

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

v.

AQUA PENNSYLVANIA, INC.
(FORMERLY PENNSYLVANIA
SUBURBAN WATER COMPANY)

Docket No. R-00038805

DIRECT TESTIMONY

OF

ANDREA C. CRANE

ON BEHALF OF

THE PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

FEBRUARY 27, 2004

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1 **I. STATEMENT OF QUALIFICATIONS**

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

3 A. My name is Andrea C. Crane and my business address is 38C Grove Street, Ridgefield,
4 Connecticut 06877.

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

7 A. I am Vice President of The Columbia Group, Inc., a financial consulting firm that specializes
8 in utility regulation. In this capacity, I analyze rate filings, prepare expert testimony, and
9 undertake various studies relating to utility rates and regulatory policy. I have held several
10 positions of increasing responsibility since I joined The Columbia Group, Inc. in January
11 1989.

12
13 **Q. Please summarize your professional experience in the utility industry.**

14 A. Prior to my association with The Columbia Group, Inc., I held the position of Economic
15 Policy and Analysis Staff Manager for GTE Service Corporation, from December 1987 to
16 January 1989. From June 1982 to September 1987, I was employed by various Bell Atlantic
17 Corporation (now Verizon) subsidiaries. While at Bell Atlantic, I held assignments in the
18 Product Management, Treasury, and Regulatory Departments.

19
20 **Q. Have you previously testified in regulatory proceedings?**

21 A. Yes, since joining The Columbia Group, Inc., I have testified in over 165 regulatory
22 proceedings in the states of Arizona, Arkansas, Connecticut, Delaware, Hawaii, Kansas,

1 Maryland, New Jersey, New Mexico, New York, Oklahoma, Pennsylvania, Rhode Island,
2 South Carolina, Vermont, West Virginia and the District of Columbia. These proceedings
3 involved water, wastewater, gas, electric, telephone, solid waste, cable television, and
4 navigation utilities. A list of dockets in which I have filed testimony is included in Appendix
5 A.

6
7 **Q. What is your educational background?**

8 A. I received a Masters degree in Business Administration, with a concentration in Finance,
9 from Temple University in Philadelphia, Pennsylvania. My undergraduate degree is a B.A.
10 in Chemistry from Temple University.

11
12 **II. PURPOSE OF TESTIMONY**

13 **Q. What is the purpose of your testimony?**

14 A. The Columbia Group, Inc. was engaged by The Commonwealth of Pennsylvania, Office of
15 Consumer Advocate (“OCA”) to review the recent base rate filing by Aqua Pennsylvania,
16 Inc.¹ (“Aqua” or “Company”) and to provide recommendations to the Pennsylvania Public
17 Utility Commission (“PUC” or “Commission”) regarding the Company’s revenue
18 requirement claim. In order to develop my recommendations, I reviewed the prefiled
19 testimony and exhibits of the Company, the responses to data requests propounded upon the

1 The filing was made by Pennsylvania Suburban Water Company, Inc., which subsequently changed its name to Aqua Pennsylvania, Inc.

1 Company by the OCA and by the Staff of the Commission, and other information useful in
 2 an analysis of the Company's filing. I also relied upon the cost of capital recommendation of
 3 OCA witness Stephen G. Hill and upon testimony prepared by OCA witness Marilyn J.
 4 Kraus regarding acquisitions of other water systems.

5
 6 **Q. What is the cost of capital and capital structure for Aqua that is being recommended by
 7 Mr. Hill?**

8 **A.** Mr. Hill is recommending the following cost of capital and capital structure:

	<u>Percent</u>	<u>Cost</u>	<u>Weighted Cost</u>
10 Common Equity	49.43%	9.25%	4.57%
11 Long-Term Debt	50.57%	6.60%	<u>3.34%</u>
12 Total			7.91%

13
 14 **III. SUMMARY OF CONCLUSIONS**

15 **Q. Please summarize the Company's request in this case.**

16 **A.** The Company originally filed for a rate increase of \$25.3 million, or approximately 10.3%
 17 over the Company's total claimed pro forma operating revenues at present rates, which
 18 include revenues resulting from the Distribution System Improvement Charge ("DSIC").
 19 The Company's request resulted in a rate increase of approximately 15 % on base revenues
 20 (excluding DSIC).

21 In its filing, Aqua stated that its requested rate increase claim did not include the

1 effect of two adjustments, which would be incorporated in the Company's Rebuttal Exhibits.
2 Specifically, Aqua indicated that it did not include a customer education expense adjustment,
3 in the amount of \$162,270, or an acquisition amortization expense adjustment, in the amount
4 of \$72,500.² Therefore, the Company's request would be approximately \$235,000 higher
5 than the amount shown in its accounting exhibits.

6 During the discovery process, Aqua indicated that further revisions would be made to
7 its revenue requirement claim. Several of the revisions relate to the Company's decision to
8 form a separate management service company, Aqua Resources, to provide centralized
9 services to the operating utilities, as discussed in greater detail below. The Company also
10 stated that it would revise the claims associated with several acquisitions of smaller
11 companies. In addition, it will increase its projection for future test year plant-in-service
12 additions. Finally, the Company stated that it would increase a projected expense adjustment
13 associated with audit fees. The impact of these further adjustments will be another addition
14 to the Company's revenue requirement claim of approximately \$666,000, bringing the total
15 revenue requirement increase up to approximately \$26.2 million.³ While I have incorporated
16 the effect of some of these revisions in my revenue requirement recommendation, it should
17 be noted that all of my adjustments are shown as adjustments to the Company's original
18 request of \$25.3 million.

19

2 Direct Testimony of Mr. Smeltzer, Schedule 1 and Schedule 2.

3 Aqua stated that all of these adjustments will be incorporated in its Rebuttal Exhibits.

1 **Q. What are the major factors contributing to the Company's rate increase request?**

2 A. The most significant factor contributing to the rate increase request is the growth in utility
3 plant-in-service. The Company is projecting a future test year increase in depreciable plant
4 of approximately \$101 million from June 30, 2003 to June 30, 2004. The overall rate base is
5 projected to increase by approximately \$53 million during the future test year. The
6 Company's exhibits also claim that the Company did not achieve Aqua's purported current
7 cost of capital on existing plant for the twelve months ending June 30, 2003, prior to the
8 significant future test year rate base additions. Thus, approximately \$19 million of the
9 overall claim relates to additional investment or to claimed additional return on historic
10 investment.

11 With regard to operating expenses, the most significant cost increases being projected
12 for the future test year are \$4.6 million in pension expense, \$0.7 million in other post-
13 employment benefits ("OPEBs"), \$0.8 million in general cost increases, and \$0.7 million in
14 costs for conversions to monthly billing. Originally, the Company also included an
15 adjustment of over \$2.1 million relating to salaries and wages. However, due to the transfer
16 of employees to Aqua Resources, this adjustment has largely been replaced by increased
17 management service company costs.

18
19 **Q. What are your conclusions concerning the Company's pro forma income, rate base,
20 and revenue requirement?**

21 A. Based on my analysis of the Company's filing and on the cost of capital and capital structure

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recommendations of Mr. Hill, my conclusions are as follows:

1. The twelve months ending June 30, 2003, is an appropriate historic test year in this case.
2. The twelve months ending June 30, 2004, is an appropriate future test year in this case.
3. The Company has a cost of equity of 9.25 % (see Exhibit SGH-1, Schedule 11, OCA Statement No. 2), and a capital structure consisting of 49.43 % common equity and 50.57 % long-term debt.
4. The Company has a pro forma future test year (ending June 30, 2004) rate base of \$983,161,436 (see Schedule ACC-2).
5. The Company has pro forma future test year (ending June 30, 2004) operating income at present rates of \$78,292,863 (see Schedule ACC-11).
6. Based on these determinations, the Company currently has a revenue requirement surplus of \$910,470. This is in contrast to the revenue requirement deficiency of \$25.3 million claimed by the Company (see Schedule ACC-1), which is anticipated to be updated to approximately \$26.2 million in Aqua's Rebuttal Exhibits.

1 **IV. RATE BASE ISSUES**

2 **A. Introduction**

3 **Q. What test year did the Company utilize to develop its rate base claim in this**
4 **proceeding?**

5 **A.** The Company selected the future test year ending June 30, 2004 and the historic test year
6 ending June 30, 2003.

7

8 **B. Utility Plant in Service**

9 **Q. How did the Company determine its utility plant-in-service claim in this case?**

10 **A.** Aqua began with its actual test year balances at June 30, 2003. To these balances, the
11 Company added projected plant additions through June 30, 2004, and eliminated projected
12 future test year retirements. As shown in the response to OCA-II-50 (attached in Appendix
13 C), future test year additions are projected to exceed \$101 million.

14

15 **Q. Are you recommending any adjustment to the utility plant-in-service additions**
16 **being claimed by Aqua?**

17 **A.** Yes, I am. According to the response to OCA-II-50, Aqua included in its filing \$7.5
18 million for three major projected plant-in-service additions that have not yet been started.
19 In Mr. Griffin's Supplemental Testimony at page 3, he indicated that the Company has
20 also increased its plant-in-service claim by an additional \$6.7 million, although this
21 revision has not yet been reflected in its accounting exhibits. It appears that the addition

1 of these new projects may be an attempt by the Company to meet more of its original
2 claim for plant-in-service additions than would otherwise be possible given the specific
3 projects included in that claim, and the fact that three major projects have not yet been
4 started.

5 Given the fact that the Company has identified \$6.7 million in new projects while
6 \$7.5 million of original projects appear to be behind schedule, I have utilized the
7 Company's original plant-in-service claim, as filed, to develop my recommended rate
8 base. I have not made any adjustment to the original plant-in-service claim made by the
9 Company, but nor have I increased the Company's rate base to include those additional
10 capital projects identified in the Company's Supplemental Testimony. Given that the
11 new projects are similar in amount to those that have yet to be started, my best estimate at
12 this time is that the Company's original claim for plant-in-service additions may be the
13 most realistic. I do recommend that the Company provide a further update during this
14 proceeding regarding the progress being made on plant-in-service additions. Given the
15 magnitude of the utility plant-in-service additions being requested, it is critical that any
16 approved rate increase be based on the most recent information available at the time of
17 the Commission's decision.

18
19 **Q. If the Company revises its claim to include Construction Work in Progress ("CWIP")**
20 **in rate base, given the fact that it may not complete all of its test year projected plant**
21 **additions, what would you recommend?**

1 A. In that case, I would recommend that no CWIP be permitted in rate base. CWIP is not an
2 appropriate rate base element. Accordingly, I would not recommend the inclusion of any
3 CWIP in rate base.

4 CWIP does not represent facilities that are used or useful in the provision of utility
5 service. In addition, including this plant in rate base would violate the regulatory principle of
6 intergenerational equity by requiring current ratepayers to pay a return on plant that is not
7 providing them with utility service and which may never provide current ratepayers with
8 utility service.

9 One of the basic principles of utility ratemaking is that shareholders are entitled to a
10 return on, and to a return of, plant that is used and useful in the provision of safe and
11 adequate utility service. By its definition, CWIP does not meet these criteria. Including
12 CWIP in rate base forces today's ratepayers to pay for plant that may never provide them
13 with any benefit. In addition, including CWIP in rate base transfers the risk during project
14 construction from shareholders, where it properly belongs, to ratepayers. The shareholders
15 are fully compensated for their financing risks through an appropriate return on equity award
16 and they should not be doubly compensated by including CWIP in rate base. For all these
17 reasons, the Commission should reject any attempt by Aqua to include CWIP in rate base.

18

19 **C. Acquisitions of Other Systems**

20 **Q. Please discuss the acquisitions made by the Company since its last base rate case.**

21 A. In its rate base claim, the Company has included plant relating to the following

1 acquisitions which have taken place since rates were last established in Aqua's last base
2 rate case: NUI, White Rock, Ariana, DLWB, Jefferson, Maple Crest, and Shickshinny
3 Lake. The Company also indicated that it intended to include plant acquired as a result of
4 the Sunrise Estates acquisition in rate base, but at the time of filing, it had not yet
5 quantified the net original cost of the plant and no rate base adjustment was made for
6 Sunrise Estates.

7 With regard to the NUI and White Rock systems, the Company paid more than net
8 book value for the acquired assets. The purchase price for the Jefferson system was
9 essentially identical to the net book value of the assets included in Aqua's initial filing.⁴

10 With regard to the Ariana, DLWB, Maple Crest, and Shickshinny Lakes systems, the
11 Company paid less than net book value.

12
13 **Q. How is the Company proposing to reflect these purchases in rate base?**

14 **A.** With regard to the NUI and White Rock systems, the purchase price paid by the Company
15 for these systems exceeded the net book value of the assets acquired. In these cases,
16 Aqua is proposing to include in rate base an acquisition adjustment for the difference
17 between the purchase price of the systems and the net book value of the assets acquired.

4 In Supplemental Testimony, Mr. Griffin testified that the net book value of the acquired Jefferson assets was significantly above the purchase price, and that he expects to make an adjustment to reflect the higher net book value in his Rebuttal Exhibits.

1 With regard to the remaining systems where the net book value of the systems
2 acquired was greater than the purchase price, the Company is proposing to include the net
3 book value of the assets acquired in rate base.

4

5 **Q. Is OCA recommending any adjustments to the Company's claims for plant-in-**
6 **service associated with the acquired systems?**

7 A. Yes, it is. With regard to the systems for which Aqua paid less than net book value, the
8 OCA is recommending an adjustment to reflect the purchase price in rate base. OCA
9 witness Marilyn J. Kraus provides the rationale for this adjustment in her Direct
10 Testimony. Based on Ms. Kraus' Direct Testimony, I have made an adjustment at
11 Schedule ACC-3 to eliminate from rate base the difference between the net book value of
12 the assets acquired in these systems, which was included in the Company's accounting
13 exhibits, and the actual purchase price. See the testimony of Ms. Kraus for a full
14 discussion of this issue.

15

16 **Q. How have you treated the NUI and White Rock acquisitions?**

17 A. OCA is not opposing the Company's request to record an acquisition adjustment for these
18 systems. Accordingly, I have made no adjustment to the Company's rate base claim
19 associated with this acquisition adjustment. The associated amortization expense
20 adjustment will be discussed later in my testimony.

21

D. Contributions in Aid of Construction ("CIAC") and Advances for Construction

Q. Are you recommending any adjustment to the Company's claim for CIAC?

A. Yes, I am. In its filing, the Company reflected additional future test year contributions of only \$49,899. This is very low relative to the actual level of contributions received in each of the past five years, as shown below:

1998	\$1,240,182
1999	\$2,359,473
2000	\$4,260,239
2001	\$4,458,647
2002	\$3,833,051

Based on the historic level of contributions, it is reasonable to assume that the Company will receive contributions during the future test year that exceed its claim. According to the Company's response to OCA-VII-17, the Company's actual CIAC balance at December 31, 2003 was \$48,860,504, or \$1,025,694 more than its projected balance at the end of the future test year. At Schedule ACC-4, I have made an adjustment to reflect this latest CIAC balance.

Q. Is it likely that the Company's claim for test period advances is similarly understated?

A. Yes, it is. In its filing, the Company did not include any net test period additions to advances. Once again, a review of the five-year history of these amounts indicates that the Company's claim is understated. Net advances for each of the past five years were:

1	1998	\$2,104,848
2	1999	\$4,011,963
3	2000	\$4,106,504
4	2001	\$8,705,540
5	2002	\$11,969,705

6 The Company's actual balance for advances at December 31, 2003 was \$43,769,078,
7 or \$970,262 more than its projected balance at June 30, 2004. I have utilized the December
8 31, 2003, balance to develop my pro forma rate base. My adjustment is shown in Schedule
9 ACC-5.

10
11 **Q. Should the Company also be required to update its actual CIAC and advances during**
12 **the hearing phase of this case?**

13 A. Yes, it should. In addition to providing updated information regarding its actual balance for
14 utility plant-in-service, as discussed above, the Company should also be required to provide
15 the most recent balances for CIAC and advances.

16
17 **E. Cash Working Capital**

18 **Q. What is cash working capital?**

19 A. Cash working capital is the amount of cash that is required by a utility in order to cover cash
20 outflows between the time that revenues are received from customers and the time that
21 expenses must be paid. For example, assume that a utility bills its customers monthly and

1 that it receives monthly revenues approximately 30 days after the midpoint of the date that
2 service is provided. If the Company pays its employees weekly, it will have a need for cash
3 prior to receiving the monthly revenue stream. If, on the other hand, the Company pays its
4 interest expense quarterly, it will receive these revenues well in advance of needing the funds
5 to pay interest expense.
6

7 **Q. Do companies always have a positive cash working capital requirement?**

8 A. No, they do not. The actual amount and timing of cash flows dictate whether or not a utility
9 requires a cash working capital allowance. Therefore, one should examine actual cash flows
10 through a lead/lag study in order to accurately measure a utility's need for cash working
11 capital.
12

13 **Q. How did the Company determine its cash working capital claim?**

14 A. Aqua developed its cash working capital claim in four parts. First, the Company has
15 included a rate base addition relating to a cash working capital requirement associated with
16 its operating expenses. Second, the Company has included in rate base a cash working
17 capital requirement associated with various tax obligations. Third, the Company has
18 included in rate base a cash working capital requirement associated with payroll taxes.
19 Finally, the Company has included a rate base offset relating to cash working capital
20 provided by the accrual of interest expense.
21

1 **Q. Are you recommending any adjustments to the Company's cash working capital**
2 **claims?**

3 **A.** Yes, I am recommending several adjustments to the Company's cash working capital claims.

4 First, I am recommending that the Company's revenue lag be reduced from 67.0 days to 62.9
5 days. Aqua determined its revenue lag by developing a weighted average of the lags
6 associated with quarterly and monthly billings. In developing this average, it assumed that
7 the bill issue period and the payment period for both monthly and quarterly billed customers
8 was the same. In both cases, it assumed that bills are issued two days after the service period
9 ends and that customers pay their bills, on average, 37.0 days after receipt of the bill. Thus,
10 the only difference between monthly and quarterly billed revenue lags was the lag associated
11 with the service period.

12 In prior cases, the Company demonstrated that the more frequently customers are
13 billed, the more quickly they pay their bills. This is a reasonable assumption, since a
14 customer is more likely to pay a bill more quickly if he knows that a subsequent bill is about
15 to arrive, or if in fact he has received the subsequent bill. Therefore, it is reasonable to
16 assume, and the Company's historic data suggests, that the payment lag for customers who
17 are billed monthly is shorter than the payment lag for customers who are billed quarterly. It
18 follows, then, that the payment lag for quarterly customers will be reduced when they are
19 converted to monthly billing. However, the Company did not modify its quarterly payment
20 lag to reflect more rapid payments from customers who will be converted from quarterly to
21 monthly billing.

1 It should also be noted that the Company's tariff requires payment of both monthly
2 and quarterly bills within 21 days of the issuance of the bill. Therefore, the use of a 37-day
3 payment lag assumes that, on average, all customers are consistently late in paying their bills.
4

5 **Q. What do you recommend?**

6 A. For monthly customers, I have used a total revenue lag of 47.2 days, consisting of a service
7 lag of 15.2 days, a billing lag of 2 days, and a payment lag of 30 days. I recommend that the
8 Commission adopt a payment lag of 30 days for customers who are billed monthly. This
9 payment lag reflects the payment of a monthly bill just prior to receipt of the next month's
10 bill. Therefore, I have incorporated a payment lag of 30 days (and an overall revenue lag of
11 47.2 days) for monthly customers into the Company's weighted overall revenue lag
12 calculation and determined that the overall revenue lag would decrease from 67.0 days to
13 62.9 days, as shown in Schedule ACC-6.
14

15 **Q. Will your recommendation impact all of the Company's cash working capital claims?**

16 A. Yes, it will. Aqua has separately identified cash working capital claims for operating
17 expenses, taxes, payroll taxes, and accrued interest. As shown in Schedules ACC-6 through
18 ACC-9, my recommendation regarding the revenue lag will impact each of these
19 calculations.
20

1 **Q. Please discuss your other adjustments to the Company's cash working capital claim for**
2 **operating expenses.**

3 A. My next adjustment increases the Company's payment lag for "Other" operating expenses
4 from 25.0 days to 32.2 days. The Company's claim was based on a 15-day service period
5 and on the assumption that payment would be made on the 10th day of the following month.
6 The basis for the Company's claim was that a similar procedure had been filed in prior cases.

7 I believe that the payment lag proposed by the Company is unrealistic and
8 unsupported. The payment lag does not reflect any lag associated with the issuance of bills.

9 Moreover, the 10-day payment allowance is unreasonably short. The Company's payment
10 lag is substantially shorter than the payment lag reflected in the Company's filing for
11 payment of bills by its customers, or even the revenue payment lag that I am recommending.

12 In addition, the Company's proposed payment lag for other operating expenses is
13 considerably shorter than the payment lags for management service fees, purchased power
14 and purchased water costs.

15
16 **Q. What do you recommend?**

17 A. I recommend that the expense lag for "Other" operating expenses be increased from 24.5
18 days to 32.2 days. My recommendation is based on a service period of 15.2 days, a bill issue
19 period of 2 days, and a payment period of 15 days. This recommendation is more consistent
20 with industry practices than the 24.5 expense day lag included in the Company's claim. This
21 recommendation is shown in Schedule ACC-6A.

1

2 **Q. Did the Company revise its proposed operating expense lags for certain categories of**
3 **costs in its responses to discovery?**

4 A. Yes, it did. In various responses to discovery requests, Aqua revised its operating expense
5 lag claims for management fees, vehicle lease expense, and pension expense, as shown
6 below:

	<u>Per Filing</u>	<u>Per Discovery</u>
7 Management Fees	35.2 Days	39.4 Days
8 Vehicle Leases	0.9 Days	(5.6) Days
9 Pension Expense	75.5 Days	278.6 Days

10

11

12 Therefore, I have incorporated these revisions to my recommended operating expense lag at
13 Schedule ACC- 6A.

14

15 **Q. What is the impact of the adjustments that you are recommending on the Company's**
16 **overall operating expense lag?**

17 A. As shown on Schedule ACC-6A, my recommendations result in an overall operating expense
18 lag of 45.0 days, while the Company's filing includes an overall operating expense lag of
19 28.1 days. Given the revenue lag adjustment discussed earlier, the net operating expense lag
20 that I am recommending is 17.9 days instead of the 38.9 days used by Aqua in its filing, as
21 shown in Schedule ACC-6.

1 **Q. What adjustments have you made to the lead/lag days included in the remaining**
2 **components of cash working capital?**

3 A. With regard to the cash working capital claims for taxes, payroll taxes, and accrued interest,
4 I am not recommending any adjustments to the expense lag days. I have updated the net lags,
5 however, to reflect my recommended revenue lag of 62.9 days discussed earlier. The net
6 result is a net lag of 23.8 days for taxes, of 49.1 days for payroll taxes, and of (26.9) days for
7 accrued interest. These adjustments are shown in Schedules ACC-7, ACC-8, and ACC-9
8 respectively.

9
10 **Q. Should all components of cash working capital be updated to reflect the actual**
11 **operating expenses, taxes, payroll taxes, and interest expense found by the Commission**
12 **to be reasonable?**

13 A. Yes, the Company's cash working capital claim should be updated to reflect the actual level
14 of operating expenses, taxes, payroll taxes, and interest expense found by this Commission to
15 be reasonable.

16

17 **F. Summary of Rate Base Issues**

18 **Q. What is the impact of all of your rate base adjustments?**

19 A. My recommended adjustments reduce the Company's rate base claim from \$991,534,508 as
20 reflected in its accounting exhibits, to \$983,161,436, as summarized on Schedule ACC-2.

21

1 V. **OPERATING INCOME ISSUES**

2 A. **Pro Forma Revenue**

3 Q. **How did the Company develop its pro forma revenue claim in this case?**

4 A. The Company developed its pro forma revenue claim by annualizing customers based on the
5 average growth rate over a four-year period. The Company used the historic test year billing
6 analysis to determine the usage per customer and average bill to be applied to the pro forma
7 number of annualized customers. The Company made adjustments to reflect the revenue
8 impact of acquisitions made by Aqua since the Company's last base rate case and to reflect
9 DSIC revenues at the maximum surcharge of 5.0%. Finally, the Company made a few
10 customer-specific adjustments to reflect changes in sales to Olympic Linen, Canaan Federal
11 Prison, Woodloch Pines, Wheatland Tube, and Sharon Country Club, as described on page 4
12 of Mr. Griffin's Direct Testimony.

13
14 Q. **Are you recommending any adjustment to the methodology used by the Company to
15 annualize and normalize its future test year revenue claim?**

16 A. While I generally believe that it is more appropriate to normalize consumption over a multi-
17 year period than to utilize actual test year consumption, I recognize that the Commission has
18 accepted the Company's methodology in the past. Therefore, I am not recommending any
19 adjustments to the methodology used by the Company to annualize or to normalize future test
20 year revenue. I am recommending two revenue adjustments relating to the calculation of
21 DSIC revenues and to revenues associated with the acquisition of Sunset Estates.

1 **Q. Please explain your first revenue adjustment.**

2 A. In response to OTS-RS-32 (attached in Appendix C), the Company indicated that, in certain
3 cases, it had incorrectly calculated the amount of DSIC revenues that would be received
4 during the future test year assuming current rates. In this response, the Company provided an
5 update to Company Exhibit 5-A, Part II, page 3 that revised its pro forma revenue at present
6 rates from \$245,810,064 to \$246,330,769. Therefore, my first revenue adjustment increases
7 the Company's pro forma revenue at present rates to reflect this update. My adjustment is
8 shown in Schedule ACC-12.

9
10 **Q. Please explain your proposed revenue adjustment associated with the Sunset Estates
11 acquisition.**

12 A. The acquisition of Sunset Estates was completed in August 2003, when Aqua acquired these
13 74 customers. In its filing, the Company included the revenues from Sunset Estates, but it
14 did not include any related investment in its rate base claim. Moreover, the Company
15 indicated in discovery that it has not yet completed an original cost study for Sunset Estates,
16 and therefore, it has decided to remove the Sunset Estates acquisition from the present case.
17 The OCA is not opposed to the Company eliminating the impact associated with the Sunset
18 Estates acquisition from in this case. Therefore, at Schedule ACC-13, I have made an
19 adjustment to eliminate the pro forma revenue from Sunset Estates that the Company had
20 included in its accounting exhibits.

