

**DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA**

IN THE MATTER OF the Joint Application)
of Liberty Utilities Co., Liberty WWH, Inc.,) REGULATORY DIVISION
Western Water Holdings, LLC, and Mountain)
Water Company for Approval of a Sale and) DOCKET NO. D2014.12.99
Transfer of Stock)

Rebuttal Testimony

of

Leigh K. Jordan

on behalf of

Mountain Water Company

and

Western Water Holdings

December 10, 2015

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	PURPOSE OF TESTIMONY.....	3
III.	RESPONSE TO DR. WILSON.....	4
IV.	RESPONSE TO MR. HAYWARD.....	22
V.	RESPONSE TO MR. CLOSE.....	31
VI.	CONCLUSION.....	36

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Leigh K. Jordan. My business address is Park Water Company, 9750
4 Washburn Road, Downey, California.

5 **Q. WHAT IS YOUR POSITION WITH MOUNTAIN WATER COMPANY?**

6 A. I am the Executive Vice President of Mountain Water Company (“Mountain Water”). I
7 am also the Executive Vice President of Park Water Company (“Park Water”), the parent
8 company of Mountain Water.

9 **Q. WHAT ARE YOUR QUALIFICATIONS, IN TERMS OF EDUCATION AND**
10 **EXPERIENCE, FOR APPEARING AS A WITNESS IN THIS PROCEEDING?**

11 A. I have a B.A. in Geology and an M.S. in Engineering Science from the University of
12 California at Berkeley. I am a licensed Civil Engineer in the State of California. I have
13 attended the NARUC Utility Rate Seminar, co-sponsored by the University of Utah, the
14 NARUC Regulatory Studies Program, co-sponsored by Michigan State University, and the
15 AWWA Water Utility Management Institute, offered through the University of Utah
16 Division of Continuing Education. In 2002 I was granted a Grade 2 Water Distribution
17 Operator Certificate from the State of California Department of Health Services.

18 I am a Director of the California Water Association, a member of its Regulatory
19 Committee as well as a past member of its Accounting Committee, and currently serve on
20 the Executive Committee and as the General Secretary and Treasurer; and for seventeen
21 years, I served as a member of the Rates and Revenues Committee of the National
22 Association of Water Companies.

1 From 1982 to 1986, I was employed by the California Public Utilities Commission
2 (“CPUC”) as a Utilities Engineer during which time I prepared exhibits, testified before
3 the Commission, and served as a technical advisor providing support to Administrative
4 Law Judges and Commissioner's Aides in the preparation of decisions. I began working
5 for Park Water in 1986, assumed the position of Vice President - Revenue Requirements in
6 1987, Senior Vice President in 1993, and assumed my present position in 1999, although
7 in 2001 my title at Park Water was changed from Chief Operating Officer to Executive
8 Vice President. As Senior Vice President for Park Water, I have been generally
9 responsible for the regulatory affairs of Park Water and its regulated subsidiaries as well as
10 providing support and general supervision in the areas of Engineering, Risk Management,
11 and Customer Relations. As Executive Vice President my responsibilities are more global,
12 and while the day to day responsibility for regulatory affairs now falls to the Director of
13 Revenue Requirements, I still retain an overall responsibility.

14 I have served as the Project Manager for Mountain Water’s last ten general rate
15 increase applications before the Montana Public Service Commission for Mountain
16 Water’s Missoula operation, Docket Nos. 89.6.23, 92.4.19, 96.4.61, 98.5.104, 2000.7.112,
17 2002.5.60, 2005.4.49, 2008.9.119, 2010.4.41, and 2012.7.8, as well as the last three
18 general rate increase applications for Mountain Water’s Superior Division, Docket Nos.
19 92.6.30, 94.10.46, and 96.6.97. I have testified before the Montana Public Service
20 Commission in connection with Docket Nos. 92.4.19, 94.7.26, 94.10.46, 96.4.61, 96.6.97,
21 98.5.104, 2000.7.112, 2002.5.60, 2005.4.49, 2008.9.119, 2010.4.41, and 2012.7.81 and
22 before the CPUC on numerous occasions in connection with general rate increase

1 applications and cost of capital applications, as well as investigatory and rulemaking
2 proceedings, on behalf of Park Water and its California subsidiaries. In the above
3 proceedings, I have sponsored testimony on all aspects of the revenue requirement and
4 cost of capital, where applicable, as well as water company risk, regulatory mechanisms,
5 and regulatory principles.

