accelerated depreciation methods is required by
2 the Internal Revenue Code.

3
4 If the Company is not permitted to recover revenues necessary to provide for
5 normalization of the income tax effects of accelerated depreciation, the Company will not
6 be permitted to deduct accelerated depreciation for Federal income tax purposes.

7
8 Tax depreciation by vintage year in the amount of \$1,375,406 for property included in the
9 measure of value is shown on Exhibit No. HIV-17-3W, Column 3.

10
11 Deferred taxes must be provided with the normalization requirements of Internal
12 Revenue Code Sections 167 and 168. The amount of \$1,375,406 is reduced by
13 \$1,328,583, which is the amount included for ratemaking purposes as depreciation to
14 determine the difference of \$46,823 to be used for calculating the deferred Federal
15 income tax ($\$1,375,406 - \$1,328,583 = \$46,823$). The Federal income tax rate of 21% is
16 applied to the \$46,823 to determine the deferred Federal income tax amount of \$9,833
17 ($\$46,823 \times 0.21$). The adjustment to deferred Federal income tax expense in the amount
18 of \$(59,699) is determined by subtracting deferred Federal income tax recorded on the
19 corporate books during the twelve months ended December 31, 2024, in the amount of
20 \$69,532 from the calculated deferred Federal income tax amount of \$9,833 [$\$9,833 -$
21 $\$69,532 = \$(59,699)$]. The adjustment to deferred Federal income tax in the amount of
22 \$(59,699) has been carried forward to Exhibit No. HIV-17W, Column 3.

23
24 Q. Explain Exhibit No. HIV-17-3(a)W.

1 A. Exhibit No. HIV-17-3(a)W is the calculation of the state tax decoupling from the Federal
2 Special 30-Percent and 50 Percent Depreciation Allowance in accordance with Act 89 of
3 2002 signed into law June 29, 2002, and the Economic Growth and Tax Relief
4 Reconciliation Act of 2001, the Job Creation and Worker Assistance Act of 2002, the
5 Jobs and Growth Tax Relief Reconciliation Act of 2003, the Economic Stimulus Act of
6 2008, and the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation
7 Act of 2010. These acts require corporate taxpayers who elected the Federal Special 30-
8 Percent and 50 Percent Depreciation Allowance to make adjustments that eliminate the
9 effect of the Federal Special 30-Percent and 50 Percent Depreciation Allowance in
10 arriving at Pennsylvania taxable income. Because Act 89 of 2002 eliminated the effect of
11 the first-year Federal bonus depreciation, additional State depreciation deductions are
12 allowed in subsequent years.

13
14 The recovery of a portion of the bonus depreciation of \$9,339 is carried forward to
15 Exhibit No. HIV-17-2 as an adjustment to State Tax Depreciation.

16
17 The basis of property qualified for the additional first year depreciation allowance is
18 reflected in Column 2 of Exhibit No. HIV-17-3 (a). Total Federal tax depreciation is
19 shown in Column 3 of Exhibit No. HIV-17-3 (a). The adjustment for additional allowed
20 state depreciation in lieu of the Federal special 30-percent and 50 percent depreciation is
21 reflected in Column 6 and is determined by multiplying Federal depreciation (net of
22 current year bonus depreciation) shown in Column 5 by 0.42857 (3/7). The factor of
23 0.42857 (3/7) is reflected in the Bureau of Corporation Taxes Adjustment for Bonus
24 Depreciation (Form REV-784).

1 Q. Please explain Exhibit No. HIV-17-5W.

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

4
5 The total calculated operating revenue increase using historic test year data in the amount
6 of \$3,928,397 (Refer to Exhibit No. HII-2W, Column 6) is reduced by the increase in pro
7 forma expense for the Commission's General Assessment, the Consumer Advocate's
8 Assessment, the Small Business Advocate's Assessment, and the Damage Prevention
9 Committee Assessment under calculated rates in the amount of \$26,562 (Refer to Exhibit
10 No. HIV-15-2W) to arrive at the net increase in taxable income subject to state income
11 tax in the amount of \$3,901,835 ($\$3,928,397 - \$26,562 = \$3,901,835$). The state income
12 tax rate of 8.49% is applied to the net increase in taxable income subject to state income
13 tax in the amount of \$3,901,835 to determine the increase of \$331,266 in the state income
14 tax as a result of the proposed revenue increase ($\$3,901,835 \times 0.0849 = \$331,266$). The
15 increase in the amount of \$331,266 in the state income tax has been carried forward to
16 Exhibit No. HIV-17W, Column 6.

17
18 The proposed revenue increase subject to state income tax of \$3,901,835 is reduced
19 further by the increase of \$331,266 in state income tax to determine the proposed revenue
20 increase in the amount of \$3,570,569 subject to Federal income tax ($\$3,901,835 -$
21 $\$331,266 = \$3,570,569$). The presently effective Federal income tax rate of 21% is
22 applied to determine the increase in the amount of \$749,820 in the Federal income tax
23 that results from the proposed revenue increase ($\$3,570,569 \times 0.21$), and this amount has
24 been carried forward to Exhibit No. HIV-17W, Column 6.