21

1 **Q. Was there also a rate base adjustment associated with Sunset Estates?**

2 A. No, as noted earlier, it appears that the Company did not include any investment associated
3 with Sunset Estates in its original accounting exhibits, which are being used as the basis for
4 my adjustments in this case. Therefore, no rate base adjustment is necessary to eliminate
5 investment associated with the Sunset Estates acquisition.

6
7 **B. Salaries and Wages**

8 **A. How did the Company develop its salary and wage claim in this case?**

9 A. The Company calculated annualized historic test year salaries and wages by applying an
10 increase of 2% to actual historic test year payroll costs. This 2% adjustment was based on an
11 average historic test year increase of 4%, and on the assumption that, on average, 50% of this
12 increase was already reflected in actual historic test year results. Aqua then made a further
13 adjustment of 4% to reflect future test year increases. The Company then made several other
14 adjustments to annualize salaries and wages based on actual employees added or eliminated
15 during the historic and future test years. In addition, the Company made an adjustment for
16 new employees proposed to be added in the future test year.

17 Subsequent to its filing, the Company provided additional information that will lead
18 to several revisions to its initial claim. First, it submitted Supplemental Testimony stating
19 that a separate service company, Aqua Resources, will be formed to provide centralized
20 services to all Aqua America subsidiaries. As a result, many of the employees that were
21 included in the Company's original filing will now be moved to Aqua Resources. Therefore,

1 Aqua indicated that its salary and wage claim would be adjusted to eliminate those
2 employees that will be transferred to Aqua Resources.

3 Aqua also revised its salary and wage claim to reflect an average non-union increase
4 of 3.75% for the future test year, rather than the 4.0% included in its original claim. Finally,
5 the Company provided an updated claim for future test year union wages based on one of its
6 union contracts that was recently renegotiated.

7
8 **Q. Are you recommending any adjustments to the Company's payroll expense claim?**

9 A. Yes, I am recommending that the Company's claim be reduced to eliminate costs for several
10 employees that have not yet been hired. It should be noted that these are new positions. I am
11 not making any adjustment to reflect vacancies in existing positions that will certainly occur
12 in the future.

13
14 **Q. Please quantify the costs for new positions that are included in the Company's claim.**

15 A. As shown in Exhibit 2-A, the Company originally requested \$740,110 for new positions.
16 This claim was later revised to eliminate two new positions that will now be transferred to
17 Aqua Resources. A slight adjustment to these costs was also made to reflect the revised
18 projected future test year salary and wage increase of 3.75% instead of the 4.0% originally
19 claimed.

20
21 **Q. Have these new positions been filled?**

1 A. While a few of these positions have been filled, the vast majority of the positions have not
2 yet been filled. In fact, according to the response to OTS-RE-2 (attached in Appendix C),
3 only one Rate Analyst position has been filled since June 30, 2003, and that position was
4 filled in October 2003. Moreover, given the restructuring that will take place with the
5 formation of Aqua Resources, it is possible that some of these positions may not be filled for
6 some time, if at all.

7
8 **Q. What adjustment are you recommending?**

9 A. I am recommending that costs for new positions that have not yet been filled be eliminated
10 from the Company's claim. There is no certainty that these positions will be filled during the
11 remaining months of the future test year or that the Company will incur the costs included in
12 its claim relating to these new positions. Therefore, I am recommending that these costs be
13 removed. My adjustment is shown in Schedule ACC-14.

14
15 **Q. Have you made any adjustment to reflect cost savings associated with normal vacancies
16 that continually occur in a company of this size?**

17 A. No, I have not. While I believe that such an adjustment may be appropriate, it is my
18 understanding that the Commission has rejected an employee vacancy adjustment in the past.
19 Therefore, my adjustment is limited to new positions that have not yet been filled. I have
20 made no adjustment to account for vacancies that occur in the normal course of business, and
21 therefore, my pro forma salary and wage expense may still be overstated.

1 While there is uncertainty with regard to both current vacancies and new positions,
2 there is a greater likelihood that vacancies will be filled than that new positions will be filled.
3 Positions that are vacant have generally been shown to be required to provide safe and
4 adequate utility service. New positions have not been required in the past to provide utility
5 service. Moreover, new positions may represent more of a desire on the part of management
6 for additional employees than a real need for additional employees to provide regulated
7 utility service. It is not unusual for managers to seek approval for new positions during the
8 budgeting process and then for these positions to go unfilled, sometimes indefinitely. This
9 is particularly true in this case, as the Company establishes a management service company
10 to provide centralized support services, and as management looks for new opportunities to
11 centralize various functions. Therefore, there is a much greater degree of uncertainty with
12 regard to the filling of new positions than the filling of existing vacancies.
13

14 **Q. Have you also made adjustments to reflect the changes made by the Company during**
15 **discovery with regard to its salary and wage claim?**

16 A. Yes, I have. At Schedule ACC-15, I have made an adjustment to reflect the updated non-
17 union salary and wage claim provided by the Company in Exhibit 2-A(S). This revision
18 includes the impact of eliminating salary and wage costs for those employees that the
19 Company indicated would be transferred to Aqua Resources. In addition, it reflects a
20 reduction in future test year non-union salary and wage increases from 4.0% to 3.75%.

21 At Schedule ACC-16, I have made an additional adjustment to reflect the updated

1 union increases, as provided by the Company during the discovery phase of this case.

2
3 **Q. Have you also made corresponding adjustments to the Company's payroll tax expense**
4 **claim?**

5 A. Yes, I have made two adjustments. In Schedule ACC-17, I have made an adjustment to the
6 Company's originally filed payroll tax expense claim to reflect revisions indicated by Aqua
7 in discovery as a result of the decision to establish Aqua Resources. Since the Company will
8 no longer be paying, at least directly, the salaries associated with employees transferred to
9 the management service company, it is necessary to make a corresponding reduction to the
10 Company's claimed payroll tax expense. This adjustment also incorporates the impact of the
11 reduction in the future test year non-union salary and wage increase claim from 4.0% to
12 3.75%. The Company quantified this payroll tax adjustment in an attachment to Mr.
13 Smeltzer's Supplemental Testimony, page 65(s). (This payroll tax adjustment corresponds
14 with the salary and wage adjustment shown in Schedule ACC-15).

15 At Schedule ACC-18, I have made an adjustment to eliminate the payroll taxes
16 associated with the new employee positions that have not yet been filled. In addition, I have
17 made an adjustment in this schedule to reduce payroll taxes commensurate with the
18 Company's revision to its future test year union increases. To quantify my adjustment, I
19 used the statutory payroll tax rates. (This payroll tax adjustment corresponds with the salary
20 and wage adjustments shown in Schedule ACC-14 and Schedule ACC-16).

1 **C. Employee Benefit Costs**

2 **Q. Have you made any adjustment to the Company's Employee Benefit costs?**

3 A. Yes, I have made three adjustments, two of which are based on revisions made by the
4 Company during the discovery process. In its original filing, Aqua increased its benefit cost
5 claim to account for benefits that would be provided to new employees. The Company
6 quantified its adjustment by applying a benefits-to-payroll ratio of 22.5% to the incremental
7 payroll costs associated with these positions. In the discovery process, Aqua updated its
8 benefit cost claim to eliminate benefits to those employees that are being transferred to Aqua
9 Resources. In addition, the Company increased the benefits-to-payroll rate for new positions
10 from 22.5% to 44.0%, which it stated was more representative of the current relationship
11 between benefit costs and payroll costs. I have reflected both of these adjustments on
12 Schedule ACC-19.

13 I am recommending a third adjustment, to eliminate benefit costs for those new
14 employee positions that have not yet been filled. In quantifying this adjustment, I accepted
15 the benefits-to-payroll cost ratio of 44.0% provided by the Company in Exhibit 1-A, page 21-
16 A(s), which was provided as an attachment to Mr. Smeltzer's testimony. This adjustment is
17 shown in Schedule ACC-20.

18
19 **D. Pension Expense**

20 **Q. How did the Company determine its pension expense claim in this case?**

21 A. This Commission has traditionally determined a utility's pension expense for ratemaking

1 purposes based on the amount of cash contributions actually made to a utility's pension fund.

2 Aqua was not required to make any cash contributions to its pension funds between 1996
3 and 2002.

4 According to the Direct Testimony of Mr. Smeltzer at page 4, immediately following
5 the close of the record in the Company's 2001 base rate filing, the stock market decline
6 caused a significant decrease in the value of the Company's pension plan asset portfolio. As
7 a result, a funding liability was recorded for 2003, in the amount of \$1,470,879. Moreover,
8 the Company has indicated that a 2004 funding liability of between \$2.8 million and \$10.0
9 million is anticipated.⁵ The midpoint of the 2004 funding liability range is \$6.4 million.

10 In this case, the Company is requesting recovery in annual rates of the \$6.4 million
11 midpoint of the funding liability projected for 2004. In addition, the Company is requesting
12 recovery, over 2 years, of the cash funding liability incurred since its last case in the amount
13 of \$2,206,301. This amount was estimated based on 18 months (from January 1, 2003
14 through June 30, 2004) of the 2003 liability of \$1,470,879. I understand that the Company
15 did file a Petition requesting Commission authorization to defer these pension costs. It is my
16 understanding that this Petition has been consolidated with the present case.

17
18 **Q. Are you recommending any adjustments to the Company's claim for pension expense**
19 **recovery?**

20 **A. Yes, I am recommending two adjustments. First, I am recommending that the Company's**

1 claim for future recovery of the 2003 pension liability costs be denied. The Company claims
2 that these costs were unanticipated and were the result of "extraordinary events". However,
3 fluctuations in the stock market are neither unanticipated nor extraordinary. Rather, stock
4 market fluctuations are a normal, customary, and well-known risk of participating in the
5 stock market. Second, the magnitude of the pension liability cost incurred in 2003 is not
6 significant enough to warrant the extraordinary ratemaking treatment being requested here.
7 In this case, the Company is requesting an annual revenue requirement of over \$150 million.
8 The Company has not demonstrated that its financial integrity would be jeopardized if the
9 2003 pension costs are not afforded extraordinary ratemaking treatment. Third, the Company
10 has yet to actually make any contributions to the pension fund as a result of this liability.
11 According to the response to OTS-RE-100 (attached in Appendix C), the Company will not
12 make any pension plan contribution relating to its 2003 liability until April 15, 2004. For all
13 these reasons, I recommend that the Company's request to recover this previous pension
14 liability be denied. My adjustment is shown in Schedule ACC-21.

15
16 **Q. What level of prospective pension expense do you recommend be included in the**
17 **Company's revenue requirement?**

18 **A.** According to Aqua, the projected 2004 required cash contribution will range from a
19 minimum of \$2.8 million to a maximum of \$10.0 million. The actual amount of the
20 contribution may well be below the \$6.4 million requested in the filing. Moreover, the

5 Per the response to OCA-II-17.

1 rebound in the stock market that has occurred over the past 12 months suggests that the
2 Company's liability may not be as great as initially thought. The transfer of certain
3 employees to a centralized management service company may further impact the need for
4 future cash contributions to the pension plan. The total unfunded liability on which the
5 Company's pension claim is based is only \$12 million. Therefore, if this estimate is
6 accurate, then the entire liability would be fully funded in less than two years, assuming the
7 Company's claim of \$6.4 million in annual funding is adopted. Moreover, it is likely that the
8 Company's estimate of its unfunded liability is overstated, given the fact that the stock
9 market has risen by over 37 % since March 2003.

10 Based on these considerations, I believe that the use of a midpoint funding range of
11 \$6.4 million is excessive. Instead, I recommend that that Commission adopt a funding level
12 in rates of \$5.8 million, which is twice the estimated minimum funding requirement. This
13 still provides the Company with significant latitude to determine the actual amount to fund.
14 Moreover, even if the current unfunded liability estimate of \$12 million is accurate, my
15 recommendation will still provide for recovery in slightly more than two years, which is very
16 reasonable given the two-year rate case normalization period used in this case. My
17 adjustment is shown in Schedule ACC-22.

18
19 **Q. Is the Company also requesting authorization to defer, in the future, the difference**
20 **between the amounts collected in rates for pension expense and the cash contributions**
21 **made to the pension fund?**

1 A. Yes, it is. This proposal is described on page 6 of Mr. Smeltzer's Direct Testimony.

2

3 **Q. Do you support the Company's proposal for tracker mechanisms for its pension**
4 **expense?**

5 A. I am conceptually opposed to such tracker mechanisms. These mechanisms are nothing
6 more than attempts to shift risk from shareholders to ratepayers and to relieve
7 management of its responsibility to manage the utility appropriately. Such tracker
8 mechanisms result in reimbursement ratemaking for investor-owned utilities and remove
9 significant discretion from the Commission. Tracker mechanisms also result in single-
10 issue ratemaking, allowing the utility to be compensated through a true-up mechanism for
11 an under-recovery in one cost category while ignoring all other components of utility's
12 earnings. Alternatively, a tracker mechanism can result in a company being forced to
13 give back amounts to ratepayers for past over-recoveries in one cost category, even
14 though the utility may have earned much less than its authorized rate of return. This
15 narrow approach to ratemaking is poor regulatory policy and should be rejected by this
16 Commission.

17

18 **E. Other Post Retirement Employee Benefit Costs**

19 **Q. Regarding the tracker mechanism previously approved for OPEBs, what specifically**
20 **did the Commission say on this issue?**

1 A. In Docket No. R-00973952 et al, the Commission approved a Settlement Agreement that

1 stated that:

2 PSW will deposit, into irrevocable trusts, the full amount of payments
3 calculated annually by its actuary pursuant to SFAS 106. Retiree OPEB's
4 and administrative costs of maintaining the trusts will continue to be paid
5 from amounts deposited in trusts. PSW will account for the difference
6 between the net periodic postretirement benefit expense determined
7 annually by the actuary in accordance with SFAS 106 and the amount of
8 SFAS 106 postretirement benefit expense included in rates. That
9 difference will continue to be recorded as a regulatory asset (or liability)
10 and will be expensed or credited in future rate proceedings in determining
11 net periodic postretirement benefit expense.⁶
12

13 In this case, the Company is claiming a "funding deficit" of \$551,802, which it is
14 proposing to recover over two years.
15

16 **Q. Did the Company provide supporting documentation for this funding deficit?**

17 A. No, it did not. In OCA-II-22 (attached in Appendix C), the Company was asked to
18 provide supporting documentation for this claim. The Company's response to that
19 request did show that its claim was based on the difference between the Company's
20 actuarially-determined OPEB costs and the costs recovered in rates. However, no
21 documentation was provided to demonstrate that these costs have actually been funded by
22 Aqua, as required by the Commission in its Order in Docket No. R-00973952.⁷

23 In response to my request for additional documentation regarding actual funding
24 of these costs, the Company informally notified me recently that a total of \$1,741,048

6 Settlement Agreement, page 5.

7 Some funding projections were included in the Company's filing in response to OE18 of the Minimum Filing Requirements.

1 was contributed in 2002 and \$1,996,251 in 2003. Since the 2002 funding of \$1,741,048
2 pertains to the 2002 liability, only a portion of that funding should be considered when
3 determining the amount of OPEB liability that has been funded since the Company's last
4 base rate case was resolved in July 2002. Assuming that the 2002 funding applied
5 evenly to each month's OPEB liability, the Company would have funded \$725,437 during
6 the last five months of 2002, subsequent to its last base rate case. Therefore, total
7 funding from August 2002 through December 2003 would amount to \$2,721,688
8 (\$724,437 plus \$1,996,251) while the amount collected in rates would total \$142,609 per
9 month (per the response to OCA-II-22) or a total of \$2,424,353 since August 2002.

10
11 **Q. What do you recommend?**

12 A. Based on the information that has been made available to me to date, I recommend that
13 the Company's "funding deficit" be limited to the difference between actual funding of
14 \$2,721,688 through December 31, 2003 and the amount recovered in rates through that
15 date of \$2,424,353. Assuming a two-year amortization period, this would result in an
16 annual expense of \$148,667, significantly less than the amount being claimed by Aqua.
17 My adjustment is shown in Schedule ACC-23. Moreover, it may be appropriate to reduce
18 this amount further, to reflect the fact that the Company has been capitalizing a portion of
19 these costs and has been recovering a portion of these costs through its return on
20 investment. However, at this time, I do not have sufficient information to recommend an
21 additional adjustment.

1

2

F. Purchased Water Expense

3

Q. How did the Company develop its purchased water expense claim?

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14

Q. Are you recommending any adjustment to the Company's claim?

15

16

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21

A. Yes, I am recommending an adjustment to the water purchases through the Tincum interconnection. The Company began taking water at this interconnection in March 2002. Aqua pays the Philadelphia Water Department certain fixed rates, volumetric rates based on the actual quantity of water taken, and a 10% "management fee".

Water purchases during 2000 and 2003 were both substantially below the purchases for the twelve months ending June 2003, which is the amount claimed by the Company in its filing. Therefore, it is reasonable to make some adjustment to the

1 Company's filing to account for fluctuations in purchases that have occurred during the
2 past two years and which are likely to continue. At Schedule ACC-24, I have made an
3 adjustment to reflect volumetric charges at the Tincum interconnection based on the
4 average water taken since the interconnection was opened in March 2002. I do not know
5 the exact date in March 2002 when the Company began taking water at Tincum, but for
6 purposes of my adjustment I have assumed a starting date of March 15, 2002.

7
8 **Q. Have you also made an adjustment to reflect the revision to the Cheltenham volumes
9 made by the Company during the discovery phase of this case?**

10 A. Yes, in response to OCA-II-42 (Supplemental)(attached in Appendix C), the Company stated
11 that it would revise its pro forma usage at the Cheltenham interconnection from 747.4
12 million gallons to 660.0 million gallons. At Schedule ACC-25, I have made an adjustment
13 to incorporate the revised claim for purchased water at the Cheltenham interconnection.

14
15 **G. General Price Level Adjustment**

16 **Q. How did the Company determine its claim for a general price level adjustment?**

17 A. As shown on page 23 of Company Exhibit 1-A, Aqua first eliminated from its historic test
18 year expenses all costs that were separately adjusted by the Company in its filing. The
19 residual costs, which totaled \$39,484,509, were then increased by 2.2%, to reflect the impact
20 of inflation. The Company's inflation forecast was based on the forecasted Gross Domestic
21 Product ("GDP") chained price index forecast for the second quarter, 2004, the end of the

1 future test year, divided by the actual GDP for the fourth quarter of 2002, the mid-point of
2 the historic test year.

3
4 **Q. Are you recommending any adjustments to the Company's claim?**

5 **A.** Yes, I am recommending two adjustments. First, I am recommending that certain expense
6 items be eliminated from the residual costs to which an inflation adjustment is applied.
7 Specifically, I recommend that purchased water costs for resale, purchased power, bad debt
8 expense, and rate case amortization costs be eliminated from the Company's claim.

9 Purchased water costs for resale and purchased power costs are based on contractual
10 rates that do not necessarily vary with inflation. Moreover, at least a portion of the purchased
11 power costs, i.e. distribution charges, are subject to regulation by this Commission, and I
12 understand that rate caps are still in place in some of the electric utilities serving Aqua.
13 Purchased water costs and purchased power costs should not be subject to a general price
14 level adjustment because these costs depend upon many factors other than inflation.

15 I have eliminated the bad debt expense and rate case amortization costs because the
16 Company did make separate adjustments for its uncollectible expense and its rate case costs.
17 Therefore, these costs should not be subject to another general inflation adjustment.
18 Moreover, neither of these costs are subject to general inflationary trends and, in fact, rate
19 case amortization costs would not vary during the term of the amortization. For all these
20 reasons, bad debt expense and rate case amortization costs should be removed from any
21 general price level adjustment. At Schedule ACC-26, I have made an adjustment to remove

1 purchased water costs, purchased power costs, bad debt expense, and rate case amortization
2 costs from the general price level adjustment.

3 It should also be noted that the amounts for bad debt expense and rate case
4 amortization that are included in the Company's general price level adjustment are different
5 than those shown for the historic test year in its uncollectible and rate case expense
6 adjustments on pages 36 and 40 of Company Exhibit 1-A. The Company should clarify if
7 the uncollectible and rate case amortization amounts shown in its general price level
8 adjustment are included in its future test year revenue requirement claim. If these amounts
9 are included in the Company's future test year claim, Aqua should explain why this inclusion
10 does not result in a double-counting of such costs. Alternatively, additional adjustments may
11 be necessary to remove these uncollectible and rate case amortization costs not only from the
12 general price level adjustment, from entirely from Aqua's revenue requirement claim.

13
14 **Q. What is your second adjustment?**

15 A. The Company's methodology results in application of 18 months of inflation, from the mid-
16 point of the historic test year to the end of the future test year. However, inflationary
17 increases that occurred during the second half of the historic test year are already reflected in
18 the historic test year results. Therefore, the Company's methodology essentially double-
19 counts six months of inflation, from the mid-point of the historic test year to the end of the
20 historic test year. I recommend that the inflation adjustment be modified to reflect the
21 change in the GDP chained price index from the second quarter of 2003, the end of the

1 historic test year, to the second quarter, 2004, the end of the future test year. Using the same
2 source of GDP data as was used by the Company, my recommendation results in an inflation
3 adjustment of 1.34% rather than the 2.20% reflected in Aqua's exhibit. This adjustment is
4 also shown on Schedule ACC-26.

5
6 **H. Lobbying Expenses**

7 **Q. Are you recommending any adjustment to the Company's claim for dues expenses?**

8 A. Yes, I am recommending one adjustment. The Company's filing includes dues of \$169,621
9 to the National Association of Water Companies ("NAWC").⁸ We asked Aqua to identify
10 what portion of its NAWC dues is classified as lobbying. In response, the Company
11 indicated that 27.0% of its most recent NAWC invoice was identified as being for lobbying
12 activities. Accordingly, I am recommending that 27% of the Company's test year NAWC
13 dues be eliminated, based on these costs being classified as lobbying costs. My adjustment is
14 shown in Schedule ACC-27.

15
16 **Q. Are lobbying costs an appropriate expense to include in a regulated utility's cost of
17 service?**

18 A. No, they are not. Lobbying expenses are not necessary for the provision of safe and adequate
19 utility service. Moreover, the lobbying activities of a regulated utility may be focused on
20 policies and positions that enhance shareholders but may not benefit, and may even harm,

1 ratepayers. Regulatory agencies generally disallow costs involved with lobbying, since most
2 of these efforts are directed toward promoting the interests of the utilities' shareholders rather
3 than those of their ratepayers. Moreover, lobbying activities have no functional relationship
4 to the provision of safe and adequate water service. If the Company were to immediately
5 cease contributing to these types of efforts, utility service would in no way be disrupted. For
6 all these reasons, I recommend that lobbying activities be disallowed.

7
8
9 **I. Management Service Company Issues**

10 **Q. Did the Company revise its claim for management service fees as a result of the decision
11 to form a separate management service company?**

12 **A.** Yes, it did. As discussed in the Supplemental Testimony of Mr. Smeltzer, during the past
13 five years, Aqua's parent company, Aqua America (formerly Philadelphia Suburban
14 Corporation) has acquired considerable operations in states other than Pennsylvania through
15 mergers or acquisitions. As a result, allocation of certain centralized services costs now
16 spans several regulatory jurisdictions. Aqua America has taken the step of forming Aqua
17 Resources in order to facilitate the allocation process and to take greater advantage of certain
18 economies of scale that can be achieved by consolidating operations in a centralized service
19 company.

20 The formation of Aqua Resources resulted in the transfer of 45 Aqua employees, and

1 I have already addressed the impact of this transfer on the Company's claims for salaries and
2 wages, payroll taxes, and benefits earlier in this testimony. While the creation of Aqua
3 Resources resulted in a significant reduction to these claimed expenses, these cost savings
4 are largely being offset with projected increases in management service company fees. As
5 shown in Company Exhibit 1-A, page 37(s), provided as an attachment to Mr. Schreyer's
6 Supplemental Testimony, the Company is projecting an increase in management service fees
7 of \$2,862,500 as a result of the formation of Aqua Resources.

8
9 **Q. Have you included these additional costs in your revenue requirement?**

10 A. Yes, I have. My adjustment is shown in Schedule ACC-28. This increase was largely based
11 on projections of costs for personnel transferred to Aqua Resources. However, it is difficult
12 to determine what the actual impact of the creation of Aqua Resources will be on the costs
13 incurred by Aqua and charged to Pennsylvania ratepayers. At this time, the Company has not
14 yet filed an affiliated interest agreement or provided many details of the Aqua Resources
15 structure. According to the response to OCA-VIII-2(attached in Appendix C), the Company
16 expects to file the Management Services Agreement by the end of April 2004. Therefore,
17 while I am not making any changes to the Company's claim for management service fees at
18 this time, this is an issue that the Commission should continue to explore during the litigation
19 phase of this case.

20

1 **Q. Did the Company also update its claim for rental income as a result of the formation of**
2 **Aqua Resources?**

3 A. Yes, it did. In the Supplemental Testimony of Mr. Smeltzer, the Company increased its
4 claim for rental income by \$605,548, to reflect income from Aqua Resources for rental of a
5 portion of the Bryn Mawr, Pennsylvania headquarters building. I have reflected this
6 adjustment at Schedule ACC-29.

7
8 **Q. Are there other possible opportunities for Aqua to increase revenue or reduce expenses**
9 **as a result of the formation of Aqua Resources?**

10 A. There may be, but at this time, we do not have the information necessary to quantify an
11 additional adjustment. While Aqua has reflected certain changes to its revenue and expense
12 claims to reflect formation of Aqua Resources, additional adjustments may be appropriate.
13 For example, in response to OCA-II-46(attached in Appendix C), Aqua indicated that the
14 number of vehicles leased by the Company dropped to 226, a reduction of approximately 34
15 from the historic test year number. At this time, I do not know if this reduction is due to the
16 formation of Aqua Resources and the transfer of certain personnel to the management
17 services company⁹, but if so, then it may be appropriate to reduce the Company's future test
18 year claim for vehicle lease expense. There may be additional cost savings resulting from
19 formation of the management service company that have not yet been identified.

9 Although the response is dated January 20, 2004, it was not provided to OCA until February 23, 2004, after the cut-off date for incorporating responses into this testimony of February 20, 2004.

1 **J. Other Operating Expense Issues**

2 **Q. Did the Company make any operating expense revisions to its filing that you have not**
3 **reflected in your revenue requirement?**

4 A. Yes, it did. First, the Company indicated that it intended to include a customer education
5 adjustment of \$162,300 in its Rebuttal Exhibits. This claim is based on a customer education
6 program in the amount of \$811,350 that Aqua proposes to amortize over five years.