6 **II. PURPOSE OF TESTIMONY**

7 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

8 A. I will respond to the direct testimony of Dr. John W. Wilson submitted on behalf of the
9 Montana Consumer Council (“MCC”), and will specifically address Section III of his
10 testimony regarding acquisition financing. I will also respond to the various statements
11 included in the direct testimonies of the City of Missoula’s (“City’s) witnesses David L.
12 Hayward and Craig Close.

13 **Q. ARE YOU SPONSORING ANY EXHIBITS IN CONNECTION WITH YOUR**
14 **REBUTTAL TESTIMONY?**

15 A. Yes. I am sponsoring Exhibit LJ-1. This exhibit is an excerpt from the tariffs of York
16 Water Company and shows its current rates. I discuss this issue in my rebuttal to Mr.
17 Hayward.

18 **Q. PLEASE PROVIDE AN OVERVIEW OF YOUR REBUTTAL TESTIMONY.**

19 A. In response to Dr. Wilson, I will explain the transaction before the Commission and
20 show why there are no “cost savings” as a result of the sale of Western Water to Liberty.
21 In making this point, I will compare Dr. Wilson’s arguments in this proceeding to the
22 arguments he raised in Mountain Water’s last rate case, which were appropriately

1 rejected by the Commission. I will also explain how Dr. Wilson’s recommendations are
2 inconsistent with Commission and U.S. Supreme Court precedent, are inconsistent with
3 fundamental principles and standard methodologies of cost of service ratemaking, and
4 are even inconsistent with Dr. Wilson’s own prior recommendations.

5 In response to Mr. Hayward, I will explain how there is no “public ownership”
6 option before the Commission. I will then correct Mr. Hayward’s misunderstandings
7 regarding the Commission’s approval of Carlyle’s acquisition of Park Water and the
8 benefits expected from that transaction. Then I will address Mr. Hayward’s attack on the
9 Commission’s regulatory oversight of Mountain Water as a privately-owned utility,
10 specifically responding to Mr. Hayward’s allegations regarding the effectiveness of ring-
11 fencing conditions. I will also address Mr. Hayward’s recommendation for Mountain
12 Water to become a stand-alone water utility like the York Water Company.

13 In response to Mr. Close, I will address his misunderstanding regarding the effect
14 of depreciation on utility rates and his confusion regarding developer contributed assets.
15 As part of this response, I will show how Mr. Close’s testimony demonstrates a lack of
16 understanding of regulatory mechanisms and the underlying regulatory principles that
17 govern Mountain Water’s operations.

18 **III. RESPONSE TO DR. WILSON**

19 **Q. PLEASE SUMMARIZE YOUR RESPONSE TO DR. WILSON’S TESTIMONY.**

20 A. I will address Dr. Wilson’s testimony with respect to the subject that he refers to as
21 “Acquisition Financing.” Dr. Wilson contends that a debt issuance by Algonquin, Liberty
22 Utilities Co.’s (“Liberty”) parent company, will result in cost savings for Algonquin that

1 will have an impact on Mountain Water’s ratepayers, and that cost of service ratemaking
2 requires that there be a “pass-through” of these claimed cost savings to ratepayers. I will
3 show how Dr. Wilson’s recommendations are inconsistent with prior findings of this
4 Commission, inconsistent with U.S. Supreme Court decisions, inconsistent with
5 fundamental principles and standard methodologies of cost of service ratemaking,
6 inconsistent with historical test year ratemaking as practiced by this Commission, and
7 even inconsistent with Dr. Wilson’s own prior recommendations. Further, I will show
8 that Dr. Wilson’s claim and calculation of a cost savings for Algonquin resulting from
9 what Dr. Wilson terms “financial features of this transaction” are simply incorrect; there
10 are no cost savings to Mountain Water, or even to Algonquin, associated with the
11 financial aspects of the transaction.

12 **Q. PLEASE DESCRIBE HOW YOU WILL REFER TO THE VARIOUS ENTITIES**
13 **INVOLVED IN THIS PROCEEDING IN YOUR TESTIMONY?**

14 A. Dr. Wilson uses the term “Carlyle” to mean the named entities in the application,
15 Mountain Water and Western Water Holdings (“Western Water”), and to also include
16 Park Water and “the Carlyle Group.”¹ He refers to the named applicant Liberty Utilities
17 Co. as Liberty/Algonquin, and also “the Company,” “Algonquin,” or “APUC,” which
18 terms seem to also include Liberty WWH, Inc. While this choice of nomenclature
19 facilitates Dr. Wilson’s positions in his testimony, it is imprecise and does not support an
20 accurate analysis of what is actually occurring in the proposed transaction.

