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Q. What is your educational background?

A. I have a Bachelor's of Science Degree in Accounting from Central Penn College.

Q. Have you previously testified before a regulatory commission?

A. Yes, I have presented testimony to the Commission in the Company's last two rate cases.

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

A. In addition to the exhibits identified in York Water Statement No. 4, I am sponsoring the following exhibits prepared by me or under my direction and supervision:

Exhibit No. HI-2-1W relating to depreciation expense included in the statement of operations for the wastewater division;

Exhibit Nos. HV-1W, HV-1-2W, and HV-1-3W relating to the original cost measure of value for the wastewater division; and

Exhibit Nos. HV-16W, HV-16-1W, and HV-16-2W relating to the original cost measure of value for the wastewater division.

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

A. Exhibit No. HI-2-1W adjusts the wastewater depreciation accrual from the historic test year level for the twelve months ended December 31, 2024, to the level determined in the depreciation study identified as Exhibit No. HVI-W. The adjustment in the amount of

1 \$320,566 is determined by subtracting the booked depreciation accrual for the twelve
2 months ended December 31, 2024, in the amount of \$1,030,551 from the pro forma
3 annual depreciation accrual in the amount of \$1,351,117. The adjustment in the amount
4 of \$320,566 has been carried forward to Exhibit No. HI-2W, Column 3.

5
6 Q. Who will testify regarding the determination of the pro forma annual wastewater
7 depreciation accrual for the twelve months ending December 31, 2024?

8 A. John J. Spanos, President, Depreciation and Valuation Studies, Gannett Fleming
9 Valuation and Rate Consultants, Inc. will testify with respect to the pro forma
10 depreciation accrual (see York Water Statement No. 106).

11
12 Q. Are you sponsoring any other exhibits regarding the Company's wastewater statement of
13 operations?

14 A. No.

15
16 Q. Explain Exhibit No. HV-1W.

17 A. Exhibit No. HV-1W provides the wastewater original cost measure of value in the
18 amount of \$44,508,541 as of December 31, 2024, net operating income available and rate
19 of return under existing rates for the twelve months ended December 31, 2024, net
20 operating income and rate of return under existing rates after adjustments for ratemaking
21 purposes ("pro forma") for the twelve months ended December 31, 2024, and net
22 operating income and rate of return under proposed rates for the twelve months ended
23 December 31, 2024. The original cost measure of value in the amount of \$44,508,541 as
24 of December 31, 2024, is shown on page 2 of Exhibit No. HV-1W.

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The original cost of utility plant in service per books as of December 31, 2024, is \$62,544,668, and the accrued depreciation as of December 31, 2024, is \$13,836,432. The depreciated original cost of utility plant in service as of December 31, 2024, is \$48,708,236 ($\$62,544,668 - \$13,836,432 = \$48,708,236$). The details of original cost of utility plant in service and accrued depreciation by account, sub account and vintage are set forth in Exhibit No. HVI-W.

Q. Who will testify with respect to accrued depreciation in the amount of \$13,836,432 as of December 31, 2024, related to wastewater utility plant in service?

A. John J. Spanos will testify with respect to accrued depreciation (see York Water Statement No. 106).

Q. Continue with your explanation of Exhibit No. HV-1W.

A. The unamortized balance, as of December 31, 2024, of deferred Federal income taxes related to accelerated depreciation in the amount of \$287,364 is deducted from the original cost measure of value, and this amount is set forth in Exhibit No. HV-1-1W, which is explained in Mr. Poff's testimony (see York Water Statement No. 3W).

The unamortized balance, as of December 31, 2024, of excess deferred Federal income taxes related to accelerated depreciation in the amount of \$0 is deducted from the original cost measure of value, and this amount is set forth in Exhibit No. HV-1-1W, which is explained in Mr. Poff's testimony (see York Water Statement No. 3W).

1 An amount of \$4,103,008 representing contributions in aid of construction less accrued
2 depreciation as of December 31, 2024, is deducted from the original cost measure of
3 value. This amount consists of the original cost of contributions in aid of construction per
4 books as of December 31, 2024, in the amount of \$5,323,041 less accrued depreciation as
5 of December 31, 2024, in the amount of \$1,220,033 ($\$5,323,041 - \$1,220,033 =$
6 $\$4,103,008$). The details are shown by account, sub account and vintage in Exhibit No.
7 HVI-W.

8
9 An amount of \$75,663 for customers' advances for construction less projected accrued
10 depreciation as of December 31, 2024, is deducted from the original cost measure of
11 value. This component is comprised of the projected original cost of customers'
12 advances for construction as of December 31, 2024, in the amount of \$77,235 less
13 projected accrued depreciation as of December 31, 2025, in the amount of \$1,572
14 ($\$77,235 - \$1,572 = \$75,663$). The details are shown by account, sub account, and
15 vintage in Exhibit No. HVI-W.

16
17 Q. Who will testify with respect to the accrued depreciation related to contributions and
18 advances?

19 A. John J. Spanos will testify with respect to accrued depreciation (see York Water
20 Statement No. 106).

21
22 Q. Do the amounts set forth in Exhibit No. HV-1W for Contributions reflect any amounts
23 related to income tax liabilities that the Company has incurred between January 1, 1987,
24 and June 12, 1996, as a result of the TRA-86 requirement that Contributions and

1 Advances be taxed or has incurred between January 1, 2018, and December 31, 2020, as a
2 result of the Tax Cuts and Jobs Act of 2017 requirement that Contributions and Advances
3 be taxed?