7 While the Company stated that the primary purpose of the customer education is to
8 “educate customers to the change in bill frequency, billing and customer service operations,
9 and the new look of the monthly billing which will contain a new name and logo”¹⁰, it is
10 clear that the customer education program is mostly directed at introducing the new corporate
11 entity, Aqua America. The Company has acknowledged that it has not undertaken a
12 comprehensive customer education program in the past. In addition, Aqua obviously views
13 the program as a one-time event, and therefore, it is proposing to amortize the associated
14 costs over five years. A review of the sketchy program details provided in Mr. Smeltzer’s
15 testimony demonstrates that the major purpose of the program is actually to introduce the
16 new company name. To make the costs more palatable, Aqua intends to add a “tip of the
17 day” to its advertisements, but clearly the intent is promotion of the Aqua name. As stated by
18 Mr. Smeltzer on page 8 of his Direct Testimony, the campaign consists of radio ads,

10 Direct Testimony of Mr. Smeltzer, Schedule 1.

1 newspaper ads, and billboards that “would drive home the fact that we are the same company
2 with a new name...”.

3
4 **Q. Did you request hard copies of the ads from the Company?**

5 A. Yes, in OCA-II-23, we requested hard copies of advertising. None were provided by Aqua.

6
7 **Q. What do you recommend?**

8 A. Based on the material provided to date, I recommend that these costs be excluded from the
9 Company’s revenue requirement claim. The proposed customer education program is not an
10 on-going annual program to provide critical information to customers regarding their water
11 usage. This is a one-time program and the campaign is focused on introducing the Aqua
12 name. While Company management certainly has the right to change the Company’s name,
13 ratepayers should not be responsible for costs resulting from any such change. Therefore, I
14 have not included these costs in my revenue requirement recommendation.

15
16 **Q. Please discuss the Company’s revisions to its audit cost claim.**

17 A. In its original filing, Aqua included an adjustment to increase its historic test year auditing
18 costs by \$128,315, an increase of over 58% from the historic test year costs of \$219,956.
19 Aqua indicated that this increase was primarily the result of new auditing requirements
20 relating to compliance with the Sarbanes-Oxley Act. In his Supplemental Testimony, Mr.
21 Schreyer increased this adjustment from \$128,315 to \$321,000. The new annual claim

1 represents an increase of almost 150% of the actual historic test year costs. The vast majority
2 of this increase relates to 404 Compliance costs for Price Waterhouse Coopers, which
3 increased from \$78,844 in the Company's original filing to \$283,824, in Mr. Schreyer's
4 Supplemental Testimony. This estimate is based on a total cost projection of \$540,000,
5 approximately 52.5% of which is projected to be allocated to Aqua.

6 There is very little support in the record for these charges. The Company is primarily
7 relying upon a one-page memo to Mr. Smeltzer that identifies a cost range of \$540,000 to
8 \$590,000. However, that memo indicates that "[w]e cannot provide a firm cost estimate
9 with respect to the attestation of internal controls since this is a new requirement for 2004,
10 the applicable auditing standards have not been finalized, and the actual scope of the work is
11 not yet known."¹¹ Moreover, the Company stated that it did not solicit bids for the
12 Sarbanes-Oxley Act compliance engagement since this work "must be conducted by the
13 external auditors who audit the financial statements."¹² Nor did Aqua provide a detailed
14 workplan for the activities that it claims will give rise to these additional costs.

15
16 **Q. What do you recommend?**

17 A. Given the lack of supporting documentation for this increase, I have reflected the Company's
18 initial claim for auditing costs in my revenue requirement recommendation. This
19 recommendation, therefore, includes an increase of over 58% from the actual historic test

11 Supplemental Testimony of Mr. Schreyer, Schedule 1 (Attachment to 29S).

12 Response to OCA-IX-1(attached in Appendix C).

1 year costs. However, I have not reflected Aqua's revised adjustment of \$283,834. Aqua has
2 not demonstrated that its revised claim is known or measurable. Nor has it demonstrated that
3 the claim is reasonable, particularly when one considers that the current hourly rate for a
4 Price Waterhouse Coopers Partner ranges from \$485 to \$535 per hour.¹³

5
6 **K. Amortization of Acquisition Adjustments**

7 **Q. Please explain your acquisition adjustment relating to the NUI and White Rock**
8 **acquisitions.**

9 A. As discussed in the Rate Base Section of this testimony, the Company included a positive
10 acquisition adjustment in rate base for the difference between the purchase price of the NUI
11 and White Rock systems and the net book value of the plant acquired as a result of these
12 acquisitions. However, the Company did not include the associated amortization expense in
13 its overall revenue requirement claim. Mr. Smeltzer did quantify this amortization expense in
14 Schedule 2 of his Direct Testimony, and he indicated that the Company would include this
15 expense in its Rebuttal Exhibits.

16 Since the OCA is not opposing the Company's acquisition adjustment for the NUI
17 and White Rock acquisitions, I have included the associated amortization expense in my
18 revenue requirement recommendation. This adjustment is shown in Schedule ACC-30.

19

13 Response to OCA-IX-4., Attachment, Page 3 of 3 ((attached in Appendix C))

1 **Q. Are you recommending any other amortization adjustments?**

2 A. Yes, as discussed earlier, the OCA is recommending a negative acquisition adjustment to
3 reflect the difference between the purchase price of the other acquisitions made by the
4 Company since its last base rate case and the net book value of the assets acquired. In all the
5 acquisitions except for NUI and White Rock, the Company paid less than the net book value
6 of the acquired properties. Therefore, a negative acquisition adjustment is appropriate, as
7 more fully addressed in the Direct Testimony of OCA witness Marilyn J. Kraus.

8 At Schedule ACC-31, I have made an adjustment to reflect the amortization of this
9 negative acquisition adjustment over 20 years. This is the same amortization period being
10 used for the NUI and White Rock acquisitions. In addition, I understand that the 20-year
11 amortization period has been used in the past for amortization of various acquisitions made
12 by Aqua.

13

14 **L. Consolidated Income Taxes**

15 **Q. Did Aqua include a consolidated income tax adjustment in its filing?**

16 A. No, it did not. Aqua originally calculated its future test year income tax expense on a “stand-
17 alone” basis. The Company’s filing ignored the fact that Aqua does not file its federal
18 income taxes on a stand-alone basis, but rather files as part of a consolidated income tax
19 group. By filing a consolidated return, Aqua can take advantage of tax losses experienced by
20 other member companies. The tax loss benefits generated by one group member can be
21 shared by the other consolidated group members, resulting in a reduction in the effective

1 federal income tax rate of the Company. These tax savings should be flowed through to the
2 benefit of Pennsylvania ratepayers.

3
4 **Q. Why should these tax benefits be flowed through to the Company's ratepayers?**

5 A. These tax benefits should be flowed through to ratepayers because these benefits reflect the
6 actual taxes paid. Establishing a revenue requirement based on a stand-alone federal income
7 tax methodology would overstate the Company's expense, result in a windfall to the
8 Company, and result in rates that are higher than necessary.

9
10 **Q. Has this issue been addressed previously by the Commission?**

11 A. Yes, this issue has been addressed previously, not only by the Commission but also by the
12 Pennsylvania courts. In spite of clear policy on this issue, the Company filed its income tax
13 claim on a stand-alone basis.

14
15 **Q. Has the Company subsequently acknowledged that a consolidated income tax
16 adjustment is appropriate?**

17 A. Yes, in response to OCA-VII-16(attached in Appendix C), the Company was asked to
18 explain why it did not include a consolidated income tax adjustment in its filing. No
19 explanation was provided in the Company's response to this request, although Aqua did
20 indicate in its response that it "has computed a consolidated income tax adjustment of
21 \$75,306 and will include the adjustment in the revised accounting exhibit."

1 **Q. Have you reflected the consolidated income tax adjustment in your revenue**
2 **requirement calculation?**

3 A. Yes, I have. I have included the consolidated income tax adjustment at Schedule ACC-32.
4

5 **M. Interest Synchronization**

6 **Q. Have you adjusted the pro forma interest expense for income tax purposes?**

7 A. Yes, I have made this adjustment at Schedule ACC-33. It is consistent (synchronized) with
8 my recommended rate base, and with Mr. Hill's recommended capital structure and cost of
9 capital recommendations. My rate base recommendation and Mr. Hill's capital structure and
10 cost of capital recommendations result in lower pro forma interest expense for the Company.
11 This lower interest expense, which is an income tax deduction for state and federal tax
12 purposes, will result in an increase to the Company's income tax liability under OCA's
13 recommendations. Therefore, our recommendations result in an interest synchronization
14 adjustment that reflects a higher income tax burden for the Company and a decrease to pro
15 forma income at present rates.
16

17 **Q. What income tax factor have you used to quantify your adjustments?**

18 A. As shown on Schedule ACC-34, I have used a composite income tax factor of 41.49%,
19 which includes a state income tax rate of 9.99% and a federal income tax rate of 35%. These
20 are the same state and federal income tax rates included in the Company's filing.
21

1 **Q. What revenue multiplier have you used for your adjustments?**

2 A. My revenue multiplier includes the PUC assessment of .004954026534, the OCA assessment
3 of .001180207096, the Office of Small Business Advocate ("OSBA") assessment of
4 .000153433082, and the uncollectible rate of .65872. With the exception of the PUC
5 assessment, these rates are those included in the Company's filing. For the PUC
6 assessment, I used an updated rate provided by the Company in response to OTS-RE-91. My
7 revenue multiplier also includes the state and federal income tax rates discussed above. My
8 recommendations result in a revenue multiplier of 1.7315, as shown on Schedule ACC-35,
9 which is slightly higher than the rate of 1.7313 used by the Company.

10
11
12 **VI. REVENUE REQUIREMENT SUMMARY**

13 **Q. What is the result of the revenue requirement recommendations contained in your**
14 **testimony?**

15 A. My recommendations result in a revenue requirement surplus at present rates of \$910,470, as
16 summarized on Schedule ACC-1. This recommendation reflects revenue requirement
17 adjustments of \$26,210,470 to the Company's requested revenue requirement increase, as
18 originally filed, of \$25,300,000, which was updated in discovery to approximately \$26.2
19 million.

1 **Q. Have you quantified the revenue requirement impact of each of your**
2 **recommendations?**

3 A. Yes, at Schedule ACC-36, I have quantified the revenue requirement impact of each of the
4 rate of return, rate base, revenue and expense recommendations contained in this testimony.

5

6 **Q. Have you developed a pro forma income statement?**

7 A. Yes, Schedule ACC-37 contains a pro forma income statement, showing utility operating
8 income under several scenarios, including the Company's claimed operating income at
9 present rates, my recommended operating income at present rates, and operating income
10 under my proposed rate decrease. My recommendations will result in an overall return on
11 rate base of 7.91%, as recommended by Mr. Hill.

12

13 **Q. Does this conclude your testimony?**

14 A. Yes, it does.

15 78200.doc

APPENDIX A

List of Prior Testimonies

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Comcast of Jersey City, et al.	C	New Jersey	CR03080598-601	2/04	Cable Rates	Division of the Ratepayer Advocate
Delmarva Power and Light Company	G	Delaware	03-378F	2/04	Fuel Clause	Division of the Public Advocate
Atmos Energy Corp.	G	Kansas	03-ATMG-1036-RTS	11/03	Revenue Requirements	Citizens' Utility Ratepayer Board
Aquila, Inc. (UCU)	G	Kansas	02-UTCG-701-GIG	10/03	Using utility assets as collateral	Citizens' Utility Ratepayer Board
CenturyTel of Northwest Arkansas, LLC	T	Arkansas	03-041-U	10/03	Affiliated Interests	The Arkansas Public Service Commission General Staff
Borough of Butler Electric Utility	E	New Jersey	CR03010049/63	9/03	Revenue Requirements	Division of the Ratepayer Advocate
Comcast Cablevision of Avalon Comcast Cable Communications	C	New Jersey	CR03020131-132	9/03	Cable Rates	Division of the Ratepayer Advocate
Delmarva Power and Light Company d/b/a Conectiv Power Delivery	E	Delaware	03-127	8/03	Revenue Requirements	Division of the Public Advocate
Kansas Gas Service	G	Kansas	03-KGSG-602-RTS	7/03	Revenue Requirements	Citizens' Utility Ratepayer Board
Washington Gas Light Company	G	Maryland	8959	6/03	Cost of Capital Incentive Rate Plan	U.S. DOD/FEA
Pawtucket Water Supply Board	W	Rhode Island	3497	6/03	Revenue Requirements	Division of Public Utilities and Carriers
Atlantic City Electric Company	E	New Jersey	EO03020091	5/03	Stranded Costs	Division of the Ratepayer Advocate
Public Service Company of New Mexico	G	New Mexico	03-000-17 UT	5/03	Cost of Capital Cost Allocations	Office of the New Mexico Attorney General
Comcast - Hopewell, et al.	C	New Jersey	CR02110818 CR02110823-825	5/03	Cable Rates	Division of the Ratepayer Advocate
Cablevision Systems Corporation	C	New Jersey	CR02110838, 43-50	4/03	Cable Rates	Division of the Ratepayer Advocate
Comcast-Garden State / Northwest	C	New Jersey	CR02100715 CR02100719	4/03	Cable Rates	Division of the Ratepayer Advocate
Midwest Energy, Inc. and Westar Energy, Inc.	E	Kansas	03-MDWE-421-ACQ	4/03	Acquisition	Citizens' Utility Ratepayer Board
Time Warner Cable	C	New Jersey	CR02100722 CR02100723	4/03	Cable Rates	Division of the Ratepayer Advocate
Westar Energy, Inc.	E	Kansas	01-WSRE-949-GIE	3/03	Restructuring Plan	Citizens' Utility Ratepayer Board
Public Service Electric and Gas Company	E	New Jersey	ER02080604 PUC 7983-02	1/03	Deferred Balance	Division of the Ratepayer Advocate
Atlantic City Electric Company d/b/a Conectiv Power Delivery	E	New Jersey	ER02080510 PUC 6917-02S	1/03	Deferred Balance	Division of the Ratepayer Advocate
Walkill Sewer Company	WW	New Jersey	WR02030193 WR02030194	12/02	Revenue Requirements Purchased Sewage Treatment Adjustment	Division of the Ratepayer Advocate

The Columbia Group, Inc., Testimonies of Andrea C. Crane

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Midwest Energy, Inc.	E	Kansas	03-MDWE-001-RTS	12/02	Revenue Requirements	Citizens' Utility Ratepayer Board
Comcast-LBI Crestwood	C	New Jersey	CR02050272 CR02050270	11/02	Cable Rates	Division of the Ratepayer Advocate
Reliant Energy Arkla	G	Oklahoma	PUD200200166	10/02	Affiliated Interest Transactions	Oklahoma Corporation Commission, Public Utility Division Staff
Midwest Energy, Inc.	G	Kansas	02-MDWG-922-RTS	10/02	Gas Rates	Citizens' Utility Ratepayer Board
Comcast Cablevision of Avalon	C	New Jersey	CR02030134 CR02030137	7/02	Cable Rates	Division of the Ratepayer Advocate
RCN Telecom Services, Inc., and Home Link Communications	C	New Jersey	CR02010044, CR02010047	7/02	Cable Rates	Division of the Ratepayer Advocate
Washington Gas Light Company	G	Maryland	8920	7/02	Rate of Return Rate Design (Rebuttal)	General Services Administration (GSA)
Chesapeake Utilities Corporation	G	Delaware	01-307, Phase II	7/02	Rate Design Tariff Issues	Division of the Public Advocate
Washington Gas Light Company	G	Maryland	8920	6/02	Rate of Return Rate Design	General Services Administration (GSA)
Tidewater Utilities, Inc.	W	Delaware	02-28	6/02	Revenue Requirements	Division of the Public Advocate
Western Resources, Inc.	E	Kansas	01-WSRE-949-GIE	5/02	Financial Plan	Citizens' Utility Ratepayer Board
Empire District Electric Company	E	Kansas	02-EPDE-488-RTS	5/02	Revenue Requirements	Citizens' Utility Ratepayer Board
Southwestern Public Service Company	E	New Mexico	3709	4/02	Fuel Costs	Office of the New Mexico Attorney General
Cablevision Systems	C	New Jersey	CR01110706, et al	4/02	Cable Rates	Division of the Ratepayer Advocate
Potomac Electric Power Company	E	District of Columbia	945, Phase II	4/02	Divestiture Procedures	General Services Administration (GSA)
Vermont Yankee Nuclear Power Corp.	E	Vermont	6545	3/02	Sale of VY to Entergy Corp. (Supplemental)	Department of Public Service
Delmarva Power and Light Company	G	Delaware	01-348F	1/02	Gas Cost Adjustment	Division of the Public Advocate
Vermont Yankee Nuclear Power Corp.	E	Vermont	6545	1/02	Sale of VY to Entergy Corp.	Department of Public Service
Pawtucket Water Supply Company	W	Rhode Island	3378	12/01	Revenue Requirements	Division of Public Utilities and Carriers
Chesapeake Utilities Corporation	G	Delaware	01-307, Phase I	12/01	Revenue Requirements	Division of the Public Advocate
Potomac Electric Power Company	E	Maryland	8796	12/01	Divestiture Procedures	General Services Administration (GSA)

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Kansas Electric Power Cooperative	E	Kansas	01-KEPE-1106-RTS	11/01	Depreciation Methodology (Cross Answering)	Citizens' Utility Ratepayer Board
Wellsboro Electric Company	E	Pennsylvania	R-00016356	11/01	Revenue Requirements	Office of Consumer Advocate
Kent County Water Authority	W	Rhode Island	3311	10/01	Revenue Requirements (Surrebuttal)	Division of Public Utilities and Carriers
Pepco and New RC, Inc.	E	District of Columbia	1002	10/01	Merger Issues and Performance Standards	General Services Administration (GSA)
Potomac Electric Power Co. & Delmarva Power	E	Delaware	01-194	10/01	Merger Issues and Performance Standards	Division of the Public Advocate
Yankee Gas Company	G	Connecticut	01-05-19PH01	9/01	Affiliated Transactions	Office of Consumer Counsel
Hope Gas, Inc., d/b/a Dominion Hope	G	West Virginia	01-0330-G-42T 01-0331-G-30C 01-1842-GT-T 01-0685-G-PC	9/01	Revenue Requirements (Rebuttal)	The Consumer Advocate Division of the PSC
Pennsylvania-American Water Company	W	Pennsylvania	R-00016339	9/01	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate
Potomac Electric Power Co. & Delmarva Power	E	Maryland	8890	9/01	Merger Issues and Performance Standards	General Services Administration (GSA)
Comcast Cablevision of Long Beach Island, et al	C	New Jersey	CR01030149-50 CR01050285	9/01	Cable Rates	Division of the Ratepayer Advocate
Kent County Water Authority	W	Rhode Island	3311	8/01	Revenue Requirements	Division of Public Utilities and Carriers
Pennsylvania-American Water Company	W	Pennsylvania	R-00016339	8/01	Revenue Requirements	Office of Consumer Advocate
Roxiticus Water Company	W	New Jersey	WR01030194	8/01	Revenue Requirements Cost of Capital Rate Design	Division of the Ratepayer Advocate
Hope Gas, Inc., d/b/a Dominion Hope	G	West Virginia	01-0330-G-42T 01-0331-G-30C 01-1842-GT-T 01-0685-G-PC	8/01	Revenue Requirements	The Consumer Advocate Division of the PSC
Western Resources, Inc.	E	Kansas	01-WSRE-949-GIE	6/01	Restructuring Financial Integrity (Rebuttal)	Citizens' Utility Ratepayer Board
Western Resources, Inc.	E	Kansas	01-WSRE-949-GIE	6/01	Restructuring Financial Integrity	Citizens' Utility Ratepayer Board
Cablevision of Allamuchy, et al	C	New Jersey	CR00100824, etc.	4/01	Cable Rates	Division of the Ratepayer Advocate
Public Service Company of New Mexico	E	New Mexico	3137, Holding Co.	4/01	Holding Company	Office of the Attorney General
Keauhou Community Services, Inc.	W	Hawaii	00-0094	4/01	Rate Design	Division of Consumer Advocacy
Western Resources, Inc.	E	Kansas	01-WSRE-436-RTS	4/01	Revenue Requirements Affiliated Interests (Motion for Suppl. Changes)	Citizens' Utility Ratepayer Board

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Western Resources, Inc.	E	Kansas	01-WSRE-436-RTS	4/01	Revenue Requirements Affiliated Interests	Citizens' Utility Ratepayer Board
Public Service Company of New Mexico	E	New Mexico	3137, Part III	4/01	Standard Offer Service (Additional Direct)	Office of the Attorney General
Chem-Nuclear Systems, LLC	SW	South Carolina	2000-366-A	03/01	Allowable Costs	Department of Consumer Affairs
Southern Connecticut Gas Company	G	Connecticut	00-12-08	03/01	Affiliated Interest Transactions	Office of Consumer Counsel
Atlantic City Sewerage Corporation	S	New Jersey	WR00080575	3/01	Revenue Requirements Cost of Capital Rate Design	Division of the Ratepayer Advocate
Delmarva Power and Light Company d/b/a Connectiv Power Delivery	G	Delaware	00-314	3/01	Margin Sharing	Division of the Public Advocate
Senate Bill 190 Re: Performance Based Ratemaking	G	Kansas	Senate Bill 190	2/01	Performance-Based Ratemaking Mechanisms	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	00-463-F	2/01	Gas Cost Rates	Division of the Public Advocate
Waitsfield Fayston Telephone Company	T	Vermont	6417	12/00	Revenue Requirements	Department of Public Service
Delaware Electric Cooperative	E	Delaware	00-365	11/00	Code of Conduct Cost Allocation Manual	Division of the Public Advocate
Commission Inquiry into Performance-Based Ratemaking	G	Kansas	00-GIMG-425-GIG	10/00	Performance-Based Ratemaking Mechanisms	Citizens' Utility Ratepayer Board
Pawtucket Water Supply Board	W	Rhode Island	3164 Separation Plan	10/00	Revenue Requirements	Division of Public Utilities and Carriers
Public Service Company of New Mexico	E	New Mexico	3137, Part III	9/00	Standard Offer Service	Office of the Attorney General
Laie Water Company	W	Hawaii	00-0017 Separation Plan	8/00	Rate Design	Division of Consumer Advocacy
El Paso Electric Company	E	New Mexico	3170, Part II, Ph. 1	7/00	Electric Restructuring	Office of the Attorney General
Public Service Company of New Mexico	E	New Mexico	3137 - Part II Separation Plan	7/00	Electric Restructuring	Office of the Attorney General
PG Energy	G	Pennsylvania	R-00005119	6/00	Revenue Requirements	Office of Consumer Advocate
Consolidated Edison, Inc. and Northeast Utilities	E/G	Connecticut	00-01-11	4/00	Merger Issues (Additional Supplemental)	Office of Consumer Counsel
Sussex Shores Water Company	W	Delaware	99-576	4/00	Revenue Requirements	Division of the Public Advocate
Utilicorp United, Inc.	G	Kansas	00-UTCG-336-RTS	4/00	Revenue Requirements	Citizens' Utility Ratepayer Board
TCI Cablevision	C	Missouri	9972-9146	4/00	Late Fees (Affidavit)	Honora Eppert, et al
Oklahoma Natural Gas Company	G	Oklahoma	PUD 990000166 PUD 980000683 PUD 990000570	3/00	Pro Forma Revenue Affiliated Transactions (Rebuttal)	Oklahoma Corporation Commission, Public Utility Division Staff

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Tidewater Utilities, Inc. Public Water Supply Co.	W	Delaware	99-466	3/00	Revenue Requirements	Division of the Public Advocate
Delmarva Power and Light Company	G/E	Delaware	99-582	3/00	Cost Accounting Manual Code of Conduct	Division of the Public Advocate
Philadelphia Suburban Water Company	W	Pennsylvania	R-00994868 R-00994877 R-00994878 R-00994879	3/00	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate
Philadelphia Suburban Water Company	W	Pennsylvania	R-00994868 R-00994877 R-00994878 R-00994879	2/00	Revenue Requirements	Office of Consumer Advocate
Consolidated Edison, Inc. and Northeast Utilities	E/G	Connecticut	00-01-11	2/00	Merger Issues	Office of Consumer Counsel
Oklahoma Natural Gas Company	G	Oklahoma	PUD 990000166 PUD 980000683 PUD 990000570	1/00	Pro Forma Revenue Affiliated Transactions	Oklahoma Corporation Commission, Public Utility Division Staff
Connecticut Natural Gas Company	G	Connecticut	99-09-03	1/00	Affiliated Transactions	Office of Consumer Counsel
Time Warner Entertainment Company, L.P.	C	Indiana	48D06-9803-CP-423	1999	Late Fees (Affidavit)	Kelly J. Whiteman, et al
TCI Communications, Inc., et al	C	Indiana	55D01-9709-CP-00415	1999	Late Fees (Affidavit)	Franklin E. Littell, et al
Southwestern Public Service Company	E	New Mexico	3116	12/99	Merger Approval	Office of the Attorney General
New England Electric System Eastern Utility Associates	E	Rhode Island	2930	11/99	Merger Policy	Department of Attorney General
Delaware Electric Cooperative	E	Delaware	99-457	11/99	Electric Restructuring	Division of the Public Advocate
Jones Intercable, Inc.	C	Maryland	CAL98-00283	10/99	Cable Rates (Affidavit)	Cynthia Maisonette and Ola Renee Chatman, et al
Texas-New Mexico Power Company	E	New Mexico	3103	10/99	Acquisition Issues	Office of Attorney General
Southern Connecticut Gas Company	G	Connecticut	99-04-18	9/99	Affiliated Interest	Office of Consumer Counsel
TCI Cable Company	C	New Jersey	CR99020079 et al	9/99	Cable Rates Forms 1240/1205	Division of the Ratepayer Advocate
All Regulated Companies	E/G/W	Delaware	Reg. No. 4	8/99	Filing Requirements (Position Statement)	Division of the Public Advocate
Mile High Cable Partners	C	Colorado	95-CV-5195	7/99	Cable Rates (Affidavit)	Brett Marshall, an individual, et al
Electric Restructuring Comments	E	Delaware	Reg. 49	7/99	Regulatory Policy (Supplemental)	Division of the Public Advocate
Long Neck Water Company	W	Delaware	99-31	6/99	Revenue Requirements	Division of the Public Advocate
Delmarva Power and Light Company	E	Delaware	99-163	6/99	Electric Restructuring	Division of the Public Advocate