¹ Direct Testimony of John Wilson, page 5, footnote 1.

1 “The Carlyle Group” does not own the stock of either Park Water or Mountain
2 Water. The stock of Mountain Water is owned by Park Water. The stock of Park Water
3 is held by Western Water, a wholly-owned subsidiary of Carlyle Infrastructure Partners
4 Western Water LP, which is wholly-owned by a group of investment fund vehicles
5 associated with Carlyle Infrastructure Partners L.P. (“CIP”). The entity which intervened
6 in D2011.1.8, and on whose behalf Mr. Dove provided testimony, was CIP. I will refer
7 to Mountain Water as “Mountain Water,” Park Water as “Park Water,” Western Water as
8 “Western Water,” and the entities upstream to CIP as “Carlyle,” but I do not mean that to
9 be interpreted as meaning “The Carlyle Group.” I will refer to Liberty as “Liberty” and,
10 since Dr. Wilson’s arguments involve APUC, I will refer to APUC as “APUC,” to the
11 best extent that I can determine which entity Dr. Wilson is actually referring to.

12 **Q. WHAT IS DR. WILSON’S CONCLUSION AND RECOMMENDATION BASED**
13 **ON HIS ANALYSIS OF THE “FINANCIAL FEATURES OF THE PROPOSED**
14 **ACQUISITION,” THE TRANSACTION PROPOSED FOR APPROVAL IN THIS**
15 **APPLICATION?**

16 A. Dr. Wilson concludes that the transaction for which approval is sought in this application,
17 the acquisition of the stock of Western Water (Park Water’s parent) by Liberty, will result
18 in a substantial change to the cost of capital for Mountain Water which should be reflected
19 in a change in Mountain Water’s rates.²

20 **Q. DID DR. WILSON MAKE A SIMILAR PROPOSAL IN CONNECTION WITH**
21 **THE ACQUISITION OF PARK WATER BY CIP WHICH RESULTED IN PARK**
22 **WATER BEING DIRECTLY OWNED BY WESTERN WATER?**

² Direct Testimony of John Wilson, page 17-18.

1 A. Yes. Dr. Wilson’s arguments in the two cases are not identical but they are similar in
2 that both involve an assumed reduction in Mountain Water’s cost of capital as a result of
3 an indirect upstream affiliate. In relation to the acquisition of Park Water by CIP, Dr.
4 Wilson argued that that transaction should result in a substantial reduction to Mountain
5 Water’s cost of capital due to his contention that the existence of The Carlyle Group as a
6 multi-billion dollar yet many times removed upstream affiliate of Mountain Water
7 should “be viewed as improving the Company’s access to capital at more favorable
8 rates” and should “substantially reduce Mountain Water’s authorized return on equity
9 (ROE).”

10 One difference is that Dr. Wilson did not propose that rates be adjusted in the last
11 transfer proceeding,³ but made his recommendation in Mountain Water’s subsequent
12 general rate case application.⁴

13 **Q. DID THE COMMISSION AGREE WITH DR. WILSON’S ARGUMENT IN THE**
14 **LAST RATE CASE?**

15 A. No. The Commission found that MCC’s argument that the acquisition of Park Water by
16 Carlyle in some way makes Park Water, and correspondingly Mountain Water, less risky
17 was not persuasive.⁵

18 **Q. THE MCC FILED AN APPEAL FOR JUDICIAL REVIEW ON THE**
19 **COMMISSION’S DECISION IN THE RATE CASE. WHAT WAS THE**
20 **OUTCOME OF THAT APPEAL?**

³ Docket No. D2011.1.8

⁴ Docket No. D2012.7.81

⁵ Order 7251c, page 8.