4 A. No. Consistent with the Company's ratemaking and accounting procedure in effect at the
5 time with regard to the income taxes on Contributions, the Company has made no
6 adjustment to amounts recorded between January 1, 1987, and June 12, 1996, or between
7 January 1, 2018, and December 31, 2023, for Contributions to reflect additional income
8 taxes that were required to be paid with respect to receipt of such Contributions as a result
9 of Section 824 of TRA-86 or the Tax Cuts and Jobs Act of 2017. Contributions received
10 between January 1, 1987, and June 12, 1996, and between January 1, 2018, and
11 December 31, 2023, are reflected in the utility plant accounts and in the accounts for
12 Contributions, as shown in Exhibit No. HVI-W at the original cost of the facilities
13 constructed with the Contribution or Advance, without consideration of the associated
14 income tax liability incurred by the Company. Under federal tax law provisions in effect
15 at the time, Contributions received subsequent to June 12, 1996, through December 31,
16 2017, were not taxed. Under federal tax law provisions currently in effect, Contributions
17 received subsequent to December 31, 2020, are not taxed.

18
19 Q. Continue with your explanation of Exhibit No. HV-1W.

20 A. Unamortized utility plant adjustment for the Felton Borough and York Haven Borough
21 wastewater acquisitions in the amount of \$247,861 (\$120,380 + \$127,481) is included in
22 the original cost measure of value. The details are set forth in Exhibits No. HV-1-2W and
23 HV-1-3W, which I will explain later.

24

1 Taxes on deposits for construction and customer advances in the amount of \$18,479 are
2 included in the original cost measure of value. The details are set forth in Exhibit No.
3 HV-1-4W, which is explained in Mr. Poff's testimony (see York Water Statement No.
4 3W).

5
6 There are no other components of the measure of value for the wastewater portion of the
7 business. The wastewater portion of the business did not have its own materials and
8 supplies inventory, nor did it have its own cash working capital calculation as of
9 December 31, 2024.

10
11 Column 1 of page 3 of Exhibit No. HV-1W shows net operating income available for
12 return under existing rates for the twelve months ended December 31, 2024, in the
13 amount of \$543,390 and the rate of return on the original cost measure of value as of
14 December 31, 2024, of 1.22%. Column 3 of page 3 of Exhibit No. HV-1W shows the
15 adjustments to net operating income in the amount of \$201,568. These adjustments have
16 been detailed in other exhibits that Mr. Poff addresses in his testimony (see York Water
17 Statement Nos. 3W). Column 4 of page 3 of Exhibit No. HV-1W shows pro forma net
18 operating income available for return under existing rates for the twelve months ended
19 December 31, 2024, in the amount of \$744,958 and the rate of return on the original cost
20 of measure of value as of December 31, 2024, of 1.67%. Adjustments to pro forma net
21 operating income for the twelve months ended December 31, 2024, related to the effect of
22 proposed rates in the amount of \$2,820,750 are shown in Column 6 of page 3 of Exhibit
23 No. HV-1W. These adjustments have been detailed in other exhibits that Mr. Poff
24 addresses in his testimony (see York Water Statement Nos. 3W). Column 7 of page 3 of

1 Exhibit No. HV-1W shows pro forma net operating income available for return for the
2 twelve months ended December 31, 2024, in the amount of \$3,565,707 and the rate of
3 return on the original cost measure of value as of December 31, 2024, of 8.01%. The rate
4 of return used for the wastewater portion of the business is identical to that used for the
5 water portion of the business.

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

8 A. Exhibit No. HV-1-2W provides the calculation of the unamortized utility plant
9 acquisition adjustment relative to the acquisition of Felton Borough wastewater assets as
10 of December 31, 2024, in the amount of \$120,380 included in the original cost measure
11 of value.

12
13 Reasonable acquisition costs greater than depreciated original cost are permitted to be
14 included in rate base and amortized over ten years in accordance with Section 1327 of the
15 Public Utility Code.

16
17 The unamortized acquisition adjustment of \$120,380 is determined by subtracting one-
18 half of the depreciated original cost of wastewater property acquired from Felton
19 Borough of in the amount of \$618,871 and the amortization from March 1, 2023, the
20 effective date of rats under the Order issued in the Company's 2022 base rate proceeding
21 (Docket No. R-2022-3031340), to December 31 2024 in the amount of \$27,024 from one-
22 half of Felton Borough acquisition costs of \$913,679 $[(\$913,679 - \$618,871) / 2] -$
23 $\$27,024 = \$120,380$.

1 Q. Explain Exhibit No. HV-1-3W.

2 A. Exhibit No. HV-1-3W provides the calculation of the acquisition adjustment subject to
3 amortization relative to the acquisition of the York Haven Borough as of December 31,
4 2024, in the amount of \$127,481 included in the original cost measure of value.

5

6 Reasonable acquisition costs greater than depreciated original cost are permitted to be
7 included in rate base and amortized over ten years in accordance with Section 1327 of the
8 Public Utility Code. Please see the testimony of Mr. Hand (York Water Statement No. 1)
9 for details on this acquisition.

10

11 The acquisition adjustment subject to amortization of \$127,481 is determined by
12 subtracting the depreciated original cost of waterworks property acquired from the York
13 Haven Borough in the amount of \$281,095 from the York Haven Borough acquisition
14 costs of \$408,576 ($\$408,576 - \$281,095 = \$127,481$).

15

16 The Company is proposing amortization over a ten-year period in Exhibit No. HIII-2-4W.

17

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

19 A. No.

20

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

22 A. Yes.