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Potomac Electric Power Company	E	District of Columbia	945	6/99	Divestiture of Generation Assets	U.S. GSA - Public Utilities
Comcast	C	Indiana	49C01-9802-CP-000386	6/99	Late Fees (Affidavit)	Ken Hecht, et al
Petitions of BA-NJ and NJPA re: Payphone Ops	T	New Jersey	TO97100792 PUCOT 11269-97N	6/99	Economic Subsidy Issues (Surrebuttal)	Division of the Ratepayer Advocate
Montague Water and Sewer Companies	W/WW	New Jersey	WR98101161 WR98101162 PUCRS 11514-98N	5/99	Revenue Requirements Rate Design (Supplemental)	Division of the Ratepayer Advocate
Cablevision of Bergen, Bayonne, Newark	C	New Jersey	CR98111197-199 CR98111190	5/99	Cable Rates Forms 1240/1205	Division of the Ratepayer Advocate
Cablevision of Bergen, Hudson, Monmouth	C	New Jersey	CR97090624-626 CTV 1697-98N	5/99	Cable Rates - Form 1235 (Rebuttal)	Division of the Ratepayer Advocate
Kent County Water Authority	W	Rhode Island	2860	4/99	Revenue Requirements	Division of Public Utilities & Carriers
Montague Water and Sewer Companies	W/WW	New Jersey	WR98101161 WR98101162	4/99	Revenue Requirements Rate Design	Division of the Ratepayer Advocate
PEPCO	E	District of Columbia	945	4/99	Divestiture of Assets	U.S. GSA - Public Utilities
Western Resources, Inc. and Kansas City Power & Light	E	Kansas	97-WSRE-676-MER	4/99	Merger Approval (Surrebuttal)	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	98-479F	3/99	Fuel Costs	Division of the Public Advocate
Lenfest Atlantic d/b/a Suburban Cable	C	New Jersey	CR97070479 et al	3/99	Cable Rates	Division of the Ratepayer Advocate
Electric Restructuring Comments	E	District of Columbia	945	3/99	Regulatory Policy	U.S. GSA - Public Utilities
Petitions of BA-NJ and NJPA re: Payphone Ops	T	New Jersey	TO97100792 PUCOT 11269-97N	3/99	Tariff Revision Payphone Subsidies FCC Services Test (Rebuttal)	Division of the Ratepayer Advocate
Western Resources, Inc. and Kansas City Power & Light	E	Kansas	97-WSRE-676-MER	3/99	Merger Approval (Answering)	Citizens' Utility Ratepayer Board
Western Resources, Inc. and Kansas City Power & Light	E	Kansas	97-WSRE-676-MER	2/99	Merger Approval	Citizens' Utility Ratepayer Board
Adelphia Cable Communications	C	Vermont	6117-6119	1/99	Late Fees (Additional Direct Supplemental)	Department of Public Service
Adelphia Cable Communications	C	Vermont	6117-6119	12/98	Cable Rates (Forms 1240, 1205, 1235) and Late Fees (Direct Supplemental)	Department of Public Service
Adelphia Cable Communications	C	Vermont	6117-6119	12/98	Cable Rates (Forms 1240, 1205, 1235) and Late Fees	Department of Public Service
Orange and Rockland/ Consolidated Edison	E	New Jersey	EM98070433	11/98	Merger Approval	Division of the Ratepayer Advocate

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Cablevision	C	New Jersey	CR97090624 CR97090625 CR97090626	11/98	Cable Rates - Form 1235	Division of the Ratepayer Advocate
Petitions of BA-NJ and NJPA re: Payphone Ops.	T	New Jersey	TO97100792 PUCOT 11269-97N	10/98	Payphone Subsidies FCC New Services Test	Division of the Ratepayer Advocate
United Water Delaware	W	Delaware	Docket No. 98-98	8/98	Revenue Requirements	Division of the Public Advocate
Cablevision	C	New Jersey	CR97100719, 726 730, 732	8/98	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
Potomac Electric Power Company	E	Maryland	Case No. 8791	8/98	Revenue Requirements Rate Design	U.S. GSA - Public Utilities
Investigation of BA-NJ IntraLATA Calling Plans	T	New Jersey	TO97100808 PUCOT 11326-97N	8/98	Anti-Competitive Practices (Rebuttal)	Division of the Ratepayer Advocate
Investigation of BA-NJ IntraLATA Calling Plans	T	New Jersey	TO97100808 PUCOT 11326-97N	7/98	Anti-Competitive Practices	Division of the Ratepayer Advocate
TCI Cable Company/ Cablevision	C	New Jersey	CTV 03264-03268 and CTV 05061	7/98	Cable Rates	Division of the Ratepayer Advocate
Mount Holly Water Company	W	New Jersey	WR98020058 PUC 03131-98N	7/98	Revenue Requirements	Division of the Ratepayer Advocate
Pawtucket Water Supply Board	W	Rhode Island	2674	5/98	Revenue Requirements (Surrebuttal)	Division of Public Utilities & Carriers
Pawtucket Water Supply Board	W	Rhode Island	2674	4/98	Revenue Requirements	Division of Public Utilities and Carriers
Energy Master Plan Phase II Proceeding - Restructuring	E	New Jersey	EX94120585U, EO97070457,60,63,66	4/98	Electric Restructuring Issues (Supplemental Surrebuttal)	Division of the Ratepayer Advocate
Energy Master Plan Phase I Proceeding - Restructuring	E	New Jersey	EX94120585U, EO97070457,60,63,66	3/98	Electric Restructuring Issues	Division of the Ratepayer Advocate
Shorelands Water Company	W	New Jersey	WR97110835 PUC 11324-97	2/98	Revenue Requirements	Division of the Ratepayer Advocate
TCI Communications, Inc.	C	New Jersey	CR97030141 and others	11/97	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
Citizens Telephone Co. of Kecksburg	T	Pennsylvania	R-00971229	11/97	Alternative Regulation Network Modernization	Office of Consumer Advocate
Consumers Pennsylvania Water Co. - Shenango Valley Division	W	Pennsylvania	R-00973972	10/97	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate
Universal Service Funding	T	New Jersey	TX95120631	10/97	Schools and Libraries Funding (Rebuttal)	Division of the Ratepayer Advocate
Universal Service Funding	T	New Jersey	TX95120631	9/97	Low Income Fund High Cost Fund	Division of the Ratepayer Advocate
Consumers Pennsylvania Water Co. - Shenango Valley Division	W	Pennsylvania	R-00973972	9/97	Revenue Requirements	Office of Consumer Advocate
Delmarva Power and Light Company	G/E	Delaware	97-65	9/97	Cost Accounting Manual Code of Conduct	Office of the Public Advocate

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Western Resources, Oneok, and WAI	G	Kansas	WSRG-486-MER	9/97	Transfer of Gas Assets	Citizens' Utility Ratepayer Board
Universal Service Funding	T	New Jersey	TX95120631	9/97	Schools and Libraries Funding (Rebuttal)	Division of the Ratepayer Advocate
Universal Service Funding	T	New Jersey	TX95120631	8/97	Schools and Libraries Funding	Division of the Ratepayer Advocate
Kent County Water Authority	W	Rhode Island	2555	8/97	Revenue Requirements (Surrebuttal)	Division of Public Utilities and Carriers
Ironton Telephone Company	T	Pennsylvania	R-00971182	8/97	Alternative Regulation Network Modernization (Surrebuttal)	Office of Consumer Advocate
Ironton Telephone Company	T	Pennsylvania	R-00971182	7/97	Alternative Regulation Network Modernization	Office of Consumer Advocate
Comcast Cablevision	C	New Jersey	Various	7/97	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
Maxim Sewerage Corporation	WW	New Jersey	WR97010052 PUCRA 3154-97N	7/97	Revenue Requirements	Division of the Ratepayer Advocate
Kent County Water Authority	W	Rhode Island	2555	6/97	Revenue Requirements	Division of Public Utilities and Carriers
Consumers Pennsylvania Water Co. - Roaring Creek	W	Pennsylvania	R-00973869	6/97	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate
Consumers Pennsylvania Water Co. - Roaring Creek	W	Pennsylvania	R-00973869	5/97	Revenue Requirements	Office of Consumer Advocate
Delmarva Power and Light Company	E	Delaware	97-58	5/97	Merger Policy	Office of the Public Advocate
Middlesex Water Company	W	New Jersey	WR96110818 PUCRL 11663-96N	4/97	Revenue Requirements	Division of the Ratepayer Advocate
Maxim Sewerage Corporation	WW	New Jersey	WR96080628 PUCRA 09374-96N	3/97	Purchased Sewerage Adjustment	Division of the Ratepayer Advocate
Interstate Navigation Company	N	Rhode Island	2484	3/97	Revenue Requirements Cost of Capital (Surrebuttal)	Division of Public Utilities & Carriers
Interstate Navigation Company	N	Rhode Island	2484	2/97	Revenue Requirements Cost of Capital	Division of Public Utilities & Carriers
Electric Restructuring Comments	E	District of Columbia	945	1/97	Regulatory Policy	U.S. GSA - Public Utilities
United Water Delaware	W	Delaware	96-194	1/97	Revenue Requirements	Office of the Public Advocate
PEPCO/ BGE/ Merger Application	E/G	District of Columbia	951	10/96	Regulatory Policy Cost of Capital (Rebuttal)	GSA
Western Resources, Inc.	E	Kansas	193,306-U 193,307-U	10/96	Revenue Requirements Cost of Capital (Supplemental)	Citizens' Utility Ratepayer Board
PEPCO and BGE Merger Application	E/G	District of Columbia	951	9/96	Regulatory Policy, Cost of Capital	U.S. GSA - Public Utilities

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Utilicorp United, Inc.	G	Kansas	193,787-U	8/96	Revenue Requirements	Citizens' Utility Ratepayer Board
TKR Cable Company of Gloucester	C	New Jersey	CTV07030-95N	7/96	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
TKR Cable Company of Warwick	C	New Jersey	CTV057537-95N	7/96	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
Delmarva Power and Light Company	E	Delaware	95-196F	5/96	Fuel Cost Recovery	Office of the Public Advocate
Western Resources, Inc.	E	Kansas	193,306-U 193,307-U	5/96	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Princeville Utilities Company, Inc.	W/WW	Hawaii	95-0172 95-0168	1/96	Revenue Requirements Rate Design	Princeville at Hanalei Community Association
Western Resources, Inc.	G	Kansas	193,305-U	1/96	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Environmental Disposal Corporation	WW	New Jersey	WR94070319 (Remand Hearing)	11/95	Revenue Requirements Rate Design (Supplemental)	Division of the Ratepayer Advocate
Environmental Disposal Corporation	WW	New Jersey	WR94070319 (Remand Hearing)	11/95	Revenue Requirements	Division of the Ratepayer Advocate
Lanai Water Company	W	Hawaii	94-0366	10/95	Revenue Requirements Rate Design	Division of Consumer Advocacy
Cablevision of New Jersey, Inc.	C	New Jersey	CTV01382-95N	8/95	Basic Service Rates (Oral Testimony)	Division of the Ratepayer Advocate
Cablevision of New Jersey, Inc.	C	New Jersey	CTV01381-95N	8/95	Basic Service Rates (Oral Testimony)	Division of the Ratepayer Advocate
Chesapeake Utilities Corporation	G	Delaware	95-73	7/95	Revenue Requirements	Office of the Public Advocate
East Honolulu Community Services, Inc.	WW	Hawaii	7718	6/95	Revenue Requirements	Division of Consumer Advocacy
Wilmington Suburban Water Corporation	W	Delaware	94-149	3/95	Revenue Requirements	Office of the Public Advocate
Environmental Disposal Corporation	WW	New Jersey	WR94070319	1/95	Revenue Requirements (Supplemental)	Division of the Ratepayer Advocate
Roaring Creek Water Company	W	Pennsylvania	R-00943177	1/95	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate
Roaring Creek Water Company	W	Pennsylvania	R-00943177	12/94	Revenue Requirements	Office of Consumer Advocate
Environmental Disposal Corporation	WW	New Jersey	WR94070319	12/94	Revenue Requirements	Division of the Ratepayer Advocate
Delmarva Power and Light Company	E	Delaware	94-84	11/94	Revenue Requirements	Office of the Public Advocate
Delmarva Power and Light Company	G	Delaware	94-22	8/94	Revenue Requirements	Office of the Public Advocate
Empire District Electric Company	E	Kansas	190,360-U	8/94	Revenue Requirements	Citizens' Utility Ratepayer Board

The Columbia Group, Inc., Testimonies of Andrea C. Crane

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Morris County Municipal Utility Authority	SW	New Jersey	MM10930027 ESW 1426-94	6/94	Revenue Requirements	Rate Counsel
US West Communications	T	Arizona	E-1051-93-183	5/94	Revenue Requirements (Surrebuttal)	Residential Utility Consumer Office
Pawtucket Water Supply Board	W	Rhode Island	2158	5/94	Revenue Requirements (Surrebuttal)	Division of Public Utilities & Carriers
US West Communications	T	Arizona	E-1051-93-183	3/94	Revenue Requirements	Residential Utility Consumer Office
Pawtucket Water Supply Board	W	Rhode Island	2158	3/94	Revenue Requirements	Division of Public Utilities & Carriers
Pollution Control Financing Authority of Camden County	SW	New Jersey	SR91111718J	2/94	Revenue Requirements (Supplemental)	Rate Counsel
Roaring Creek Water Company	W	Pennsylvania	R-00932665	9/93	Revenue Requirements (Supplemental)	Office of Consumer Advocate
Roaring Creek Water Company	W	Pennsylvania	R-00932665	9/93	Revenue Requirements	Office of Consumer Advocate
Kent County Water Authority	W	Rhode Island	2098	8/93	Revenue Requirements (Surrebuttal)	Division of Public Utilities and Carriers
Wilmington Suburban Water Company	W	Delaware	93-28	7/93	Revenue Requirements	Office of Public Advocate
Kent County Water Authority	W	Rhode Island	2098	7/93	Revenue Requirements	Division of Public Utilities & Carriers
Camden County Energy Recovery Associates, Inc.	SW	New Jersey	SR91111718J ESW1263-92	4/93	Revenue Requirements	Rate Counsel
Pollution Control Financing Authority of Camden County	SW	New Jersey	SR91111718J ESW 1263-92	4/93	Revenue Requirements	Rate Counsel
Jamaica Water Supply Company	W	New York	92-W-0583	3/93	Revenue Requirements	County of Nassau Town of Hempstead
New Jersey-American Water Company	W/WW	New Jersey	WR92090908J PUC 7266-92S	2/93	Revenue Requirements	Rate Counsel
Passaic County Utilities Authority	SW	New Jersey	SR91121816J ESW0671-92N	9/92	Revenue Requirements	Rate Counsel
East Honolulu Community Services, Inc.	WW	Hawaii	7064	8/92	Revenue Requirements	Division of Consumer Advocacy
The Jersey Central Power and Light Company	E	New Jersey	PUC00661-92 ER91121820J	7/92	Revenue Requirements	Rate Counsel
Mercer County Improvement Authority	SW	New Jersey	EWS11261-91S SR91111682J	5/92	Revenue Requirements	Rate Counsel
Garden State Water Company	W	New Jersey	WR9109-1483 PUC 09118-91S	2/92	Revenue Requirements	Rate Counsel
Elizabethtown Water Company	W	New Jersey	WR9108-1293J PUC 08057-91N	1/92	Revenue Requirements	Rate Counsel
New-Jersey American Water Company	W/WW	New Jersey	WR9108-1399J PUC 8246-91	12/91	Revenue Requirements	Rate Counsel
Pennsylvania-American Water Company	W	Pennsylvania	R-911909	10/91	Revenue Requirements	Office of Consumer Advocate

The Columbia Group, Inc., Testimonies of Andrea C. Crane

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Mercer County Improvement Authority	SW	New Jersey	SR9004-0264J PUC 3389-90	10/90	Revenue Requirements	Rate Counsel
Kent County Water Authority	W	Rhode Island	1952	8/90	Revenue Requirements Regulatory Policy (Surrebuttal)	Division of Public Utilities & Carriers
New York Telephone	T	New York	90-C-0191	7/90	Revenue Requirements Affiliated Interests (Supplemental)	NY State Consumer Protection Board
New York Telephone	T	New York	90-C-0191	7/90	Revenue Requirements Affiliated Interests	NY State Consumer Protection Board
Kent County Water Authority	W	Rhode Island	1952	6/90	Revenue Requirements Regulatory Policy	Division of Public Utilities & Carriers
Ellesor Transfer Station	SW	New Jersey	SO8712-1407 PUC 1768-88	11/89	Regulatory Policy	Rate Counsel
Interstate Navigation Co.	N	Rhode Island	D-89-7	8/89	Revenue Requirements Regulatory Policy	Division of Public Utilities & Carriers
Automated Modular Systems, Inc.	SW	New Jersey	PUC1769-88	5/89	Revenue Requirements Schedules	Rate Counsel
SNET Cellular, Inc.	T	Connecticut	-	2/89	Regulatory Policy	First Selectman Town of Redding

APPENDIX B

Supporting Schedules

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2004****REVENUE REQUIREMENT SUMMARY**

	Company Claim	Recommended Adjustment	Recommended Position	
	(A)			
1. Pro Forma Rate Base	\$991,534,508	(\$8,373,072)	\$983,161,436	(B)
2. Required Cost of Capital	9.15%	-1.24%	7.91%	(C)
3. Required Return	\$90,706,973	(\$12,939,936)	\$77,767,037	
4. Operating Income @ Present Rates	76,093,873	2,198,990	78,292,863	(D)
5. Operating Income Deficiency	\$14,613,100	(\$15,138,926)	(\$525,826)	
6. Revenue Multiplier	1.7313	1.7315	1.7315	(E)
7. Revenue Requirement Increase	<u>\$25,300,000</u>	<u>(\$26,210,470)</u>	<u>(\$910,470)</u>	

Sources:

- (A) Company Exhibit 1-A, pages 2 and 81.
- (B) Schedule ACC-2.
- (C) Schedule ACC-10.
- (D) Schedule ACC-11.
- (E) Schedule ACC-35.

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2004

RATE BASE SUMMARY

	Company Claim (A)	Recommended Adjustment	Recommended Position
1. Intangible Plant	\$5,321,674	\$0	\$5,321,674
2. NUI & White Rock Acquisition Adjustments	1,449,089	0	\$1,449,089
3. Non Depreciable Plant	19,896,624	0	\$19,896,624
4. Penn Vest D.O.C.	(454,580)	0	(\$454,580)
5. Depreciable Plant	<u>1,361,109,302</u>	<u>\$0</u>	<u>\$1,361,109,302</u>
6. Total Utility Plant in Service	\$1,387,322,109	\$0	\$1,387,322,109
Less:			
7. Accumulated Depreciation	<u>(257,793,466)</u>	<u>\$0</u>	<u>(\$257,793,466)</u>
8. Net Plant	\$1,129,528,643	\$0	\$1,129,528,643
Plus:			
9. Materials and Supplies	\$2,776,063	\$0	\$2,776,063
10. Cash Working Capital - Expenses	9,464,500	(5,101,072) (B)	4,363,428
11. Cash Working Capital - Taxes	2,568,900	(374,056) (C)	2,194,844
12. Cash Working Capital - P/R Tax	337,000	(25,708) (D)	311,292
13. Amortized PECO CTC Prepay, Balance	7,565,798	0	7,565,798
14. Mercer and Pulaski Acq. Adj. Balance	164,448	0	164,448
15. Excelcior & Northumberland Acq. Adj.	<u>208,356</u>	<u>0</u>	<u>208,356</u>
16. Subtotal	\$23,085,065	(\$5,500,837)	\$17,584,228
Less:			
17. Other Acquisition Adjs.	\$0	(\$508,533) (E)	(\$508,533)
18. Hubbard Contract Adjustment	(646,232)	0	(646,232)
19. Contributions in Aid of Construction	(47,834,810)	(1,025,694) (F)	(48,860,504)
20. Customer Advances for Construction	(42,798,816)	(970,262) (G)	(43,769,078)
21. Service Line & Customer Deposits	(23,033)	0	(23,033)
22. Deferred Income Taxes	(67,707,009)	0	(67,707,009)
23. Accrued Interest	<u>(2,069,300)</u>	<u>(367,747) (H)</u>	<u>(2,437,047)</u>
24. Subtotal	(\$161,079,200)	(\$2,872,236)	(\$163,951,436)
25. Total Rate Base	<u>\$991,534,508</u>	<u>(\$8,373,072)</u>	<u>\$983,161,436</u>

Sources:

- (A) Company Exhibit 1-A, page 81.
- (B) Schedule ACC-6.
- (C) Schedule ACC-7.
- (D) Schedule ACC-8.
- (E) Schedule ACC-3.
- (F) Schedule ACC-4.
- (G) Schedule ACC-5.
- (H) Schedule ACC-9.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2004****OTHER ACQUISITIONS - RATE BASE ADJUSTMENT**

	<u>Purchase Price</u>	<u>Net Original Cost</u>		<u>Recommended Adjustment</u>
	(A)			
1. Ariana	\$6,000	\$14,160	(A)	(\$8,160)
2. DLWB	155,000	355,027	(B)	(200,027)
3. Maple Crest	64,000	71,182	(B)	(7,182)
4. Shickshinny Lake	135,000	428,164	(A)	<u>(293,164)</u>
5. Total Recommended Adjustment				(\$508,533)

Sources:

(A) Response to OCA-VII-4.

(B) Supplemental Testimony of Mr. Griffin, page 2, reflects amounts in original filing.

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2004

CONTRIBUTIONS IN AID OF CONSTRUCTION

1. CIAC Balance @ 12/31/03	\$48,860,504	(A)
2. Company Claim	<u>47,834,810</u>	(B)
3. Recommended Adjustment	\$1,025,694	

Sources:

(A) Response to OCA-VII-17.

(B) Company Exhibit 1-A, page 81.

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2004

ADVANCES FOR CONSTRUCTION

1. Advances Balance @ 12/31/03	\$43,769,078	(A)
2. Company Claim (B)	<u>42,798,816</u>	(B)
3. Recommended Adjustment	\$970,262	

Sources:

(A) Response to OCA-VII-17.

(B) Company Exhibit 1-A, page 81.

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2004

CASH WORKING CAPITAL - OPERATING EXPENSES

		<u>Lag Days</u>		<u>Dollar Days</u>
Gross Utility Water Revenue:				
	(A)			
1. Quarterly	\$98,060,051	84.6	(A)	\$8,295,880,304
2. Monthly	<u>135,101,098</u>	<u>47.2</u>	(B)	<u>6,376,771,813</u>
3. Average Revenue Lag	\$233,161,149	62.9		\$14,672,652,117
4. Average Lag in Receipt of Revenue		62.9		
5. Average Lag in Payment of Expenses		<u>45.0</u>	(C)	
6. Net Lag		17.9	(D)	
7. Pro Forma Operating Expenses		\$91,098,890	(A)	
8. Less Uncollectible Amounts and Non-Cash Items		<u>(2,293,202)</u>	(A)	
9. Cash Operating Expenses		\$88,805,688		
10. Cash Operating Expenses Per Day		\$243,303	(E)	
11. Cash Working Capital Requirement		\$4,363,428	(F)	
12. Company Claim		<u>9,464,500</u>	(A)	
13. Recommended Adjustment		(\$5,101,072)		

Sources:

(A) Company Exhibit 1-A, page 83.

(B) Reflects 7 day payment lag adjustment (from 37 days to 30 days), as well as 15.2 day service period lag and 2 days billing lag.

(C) Schedule ACC-6A.

(D) Line 4 - Line 5.

(E) Line 9 / 365 days.

(F) Line 6 X Line 10.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2004****CASH WORKING CAPITAL - OPERATING EXPENSE LAG**

	<u>Amount</u>	<u>Lag Days</u>	<u>Dollar</u> <u>Days</u>
	(A)	(B)	
1. Hourly Labor	\$14,243,178	7.5	\$106,823,835
2. Non-Union Labor	14,962,937	11.0	164,592,307
3. Management Fee	4,230,531	39.4 (C)	166,682,921
4. Electric Power	9,116,210	41.2	375,587,852
5. Water Purchased	7,888,375	33.1	261,105,213
6. Employee Group Insurance	4,201,088	23.6	99,145,677
7. Liability Insurance	3,617,088	77.0	278,515,776
8. Vehicle Lease Expense	667,013	(5.6) (D)	(3,735,273)
9. SFI Postage	934,775	(9.8)	(9,160,795)
10. Pension	6,564,656	278.6 (E)	1,828,913,162
11. SFAS 106	2,240,341	35.2	78,860,003
12. Other	<u>20,139,496</u>	<u>32.2 (F)</u>	<u>648,491,771</u>
13. Total	\$88,805,688	45.0	\$3,995,822,449

Sources:

(A) Company Exhibit 1-A, page 83-2.

(B) Company Exhibit 1-A, page 83-2 except where noted.

(C) Updated per response to OTS-RE-73.

(D) Updated per response to OTS-RE-78.

(E) Updated per response to OTS-RE-80.

(F) Reflects 15.2 day service lag, 2 day billing lag, and 15 day payment lag.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2004****CASH WORKING CAPITAL - TAXES**

	<u>Amount</u> (A)	<u>Lag Days</u> (A)	<u>Dollar</u> <u>Days</u>
1. PUC General Assessment	\$1,320,161	(197.5)	(\$260,731,768)
2. OCA & SBA Assessment	363,207	(197.5)	(71,733,460)
3. Public Utility Realty Tax	2,631,953	(9.2)	(24,213,968)
4. PA Capital Stock Tax	2,666,128	80.9	215,689,757
5. Local School Tax	419,997	(105.5)	(44,309,667)
6. Local County & Mun. Tax	65,000	(61.5)	(3,997,500)
7. PA Income Tax	9,714,000	55.1	535,020,580
8. Federal Income Tax	<u>16,505,300</u>	<u>59.0</u>	<u>972,987,435</u>
9. Average Lag in Payment of Taxes	33,685,746	39.1	1,318,711,409
10. Average Revenue Lag		<u>62.9</u>	(B)
11. Average Net Lag		23.8	
 <u>Working Capital Requirement</u>			
12. Pro Forma Annual Tax Expense		\$33,686,215	(A)
13. Pro Forma Daily Tax Expense		\$92,291	(C)
14. Cash Working Capital Requirement		\$2,194,844	(D)
15. Company Claim		<u>2,568,900</u>	(A)
16. Recommended Adjustment		(\$374,056)	

Sources:

(A) Company Exhibit 1-A, page 84.