1 A. The Montana Fourth Judicial District Court upheld the Commission’s decision,
2 concluding there “was substantial and credible evidence supporting the PSC’s
3 determination that Dr. Wilson’s theories about the cost of equity capital for Mountain
4 were not persuasive.”⁶

5 **Q. WHAT IS THE ARGUMENT DR. WILSON MAKES FOR A LOWER COST OF**
6 **CAPITAL FOR MOUNTAIN WATER IN CONNECTION WITH THE**
7 **CURRENT PROPOSED TRANSACTION?**

8 A. Dr. Wilson contends that Mountain Water’s cost of capital should be lower as a result of
9 a debt issuance by APUC, the several times removed upstream affiliate of Liberty, the
10 proceeds of which APUC stated would be used to partially fund the acquisition of the
11 Park Water system and for general corporate purposes.⁷ Dr. Wilson claims that “[t]he
12 central and most important financial feature of the proposed acquisition is Algonquin
13 Power and Utilities’ (“APUC”) plan to finance the proposed purchase of most of
14 Carlyle’s ownership of Park Water’s common equity capital with low cost debt capital,
15 and to retain the finance cost savings for its own financial benefit.”⁸ Dr. Wilson argues
16 that “replacement of a large portion of Carlyle’s higher cost equity capital with much
17 lower cost debt capital” will create cost of capital savings that should be passed along to
18 ratepayers.⁹ Dr. Wilson’s testimony is not clear as to exactly how his recommendations
19 will be accomplished and contains no specific recommendations for the methodology or
20 mechanism to do so, or even any specific calculations of the resultant change to the cost

⁶ Conclusion of Law No. 4, page 16.

⁷ Exhibit JW-1, page 1 of 1.

⁸ Direct Testimony of John Wilson, page 6, lines 6-10.

⁹ Direct Testimony of John Wilson, page 14-16.

1 of service or rates of Mountain Water that would result. However, based on his
2 statements regarding actual and hypothetical capital structure,¹⁰ Dr. Wilson appears to be
3 advocating the use of a ratemaking capital structure for Mountain Water that would
4 replace the equity with APUC's debt issuance. Also, Dr. Wilson appears to argue that a
5 rate adjustment is required immediately upon acquisition to avoid having rates in place at
6 acquisition that are unjust and unreasonable.¹¹

7 **Q. WHAT CAPITAL STRUCTURE HAS BEEN HISTORICALLY USED FOR**
8 **RATEMAKING PURPOSES FOR MOUNTAIN WATER?**

9 A. The Park-and-subsiaries consolidated capital structure, including the actual cost of debt
10 issued by Park Water to reimburse its treasury for capital expenditures made by Mountain
11 Water and its California subsidiaries, has historically been used for ratemaking purposes
12 for Mountain Water. This methodology was proposed by the Company in Docket 94.7.26,
13 and was incorporated in the Cost of Capital stipulation between the Company and the
14 MCC which was accepted by the Commission in that docket and in all subsequent dockets
15 for Mountain Water. This methodology is also accepted and used by the CPUC for
16 applications for Park Water and its California subsidiaries.

17 **Q. DR. WILSON REFERS TO THE ISSUANCE OF DEBT BY APUC AS A**
18 **“REPLACEMENT” OF A PORTION OF CARLYLE’S EQUITY CAPITAL**
19 **WITH DEBT CAPITAL¹² AND STATES THAT CARLYLE WOULD NOT BE**
20 **ABLE TO “REFINANCE” \$160 MILLION OF ITS EQUITY ON ITS OWN.¹³ IS**
21 **CARLYLE REFINANCING ITS EQUITY WITH DEBT?**

¹⁰ Direct Testimony of John Wilson, page 18.

¹¹ Direct Testimony of John Wilson, page 18, lines 3-7.

¹² Direct Testimony of John Wilson, page 14.

¹³ Direct Testimony of John Wilson, page 15-16.

1 A. No. Carlyle is not refinancing anything. Carlyle is selling the equity of Western Water
2 to Liberty.

3 **Q. DOES THE DEBT ISSUANCE BY APUC THAT DR. WILSON POINTS TO**
4 **RESULT IN ANY CHANGE TO THE PARK-AND-SUBSIDIARIES CAPITAL**
5 **STRUCTURE OR TO THE COST OF PARK WATER'S DEBT?**

6 A. No.

7 **Q. WHEN PARK WATER WAS ACQUIRED BY CIP, RESULTING IN NEW**
8 **UPSTREAM AFFILIATES OF PARK WATER WHICH WERE 100% EQUITY,**
9 **DID DR. WILSON RECOMMEND THAT THE CAPITAL STRUCTURE OF**
10 **THOSE UPSTREAM AFFILIATES BE USED FOR MOUNTAIN WATER FOR**
11 **RATEMAKING PURPOSES?**

12 A. No.

13 **Q. PLEASE EXPLAIN HOW DR. WILSON'S POSITION IN THIS DOCKET**
14 **VIOLATES THE SAME FUNDAMENTAL COST OF CAPITAL PRINCIPLES**
15 **AS DID HIS ARGUMENTS IN DOCKET NO. D2012.7.81, WHICH THE**
16 **COMMISSION DID NOT FIND PERSUASIVE?**