25

1 Q. Explain Exhibit No. HIV-18W.

2 A. Exhibit No. HIV-18W provides an explanation of the debt interest expense utilized for
3 the income tax calculation reflected on the Company's corporate books, as well as an
4 explanation and the calculation of debt interest expense utilized for the income tax
5 calculation on pro forma income for the twelve months ended December 31, 2024.

6

7 Debt interest expense utilized for the income tax calculation reflected on the Company's
8 corporate books for the twelve months ended December 31, 2024, is actual debt expense
9 incurred during that period for the combined water and wastewater company. Debt
10 interest expense utilized for the income tax calculation on pro forma income for the
11 twelve months ended December 31, 2024, is determined by reflecting the interest charges
12 to ratepayers in the cost of capital determination (interest synchronization). Wastewater
13 does not have its own capital structure, but rather that of the Company as a whole.

14

15 The original cost measure of value as of December 31, 2024 (Refer to Exhibit No. HV-
16 1W, page 2) of \$44,508,541 times the weighted debt cost rate of 2.06% equals the
17 interest expense utilized for income tax calculation on pro forma income for the twelve
18 months ended December 31, 2024, of \$917,796 ($\$44,508,541 \times 2.06\% = \$917,796$).

19

20 Debt interest expense on pro forma income for the twelve months ended December 31,
21 2024, in the amount of \$917,796 has been carried forward to Exhibit No. HIV-17-2W,
22 which I explained previously.

23

24 Q. Explain Exhibit No. HV-1-1W.

1 A. Exhibit No. HV-1-1W is a summary, by year, of the unamortized balances of deferred
2 income taxes related to wastewater accelerated depreciation and the unamortized
3 balances of excess deferred income taxes related to wastewater accelerated depreciation
4 that are deducted from the measure of value.

5
6 Page 1 of Exhibit No. HV-1-1W is a summary, by year, of the unamortized balance in the
7 amount of \$287,364, as of December 31, 2024, of deferred income taxes related to
8 accelerated depreciation, that are deducted from the measure of value. Column 2 lists
9 deferred federal income taxes resulting from accelerated depreciation from 2012 through
10 2024. The balance in Column 2 is \$287,364.

11
12 The unamortized balance of deferred income taxes as of December 31, 2024, in the
13 amount of \$287,364 has been carried forward to Exhibit No. HV-1W, page 2 and has
14 been deducted from the original cost measure of value.

15
16 Page 2 of Exhibit No. HV-1-1 is a summary, by year, of the unamortized balance in the
17 amount of \$0, as of December 31, 2024, of excess deferred income taxes related to
18 accelerated depreciation, that are deducted from the measure of value. Column 2 lists, by
19 year, excess deferred federal income taxes resulting from accelerated depreciation from
20 2012 through 2017. As of December 31, 2024, all excess deferred Federal income taxes
21 had been reversed. The balance in Column 2 is \$0.

22
23 The unamortized balance of excess deferred income taxes as of December 31, 2024, in
24 the amount of \$0 has been carried forward to Exhibit No. HV-1, page 2 and has been
25 deducted from the original cost measure of value.

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Q. Explain Exhibit No. HV-1-4W.

A. Exhibit No. HV-1-4W is a summary, by year, of the unamortized balance in the amount of \$18,479, as of December 31, 2024, of taxes on deposits for construction and customer advances, that are added to the original measure of value. Column 2 lists, by year, taxes on deposits for construction and customer advances from 2018 through 2020. The balance in Column 2 is \$18,479.

Under the Tax Cuts and Jobs Act of 2017, the definition of tax contributions in aid of construction was modified under Section 118(b) and the exclusion from gross income under Section 118(c) was repealed. The modification to the definition of taxable contribution in aid of construction includes contributions from customers as well as any payment received from a governmental or civic entity. Under the Company’s approved tariff, the Company will pay income taxes on any deposit, Customer Advance, Contribution in Aid of Construction or other like amounts received from an applicant which shall constitute taxable income as defined by the Internal Revenue Service. Such income taxes shall be segregated in a deferred account for inclusion in rate base in a future rate case proceeding. Such income taxes associated with a deposit or advance will not be charged to the specific depositor of capital. This provision was rescinded under the Infrastructure Investment and Jobs Act of 2024.

The unamortized balance of taxes on deposits for construction and customer advances as of December 31, 2024, in the amount of \$18,479 has been carried forward to Exhibit No. HV-1W, page 2 and has been included in the original cost measure of value.

1 Q. Explain Exhibit No. HVII-28W.

2 A. Exhibit No. HVII-28W shows the Company's short-term debt balance, the construction
3 work in progress balance, and the balance of construction work in progress, which is
4 eligible for Allowance for Funds Used During Construction ("AFUDC") for the most
5 recent twenty-four months for combined water and wastewater.

6

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

8 A. Yes.