(B) Schedule ACC-6.

(C) Line 12 / 365 days.

(D) Line 11 X Line 13.

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2004

CASH WORKING CAPITAL - PAYROLL TAXES

	<u>Amount</u>	<u>Lag Days</u>	<u>Dollar Days</u>
FICA Taxes:	(A)	(A)	
1. Hourly	\$1,114,249	8.5	\$9,471,117
2. Executive and Exempt	1,070,553	12.0	12,846,636
3. Federal Unemployment Tax	30,405	75.0	2,280,375
4. PA Unemployment Tax	<u>98,404</u>	<u>75.0</u>	<u>7,380,300</u>
5. Average Lag in Payment of Taxes	\$2,313,611	13.8	\$31,978,428
6. Average Revenue Lag		<u>62.9</u>	(B)
7. Average Net Lag		49.1	
 <u>Working Capital Requirement</u>			
8. Pro Forma Annual Tax Expense		\$2,313,735	(A)
9. Pro Forma Daily Tax Expense		\$6,339	(C)
10. Cash Working Capital Requirement		\$311,292	(D)
11. Company Claim		<u>337,000</u>	(A)
12. Recommended Adjustment		(\$25,708)	

Sources:

(A) Company Exhibit 1-A, page 84-1.

(B) Schedule ACC-6.

(C) Line 8 / 365 days.

(D) Line 7 X Line 9.

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2004

CASH WORKING CAPITAL - ACCRUED INTEREST

	<u>Amount</u>	<u>Lag Days</u>	<u>Dollar Days</u>
	(A)	(A)	
1. Long Term Debt (Semi-Annually)	\$32,358,217	91.5	\$2,960,776,856
2. Penn Vest Loan (Monthly)	<u>732,819</u>	<u>15.2</u>	<u>11,138,849</u>
3. Average Lag in Payment of Interest	\$33,091,036	89.8	\$2,971,915,704
4. Average Revenue Lag		<u>62.9</u> (B)	
5. Average Net Lag		(26.9)	
 <u>Working Capital Requirement</u>			
6. Pro Forma Annual Interest Expense		\$33,091,036	(A)
7. Pro Forma Daily Tax Expense		\$90,660	(C)
8. Cash Working Capital Requirement		(\$2,437,047)	(D)
9. Company Claim		<u>(2,069,300)</u>	(A)
10. Recommended Adjustment		(\$367,747)	

Sources:

(A) Company Exhibit 1-A, page 86.

(B) Schedule ACC-6.

(C) Line 6 / 365 days.

(D) Line 5 X Line 7.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2004****REQUIRED COST OF CAPITAL**

	<u>Capital Structure</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
	(A)	(A)	
1. Common Equity	49.43%	9.25%	4.57%
2. Long Term Debt	<u>50.57%</u>	<u>6.60%</u>	<u>3.34%</u>
3. Total Cost of Capital			7.91%

Sources:

(A) Exhibit SGH-1, Schedule 11.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2004****OPERATING INCOME SUMMARY**

		Schedule No.
1. Company Claim	\$76,093,873	1
Recommended Adjustments:		
2. DSIC Revenue Adjustment	300,724	12
3. Sunrise Estates Revenue	(16,508)	13
4. Salaries and Wages-New Positions	278,134	14
5. Salaries and Wages - Revised Co. Claim	1,108,769	15
6. Salaries and Wages - Union Increases	13,328	16
7. Payroll Taxes- Revised Company Claim	114,964	17
8. Payroll Taxes - Other Issues	22,297	18
9. Benefit Costs- Revised Company Claim	312,435	19
10. Benefit Costs - Other Issues	131,158	20
11. Pension Expense Deferral	486,772	21
12. Pension Expense - Prospective	353,002	22
13. OPEB Funding Deficit	58,924	23
14. Purchased Water Expense-Tinicum	29,832	24
15. Purchased Water Expense-Cheltenham	7,372	25
16. General Price Level Adjustment	360,766	26
17. Lobbying Expenses	26,795	27
18. Management Service Fee	(1,674,749)	28
19. Rental Income	352,057	29
20. NUI & White Rock Acq. Amortization	(42,391)	30
21. Other Acquisitions - Amortization	14,876	31
22. Consolidated Income Taxes	75,305	32
23. Interest Synchronization	<u>(114,872)</u>	33
24. Net Operating Income	<u>\$78,292,863</u>	

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2004****DSIC REVENUE ADJUSTMENT**

1. Claimed Pro Forma Revenue at Present Rates		\$245,810,064	(A)
2. Pro Forma Revenue Updated for DSIC Corrections		<u>246,330,769</u>	(B)
3. Recommended Adjustment		\$520,705	
4. Revenue Taxes & Uncollectibles @ 1.29%		<u>6,704</u>	(C)
5. Taxable Income		\$514,001	
6. Income Taxes @ 41.49%		<u>213,277</u>	
7. Operating Income Impact		\$300,724	

Sources:

(A) Company Exhibit 5-A, Part II, page 3.

(B) Response to OTS-RE-32.

(C) Rates per Schedule ACC-35.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2004****SUNRISE ESTATES REVENUE**

1. Elimination of Sunrise Estates Revenue		(\$28,583)	(A)
2. Revenue Taxes and Uncollectibles @	1.29%	<u>(368)</u>	(B)
3. Taxable Income		(\$28,215)	
4. Income Taxes @	41.49%	<u>(11,707)</u>	
5. Operating Income Impact		(\$16,508)	

Sources:

(A) Company Exhibit 1-A, page 4-28.

(B) Rates per Schedule ACC-35.

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2004

SALARIES AND WAGES - NEW POSITIONS

	<u>Non-Union</u>		<u>Union</u>	
1. Unfilled Positions	\$346,953	(A)	\$290,136	(B)
2. Expense Ratio	<u>78.95%</u>	(C)	<u>69.44%</u>	(C)
3. Pro Forma Expense Adjustment	\$273,918		\$201,472	
4. Total Expense Adjustment			\$475,389	
5. Income Taxes @	41.49%		<u>197,256</u>	
6. Operating Income Impact			\$278,134	

Sources:

(A) Company Exhibit 2-A(s) and response to OTS-RE-2.

(B) Updated claim per February 13, 2004 letter from Mr. Griffin and response to OTS-RE-2.

(C) Company Exhibit 21-1(s).

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2004

SALARY AND WAGE ADJUSTMENT - REVISED COMPANY CLAIM

1. Net Payroll-Related Adjustment		\$1,895,121	(A)
2. Income Taxes @	41.49%	<u>786,352</u>	
3. Operating Income Impact		\$1,108,769	

Sources:

(A) Supplemental Testimony of Mr. Smeltzer, update to Company Exhibit 1-A, page 21(s).

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2004

SALARIES AND WAGES - REVISED UNION FTY INCREASE

1. Incremental FTY Adjustment		\$22,781	(A)
2. Income Taxes @	41.49%	<u>9,453</u>	
3. Operating Income Impact		\$13,328	

Sources:

(A) Updated claim per February 13, 2004 letter from Mr. Griffin.

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2004

PAYROLL TAXES-REVISED COMPANY CLAIM

1. Payroll Tax Decrease		196,498	(A)
2. Income Taxes @	41.49%	<u>81,534</u>	
3. Operating Income Impact		\$114,964	

Sources:

(A) Supplemental Testimony of Mr. Smeltzer, updated to Company Exhibit 1-A, page 65(s).

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2004****PAYROLL TAXES-OTHER ISSUES**

1. Salary and Wage Adjustment-New Positions		\$475,389	(A)
2. Salary and Wage Adjustments-Union Increase		<u>22,781</u>	(B)
3. Total Salary and Wage Adjustments		\$498,170	
4. Taxes @	7.65%	38,110	(C)
5. Income Taxes @	41.49%	<u>15,813</u>	
6. Operating Income Impact		\$22,297	

Sources:

(A) Schedule ACC-14.

(C) Schedule ACC-16.

(C) Reflects statutory tax rates.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2004****EMPLOYEE BENEFITS - REVISED COMPANY CLAIM**

1. Revised Claim Per Company		\$534,018	(A)
2. Income Taxes @	41.49%	<u>221,583</u>	
3. Operating Income Impact		\$312,435	

Sources:

(A) Supplemental Testimony of Mr. Smeltzer. Decrease of \$1,043,167 per update to Company Exhibit 1-A, page 21-A(s), partially offset by increase of \$509,164 per page 6 of Mr. Smeltzer's Supplemental Testimony.

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2004

EMPLOYEE BENEFITS - NEW POSITIONS AND UNION INCREASE

1. Salaries and Wage Adjustment - New Positions	\$475,389	(A)
2. Salaries and Wages Adjustment-Union Increase	<u>22,781</u>	(B)
3. Total Salary and Wage Adjustments	\$498,170	
4. Benefits-to-Payroll Ratio	<u>45.00%</u>	(C)
5. Related Benefits Adjustment	\$224,177	
6. Income Taxes @ 41.49%	<u>93,019</u>	
7. Operating Income	\$131,158	

Sources:

(A) Schedule ACC-14.

(B) Schedule ACC-16.

(C) Supplemental Testimony of Mr. Smeltzer, updated to Company Exhibit 1-A, page 21-A(s).

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2004****PENSION EXPENSE DEFERRAL**

1. Pension Amortization Claim		\$1,103,159	(A)
2. Percent Expensed		<u>75.42%</u>	(A)
3. Recommended Expense Adjustment		\$831,996	
4. Income Taxes @	41.49%	<u>345,224</u>	
5. Operating Income Impact		\$486,772	

Sources:

(A) Company Exhibit 1-A, page 43.

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2004

PENSION EXPENSE - PROSPECTIVE

1. Pro Forma Pension Funding	\$5,600,000	(A)
2. Company Claim	<u>6,400,000</u>	(B)
3. Recommended Pension Adjustment	\$800,000	
4. Percent Expensed	<u>75.42%</u>	(B)
4. Recommended Expense Adjustment	\$603,355	
5. Income Taxes @	41.49% <u>250,353</u>	
6. Operating Income Impact	\$353,002	

Sources:

(A) Two times estimated minimum contribution.

(B) Company Exhibit 1-A, page 43.

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2004

OTHER POST EMPLOYMENT BENEFITS

1.	OPEB Funding, 8/02 - 12/02	\$725,436	(A)
2.	OPEB Funding, 1/03 - 12/03	<u>1,996,251</u>	(A)
3.	Total OPEB Funding	\$2,721,687	
4.	OPEB Recovery, 8/02-12/03	<u>2,424,353</u>	(B)
5.	Funding Deficit	\$297,334	
6.	Recovery Period (Yrs.)	<u>2</u>	(C)
7.	Recommended Annual Recovery	\$148,667	
8.	Company Claim	<u>275,901</u>	(C)
9.	Recommended Adjustment	\$127,234	
10.	Percent Expensed	<u>79.16%</u>	(C)
11.	Amount Expensed	\$100,714	
12.	Income Taxes @	41.49%	<u>41,790</u>
13.	Operating Income	\$58,924	

Sources:

(A) Informal response from Mr. Griffin, Feb. 23, 2004, adjusted to include 5 months of 2002 funding.

(B) Response to OCA-II-22.

(C) Company Exhibit 1-A, page 45.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2004****PURCHASED WATER EXPENSE-TINICUM**

1. Tincum Two Year Average Purchases (tg)	1,271,360	(A)
2. Company Claim (tg)	<u>1,660,587</u>	(B)
3. Recommended Adjustment - Usage (tg)	389,226	
4. Volumetric Rate (per tg)	<u>\$0.13</u>	(B)
5. Volumetric Rate Adjustment	\$50,989	
6. Income Taxes @	41.49%	<u>21,157</u>
7. Operating Income Impact	\$29,832	

Sources:

(A) Response to OCA-II-41, includes annualized 2002 usage.

(B) Company Exhibit 1-A, page 26A.

(C) Response to OCA-II-40.

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2004

PURCHASED WATER EXPENSE - CHELTENHAM

1. Revision to Cheltenham Expense		\$12,600	(A)
2. Income Taxes @	41.49%	<u>5,228</u>	
3. Operating Income Impact		\$7,372	

Sources:

(A) Response to OCA-II-42, Supplemental Response.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2004****GENERAL PRICE LEVEL ADJUSTMENT**

1. Water Purchased for Resale	\$4,764,459	(A)
2. Purchased Power	9,116,210	(A)
3. Power Purchased - Treatment	782,196	(A)
4. Bad Debt Expense	1,036,454	(A)
5. A&G Power	35,079	(A)
6. Rate Case Amortization	<u>664,396</u>	(A)
7. Subtotal	\$16,398,794	
8. Expenses Individually Adjusted	<u>45,083,112</u>	(B)
9. Total Not Subject to Inflation	\$61,481,906	
10. Total HTY Expenses	<u>80,337,090</u>	(B)
11. Expenses to be Adjusted	\$18,855,184	
12. Inflation Adjustment	<u>1.34%</u>	(C)
13. Total Adjustment	\$252,075	
14. Company Claim	<u>868,700</u>	(D)
15. Recommended Adjustment	\$616,625	
16. Income Taxes @ 41.49%	<u>255,859</u>	
17. Operating Income Impact	\$360,766	

Sources:

(A) Response to OCA-II-26.

(B) Supplemental Testimony of Mr. Smeltzer, update to Company Exhibit 1-A, page 23(s).

(C) Reflects increase in the GDP chained price index from the second quarter of 2003 (112.2) to the second quarter of 2004 (113.7), as reported in the response to OCA-II-27.

(D) Company Exhibit 1-A, page 23.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2004****LOBBYING EXPENSES**

1	NAWC Dues Included in Claim		\$169,621	(A)
2	Percent Lobbying		<u>27.00%</u>	(A)
3	Recommended Adjustment		\$45,798	
4	Income Taxes @	41.49%	<u>19,003</u>	
5	Operating Income Impact		\$26,795	

Sources:

(A) Response to OCA-VII-22.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2004****MANAGEMENT SERVICE FEES**

1. Revision to Company Claim		\$2,862,500	(A)
2. Income Taxes @	41.49%	<u>1,187,751</u>	
3. Decrease to Operating Income		\$1,674,749	

Sources:

(A) Supplemental Testimony of Mr. Smeltzer, update to Company Exhibit 1-A, page 37(s).

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2004****RENTAL INCOME**

1. Incremental Rental Income		\$605,548	(A)
2. Revenue Taxes	0.63%	<u>3,807</u>	(B)
3. Taxable Income		\$601,741	
4. Income Taxes @	41.49%	<u>249,683</u>	
5. Operating Income Impact		\$352,057	

Sources:

(A) Supplemental Testimony of Mr. Smeltzer, update to Company

Exhibit 1-A, page 18(s).

(B) Rates per Schedule ACC-35.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2004****NUI & WHITE ROCK ACQUISITION ADJ. AMORTIZATIONS**

1. NUI & White Rock Acquisition Adjustment	\$1,449,090	(A)
2. Amortization Period	<u>20</u>	(A)
3. Recommended Annual Amortization	\$72,455	
4. Income Taxes @	41.49% <u>30,064</u>	
5. Decrease to Operating Income	\$42,391	

Sources:**(A) Direct Testimony of Mr. Smeltzer, Schedule 2.**

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2004****OTHER ACQUISITIONS - AMORTIZATION**

1. Total Acquisition Adjustment		(\$508,533)	(A)
2. Amortization Period (C)		<u>20</u>	(B)
3. Recommended Annual Amortization		(\$25,427)	
4. Income Taxes @ 41.49%		<u>(10,550)</u>	
5. Operating Income Impact		\$14,876	

Sources:

(A) Schedule ACC-3.

(B) Direct Testimony of Mr. Smeltzer, Schedule 2.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2004****CONSOLIDATED INCOME TAXES**

1. Three Year Average Taxable Losses	\$110,742	(A)
2. Allocation to Aqua Pennsylvania (%)	<u>68.00%</u>	(A)
3. Allocation to Aqua Pennsylvania (\$)	\$75,305	
4. Operating Income Impact	\$75,305	

Sources:

(A) Response to OTS-RE-72.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2004****INTEREST SYNCHRONIZATION**

1. Pro Forma Rate Base	\$983,161,436	(A)
2. Weighted Cost of Debt	<u>3.34%</u>	(B)
3. Pro Forma Interest Expense	\$32,814,193	
4. Company Claim	<u>33,091,036</u>	(C)
5. Increase in Taxable Income	\$276,843	
6. Income Taxes @ 41.49%	\$114,872	

Sources:

(A) Schedule ACC-2.

(B) Schedule ACC-10.

(C) Company Exhibit 1-A, page 86.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2004****INCOME TAX FACTOR**

1. Revenue	100.00%	
2. State Income Tax Rate	<u>9.99%</u>	(A)
3. Federal Taxable Income	90.01%	
4. Income Taxes @ 35%	<u>31.50%</u>	(A)
5. Operating Income	58.51%	
6. Total Tax Rate	41.49%	(B)

Sources:

(A) Company Exhibit 1-A, page 66.

(B) Line 2 + Line 4.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2004****REVENUE MULTIPLIER**

1. Revenue		100.00	
2. PUC Assessment @	0.50%	0.50	(A)
3. OCA & SBA Assessment @	0.13%	0.13	(B)
4. Uncollectible Expense @	0.66%	<u>0.66</u>	(C)
5. State Taxable Income		98.71	
6. State Income Taxes @	9.99%	<u>9.86</u>	(D)
7. Federal Taxable Income		88.85	
8. Federal Income Taxes @	35.00%	<u>31.10</u>	(D)
9. Operating Income Impact		57.75	
10. Revenue / Income		1.731505	(E)

Sources:

- (A) Updated per the response to OTS-RE-91.
- (B) Rates per Company Exhibit 1-A, pages 62 and 63.
- (C) Company Exhibit 1-A, page 36.
- (D) Rates per Company Exhibit 1-A, page 66.
- (E) Line 1 / Line 9.

AQUA PENNSYLVANIA, INC.**FUTURE TEST YEAR ENDING JUNE 30, 2004****REVENUE REQUIREMENT IMPACT OF ADJUSTMENTS**

1. Rate of Return	(21,256,554)
2. Cash Working Capital - Expenses	(698,571)
3. Cash Working Capital - Taxes	(51,225)
4. Cash Working Capital - P/R Tax	(3,521)
5. Other Acquisition Adjs.	(69,641)
6. Contributions in Aid of Construction	(140,465)
7. Customer Advances for Construction	(132,873)
8. Accrued Interest	(50,361)
9. DSIC Revenue Adjustment	(520,650)
10. Sunrise Estates Revenue	28,580
11. Salaries and Wages-New Positions	(481,539)
12. Salaries and Wages - Revised Co. Claim	(1,919,638)
13. Salaries and Wages - Union Increases	(23,076)
14. Payroll Taxes- Revised Company Claim	(199,040)
15. Payroll Taxes - Other Issues	(38,603)
16. Benefit Costs- Revised Company Claim	(540,926)
17. Benefit Costs - Other Issues	(227,077)
18. Pension Expense Deferral	(842,759)
19. Pension Expense - Prospective	(611,161)
20. OPEB Funding Deficit	(102,016)
21. Purchased Water Expense-Tinicum	(51,648)
22. Purchased Water Expense-Cheltenham	(12,763)
23. General Price Level Adjustment	(624,602)
24. Lobbying Expenses	(46,390)
25. Management Service Fee	2,899,531
26. Rental Income	(609,525)
27. NUI & White Rock Acq. Amortization	73,392
28. Other Acquisitions - Amortization	(25,756)
29. Consolidated Income Taxes	(130,377)
30. Interest Synchronization	198,881
31. Revenue Multiplier	(95)
32. Total Recommended Adjustments	(\$26,210,470)
33. Company Claim	<u>25,300,000</u>
34. Recommended Revenue Requirement Deficiency	<u>(\$910,470)</u>

AQUA PENNSYLVANIA, INC.

FUTURE TEST YEAR ENDING JUNE 30, 2004

PRO FORMA INCOME STATEMENT

	Per Company	Recommended Adjustments	Pro Forma Present Rates	Recommended Rate Adjustment	Pro Forma Proposed Rates
1. Operating Revenues	\$246,956,711	\$1,097,670	\$248,054,381	(\$910,470)	\$247,143,911
2. Operating Expenses	90,932,190	(2,504,034)	88,428,156	0	88,428,156
3. Depreciation	36,584,889	0	36,584,889	0	36,584,889
4. Taxes Other Than Income	9,623,557	(224,465)	9,399,092	(11,722)	9,387,370
5. Taxable Income Before Interest Expenses	\$109,816,075	\$3,826,169	\$113,642,244	(\$898,748)	\$112,743,496
6. Interest Expense	33,091,036	(276,843)	32,814,193	0	32,814,193
7. Taxable Income	\$76,725,039	\$4,103,012	\$80,828,051	(\$898,748)	\$79,929,303
8. Income Taxes @ 41.49%	33,722,202	1,627,179	35,349,381	(372,922)	34,976,459
9. Operating Income	\$76,093,873	\$2,198,990	\$78,292,863	(\$525,826)	\$77,767,037
10. Rate Base	\$991,534,508		\$983,161,436		\$983,161,436
11. Rate of Return	<u>7.67%</u>		<u>7.96%</u>		<u>7.91%</u>

APPENDIX C

Referenced Data Requests:

OCA-II-17
OCA-II-22
OCA-II-23
OCA-II-26
OCA-II-27 (Partial)
OCA-II-40 (Partial)
OCA-II-41
OCA-II-42 (Supplemental)
OCA-II-46
OCA-II-50
OCA-II-52
OCA-II-53
OCA-II-58
OCA-VII-4
OCA-VII-16
OCA-VII-17
OCA-VII-22
OCA-VIII-2
OCA-IX-1
OCA-IX-4

OTS-RE-2
OTS-RE-72
OTS-RE-73
OTS-RE-78
OTS-RE-80
OTS-RE-91
OTS-RE-100
OTS-RS-32

Witness: David P. Smeltzer & Jack Schreyer
Date: February 19 2004

PHILADELPHIA SUBURBAN WATER COMPANY

OFFICE OF THE CONSUMER ADVOCATE

INTERROGATORIES - SET II

DOCKET NO. R-00038805

OCA-II-17 Q. Please provide all reports, workpapers, calculations, and other supporting documentation for the pension and FAS 106 costs referenced on page 43-1 of Exhibit 1-A.

A. Attached hereto are the estimated 2004 SFAS 106 and pension expense work papers. These work papers reflect estimates from Towers Perrin based on the information that was available at the time of preparation. Final 2004 calculations are not available until May or June 2004.

AQUA AMERICA, INC.

ESTIMATED 2004 FAS 106 POSTRETIREMENT WELFARE EXPENSE

PA JURISDICTION

	Local 473	Salaried	CWC	Total
Funded Status				
Estimated APBO	\$ 11,700,000	\$ 10,400,000	\$ 2,400,000	\$ 24,500,000
Estimated Fair Value of Assets (FV)	6,900,000	5,000,000	900,000	12,800,000
(Unfunded) obligation (FV - APBO)	(4,800,000)	(5,400,000)	(1,500,000)	(11,700,000)
FAS 106 Expense				
Service cost	\$ 500,000	\$ 400,000	\$ 50,000	\$ 950,000
Interest cost	800,000	700,000	150,000	1,650,000
Expected return on assets	(600,000)	(300,000)	(70,000)	(970,000)
Amortization:				
- Transition obligation	\$ 400,000	\$ 300,000	\$ 70,000	\$ 770,000
- Prior service cost (credit)	(50,000)	0	0	(50,000)
- Net loss (gain)	50,000	0	0	50,000
Total FAS 106 Expense	\$ 1,100,000	\$ 1,100,000	\$ 200,000	\$ 2,400,000
Key Assumptions:				
Discount Rate	6.50%	6.50%	6.50%	
Expected Return on Plan Assets -- 2004	9.00%	6.00%	8.25%	
Assumed Return on Assets - 2003	Actual at June 30, 2003 plus expected contributions	Actual at June 30, 2003 plus expected contributions	Actual at June 30, 2003 plus expected contributions	

AQUA AMERICA, INC.

ESTIMATED 2004 QUALIFIED PENSION PLAN FUNDING REQUIERMENTS

PA JURISDICTION

Estimated January 1, 2004 Plan Funded Status

■ Actuarial Accrued Liability (AAL)	\$ 109,600,000
■ Market value of assets (MV)	<u>97,600,000</u>
■ (Unfunded) AAL (MV - AAL)	\$ (12,000,000)

Estimated 2004 Minimum Required Employer Contribution

Normal cost	\$ 2,600,000
Amortization amounts	0
Interest adjustments	200,000
Additional funding charge	0
Credit balance with interest	<u>0</u>
Minimum required contribution before full funding limit	\$ 2,800,000
Minimum required contribution after full funding limit	\$ 2,800,000

Estimated 2004 Maximum Deductible Employer Contribution

Maximum deductible contribution*	\$ 10,000,000
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* Equals greatest of the following: (i) a preliminary maximum deductible contribution; (ii) the minimum required amount; (iii) the contribution necessary to fund 100% of current liability.

Estimated 2004 Funding Policy Contribution

Minimum required contribution	\$ 2,800,000
Maximum deductible contribution	10,000,000
Mid-point contribution	\$ 6,400,000

Assumptions:

All long-term actuarial assumptions are the same as those contained in the January 1, 2003 actuarial valuation report with the exception of the RPA 94 current liability interest rate which is 5.60%. Assets were assumed to return 8.50% during 2003.

Witness: Jack Schreyer
Date: February 9, 2004

PHILADELPHIA SUBURBAN WATER COMPANY

OFFICE OF THE CONSUMER ADVOCATE

INTERROGATORIES - SET II

DOCKET NO. R-00038805

OCA-II-22 Please provide all calculations, workpapers, and documentation for the funding deficit amount of \$551,802 shown at page 45 of Exhibit 1-A.