17 A. In that proceeding, Dr. Wilson argued that Park Water's, and Mountain Water's, equity
18 was at less risk and should receive a lower return simply because Carlyle was the
19 upstream owner of Park Water's stock. Mountain Water pointed out in its testimony that
20 the cost of equity is an opportunity cost that is available in the market and thus the
21 identity of the owner of the stock is irrelevant. Mountain Water cited well-known
22 findings of the U.S. Supreme Court (Bluefield Waterworks, Hope Natural Gas, and
23 Duquesne Light Co. v. Barasch) which establish the fundamental principle that the
24 appropriate return to the equity owner should be based on the return that is commensurate
25 with return of investments in other enterprises having corresponding risks and that
26 individual company risks, such as risks associated with particular rate-setting systems,

1 should also be taken into account. In other words, it is the risk of holding the equity in
2 that particular company which determines the risk and the appropriate return, not the
3 identity of the individuals or entities holding the equity.

4 Just as the identity of the stockholder is irrelevant because it does not change the
5 risk of the investment in that stock, the ultimate source of the money used to purchase the
6 stock is also irrelevant because it does not change the risk of investing in that stock. Dr.
7 Wilson is essentially arguing that if you borrow money to invest in stock, or more
8 accurately in this case, if your parent borrows money and provides it to your children to
9 buy stock, then somehow the shares of stock your children buy are converted to debt and,
10 even though they face the same risk as other equity holders, they should only be entitled
11 to earn a return on their stock equal to the interest their grandparent is paying on the loan.

12 In fact, a significant portion of all equities are ultimately funded by debt; millions
13 of people chose to purchase stock through 401(k) plans while choosing also to maintain,
14 or even take a second, mortgage on their homes, effectively using borrowed money to
15 invest in stocks. However, once they have purchased the stock, they bear the risk, and
16 should receive the corresponding return, regardless of the original source of the funds
17 used to purchase the stock.

18 **Q. IS DR. WILSON ACTUALLY RECOMMENDING A CHANGE TO MOUNTAIN**
19 **WATER'S RATEMAKING CAPITAL STRUCTURE OR THE COST**
20 **COMPONENTS THEREOF?**

21 A. No. In response to data requests from the Commission requesting clarification of Dr.
22 Wilson's recommendations, it appears that Dr. Wilson is not recommending any such
23 changes.

1 Data Request PSC-041(b) asked:

2 The PSC, in the same Order referenced in part (a), approved the Park Water
3 debt/equity capital structure for Mountain Water of 43.88% debt and
4 56.12% equity (the capital structure was not contested). If the acquisition
5 cost savings were flowed through to ratepayers, what would be the resulting
6 Park Water capital structure?

7 Dr. Wilson's response:

8 Conditioning any approval of the proposed acquisition by requiring that rate
9 payers be credited with acquisition cost savings would not, itself, change the
10 ratemaking capital structure. It would simply recognize the acquisition-
11 enabled cost of service reduction with a monthly bill credit and prevent the
12 acquisition from undermining cost-of-service ratemaking.

13 When asked in PSC-042(b) "[d]o you have an opinion on what the capital
14 structure of Mountain Water would be or should be, were the transaction approved?" Dr.
15 Wilson's responded "[n]o such change would be required. Please see response to PSC-
16 041 (b) and to part (e) of this question." His responses to requests for specific
17 recommendations on ratemaking rate of return and cost of debt are the same. Dr.
18 Wilson's response to part (e) of PSC-042, which asked his opinion on the appropriate
19 regulatory cost of debt for Mountain Water if the transaction goes through, was "[p]lease
20 see response to PSC-041 (b). I am simply recommending that ratepayers be credited with
21 acquisition cost savings as a condition for transaction approval. I am not recommending
22 an unnecessary new general rate case."

23 **Q. IS DR. WILSON ABANDONING FUNDAMENTAL COST OF SERVICE**
24 **RATEMAKING PRINCIPLES IN MAKING THIS RECOMMENDATION?**

25 A. Yes. Dr. Wilson claims:

26 "Mountain Water's current rates have been found to be just and reasonable.
27 Those rates are premised on a cost of service determination, including the

1 current cost of capital to finance the utility. When and if those costs undergo
2 substantial change, it is appropriate to change the rates so as to maintain their
3 justness and reasonableness. Without a pass-through of acquisition-related
4 cost savings to ratepayers, this acquisition, if implemented by means of
5 financing that replaces a substantial part of the equity component of the prior
6 owner's capital structure with lower cost debt, would result in rates in place at
7 acquisition that are unjust and unreasonable as a result of the acquisition.”¹⁴

8 Dr. Wilson claims the proposed transaction results in a substantial change to
9 Mountain's cost of capital and, absent his proposed “pass-through of acquisition-related
10 cost savings” adjustment, rates in place for Mountain Water would be unjust and
11 unreasonable at acquisition.

12 Dr. Wilson, in addition to violating the fundamental principles mentioned above,
13 is claiming that Mountain Water's cost of capital is undergoing a substantial change,
14 while abandoning the standard methodology for determining a regulated utility's cost of
15 capital in cost of service ratemaking. The standard method for determining the cost of
16 capital in a cost of service calculation is to determine the reasonable capital structure, the
17 reasonable costs of equity and debt, calculate the weighted percentage return on rate base,
18 determine the reasonable rate base, and then apply the return on rate base to the rate base
19 to determine the after-tax cost of capital. This is the standard methodology historically
20 employed by this Commission, the CPUC, and every other commission that I am aware
21 of that uses cost of service ratemaking. Dr. Wilson does not employ this methodology
22 for his recommendation. Based on his response to the Commission's data requests, Dr.
23 Wilson is taking the position that we should abandon the standard methodology for

¹⁴ Direct Testimony of John Wilson, page 17, line 17 through page 18, line 7 (emphasis added).

1 determining Mountain Water's cost of capital, which is historically done as part of the
2 overall cost of service determination in a general rate case, and substitute an ad hoc
3 adjustment to the bills of Mountain Water's customers based on Dr. Wilson's calculation
4 of a cost savings that he claims will be achieved by APUC. Dr. Wilson's
5 recommendation is not appropriate, especially since, as explained below, his calculation
6 of cost savings and his contention that the "cost savings" will be paid for by ratepayers
7 are incorrect.

8 The appropriate methodology for determining whether Mountain Water's rates
9 are still just and reasonable after this proposed transaction and determining any changes
10 to Mountain Water's cost of capital and cost of service would be in a general rate case
11 after the transaction has occurred in which the cost of service and the cost of capital are
12 determined by the standard methodologies employed by this Commission.

13 **Q. IS DR. WILSON'S RECOMMENDATION INCONSISTENT WITH THE**
14 **HISTORIC TEST YEAR RATEMAKING PRINCIPLES UTILIZED BY THIS**
15 **COMMISSION?**

16 A. Yes. This Commission has elected to use historical test year ratemaking. It is always the
17 case that changes in costs occur between rate cases. In some cases those changes are
18 known even when the application for general rate increase is filed, but the Commission's
19 rules do not allow for incorporation of those changes into rates at that time.

20 For example, the Commission's rules allow for known and measurable changes to
21 expenses that will occur in the 12-month change period after the end of the test year to be
22 incorporated into the historical test year cost of service calculation and allow for
23 incorporation of post-test year plant additions into the rate base. However, the cost of

1 capital is measured based on the reasonable capital structure, cost of debt, and return on
2 equity at the end of the test year. Changes to the capital structure or costs of debt which
3 occur after the end of the historic test year, even if they are known and measurable and
4 based on changes that have in fact already occurred, are not incorporated into the
5 Commission's determination of the company's cost of service until the overall cost of
6 service is next reviewed and determined in the next general rate case. Dr. Wilson's
7 proposal to have the Commission proactively adopt a rate adjustment based on his
8 perception of a change to Mountain Water's cost of capital, or just his perception that
9 APUC has some savings that he wants to give to Mountain Water's ratepayers, is
10 inconsistent with the Commission's historical test year ratemaking procedures.

11 **Q. IS DR. WILSON'S RECOMMENDATION FOR AN IMMEDIATE**
12 **PROSPECTIVE RATE ADJUSTMENT CONSISTENT WITH HIS**
13 **RECOMMENDATIONS WHEN CARLYLE ACQUIRED THE STOCK OF PARK**
14 **WATER?**