A. Please see the attached PSW funding deficit schedule and documentation.

PHILADELPHIA SUBURBAN WATER COMPANY
SFAS106-POSTRETIREMENT BENEFITS
8/02-6/04

	EXPENSE PER ACTUARY	EXPENSE PER GL	REG ASSET/ (LIAB)
8/02	145,927.00	142,609.00	3,318.00
9/02	145,927.00	142,609.00	3,318.00
10/02	145,927.00	142,609.00	3,318.00
11/02	145,927.00	142,609.00	3,318.00
12/02	145,927.00	142,609.00	3,318.00
1/03	172,343.00	142,609.00	29,734.00
2/03	172,343.00	142,609.00	29,734.00
3/03	172,343.00	142,609.00	29,734.00
4/03	172,343.00	142,609.00	29,734.00
5/03	172,343.00	142,609.00	29,734.00
6/03	172,343.00	142,609.00	29,734.00
7/03	172,343.00	142,609.00	29,734.00
8/03	172,343.00	142,609.00	29,734.00
9/03	172,343.00	142,609.00	29,734.00
10/03	172,343.00	142,609.00	29,734.00
11/03	172,343.00	142,609.00	29,734.00
12/03	172,343.00	142,609.00	29,734.00
1/04	172,343.00	142,609.00	29,734.00
2/04	172,343.00	142,609.00	29,734.00
3/04	172,343.00	142,609.00	29,734.00
4/04	172,343.00	142,609.00	29,734.00
5/04	172,343.00	142,609.00	29,734.00
6/04	172,343.00	142,609.00	29,734.00
	<u>3,831,809.00</u>	<u>3,280,007.00</u>	<u>551,802.00</u>

2002 actuarial expense:

1,751,122 actual

2003 actuarial expense:

2,068,117 see attached report

2004 actuarial expense:

2,068,117 estimated

Financial Results

This report summarizes the financial results for Philadelphia Suburban Corporation's postretirement welfare plans based on actuarial valuations as of January 1, 2003 and January 1, 2002.

	January 1, 2003	January 1, 2002
FAS 106 Postretirement Welfare Cost		
Amount	\$ 2,068,117	\$ 1,751,122
Amount per active participant	3,541	3,030
FAS 106 Funded Position		
Accumulated postretirement benefit obligation [APBO]	\$ 19,702,385	\$ 17,405,357
Fair value of assets [FV]	10,415,166	10,716,574
APBO funded percentage [FV ÷ APBO]	52.9%	61.6%
Accrued postretirement benefit cost	\$ (1,102,484)	\$ (947,690)
Employer Contributions		
Funding policy	\$ 1,711,303	\$ 1,711,303
Maximum deductible	5,358,000	5,475,000
Expected benefit payments and expenses, net of participant contributions	\$ 827,880	\$ 828,163

The following plans are reflected in this report.

- ▶ Retiree and Surviving Dependent Medical and Life Insurance Plan for Local 473 Employees of Philadelphia Suburban Water Company (referred to as "Local 473" in this report).
- ▶ Retiree Medical Plan for nonrepresented Employees of Philadelphia Suburban Water Company (referred to as "Salaried" in this report).

SI-6

Postretirement Welfare Cost for Fiscal 2003

	Local 473	Salaried	Total
Postretirement Welfare Cost			
Service cost	\$ 455,214	\$ 385,128	\$ 840,342
Interest cost	717,043	642,106	1,359,149
Expected return on assets	(535,167)	(243,749)	(778,916)
Amortization:			
▶ Transition obligation	377,260	265,749	643,009
▶ Prior service cost (credit)	(43,696)	(13,520)	(57,216)
▶ Net loss (gain)	<u>61,749</u>	<u>0</u>	<u>61,749</u>
Postretirement welfare cost	\$ 1,032,403	\$ 1,035,714	\$ 2,068,117
Per active participant	\$ 3,419	\$ 3,673	\$ 3,542
Change in Postretirement Welfare Cost			
Postretirement welfare cost for fiscal 2002	\$ 760,608	\$ 990,514	\$ 1,751,122
Change from fiscal 2002 to fiscal 2003:			
▶ Expected based on prior valuation	(2,514)	8,514	6,000
▶ Loss (gain) from noninvestment experience	(7,899)	(22,269)	(30,168)
▶ Loss (gain) from asset experience	183,215	13,191	196,406
▶ Assumption changes	98,993	45,764	144,757
▶ Changes in benefits valued	<u>0</u>	<u>0</u>	<u>0</u>
Postretirement welfare cost for fiscal 2003	\$ 1,032,403	\$ 1,035,714	\$ 2,068,117

Witness: David P. Smeltzer
Date: February 10, 2004

PHILADELPHIA SUBURBAN WATER COMPANY

OFFICE OF THE CONSUMER ADVOCATE

INTERROGATORIES - SET II

DOCKET NO. R-00038805

OCA-II-23 Q. Regarding the customer education costs discussed on page 8 and shown on Schedule 1 of Mr. Smeltzer's testimony, please provide complete documentation for the customer education campaign costs including anticipated radio and ad buys as well as hard copies of all advertising.

A. This campaign is planned for 2004. See the breakdown of media and production costs by media and by location below. No costs were incurred to date.

	Consumers PA	Southeast PA
Radio	\$19,900	\$363,900
Print	31,800	230,000
Billboards	0	60,000
Production	7,750	98,000

Witness: Robert M. Griffin
Date: December 30, 2003

PHILADELPHIA SUBURBAN WATER COMPANY

OFFICE OF THE CONSUMER ADVOCATE

INTERROGATORIES - SET II

DOCKET NO. R-00038805

OCA-A-26 Q. Regarding page 23 of Exhibit 1-A, please break down the residual costs of \$39,484,509 by operating expense account.

A. See attached work papers.

Y/E
6/30/03

ACCOUNT NUMBER	ACCOUNT TITLE	NET EXPENSE
6011	OPERATING LABOR	0
6021	OPERATING MATERIALS & SUPPLIES	1,090,384
6501	OPERATING TRANSPORTATION	0
6571	OPERATING GENERAL LIABILITY	1,851
6751	OPERATING MISCELLANEOUS	58,517
		<u>1,150,752</u>
	MAINTENANCE	
6012	MAINT. LABOR	0
6202	MAINT. MATERIALS & SUPPLIES	15,114
6312	MAINT. CONTRACTOR SVC-ENGINEERING	12,823
6362	MAINT. CONTRACTOR SVC-OTHER	66,564
6422	MAINT EQUIPMENT RENTAL	0
6502	MAINT. TRANSPORTATION	0
6752	MAINT. MISCELLANEOUS	2,269
		<u>96,770</u>
6101	WATER PURCHASED FOR RESALE	4,764,459
6151	POWER PURCHASED	9,116,210
	TOTAL SOURCE OF SUPPLY	<u>15,128,191</u>
	II. WATER TREATMENT EXPENSES:	
	OPERATION	
6013	OPERATING LABOR	0
6153	POWER PURCHASED-TREATMENT	782,196
6183	CHEMICALS	2,452,887
6203	OPERATING MATERIALS & SUPPLIES	446,740
6313	OPERATING CONTRACTOR SERVICES-ENG	0
6353	OPERATING CONTRACTOR SERVICES-TESTING	29,842
6363	OPERATING CONTRACTOR SERVICES	642,549
6503	OPERATING TRANSPORTATION	0
6753	OPERATING MISCELLANEOUS	174,424
		<u>4,528,638</u>
	MAINTENANCE	
6014	MAINT. LABOR	0
6204	MAINT. MATERIALS & SUPPLIES	68,293
6364	MAINT. CONTRACTOR SERVICES	226,210
6424	MAINT. EQUIPMENT RENTAL	625
6504	MAINT. TRANSPORTATION	0
6754	MAINT. MISCELLANEOUS	396
		<u>295,524</u>
	TOTAL WATER TREATMENT	<u>4,824,162</u>
	III. TRANSMISSION & DISTRIBUTION EXPENSES:	
	OPERATION	
6015	OPERATING LABOR	0
6155	OPERATING POWER PURCHASED	137,954
6205	OPERATING MATERIALS & SUPPLIES	997,665
6315	OPERATING CONTRACTOR SERVICES-ENG	19,977
6365	OPERATING CONTRACTOR SERVICES-OTHER	189,031
6415	PROPERTY RENTAL	9,897
6425	OPERATING EQUIP RENTAL	3,482
6505	OPERATING TRANSPORTATION	0
6755	OPERATING MISCELLANEOUS	29,383
		<u>1,387,389</u>

Y/E
6/30/03

ACCOUNT NUMBER	ACCOUNT TITLE	NET EXPENSE
MAINTENANCE		
6016	MAINT. LABOR	0
6206	MAINT. MATERIALS & SUPPLIES	317,545
6316	MAINT. CONTRACTOR SERVICES-ENG	88,316
6356	MAINT. CONTRACTOR SERVICES-TESTING	35,737
6366	MAINT. CONTRACTOR SERVICES-OTHER	620,873
6426	MAINT. EQUIPMENT RENTAL	3,415
6506	MAINT. TRANSPORTATION	0
6576	MAINT GEN LIABILITY	1,310
6586	MAINT WORK COMP	0
6756	MAINT. MISCELLANEOUS	26,618
		<u>1,093,814</u>
	TOTAL TRANSMISSION & DISTRIBUTION	<u>2,481,203</u>
IV. CUSTOMER ACCOUNTING AND COLLECTING OPERATION		
6017	CUSTOMER ACCOUNTING LABOR	0
6207	MATERIALS & SUPPLIES	956,355
6347	CONTRACTOR SERVICES-MGMT FEE	22,988
6367	CONTRACTOR SERVICES-OTHER	0
6707	BAD DEBT EXPENSE	1,036,454
6757	CUSTOMER ACCTG-MISCELLANEOUS	18,428
	TOTAL CUSTOMER ACCOUNTING	<u>2,034,225</u>
V. ADMINISTRATIVE AND GENERAL		
6018	A&G LABOR	0
6038	A&G OFFICERS LABOR	0
6048	EMPLOYEE HEALTH PLANS	1,293,105
6158	A&G POWER	35,079
6208	A&G MATERIALS & SUPPLIES	381,425
6318	A&G CONTRACTOR SERVICE-ENGINEERING	10,383
6328	A&G CONTRACTOR SERVICE-ACCOUNTING	(11,769)
6338	A&G CONTRACTOR SERVICE-LEGAL	104,355
6348	A&G CONTRACTOR SERVICE-MGMT FEE	3,328,334
6358	A&G CONTRACTOR SERVICE-TESTING	0
6368	A&G CONTRACTOR SERVICE-OTHER	1,958,637
6418	A&G RENT-BUILDING	76,568
6428	A&G RENT-EQUIPMENT	5,002
6508	A&G TRANSPORTATION	0
6578	GENERAL LIABILITY INSURANCE	3,682,295
6608	ADVERTISING	17,559
6668	RATE CASE AMORTIZATION	664,396
6668	MERGER AMORTIZATION	0
6668	MISC. AMORTIZATION	0
6758	A&G MISCELLANEOUS	3,471,359
	UTILITY PLANT ACQUISITION ADJ. AMORT.	0
	TOTAL ADMINISTRATIVE AND GENERAL	<u>15,016,728</u>
	TOTAL WATER OPERATING EXPENSES	<u>39,484,509</u>
	MAINT.	1,486,108
	OPER.	37,998,401

Witness: Robert M. Griffin
Date: December 26, 2003

PHILADELPHIA SUBURBAN WATER COMPANY

OFFICE OF THE CONSUMER ADVOCATE

INTERROGATORIES - SET II

DOCKET NO. R-00038805

OCA-A-27 Q. Please provide a copy of the October 10, 2003, Blue Chip Economic Indicators referenced on page 9, line 11 of Mr. Griffin's testimony.

A. Refer to page 5 from the document attached.

DISPOSABLE PERSONAL INCOME 10 YEA
 NOTE YIELDS 3-MONTH PERSONAL CONS
 EXPENDITURE PRE-TAX CORPORATE PRO
 NON-RESIDENTIAL FIXED INVESTMENTS (I
 BUSINESS INVENTORIES NET EXPORTS C
 UNEMPLOYMENT 3-MONTH TREASURY BI
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 PRODUCTIVITY INDUSTRIAL PRODUCTION
 DISPOSABLE PERSONAL INCOME 10 YEA
 NOTE YIELDS 3-MONTH PERSONAL CONS
 EXPENDITURE PRE-TAX CORPORATE PRO

BLUE CHIP ECONOMIC INDICATORS

Top Analysts' Forecasts of the U.S. Economic Outlook For The Year Ahead
 Vol. 28, No. 10 October 10, 2003

PRODUCTIVITY INDUSTRIAL PRODUCTION
 DISPOSABLE PERSONAL INCOME 10 YEA
 NOTE YIELDS 3-MONTH PERSONAL CONS
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OCTOBER 10, 2003 ■ BLUE CHIP ECONOMIC INDICATORS ■ 5

3. Blue Chip Consensus: Quarterly Annualized Percent Change From Prior Quarter And Averages For Quarter.*

Actuals ¹	% Change From Prior Quarter At Annualized Rate						Average For Quarter					
	Real GDP	Price Index	CPI	Producer Price Index	Total Industrial Production	Disposable Personal Income	Personal Consump. Expend.	Unemploy-ment Rate	3-Mo. Treas. Bills	10-Yr. Treas. Notes	Change in Business Inventories	Real Net Exports
2002 1Q	5.0	1.3	1.4	-0.1	1.4	14.5	3.1	5.6	1.7	5.1	-28.9	-446.6
2Q	1.3	1.2	3.4	1.0	-4.4	3.9	1.8	5.9	1.7	5.1	4.9	-487.4
3Q	4.0	1.0	2.2	0.2	3.4	1.8	4.2	5.7	1.7	4.3	18.8	-488.0
4Q	1.4	1.8	2.0	2.8	-3.4	1.4	1.7	5.9	1.3	4.0	25.8	-532.2
2003 1Q	1.4	2.4	3.8	9.6	0.3	1.6	2.0	5.8	1.2	3.9	4.8	-510.3
2Q	3.3	1.0	0.7	-1.8	-3.8	2.6	3.8	6.2	1.0	3.6	-17.6	-546.1

Blue Chip Forecasts	% Change From Prior Quarter At Annualized Rate						Average For Quarter					
	Real GDP	Price Index	CPI	Producer Price Index	Total Industrial Production	Disposable Personal Income	Personal Consump. Expend.	Unemploy-ment Rate	3-Mo. Treas. Bills	10-Yr. Treas. Notes	Change in Business Inventories	Real Net Exports
3Q Consensus	4.9	1.4	2.0	2.0	2.9	7.9	5.2	6.2a	1.0a	4.3a	-2.1	-552.1
Top 10 Avg.	6.0	2.0	2.5	3.1	4.0	9.9	6.5	--	--	--	22.6	-527.8
Bot. 10 Avg.	3.7	0.8	1.2	0.4	1.0	5.8	3.0	--	--	--	-30.4	-570.4
4Q Consensus	3.7	1.3	1.7	0.5	-4.1	2.3	2.7	6.2	1.0	4.4	21.8	-561.6
Top 10 Avg.	4.9	2.0	2.5	2.3	7.0	4.1	3.8	6.3	1.1	4.7	41.2	-529.4
Bot. 10 Avg.	2.5	0.6	0.9	-1.4	1.3	0.6	1.5	6.0	0.9	4.1	5.6	-588.0
2004 1Q Consensus	3.8	1.5	1.8	0.9	4.7	5.1	3.4	6.1	1.1	4.5	33.2	-566.8
Top 10 Avg.	4.8	2.2	2.7	3.0	6.9	7.9	4.3	6.3	1.3	4.9	54.6	-520.5
Bot. 10 Avg.	2.8	0.8	1.0	-0.8	2.6	2.6	2.4	5.8	0.9	4.1	13.2	-601.9
2Q Consensus	3.7	1.3	1.8	0.9	4.8	3.2	3.4	6.0	1.2	4.7	39.1	-572.9
Top 10 Avg.	4.6	2.1	2.5	2.3	6.8	6.0	4.1	6.3	1.6	5.1	61.1	-520.1
Bot. 10 Avg.	2.8	0.6	1.1	-1.0	2.5	0.9	2.6	5.7	1.0	4.2	16.8	-612.4
3Q Consensus	3.8	1.5	2.0	1.3	4.9	2.8	3.3	5.9	1.5	4.8	43.1	-572.7
Top 10 Avg.	4.9	2.4	2.7	2.6	6.8	4.1	4.2	6.2	2.1	5.3	64.8	-513.6
Bot. 10 Avg.	2.7	0.7	1.2	-0.2	3.3	0.9	2.5	5.6	1.0	4.2	22.3	-618.2
4Q Consensus	3.5	1.6	2.1	1.2	5.0	3.5	3.1	5.8	1.9	5.0	44.4	-575.2
Top 10 Avg.	4.4	2.3	2.7	2.7	7.0	4.4	4.0	6.1	2.7	5.5	64.6	-509.6
Bot. 10 Avg.	2.5	0.9	1.4	-0.7	3.5	2.6	2.2	5.4	1.1	4.3	26.4	-631.0

4. Blue Chip Consensus: Quarterly Annualized Values And Percent Change From Same Quarter In Prior Year.*

Real Gross Domestic Product							GDP Chained Price Index						
Billions Of Chained 1996\$ (SAAR)			% Change From Same Quarter In Prior Year ²				Index 1996 = 100 (SAAR)			% Change From Same Quarter In Prior Year ²			
Actual	Forecast ¹		Actual	Forecast ¹	Actual	Forecast ¹	Actual	Forecast ¹	Actual	Forecast ¹	Actual	Forecast ¹	
Quarter	2002	2003	2004	2002	2003	2004	Quarter	2002	2003	2004	2002	2003	2004
1Q	9363.2	9552.0	9929.2	1.4	2.0	3.9	1Q	110.1	111.9	113.3	1.4	1.6	1.3
2Q	9392.4	9629.4	10020.8	2.2	2.5	4.1	2Q	110.5	112.2	113.7	1.1	1.5	1.4
3Q	9485.6	9746.1	10114.5	3.3	2.7	3.8	3Q	110.8	112.6	114.1	0.8	1.6	1.4
4Q	9518.2	9835.9	10202.8	2.9	3.3	3.7	4Q	111.3	112.9	114.6	1.3	1.5	1.5

Total Industrial Production							Consumer Price Index						
Index 1997 = 100 (SAAR)			% Change From Same Quarter In Prior Year ²				Index 1982-1984 = 100 (SAAR)			% Change From Same Quarter In Prior Year ²			
Actual	Forecast ¹		Actual	Forecast ¹	Actual	Forecast ¹	Actual	Forecast ¹	Actual	Forecast ¹	Actual	Forecast ¹	
Quarter	2002	2003	2004	2002	2003	2004	Quarter	2002	2003	2004	2002	2003	2004
1Q	109.3	110.5	112.6	-3.8	1.1	1.9	1Q	178.0	183.1	186.0	1.2	2.9	1.5
2Q	110.5	109.4	113.9	-1.2	-1.0	4.1	2Q	179.5	183.4	186.8	1.3	2.2	1.9
3Q	111.4	110.2	115.3	0.8	-1.1	4.6	3Q	180.5	184.3	187.7	1.6	2.1	1.8
4Q	110.4	111.3	116.7	1.4	0.8	4.9	4Q	181.4	185.1	188.7	2.2	2.0	1.9

*See explanatory notes on inside of back cover for details of how this data is compiled.

Witness: Jack Schreyer
Date: January 27, 2004

PHILADELPHIA SUBURBAN WATER COMPANY

OFFICE OF THE CONSUMER ADVOCATE

INTERROGATORIES - SET II

DOCKET NO. R-00038805

OCA-II-40. Q. Regarding page 26A of Exhibit 1-A, please provide all calculations, workpapers, and other documentation for the Cheltenham pro forma usage.

A. The water purchased claim on Page 26A of Exhibit 1-A has been changed, based on more up-to-date consumption figures. See the Company's response to Interrogatory OTS-RE-60, attached.

Witness: Jack Schreyer
Date: January 27, 2004

PENNSYLVANIA SUBURBAN WATER COMPANY

OFFICE OF TRIAL STAFF

REVENUE & EXPENSE DATA REQUEST

DOCKET NO. R-00038805

OTS-RE-60.

Q. Reference: Exhibit 1-A, p. 26A; Provide the following:

- a. an updated annual usage estimate for Cheltenham.
- b. copy of the contract(s) with the Philadelphia Water Department.

A.

- a. 660,000,000 gallons. See attached spreadsheet. The Company has revised its Cheltenham water purchased claim based on the updated annual usage. A copy of the revised claim is attached.
- b. See attached.

Aqua Pennsylvania, Inc.
Interrogatory OTS-RE-60

July	2003	Actual Consumption	71,312,243
August	"	" "	47,168,114
September	"	" "	54,189,000
October	"	" "	50,622,000
November	"	" "	38,500,000
December	"	" "	50,600,000
January	2004	Estimated Consumption	50,000,000
February	"	" "	50,000,000
March	"	" "	62,000,000
April	"	" "	60,000,000
May	"	" "	62,000,000
June	"	" "	63,000,000
			659,391,357
		Round	660,000,000

Witness: Jack Schreyer

PENNSYLVANIA SUBURBAN WATER COMPANY

WATER PURCHASED

PSW began purchasing water from Philadelphia Water Department (PWD) for the Cheltenham interconnection in January 2003. Monthly usage is averaging 55 MG over and above the normal usage at the Tincicum interconnection. Initially, the water that was pumped from the Neshaminy and Pickering treatment plants to the portions of PSW's Eastern Division served by the new Cheltenham interconnection will be replaced by the additional water purchased from PWD. Eventually, the water taken at the new interconnection will be needed to supply the anticipated customer growth in the Eastern Division during 2004 and 2005. At that time, the Cheltenham interconnection will supplant the need for a new treatment plant in the Eastern Division. This adjustment multiplies the anticipated usage at the new interconnection plus the test year usage at the Tincicum interconnection by the rates in effect at January 1, 2003.

Vendor	Interconnect	Historic Test Year 6/30/2003	Future Test Year 6/30/2004
Philadelphia Water Department	Tincicum & Cheltenham		
Tincicum Test Year Usage	1,660,586,570		
Cheltenham Pro-Forma Usage	660,000,000		
Total Usage	2,320,586,570		
Fixed Charge (\$154,083/mo.)	\$ 1,848,996		
Consumption Charge (\$0.131/ M Gal)	\$ 303,997		
Management Fee (10% of Bill)	\$ 215,299		
Annual Pro-Forma Expense	\$ 2,368,292	\$ 2,368,292	\$ 2,368,292
Less: Amount Expended in the 12 Mos. Ended 6/30/03		\$ 1,981,311	\$ 1,981,311
Increase/(Decrease)		\$ 386,981	\$ 386,981
Us		\$ 387,000	\$ 387,000

Witness: Jack Schreyer
Date: January 19, 2004

PHILADELPHIA SUBURBAN WATER COMPANY

OFFICE OF THE CONSUMER ADVOCATE

INTERROGATORIES - SET II

DOCKET NO. R-00038805

OCA-II-41. Q. Regarding page 26A of Exhibit 1-A, please provide the actual Tinicum usage in each of the past five years.

A.	Jan1999-Dec 1999	*0
	Jan 2000-Dec 2000	*0
	Jan 2001-Dec 2001	*0
	Jan 2002-Dec 2002	1,259,891,806 Gallons
	July 2002-June 2003	1,660,000,000 Gallons
	Jan 2003-Dec 2003	1,030,850,000 Gallons

* Interconnect went into service in March 2002.

Witness: Jack Schreyer
Date: February 11, 2004

PHILADELPHIA SUBURBAN WATER COMPANY

OFFICE OF THE CONSUMER ADVOCATE

INTERROGATORIES - SET II

DOCKET NO. R-00038805

OCA-II-42.
Supplemental
Response

Q. Regarding page 26A of Exhibit 1-A, please provide a copy of the current contract between the Company and the Philadelphia Water Department.

A. The purchased water agreement between the Company and the Philadelphia Water Department (PWD) was provided to the parties on January 9, 2004. While that agreement is still in effect, the rates charged by the PWD were increased on July 1, 2002. The current rates, as shown on the most recent (January 22, 2004) invoice, which has been attached, include a fixed monthly charge of \$154,083, a consumption charge of \$0.131 per thousand gallons and a 10% management fee.

Please note that the Company, consistent with its response to Interrogatory OTS-RE-60, has reduced its claim for PWD purchased water by \$12,600. A copy of the revised page 26A(a) to Exhibit 1-A is attached.

SPECIAL BILLING

CITY OF PHILADELPHIA - WATER REVENUE BUREAU

DATE OF BILL:

01/31/04
JMG

CURRENT BILL	SERVICE	ARTERIAL	PERIOD COVERED		METER READING		SERVICE CHARGE	QUANTITY CHARGE	MANAGEMENT FEE	TOTAL
	H2T	0000000	FROM	TO	PREVIOUS	PRESENT				
ACCT NO.	STREET CODE	HOUSE NUMBER	BLK.	CON DAY	SEWER S	VEHICLE	PENALTY	LINE COST		
	77360	09700	001	620	0.00	04-01				
Mailing Address			USAGE IN GALLONS							
Philadelphia Suburban Water Company			93,700,000							
762 W. Lancaster Avenue										
Bryn Mawr Pa. 19010-3489										
PROPERTY BELONGS TO			9700 Tinticum Avenue							

MAKE ALL CHECKS PAYABLE TO THE "WATER REVENUE BUREAU"

MAR. TO: P.O. BOX 4488, PHILA., PA. 19101

RETURN THIS COPY WITH PAYMENT

AMOUNT DUE

PENALTY ON CURRENT BILL

P PAID AFTER

\$291,552.47

\$191,552.47

ok to pay 2-2-04

01/31/04
JMG

SPECIAL BILLING

CURRENT BILL	SERVICE	ARTERIAL	PERIOD COVERED		METER READING		SERVICE CHARGE	QUANTITY CHARGE	MANAGEMENT FEE	TOTAL
	H2T	0000000	FROM	TO	PREVIOUS	PRESENT				
ACCT NO.	STREET CODE	HOUSE NUMBER	BLK.	CON DAY	SEWER S	VEHICLE	PENALTY	LINE COST		
	77360	09700	001	620	0.00	04-01				
Mailing Address			USAGE IN GALLONS							
Philadelphia Suburban Water Company			93,700,000							
762 W. Lancaster Avenue										
Bryn Mawr Pa. 19010-3489										
PROPERTY BELONGS TO			9700 Tinticum Avenue							

MAKE ALL CHECKS PAYABLE TO THE "WATER REVENUE BUREAU"

MAR. TO: P.O. BOX 4488, PHILA., PA. 19101

CUSTOMER'S COPY

AMOUNT DUE

PENALTY ON CURRENT BILL

P PAID AFTER

\$291,552.47

\$191,552.47

REV 4/94

SPECIAL BILLING

CITY OF PHILADELPHIA - WATER REVENUE BUREAU

DATE OF BILL:

01/31/04
JMG

Fax: 2156866853

Feb 2 2004 09:12 P.02

CURRENT BILL	METER NO.	PERIOD COVERED		METER READING		USAGE	SERVICE CHARGE	QUANTITY CHARGE	MANAGEMENT FEE	CYCLE
		FROM	TO	PREVIOUS	PRESENT					
ACCT NO. 79960	0000000	12/22/03	01/15/04	31285	380528	67,833	0.00	\$5,999.80	\$999.98	04-01
	01500	001	620	0.00	04-01	PRINCIPAL		LIEN COST		04-01
		USAGE IN GALLONS:		46,800,000		\$6,599.78				\$0.00
	Mailing Address: Philadelphia Suburban Water Company 782 W. Lancaster Avenue Bryn Mawr Pa. 19010-3489									
	PROPERTY BELONGS TO: 1800 Vertnon RD									
	MAKE ALL CHECKS PAYABLE TO THE "WATER REVENUE BUREAU"									
	MAIL TO: P.O. BOX 41498, PHILA., PA.19101									
		AMOUNT DUE								\$6,599.78
		PENALTY ON CURRENT BILL								
		IF PAID AFTER								\$6,599.78

RETURN THIS COPY WITH PAYMENT

OK to pay 2-2-04

SPECIAL BILLING

CURRENT BILL	METER NO.	PERIOD COVERED		METER READING		USAGE	SERVICE CHARGE	QUANTITY CHARGE	MANAGEMENT FEE	CYCLE
		FROM	TO	PREVIOUS	PRESENT					
ACCT NO. 79960	0000000	12/22/03	01/15/04	31285	380528	67,833	0.00	\$5,999.80	\$999.98	04-01
	01500	001	620	0.00	04-01	PRINCIPAL		LIEN COST		04-01
		USAGE IN GALLONS:		46,800,000		\$6,599.78				\$0.00
	Mailing Address: Philadelphia Suburban Water Company 782 W. Lancaster Avenue Bryn Mawr Pa. 19010-3489									
	PROPERTY BELONGS TO: 1800 Vertnon RD									
	MAKE ALL CHECKS PAYABLE TO THE "WATER REVENUE BUREAU"									
	MAIL TO: P.O. BOX 41498, PHILA., PA.19101									
		AMOUNT DUE								\$6,599.78
		PENALTY ON CURRENT BILL								
		IF PAID AFTER								\$6,599.78

CUSTOMER'S COPY

MEMORANDUM

To: File
From: Jim McGinley
Subject: Philadelphia January-04
Date: 2/2/2004

Tinicum SCADA - Tank Inlet		Cheltenham SCADA	
12/31/2003	69,654,150	12/31/2003	45,095,350
12/22/2003	51,863,090	12/22/2003	32,009,345
	<u>17,791,060</u>		<u>13,086,005</u>
1/22/2004	64,253,610	1/22/2004	33,115,678
	<u>82,044,670</u> gallons		<u>46,201,683</u> gallons

Tinicum - PWD 83,700,000 gallons
Cheltenham - PWD 45,800,000 gallons

Fixed Charge		\$154,083.00	
Consumption Charge	\$0.131/1000	\$16,964.50	
		\$171,047.50	
Management fee	10%	<u>\$17,104.75</u>	
Total		\$188,152.25	Charge to: 35201010, WATER, 6101.4970

PWD billing is 2.02% more then PSW Co. for Tinicum
PWD billing is -0.87% less then PSW Co. for Cheltenham

PENNSYLVANIA SUBURBAN WATER COMPANYWATER PURCHASED

PSW began purchasing water from Philadelphia Water Department (PWD) for the Cheltenham interconnection in January 2003. Monthly usage is averaging 55 MG over and above the normal usage at the Tincicum interconnection. Initially, the water that was pumped from the Neshaminy and Pickering treatment plants to the portions of PSW's Eastern Division served by the new Cheltenham interconnection will be replaced by the additional water purchased from PWD. Eventually, the water taken at the new interconnection will be needed to supply the anticipated customer growth in the Eastern Division during 2004 and 2005. At that time, the Cheltenham interconnection will supplant the need for a new treatment plant in the Eastern Division. This adjustment multiplies the anticipated usage at the new interconnection plus the test year usage at the Tincicum interconnection by the rates in effect at January 1, 2003.

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Total Usage	<u>2,320,586,570</u>		
Fixed Charge (\$154,083/mo.)	\$ 1,848,996		
Consumption Charge (\$0.131/ M Gal)	\$ 303,997		
Management Fee (10% of Bill)	\$ 215,299		
Annual Pro-Forma Expense	\$ <u>2,368,292</u>	\$ 2,368,292	\$ 2,368,292
Less: Amount Expensed in the 12 Mos. Ended 6/30/03	\$ 1,981,311	\$ 1,981,311	\$ 1,981,311
Increase/(Decrease)	\$ <u>386,981</u>	\$ <u>386,981</u>	\$ <u>386,981</u>
Us	\$ <u>387,000</u>	\$ <u>387,000</u>	\$ <u>387,000</u>

Witness: Jack Schreyer
Date: January 20, 2004

PHILADELPHIA SUBURBAN WATER COMPANY

OFFICE OF THE CONSUMER ADVOCATE

INTERROGATORIES - SET II

DOCKET NO. R-00038805

OCA-II-46. Regarding page 50 of Exhibit 1-A, please provide, for each of the past three years as well as for the future test year, the number of vehicles leased by the Company.

A.	Year ending 2001	254
	Year ending 2002	262
	Year ending 2003	259
	Future Test Year:	
	7/1/03 thru 6/30/04	226

Witness: Robert M. Griffin
Date: February 4, 2004

PHILADELPHIA SUBURBAN WATER COMPANY

OFFICE OF THE CONSUMER ADVOCATE

INTERROGATORIES - SET II

DOCKET NO. R-00038805

OCA-II-50. Q. . With regard to the future test year plant additions shown in Schedule 1 to PSW Statement 1, please provide the actual amount spent to date for each project.

A. Attached is a work paper setting forth actual amounts spent on a project by project basis for projects over \$250,000. In addition, the actual amount spent to date in the aggregate is on the bottom of the work paper.

Start Date	End Date	Project Description	FTY Admin. Over \$250,000	Capital Expenditures Thru Dec. 2003	2004 Jobs Not Started	Reason
07/01/03	12/31/03	ROUTE 10 BOOSTER	\$ 579,597.00	\$ -	\$ 579,597.00	
01/01/04	04/30/04	ADD'L PLANT CLEARWELL NESHAMINY	1,440,467.00	-	1,440,467.00	
07/01/03	12/31/03	ADD'L PLANT CLEARWELL NESHAMINY	4,939,782.00	5,053,872.54		
07/01/03	12/31/03	POWER BACKUP GENERATOR	439,875.00	341,718.70		
07/01/03	12/31/03	SECURITY RISK ENHANCEMENTS	517,500.00	309,246.72		
07/01/03	12/31/03	Vok Tract well or pipeline Interconnected	480,319.00	52,993.59		Will be completed by June 2004
07/01/03	12/31/03	INST ELEC SUBMETER, WAYMART	388,857.30	400,925.41		Funds to be used for other projects
01/01/04	06/30/04	CRUM BASIN UPGRADE	5,495,568.00	-	5,495,568.00	
07/01/03	12/31/03	MEYERS TRACT - INSTALLATION OF ARSENIC REMOVAL SYSTEM	3,988,109.00	4,418,525.04		
07/01/03	12/31/03	TP REPAIR INTERIOR, HOOPES	526,537.20	526,231.66		Will be completed by June 2004
07/01/03	12/31/03	RALPHO TANK REPLACEMENT	639,962.75	798,626.91		
07/01/03	12/31/03	CHESTER PK, COLLINGDALE BORO, CLIFTON TO MAC DADE	1,505,326.00	1,753,311.64		Will be completed by June 2004
07/01/03	12/31/03	MORTON AVE, MORTON BORO, KEDRON AVE TO MARLIN ST	1,656,418.50	58,727.89		
07/01/03	12/31/03	MAIN ST. FR 13TH TO MILL ST.	293,873.00	341,280.03		Funds to be used for other projects
07/01/03	12/31/03	LUDLOW ST FR CHESTNUT TO 69TH ST.	250,671.00	428.49		
07/01/03	12/31/03	CRUM BASIN UPGRADE	307,965.00	252,189.29		
07/01/03	12/31/03	PENNING RD FR HUNTER ST TO REGULATOR N/O LENNI RD	538,484.00	420,914.99		Excavation costs higher than expected
07/01/03	12/31/03	GLEN AVE, GLENDEN	618,407.00	1,128,079.47		Supplemental authorization for second phase
07/01/03	12/31/03	KIRKS LA, UPPER DARBY TWP.	384,836.89	809,222.66		
07/01/03	12/31/03	HUEY AVE., UPPER DARBY TWP.	460,766.00	488,708.71		Originally authorized for 9,360 feet, installed 12,702 feet
07/01/03	12/31/03	BALTIMORE AVE., RIDLEY TWP.	519,430.00	918,502.38		
07/01/03	12/31/03	MR.1240/COUNTY LINE, U.MERION	292,466.00	319,533.43		
07/01/03	12/31/03	McClenaghans Mill Road, Lower Merion	1,227,956.00	1,425,701.89		
07/01/03	12/31/03	HATHAWAY LA., HAVERFORD TWP.	514,474.00	792,080.17		
07/01/03	12/31/03	KELMARE RD., LOWER MERION TWP.	471,867.00	832,174.50		Originally authorized for 9,100 feet, installed 10,970 feet
07/01/03	12/31/03	OLD YORK RD., ABINGTON, SUSQUEHANNA TO RR TRACKS S/O FAIRWAY	1,164,576.00	170,400.74		Originally authorized for 8,300 feet, installed 10,879 feet
07/01/03	12/31/03	JENKINTOWN RD., ABINGTON, FORREST TO CEDAR	314,217.00	573,154.05		Will be completed by June 2004
07/01/03	12/31/03	OLD ORCHARD LA, BRISTOL TWP. FAYETTE DR TO BATH RD	683,535.50	975,772.72		Supplemental authorization for additional work
07/01/03	12/31/03	SCHUMACHER, TEASDALE, TEMPLE, TERRAPIN, TERRY, JANGOOD, TOGA	285,117.50	749,846.79		Supplemental authorization for additional work
07/01/03	12/31/03	Ashbound Road, etc., Cheltenham	798,945.00	409,805.49		Under budget, excess funds to be used for other projects
07/01/03	12/31/03	Rowland & Old Soldiers, Cheltenham	321,609.00	320,598.17		
07/01/03	12/31/03	WASHINGTON LA., LOWER MORELAND, WELSH RD. TO N/O HYD 47-48	298,310.00	254,877.81		Will be completed by June 2004
07/01/03	12/31/03	Heacock Lane, Cheltenham	928,523.00	621,787.43		
07/01/03	12/31/03	KIRKWOOD AVE, BRISTOL	787,805.50	752,737.93		Will be completed by June 2004
07/01/03	12/31/03	WOODSIDE AVE, BRISTOL	406,950.25	182,295.47		
07/01/03	12/31/03	MONACY RD. FR OLD SPRING RD TO REECEVILLE RD	270,343.00	262,346.63		Supplemental authorization for additional work
07/01/03	12/31/03	S. Wayne & S. College, W. Chester	259,702.00	213,459.13		
07/01/03	12/31/03	BOOT RD, WEST WHITELAND TWP, E/O SONNET RD	287,374.00	531,357.34		
07/01/03	12/31/03	RI. 352 & Paoli Pike, E. Goshen	314,532.00	341,098.60		
07/01/03	12/31/03	FAWN LAKE TO WOODLOCH PINES	1,055,725.00	1,072,243.33		
07/01/03	12/31/03	FAWN LAKE FOREST ELEVATED TANK	751,175.00	591,309.80		
07/01/03	12/31/03	IMPLEMENTATION of GIS in various counties	318,454.00	1,095,585.60		
07/01/03	12/31/03	CIS, Upgrade Banner to the latest version	2,502,664.00	2,595,753.74		
07/01/03	12/31/03	FINANCIAL REPORTING - LAWSON	573,887.00	574,000.00		
07/01/03	12/31/03	PURCHASE OF WIRELESS WORKFORCE MANAGEMENT SYSTEM	433,553.00	199,838.68		Will be completed by June 2004
Total FTY Additions vs. Capital Expenditures over \$250,000			\$ 42,113,403.30	\$ 34,464,770.99	\$ 7,515,632.00	
2003 Total FTY Additions vs. Capital Expenditures			\$ 70,043,241.84	\$ 73,730,530.00		
2004 FTY Additions, supplemental testimony			\$ 6,758,113.00	\$ -		
2004 FTY Additions, as filed			\$ 24,397,844.00	\$ -		
Total FTY Additions			\$ 101,199,200.84	\$ 73,730,530.00		

Witness: Robert M. Griffin
Date: December 31, 2003

PHILADELPHIA SUBURBAN WATER COMPANY

OFFICE OF THE CONSUMER ADVOCATE

INTERROGATORIES - SET II

DOCKET NO. R-00038805

OCA-II-52. Q. When are quarterly bills to customers currently due?

A. All bills are due twenty one days after the issuance of the bill.

Witness: Robert M. Griffin
Date: December 31, 2003

PHILADELPHIA SUBURBAN WATER COMPANY

OFFICE OF THE CONSUMER ADVOCATE

INTERROGATORIES - SET II

DOCKET NO. R-00038805

OCA-II-53. Q. Assuming that the Company converts to monthly billing, when will monthly bills to customers be due?

A. All bills are due twenty one days after the issuance of the bill.

Witness: Robert M. Griffin
Date: December 31, 2003

PHILADELPHIA SUBURBAN WATER COMPANY

OFFICE OF THE CONSUMER ADVOCATE

INTERROGATORIES - SET II

DOCKET NO. R-00038805

OCA-II-58. Q. Regarding page 18, lines 2-7 of Mr. Griffin's testimony, please provide the actual net additions to CIAC and CAC for each of the past five years.

A. CAC 1998 \$2,104,848
1999 4,011,963
2000 4,106,504
2001 8,705,540
2002 11,969,705

CIAC 1998 \$1,240,182
1999 2,359,473
2000 4,260,239
2001 4,458,647
2002 3,833,051

Witness: Robert M. Griffin

Date: February 18, 2004

PENNSYLVANIA SUBURBAN WATER COMPANY

OFFICE OF THE CONSUMER ADVOCATE

INTERROGATORIES - SET VII

DOCKET NO. R-00038805

OCA-VII-4 Q. For each of the acquisitions listed on page 6, lines 5-7 of Mr. Griffin's testimony, please provide: a) the purchase price, b) the net book value of the plant acquired (original cost basis), c) annual operating revenues included in the filing, d) annual operating expenses included in the filing, e) the number of customers acquired, f) whether an acquisition adjustment was reflected in the filing, and g) the amount included in the Company's rate base claim in this case.

A. a) Monroe Manor \$1,240,000, Rolling Green \$1,285,000, Ariana \$6,000, DLWB \$155,000, White Rock \$400,000, Jefferson \$200,000, Maple Crest \$64,000, Sunrise Estates \$148,000, NUI \$3,580,000..

b) The Monroe Manor and Rolling Green rate base was approved by the Commission at Docket No. R-00016750. The Monroe Manor and Rolling green original cost basis is the same as the rate base filed in that case.

The Company stated at the discovery conference that it was removing the Sunrise Estates revenue, expense and rate base from this filing due to the fact that the application and asset purchase agreement at Docket No. A-210104f0030 contained both the Sunrise Estates and Windsor Farms acquisition and the Windsor Farms revenue and rate base were not included in this filing.

Refer to the Company's response to OTS-RB-5 b), attached, for the original cost basis of Ariana, DLWB, White Rock, Jefferson, Maple Crest and NUI.

c)d)e) Refer to the Company's response to OTS-RB-5, attached.

OCA-VII-4 Page two

- f) The only amortizations of acquisition adjustments (positive or negative) related to acquisitions that have been completed since June 2002 are with respect to the NUI and White Rock acquisitions.
- g) Refer to the Company's response to OTS-RB-5 b), attached.

Witness: Robert M. Griffin & John Spanos
Date: February 4, 2004

PHILADELPHIA SUBURBAN WATER COMPANY

OFFICE OF TRIAL STAFF

RATE BASE DATA REQUEST

DOCKET NO. R-00016750

- OTS-RB-5. Q. For each Original Cost Study presented by the Company in this proceeding, please provide the following:
- a. A detailed explanation of how and why the study was done.
 - b. A schedule showing the difference between the Original Cost as recorded on the books of the Company and the Original Cost presented in this proceeding.
 - c. A comparison of the book depreciation reserve as shown on the Company's books and the depreciation reserve as it is being claimed in this proceeding.
 - d. A list of any assumptions made about the validity of the original cost, accrued book depreciation reserve and the amount of plant listed, on the original company's books, at the time of purchase.
 - e. Purchase Price of the Company.
- A. a. The original cost study was a Commission requirement in every acquisition presented in this rate filing. The studies involved field trips to identify all acquired facilities, review of available documentation and publications to establish original cost, classification of assets by account and year of installation and determination of accumulated depreciation. The NUI study was performed in-house. Field trips were made by Aqua Pennsylvania employees in December 2002 and June 2003. Gannett Fleming Valuation and Rate Consultants, Inc. performed the field trips and study for every other acquisition.

- b. Ariana-regulated utility-\$14,160 D.O.C. recorded as rate base for Aqua Pennsylvania on August 12, 2002-\$17,302 D.O.C. recorded in the sellers rate case as of December 31, 1993

DLWB-de-facto company-\$302,527 D.O.C. recorded as rate base for Aqua Pennsylvania on November 26, 2002-sellers books were not made available to the Company.

White Rock-regulated utility-\$400,000 D.O.C. recorded as rate base for Aqua Pennsylvania on November 22, 2002, including a \$227,554 acquisition adjustment (see PSW Statement No. 2, Pages 14 and 15)-\$153,647 D.O.C. recorded on the sellers 1999 Annual Report to the PUC.

Shickshinny Lake-homeowners' assoc-\$428,164 D.O.C. as rate base for Aqua Pennsylvania on May 15, 2000-The sellers records containing the assets, other than those paid for by a PennVest loan were not made available to the Company.

NUI-regulated utility-\$3,599,846 D.O.C. recorded as rate base for Aqua Pennsylvania on June 26, 2002, including a \$1,221,535 acquisition adjustment (see PSW Statement No. 2, Pages 13 and 14)-\$2,378,311 recorded on sellers 2001 Annual Report to the PUC.

- c. Ariana-(\$16,539) depreciation reserve in rate base-(\$11,872) depreciation reserve recorded in sellers rate case as of December 31, 1993.

DLWB-(\$33,706) depreciation reserve in rate base-sellers books were not made available to the Company.

White Rock-(\$89,121) depreciation reserve in rate base-(\$251,350) depreciation reserve recorded on sellers 1999 Annual Report to the PUC. The seller utilized tax depreciation for its book depreciation without a resultant increase in customer rates.

Shickshinny Lake-(\$126,941) depreciation reserve in rate base-sellers books were not made available to the Company.

NUI-The Company carried forward to its depreciation reserve the depreciation reserve of NUI at closing.

- d. Ariana-see attached reconciliation between D.O.C. booked and the D.O.C. from the sellers rate case as of December 31, 2003. The Company accepted the Commission's D.O.C. from 1993 and simply updated the numbers for a small amount of plant added since 1993 and recalculated the accumulated depreciation up to date.

DLWB-The O C study valued the de-facto company's assets without any assumptions made regarding records that were not made available to the Company.

White Rock-see attached reconciliation between D.O.C. booked, exclusive of the acquisition adjustment, and the D.O.C. from White Rock's 1999 annual PUC report. White Rock utilized its tax depreciation for book depreciation. The Company recalculated the accumulated depreciation based on Commission-approved principles.

Shickshinny Lake-The assets from the PennVest loan were booked at cost. All other assets were valued without any assumptions regarding records that were not made available to the Company.

NUI-The Company accepted the book value of the sellers assets and accumulated depreciation at the time of closing.

- e. Ariana-\$6,000 purchase price
 DLWB-\$155,000 purchase price
 White Rock-\$400,000 purchase price
 Shickshinny Lake-\$135,000 purchase price
 NUI-\$3,599,846 purchase price

Note: Refer to PSW Statement No. 1(s) for the requested data, including a reconciliation of rate base between the acquired company records and the Company's rate base claim in this case for Jefferson, Maple Crest.

Witness: Robert M. Griffin & John Spanos
Date: February 4, 2004

PHILADELPHIA SUBURBAN WATER COMPANY

OFFICE OF TRIAL STAFF

RATE BASE DATA REQUEST

DOCKET NO. R-00016750

- OTS-RB-6. Q. For all acquisitions listed on pages 18 and 19 of PSW Statement No. 1, provide a detailed schedule and an explanation showing all impacts on each of the following:
- a. Rate Base
 - b. Revenues
 - c. Expenses
 - d. Customer Levels
- A.
- a. Refer to Company's response to Interrogatory OTS-RB-5b. The rate base claim for Sunrise Estates is not yet completed.
 - b. Refer to Exhibit 1-A, Pages 4-19, 4-20, 4-21, 4-22, 4-24 through 4-30.
 - c. None.
 - d. Ariana-20 customers
White Rock-275 customers
DLWB-30 customers
Shickshinny Lake-91 customers
NUI-2,566 customers
Jefferson-147 customer
Maple Crest-32 customers
Sunrise Estates-74 customers

Note: Manor and Rolling Green revenues and rate base were included in the fully litigated Rate Order at Docket No. R-00016750. As a result, the Company does not maintain separate rate base or expense data for these prior acquisitions. Refer to Exhibit 1-A, pages 4-17 and 4-18 for revenue for these divisions.

Witness: William Jerdon
Date: February 4, 2004

PENNSYLVANIA SUBURBAN WATER COMPANY

OFFICE OF THE CONSUMER ADVOCATE

INTERROGATORIES - SET VII

DOCKET NO. R-00038805

OCA-VII-16 Q. Please a) confirm that the Company did not include a consolidated income tax adjustment in its filing and b) explain why no such adjustment was included.

- A. a) The Company did not include a consolidated income tax adjustment in the filing.
- b) The Company has computed a consolidated income tax adjustment of \$75,306 and will include the adjustment in the revised accounting exhibit.

Witness: Robert M. Griffin

Date: February 20, 2004

PENNSYLVANIA SUBURBAN WATER COMPANY

OFFICE OF THE CONSUMER ADVOCATE

INTERROGATORIES - SET VII

DOCKET NO. R-00038805

OCA-VII-17 Q. Please provide the most recent balances for a) contributions in aid of construction, b) advances for construction, and c) deferred income tax reserves.

A. Below are the most recent balances as of December 31, 2003 for:

a) Contributions in Aid of Construction	\$48,860,504
b) Advances for Construction	\$43,769,078
c) Deferred Income Tax Reserves	\$60,553,910

Witness: Robert M. Griffin
Date: February 20, 2004

PENNSYLVANIA SUBURBAN WATER COMPANY

OFFICE OF THE CONSUMER ADVOCATE

INTERROGATORIES - SET VII

DOCKET NO. R-00038805

OCA-VII-22 Q. Please identify the total dues included in the Company's claim for the National Association of Water Companies and the percentage of dues used for lobbying activities.

A. \$169,621 of NAWC dues was accrued in the test year in account 6758. 27% of the latest invoice was considered for lobbying activity.

Witness: Jack Schreyer
Date: February 17, 2004

PENNSYLVANIA SUBURBAN WATER COMPANY

OFFICE OF THE CONSUMER ADVOCATE

INTERROGATORIES - SET VIII

DOCKET NO. R-00038805

OCA-VIII-2 Q. When does the Company anticipate that the Management Services Agreement referenced on page 3, line 4 of Mr. Smeltzer's Supplemental Testimony will be filed?

A. The Company will file the Management Services Agreement by the end of April, 2004.

Witness: Jack Schreyer
Date: February 18, 2004

PENNSYLVANIA SUBURBAN WATER COMPANY

OFFICE OF THE CONSUMER ADVOCATE

INTERROGATORIES - SET IX

DOCKET NO. R-00038805

- OCA-IX-1 Q. Regarding Schedule 1 to Mr. Schreyer's Supplemental Testimony, has the Company solicited bids from auditors other than PricewaterhouseCoopers regarding the costs relating to the Sarbanes-Oxley Act? If so, please provide all bids received. If no other bids were solicited, please explain why no such bids were solicited.
- A. No alternative bids were solicited for audit work for the following reasons:
- (1) The Sarbanes-Oxley internal control audit must be conducted by the external auditors who audit the financial statements. A second bid cannot be solicited unless PricewaterhouseCoopers is replaced as the Company's external auditor conducting the financial audit.
 - (2) The Company (or certain subsidiaries) switched auditors twice in recent years. In 1999, following the closing of the merger with Consumers Water Company (CWC), the services of Arthur Anderson (CWC auditor) were terminated and KPMG expanded its scope to include the new subsidiaries. In 2000, following a substantial proposed increase in the KPMG audit fees, the Company solicited bids from other firms and, as a result, selected PWC over KPMG. However, additional bids were solicited to guide/manage the Company's Sarbanes-Oxley section 404 documentation project. As a result, the Company engaged the Outsourcing partners at a blended hourly rate of \$109.00 versus the PwC bid of a blended hourly rate of \$311.00 for a savings of \$202.00 per hour billed.

Witness: Jack Schreyer
Date: February 18, 2004

PENNSYLVANIA SUBURBAN WATER COMPANY

OFFICE OF THE CONSUMER ADVOCATE

INTERROGATORIES - SET IX

DOCKET NO. R-00038805

-
- OCA-IX-4 Q. Regarding Schedule 2 to Mr. Schreyer's Supplemental Testimony, has the Company solicited bids from entities other than The Outsourcing Partnership LLC regarding the assessment of the effectiveness of internal audit controls under Section 404? If so, please provide all bids received. If no other bids were solicited, please explain why no such bids were solicited.
- A. Aqua America, Inc. (Aqua America) originally hired The Outsourcing Partnership (TOP) to complete a comprehensive risk assessment and annual audit plan for the company. For this project Aqua America had issued a request for proposal for internal auditing services. TOP was the low bidder on this project, Aqua America received two (2) other bid for this work. This original bid was modified and incorporated into the current contract after we received the attached proposal from PwC for its Section 404 project initiation, design and training for a pilot project at Aqua America which totaled an estimated \$310,000 to \$355,000. TOP proposal was to complete all Section 404 work for the \$142,000. Since we worked with TOP on the former project and we were satisfied with its work product, we modified their current contact to include the Section 404 work. Also, we received another proposal for our pilot project from the Business Resource Solution LLC with an average cost of \$100 per hour for this work. This cost per hour was compared to the TOP cost per hour and based on the fact that TOP was responsible to manage our Section 404 project, we revised the TOP contract to manage and complete the total Section 404 project.