15 A. No. In that case, as explained above (and also in response to Mr. Hayward below) Dr.
16 Wilson contended that the acquisition of Park Water's stock by Carlyle should result in a
17 reduction in Mountain Water's cost of capital. In Mountain Water's subsequent Test
18 Year 2011 general rate case, Dr. Wilson also contended (in connection with his argument
19 that Carlyle ownership reduced Mountain Water's risk and ROE) that Carlyle stated in
20 the transfer proceeding that its acquisition of Park Water's stock would result in the
21 ability to acquire capital at lower rates. However, Dr. Wilson did not argue that his
22 perception of a resultant reduction in Mountain Water's risk and ROE should be applied
23 as an immediate adjustment to Mountain Water's rates. Instead, Dr. Wilson made his

1 arguments for a lower cost of capital and lower ROE in Mountain Water’s subsequent
2 general rate case as a part of his recommendations on capital structure, cost of debt, and
3 his overall calculation of the cost of capital that was incorporated into the MCC’s
4 recommendations for Mountain Water’s overall cost of service. Although the
5 Commission did not find Dr. Wilson’s previous argument to be persuasive, procedurally
6 he raised this issue in the appropriate case last time and the Commission should follow
7 that procedure in this case as well.

8 **Q. DR. WILSON ARGUES THAT THE “ACQUISITION FINANCING WILL**
9 **ACHIEVE A VERY LARGE FINANCE COST SAVINGS OF ABOUT \$20**
10 **MILLION PER YEAR FOR APUC” AND THAT “ALGONQUIN’S PLANS FOR**
11 **FINANCING THE ACQUISITION WITHOUT PASSING THROUGH THE**
12 **MERGER-RELATED COST SAVINGS TO RATEPAYERS IS A DE FACTO**
13 **RECOVERY OF THE ACQUISITION PREMIUM FROM RATEPAYERS.”¹⁵ IS**
14 **DR. WILSON CORRECT?**

15 A. No.

16 **Q. WILL APUC OR LIBERTY ACHIEVE THE FINANCE COST SAVINGS THAT**
17 **DR. WILSON DESCRIBES?**

18 A. No. Dr. Wilson explains his calculation stating “APUC intends to finance at least \$160
19 million of the \$250 million acquisition cost of Carlyle’s equity interest in Park Water
20 with debt capital costing 4.1 percent annually for thirty years. Because Carlyle’s equity
21 capital has a Commission-authorized and ratepayer-funded cost of more than 16 percent
22 (including income tax allowance), this acquisition financing will achieve a very large

¹⁵ Direct Testimony of John Wilson, page 7-8.

1 finance cost savings of about \$20 million per year for APUC”¹⁶ which he calculates as
2 “\$160 million x (.16-.04) = \$19.2 million.”¹⁷

3 The problem with Dr. Wilson’s calculation is that he is assuming all of the money
4 being paid by Liberty to Carlyle for Western Water’s stock is receiving, or will receive,
5 a return in rates, including the \$160 million raised through APUC’s debt issuance which
6 he assumes will receive a return in rates at the pre-tax return on equity. In fact, it is only
7 the equity and debt included within the Commission-authorized capital structure to
8 finance the Commission-approved rate base that receives any Commission-authorized or
9 ratepayer-funded return. Any equity or debt in excess of that included in the
10 Commission-authorized rate base does not receive any ratepayer-funded return at all.

11 Dr. Wilson is confusing the equity which is included in the regulated capital
12 structure to finance the regulated rate base (and therefore, actually receives a pre-tax
13 return of 16%) with the additional cash that APUC is raising to pay Carlyle for 100% of
14 its equity in Park Water and its subsidiaries (through Western Water) which is not in the
15 regulated capital structure and is not financing the regulated rate base and so will not be
16 proposed to be generating a regulated return. By assuming that all the money paid by
17 Liberty, including the \$160 million raised through APUC’s debt issue, will receive a
18 “Commission-authorized and ratepayer-funded” return, Dr. Wilson’s calculation is
19 effectively assuming that the acquisition adjustment for the purchase price will go into

¹⁶ Direct Testimony of John Wilson, page 6, line 16 through page 7, line 3.

¹⁷ Direct Testimony of John Wilson, page 7, footnote 3.

1 rate base, which is not the case.

2 Liberty is paying \$250 million for Carlyle's equity and assuming \$77 million of
3 debt to make up the purchase price of \$327 million. The total amount of rate base upon
4 which all of Western Water's subsidiary-utilities' rates are currently based is \$144.4
5 million (adopted 2015 rate base for Park Water and Apple Valley and the last authorized
6 rate base for Mountain Water). Therefore, of the \$327 million that Liberty is paying for
7 Western Water, \$182.6 million, more than the \$160 million that APUC is borrowing to
8 finance the transaction, will not be reflected in the capital structure or rate base used to
9 set rates and will not be earning any return. The correct calculation to make to
10 determine APUC's pre-tax "gain" would be "160 million x (Zero-.04) = - \$6.4 million,"
11 for a pre-tax cost to APUC of over \$6 million per year that ratepayers are not paying.