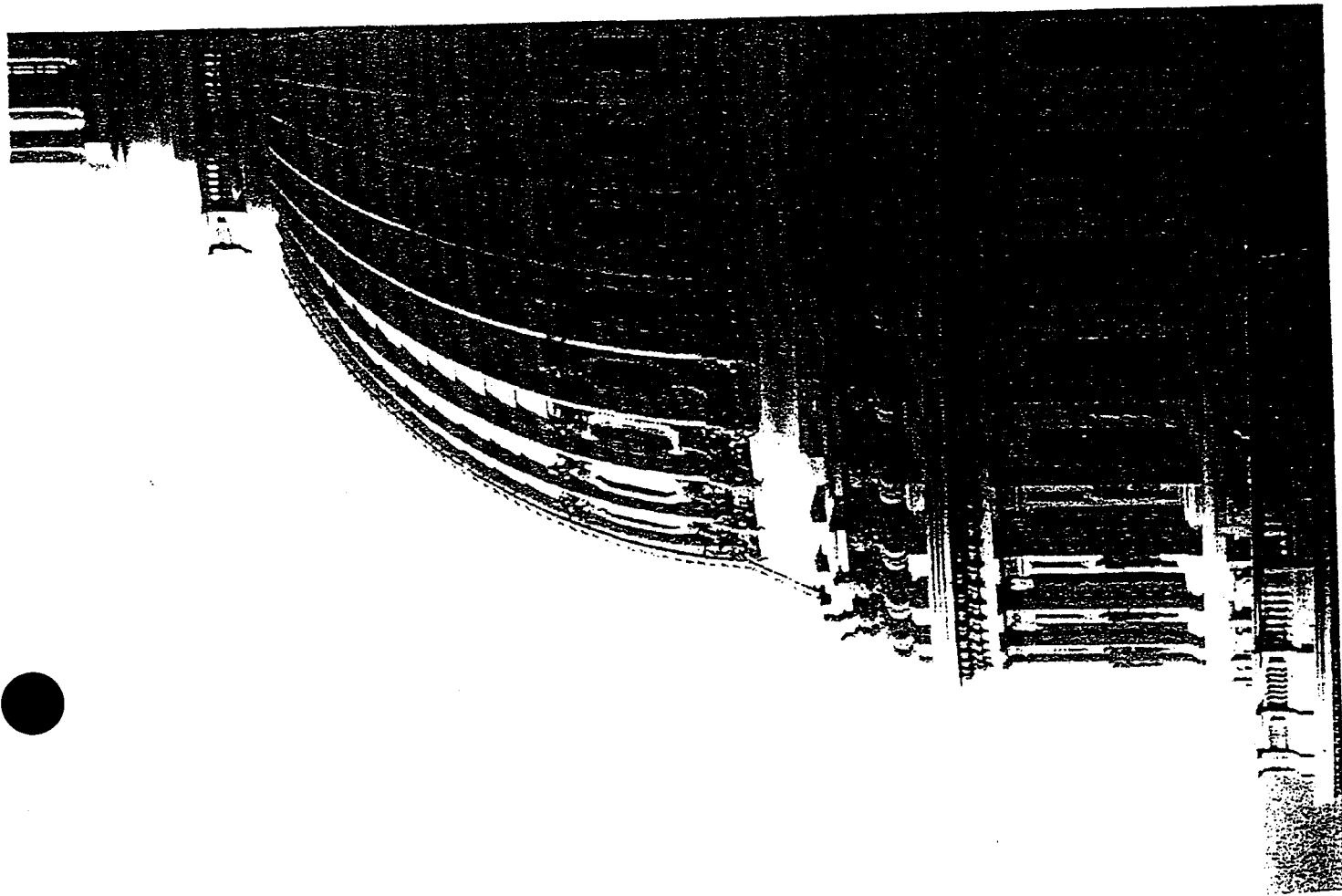
Proposal to Assess the Readiness
of Philadelphia Suburban
Corporation to Meet the Internal
Control Requirements of Section
404 of The Sarbanes-Oxley Act

April 18, 2003

ATTACHMENT TO
OCA-IX-4
PAGE 10F 3



PRICEWATERHOUSECOOPERS



7. Fees

Professional Fees

Based upon our existing relationship with PSC, and our desire to continue to work with you, we are providing some of our best and most suitable Sarbanes-Oxley practitioners. For the tasks, deliverables, staffing, assumptions and project duration as set forth in this proposal, our fee for these initial Phases I and II and the accompanying PMO effort for the Sarbanes-Oxley 404 Internal Controls Assessment Project is estimated as follows:

Phase	Duration	Hours	Timing	Fees
Project Initiation	2 weeks	225-270	May 1- May 15	\$70,000 - 85,000 (A)
Phase I- Design	2 weeks	300-330	May 15- May 31	\$95,000 - 110,000 (B)
Phase II- Pilot / Training	4 weeks	510-560	June 1- June 30	\$145,000 - 160,000 (C)
Phase III- Company Wide Assess	8 weeks	TBD	July - August 22	TBD
Phase IV- Issues Remediation	4 weeks	TBD	September 1- September 26	TBD
Phase V- PSC tests of Operating Effectiveness	TBD	TBD	October 6- December 31, 2003	TBD
Phase V- PwC Attestation	TBD	TBD	October 6- February 2004	TBD

(TBD) - Will be determined during Phase II and will address the impact of the Aquasource acquisition.

(A+B+C)
310,000 -
355,000
(D+E+F)

7. Fees (cont.)

Expenses

Out-of-pocket expenses (e.g., travel, lodging, meals and internal charges) for our personnel will be billed. We suggest that you budget 15% of fees for out-of-pocket expenses. Our internal charges include certain flat-rate amounts that reflect an allocation of estimated costs, including those associated with airline ticketing and general office services, such as computer usage, telephone charges, facsimile transmissions, postage and photocopying. Should the project scope change, our fees and schedule will be negotiated and equitably adjusted (up or down depending upon the nature of the change) by PwC and PSC.

Additional Resources

We understand that PSC may want PwC to provide additional resources to assist with subsequent phases as well as resources to assist with additional stages. To a large degree, the level of our fees to provide this additional assistance will be driven by the nature and extent of the assistance requested and specialists required. Our fee for this additional assistance will be based on the time required by our professionals to complete the agreed activities. Individual hourly rates vary according to the experience and skill required. Individual hourly rates for PwC US personnel on this project will be:

Staff	Rate
Partner	\$535-485
Senior Manager	\$415-370
Manager	\$330-320
Senior Associate	\$270-225
Associate	\$185-150

Witness: David P. Smeltzer
Date: December 31, 2003

PENNSYLVANIA SUBURBAN WATER COMPANY

OFFICE OF TRIAL STAFF

REVENUE & EXPENSE DATA REQUEST

DOCKET NO. R-00038805

OTS-RE-2. Q. Refer to PSW Exhibit No. 2-A. For each new employee included in future test year payroll, provide, by position number, a description of position, the date hired and the actual annualized salary. Provide dates as they become available throughout the case.

A. A. See attached.

Position Number	Position Description	Date Hired	Actual Annualized Salary
13	Executive Secretary Corporate Development	5/14/2003	\$42,538
75	Project Manager	1/27/2003	95,859
79	Manager Environmental Compliance	1/13/2003	81,040
80	Assistant Manager - Human Resources	1/30/2003	83,909
82	Senior Financial Analyst	5/1/2003	46,095
143	Business Process Director	5/9/2003	46,755
145	Assistant General Counsel	3/24/2003	118,837
146	Business Systems Analyst	5/22/2003	77,757
222	Engineering Aide	2/18/2003	34,958
223	Administrative Aide - Willow Grove	3/17/2003	29,222
234	Administrative Clerk - Cross Connection	1/13/2003	17,353
244	Data Analyst - Customer Service Representative	9/3/2002	28,073
390	Customer Service Representative - White Haven	8/19/2002	25,670
392	Administrative Aide - Hawley	8/19/2002	21,948
393	Operator/Laborer - White Haven	2/12/2003	30,234
394	Operator - Hawley	3/31/2003	31,640
409	Rate Analyst	10/13/2003	39,250
411	Customer Service Representative		31,756
412	Customer Service Representative		31,756
413	Human Resources Assistant		29,203
414	Assistant Accountant Accounts Payable		32,324
415	Engineering Aide		41,014
416	GIS Technician		41,014
417	Project Coordinator - White Haven		52,000
418	Seasonal Clerical - Eastern Operations		5,179
419	Seasonal Clerical - Shenango		5,148
420	Seasonal Clerical - Shenango		5,148
833	Cleaning & Lining Crew		194,195
834	Field Inspector Third Class		45,628
835	Instrument Technician - Shenango		51,731

Witness: William Jerdon
Date: February 4, 2004

PENNSYLVANIA SUBURBAN WATER COMPANY

OFFICE OF TRIAL STAFF

REVENUE & EXPENSE DATA REQUEST

DOCKET NO. R-00038805

OTS-RE-72.

Q. Provide a schedule culminating in the proper allocation of consolidated tax savings applicable to Pennsylvania and each other state.

A. The Company has calculated an allocation to PA of \$75,306. See attached work paper. This amount will be reflected in the revised accounting exhibit.

Pennsylvania Suburban Water Company
 OTS-RE-72
 Consolidated Tax Savings
 Loss Companies
 2000-2002

	2000	2001	2002
0		(108,351)	(576,850)
(7,996)		(6,838)	(6,929)
(11,576)		(396)	0
0		(293,656)	(332,871)
(19,572)	(409,241)		(916,650)

Non-Regulated Companies
 Philadelphia Suburban Corporation
 PSC Services
 CAT
 Consumers Water Company

Total Loss

Adjustments

Merger Costs	0	108,351	275,927
Discontinued Operations	11,576	396	
Net Income/(Loss)	(7,996)	(300,494)	(640,723)

Three Year Average

Federal Income Taxes @ 35%

	(316,404)	
	(110,742)	

Allocation Allocation Allocation

	Regulated	Non regulated
PA	68%	2%
Illinois	9%	
Ohio	11%	
New Jersey	1%	
Maine	2%	
NC	1%	
Florida	1%	
Indiana	1%	
Texas	2%	
Connecticut	1%	
NY	1%	
Total Allocated	(110,742)	(2,215)

Witness: Robert M. Griffin

Date: January 9, 2004

PENNSYLVANIA SUBURBAN WATER COMPANY

OFFICE OF TRIAL STAFF

REVENUE & EXPENSE DATA REQUEST

DOCKET NO. R-00038805

OTS-RE-73. Q. Reference: Exhibit 1-A, p. 83-2; Provide a calculation and an explanation supporting the 35.2 lag days for Management Fee expense.

A. The 35.2 day lag for Management Fee was based on a 15.2 day service lag (365/24) and a 20 day payment lag.

The attached Management Fee lag day calculation is based on the latest twelve months payments to vendors. The Company will update the Management Fee lag in its revised accounting exhibit.

Pennsylvania Suburban Water Company
2003 Rate Case
Response to Interrogatory OTS-RE-73

Management Fee Lag Days

Vendor	Bill Date	Invoice Date	Payment Date	Service Midpoint	Amount	Lag Days	Dollar Days
PSC	December 2002	1/13/03	1/24/03	12/15.5/02	441,173.02	39.5	17,426,334
PSC	January 2003	2/18/03	3/6/03	1/15.5/03	345,786.64	49.5	17,116,439
PSC	February 2003	3/19/03	4/2/03	2/14/03	184,592.39	47.0	8,675,842
PSC	March 2003	4/15/03	4/24/03	3/15.5/03	276,341.70	39.5	10,915,497
PSC	April 2003	5/22/03	5/30/03	4/15/03	243,924.20	45.0	10,976,589
PSC	May 2003	6/2/03	7/2/03	5/15.5/03	340,370.91	47.5	16,167,618
PSC	June 2003	7/18/03	7/30/03	6/15/03	377,877.60	45.0	17,004,492
PSC	July 2003	8/11/03	8/15/03	7/15.5/03	417,196.84	30.5	12,724,504
PSC	August 2003	9/15/03	9/18/03	8/15.5/03	282,523.89	33.5	9,464,550
PSC	September 2003	10/8/03	10/17/03	9/15/03	285,746.84	32.0	9,143,899
PSC	October 2003	10/31/03	11/11/03	10/15.5/03	282,603.56	26.5	7,488,994
PSC	November 2003	12/11/03	12/18/03	11/15/03	233,369.93	33.0	7,701,208
CWC	December 2002	1/13/03	1/24/03	12/15.5/02	24,322.07	39.5	960,722
CWC	January 2003	2/18/03	3/6/03	1/15.5/03	27,973.82	49.5	1,384,704
CWC	February 2003	3/19/03	4/2/03	2/14/03	38,606.16	47.0	1,814,490
CWC	March 2003	5/22/03	5/30/03	3/15.5/03	43,757.39	75.5	3,303,683
CWC	April 2003	5/28/03	5/30/03	4/15/03	36,035.91	45.0	1,621,616
CWC	May 2003	6/19/03	7/2/03	5/15.5/03	41,035.38	47.5	1,949,181
CWC	June 2003	7/18/03	7/24/03	6/15/03	34,591.27	39.0	1,349,060
CWC	July 2003	8/11/03	8/15/03	7/15.5/03	38,976.60	30.5	1,188,786
CWC	August 2003	9/15/03	9/18/03	8/15.5/03	27,187.72	33.5	910,789
CWC	September 2003	10/8/03	10/17/03	9/15/03	23,063.91	32.0	738,045
CWC	October 2003	11/5/03	11/11/03	10/15.5/03	3,287.24	26.5	87,112
CWC	November 2003	11/6/03	12/2/03	11/15/03	26,655.61	17.0	453,145
					4,077,000.60		160,567,298
						39.4	

Witness: Robert M. Griffin
Date: January 9, 2004

PENNSYLVANIA SUBURBAN WATER COMPANY

OFFICE OF TRIAL STAFF

REVENUE & EXPENSE DATA REQUEST

DOCKET NO. R-00038805

OTS-RE-78. Q. Reference: Exhibit 1-A, p. 83-2; Provide a calculation and an explanation supporting the 0.9 lag days for Vehicle Lease expense.

A. At the time of the rate filing, the Company had not completed the Vehicle Lease lag study. The 0.9 day lag is the same as the Vehicle Lease lag in PSW's 2001 rate filing at Docket No. R-00016750. Subsequent to the rate filing, the Company completed the Vehicle Lease lag study, attached. The revised Vehicle Lease lag will be utilized in the Company's revised accounting exhibit.

Pennsylvania Suburban Water Company

LEAD - LAG STUDY 2003 RATE CASE

VEHICLE LEASE EXPENSE

#010101/070644/101003

BILL DATES	Service		AMOUNT	LAG DAYS	DOLLAR DAYS
	Midpoint	DATE PAID			
JULY (GE)	7/15.5	7/11/02	62,067	4.5	279,302
JULY (DEERE)	7/15.5	7/31/02	3,425	15.5	53,088
AUGUST (GE)	8/15.5	8/08/02	58,819	-7.5	-441,143
AUGUST (DEERE)	8/15.5	8/22/02	3,425	6.5	22,263
SEPTEMBER (GE)	9/15	09/13/02	54,561	-2.0	-109,122
SEPTEMBER (DEERE)	9/15	9/24/02	3,425	9.0	30,825
OCTOBER (GE)	10/15.5	10/04/02	57,148	-11.5	-657,202
OCTOBER (DEERE)	10/15.5	10/18/02	3,425	2.5	8,563
NOVEMBER (GE)	11/15	11/11/02	64,581	-4.0	-258,324
NOVEMBER (DEERE)	11/15	11/14/02	3,425	-1.0	-3,425
DECEMBER (GE)	12/15.5	12/02/02	61,371	-13.5	-828,509
DECEMBER (DEERE)	12/15.5	11/22/02	3,425	-23.5	-80,488
JANUARY (GE)	01/15.5	1/13/03	68,185	-2.5	-170,463
FEBRUARY (GE)	02/14	2/14/03	63,104	0.0	0
JAN & FEB (DEERE)	1/29.5	2/21/03	6,850	22.5	154,125
MARCH (GE)	03/15.5	3/06/03	62,299	-9.5	-591,841
MARCH (DEERE)	03/15.5	3/20/03	3,425	4.5	15,413
APRIL (GE)	04/15	4/11/03	62,387	-4	-249,548
APRIL (DEERE)	04/15	4/24/03	2,370	9	21,330
MAY (GE)	05/15.5	5/08/03	64,305	-7.5	-482,288
MAY (DEERE)	05/15.5	5/30/03	2,284	14.5	33,118
JUNE (GE)	06/15	5/30/03	75,661	-16.0	-1,210,576
JUNE (DEERE)	06/15	7/02/03	2,284	17.0	38,828
			792,251		-4,426,074

Vehicle Lease Lag / (Lead)

-5.6

Witness: Robert M. Griffin
Date: January 29, 2004

PENNSYLVANIA SUBURBAN WATER COMPANY

OFFICE OF TRIAL STAFF

REVENUE & EXPENSE DATA REQUEST

DOCKET NO. R-00038805

- OTS-RE-80. Q. Reference: Exhibit 1-A, p. 83-2; Provide a calculation and an explanation supporting the 75.5 lag days for Pension expense.
- A. At the time of the rate filing, the Company had not completed the Pension lag day calculation. The 75.5 day Pension lag is the same as the Pension lag in PSW's 2001 rate filing at Docket No. R-00016750. Subsequent to the rate filing, the Company completed the Pension lag, based on the 2004 funding requirement. The revised Pension lag that will be utilized in the Company's revised accounting exhibit is attached. By law, the latest date for contributions for the 2004 Pension expense is September 15, 2005 and the Company's pension lag calculation assumes that a portion of the anticipated Pension contribution will be made at that time.

PENNSYLVANIA SUBURBAN WATER COMPANY

LEAD - LAG STUDY
2003 RATE CASE

0

PENSION

2004 anticipated contribution

Payment Schedule	Service Mid-Point		Lag Days	Dollar Days
April 15, 2004	July 1, 2004	700,000	-77.0	-53,900,000
July 15, 2004	July 1, 2004	700,000	14.0	9,800,000
October 15, 2004	July 1, 2004	700,000	106.0	74,200,000
January 15, 2005	July 1, 2004	700,000	198.0	138,600,000
September 15, 2005	July 1, 2004	3,764,656	441.0	1,660,213,296
		<u>6,564,656</u>		<u>1828913296.0</u>
			<u>278.6</u>	

Witness: Robert M. Griffin
Date: February 4, 2004

PENNSYLVANIA SUBURBAN WATER COMPANY

OFFICE OF TRIAL STAFF

REVENUE & EXPENSE DATA REQUEST

DOCKET NO. R-00038805

OTS-RE-91. Q. Reference: Exhibit 1-A, p. 61; Provide support for the General Assessment rate of .004848927784.

A. The General Assessment factor used in the rate filing was derived from a preliminary assessment. The final General Assessment, attached, for the year July 1, 2003 to June 30, 2004 is 0.004954026534 for all water utilities. The Company will utilize the final General Assessment factor in its revised accounting exhibit.

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Run Date:8/4/2003

SCHEDULE A

Allocation of the Several Public Utility Groups of the Total Assessment of
Estimated Commission Expenditures for Fiscal Year July 1, 2003 to June 30, 2004
Total Assessment of \$43,158,701.58

Group	Total Commission Expenditures of Each Group for Calendar Year 2002	Percentage Distribution	Total Assessment of \$43,158,701.58 for Fiscal Year July 1, 2003 to June 30, 2004 Allocated to Each Group. (Total X Percent)
Electric	\$13,351,543.13	32.558370	\$14,051,769.74
Gas	\$7,218,022.16	17.601489	\$7,596,574.00
Telephone & Telegraph	\$9,540,474.57	23.264899	\$10,040,828.28
Transportation	\$7,563,605.99	18.444211	\$7,960,282.10
Pipeline	\$49,261.04	0.120125	\$51,844.55
Water & Sewage	\$3,059,299.73	7.460247	\$3,219,745.83
Steam Heat	\$225,814.17	0.550659	\$237,657.08
Totals	\$41,008,020.79	100.000000	\$43,158,701.58

SCHEDULE B

Group	Estimated Commission Expenditures for Fiscal Year July 1, 2003 to June 30, 2004 Assessable on Each Group (A)	Gross Intrastate Operating Revenues of Each Group for Calendar Year 2002 (B)	General Assessment Factor for Each Group (Column (A) Divided by Column (B)) (C)
Electric	\$14,051,769.74	\$10,812,757,978.00	0.001299554634
Gas	\$7,596,574.00	\$3,153,970,428.00	0.002408574896
Telephone & Telegraph	\$10,040,828.28	\$4,435,465,602.00	0.002263759700
Transportation	\$7,960,282.10	\$1,968,556,856.00	0.004043714599
Pipeline	\$51,844.55	\$44,759,242.00	0.001158298289
Water & Sewage ✓	\$3,219,745.83	\$649,925,028.00	0.004954026534 ✓
Steam Heat	\$237,657.08	\$75,639,483.00	0.003141971205
Totals	\$43,158,701.58	\$21,141,074,617.00	

Witness: David P. Smeltzer
Date: February 19, 2004

PENNSYLVANIA SUBURBAN WATER COMPANY

OFFICE OF TRIAL STAFF

REVENUE & EXPENSE DATA REQUEST

DOCKET NO. R-00038805

OTS-RE-100. Q. Refer to PSW Exhibit 1-A, page 43. Please provide the dates and amounts of all cash contributions to the pension fund since January 1, 2003.

A. \$1,300,000 by April 15, 2004
\$1,300,000 by July 15, 2004
\$1,470,879 by September 15, 2004
\$1,300,000 by October 15, 2004
\$1,300,000 by January 15, 2005
\$1,200,000 by September 15, 2005

PENNSYLVANIA SUBURBAN WATER COMPANY

OFFICE OF TRIAL STAFF

REVENUE & EXPENSE DATA REQUEST

DOCKET NO. R-00038805

- OTS-RS-32. Q. In reference to column 6 shown on page 3 of PSWC Exhibit 5-A, Part II:
- a. Should the revenue from resale and industrial rider customers be excluded from the 5% factor, since these customers do not pay the 5% DSIC?
 - b. Should the revenue from the DLWB, White Haven, Maple Crest, Jefferson Hills, and Sunrise Estates Divisions be excluded from the 5% factor, since these customers do not pay the 5% DSIC, as shown on PSWC-50, pages 145-149?
 - c. Should the revenue from Availability and Private Fire customers be increased to reflect the 5% DSIC that these customers are supposed to pay?
 - d. If the answer to any of the above questions is "yes", provide a revised calculation of the 5% DSIC revenue shown on page 3 of PSWC Exhibit 5-A, Part II, and an explanation of the changes made.
- A. a. Yes.
- b. Instead of charging customers from newly acquired water companies the DSIC right away, the Company waits until the infrastructure improvement capital program in those areas is begun before charging DSIC to those customers. DLWB was acquired on November 26, 2002. DLWB customers will be charged DSIC in 2004 for the first time. White Haven was acquired on March 12, 2002. White Haven customers paid for DSIC in their billing in 2003 for the first time.
-

Maple Crest was acquired on August 8, 2003. Maple Crest customers will pay for DSIC in their billing for the first time in 2005. Jefferson was acquired on July 30, 2003. Jefferson customers will pay for DSIC in their billing for the first time in 2005. Sunrise Estates was acquired on August 28, 2003. Sunrise Estates customers will pay for DSIC in their billing for the first time in 2005.

- c. DSIC is not billed to Availability customers since they do not benefit from infrastructure improvements. DSIC is billed to private fire customers.
- d. See attached schedule.

PENNSYLVANIA SUBURBAN WATER COMPANY
 CONSOLIDATED DIVISIONS
 SUMMARY OF REVENUES UNDER PRESENT RATES FOR THE TWELVE MONTHS ENDED JUNE 30, 2004

Classification (1)	Base Rate Revenues Excluding Unbilled (2)	Consumption Analysis Revenues * (3)	Adjustment Factor (4)	Application of Present Rates to Consumption Analysis Schedule 2 (5)	Revenues Under Present Rates Including 5% DSIC** (6)=(4)x(5)x105%	Pro Forma Adjustments		Pro Forma Revenues Under Present Rates (9)=(6)+(7)+(8)
						Historic Test Year (7)	Future Test Year (8)	
Metered Sales: Residential	\$148,175,711	\$150,310,492	0.98579753	\$155,941,710	\$161,413,299	(\$354,195)	\$1,145,707	\$162,204,811
Commercial	48,835,422	49,631,699	0.98395628	51,454,103	53,160,017	(546,456)	(381,960)	52,231,601
Industrial	12,671,472	12,669,114	1.00018612	12,984,226	13,517,075	(480,753)	(301,333)	12,734,989
Public	3,474,971	3,474,590	1.00010965	3,599,077	3,779,445	78,635	365,714	4,223,794
Other Water Utilities	2,014,277	2,013,245	1.00051261	2,156,737	2,222,006	(226,108)	0	1,995,898
Private Fire Protection	6,288,823	6,291,986	0.99949730	6,338,679	6,652,267	0	171,727	6,823,994
Total Metered Sales	221,460,676	224,391,126		232,474,532	240,744,109	(1,528,877)	999,855	240,215,087
Unmetered Sales: Availability Charges	329,783	329,783	1.00000000	332,350	332,350	0	0	332,350
Private Fire Hydrants	810,873	810,873	1.00000000	810,873	851,417	47,703	27,233	926,353
Public Fire Hydrants	4,739,424	4,739,424	1.00000000	4,739,424	4,739,424	38,431	79,124	4,856,979
Total	\$227,340,756	\$230,271,206		\$238,357,179	\$246,667,300	(\$1,442,743)	\$1,106,212	\$246,330,769

* Application of rates in effect during the test year to consumption analysis. See Schedule 36.
 ** Reflects 5% DSIC surcharge applied to present rate revenue, excluding contract customers.

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