12 **Q. WILL THERE BE A "DE FACTO RECOVERY OF THE ACQUISITION**
13 **PREMIUM FROM RATEPAYERS," AS DR. WILSON CONTENDS?**

14 A. No. APUC is simply financing the acquisition premium (*i.e.*, the price of the acquisition
15 over rate base) since ratepayers are not being asked to finance it through an acquisition
16 adjustment.

17 **Q. WHAT SUPPORT DOES DR. WILSON OFFER FOR HIS CONCLUSION THAT**
18 **THE ACQUISITION OF WESTERN WATER BY LIBERTY WILL RESULT IN**
19 **"THE JOINT APPLICANTS CONTEMPLATED FINANCIAL WINDFALL"?**

20 A. Dr. Wilson states that "Algonquin has extensively revealed and publicized the financial
21 details of its acquisition analysis in other contexts where such disclosure appears to have

1 been viewed by Algonquin as advancing its own interests,”¹⁸ and claims this publicly
2 available information supports his conclusions.

3 Dr. Wilson cites a quote from APUC’s CFO, Mr. Bronicheski, regarding the
4 acquisition.¹⁹ Dr. Wilson emphasizes the term “expected accretion” in that quote, and
5 then states “[i]n acquisition parlance, an accretive acquisition is one that increases the
6 acquiring company’s earnings per share because the price paid by the acquiring firm is
7 lower than the boost to earnings that the acquisition will provide to the acquiring
8 company’s earnings per share.”²⁰ Dr. Wilson then concludes “[i]n this case, that
9 “expected accretion” will be achieved by replacing most of Carlyle’s relatively high cost
10 ROE equity financing with APUC’s much lower cost debt financing without passing
11 through the cost of service reduction to ratepayers.”²¹

12 **Q. DOES THIS SUPPORT DR. WILSON’S CONCLUSIONS?**

13 A. No. While Dr. Wilson’s definition of the term “accretive acquisition” is correct, that is
14 not what Mr. Bronicheski said. Nowhere in the quote from Mr. Bronicheski, or
15 anywhere else in Exhibit JW-1, does the term “accretive acquisition” appear. Mr.
16 Bronicheski said “the expected accretion from our pending acquisition of the Park
17 Water System.”²² “Expected” means looked forward to as a probable occurrence.
18 Investopedia’s definition of “accretion” is “Asset growth through addition or

¹⁸ Direct Testimony of John Wilson, page 9.

¹⁹ Direct Testimony of John Wilson, page 20 and Exhibit JW-1.

²⁰ Direct Testimony of John Wilson, page 20, lines 14-18 (emphasis added).

²¹ Direct Testimony of John Wilson, page 20, line 18 through page 21, line 2.

²² Exhibit JW-1 (emphasis added)

1 expansion.” Dr. Wilson is putting words in Mr. Bronicheski’s mouth and this quote
2 does not support Dr. Wilson’s conclusion.

3 **Q. DR. WILSON CLAIMS THAT CARLYLE HAS AN INTEREST IN APUC’S**
4 **FINANCING PLAN.²³ IS THIS CORRECT?**

5 A. No. As explained above, contrary to Dr. Wilson’s characterizations Carlyle is not
6 refinancing its equity or refinancing the equity of Park Water or Mountain Water and has
7 no involvement in the APUC debt issuance discussed by Dr. Wilson. Carlyle is selling
8 the stock of Western Water to Liberty. Just as when anyone sells a house, the seller, in
9 this case Carlyle, receives cash from the buyer and is indifferent to the source of that
10 cash. It does not matter whether the buyer has sufficient cash of their own or has to
11 borrow money to obtain some of the cash – either way the seller gets cash.

12 Dr. Wilson states “[t]his is a large financial gain, financed by ratepayers, which
13 Carlyle would not likely have been able to achieve on its own.”²⁴ Dr. Wilson then states
14 that Carlyle could not have achieved the same gain as it would from selling the stock of
15 Western Water if it simply made a filing with the Commission to refinance its equity. Dr.
16 Wilson then concludes:

17 Carlyle is not entitled to an acquisition gain derived from the abandonment
18 of cost of service regulation. Ratepayers are protected by law against unjust
19 and unreasonable rates, and may be required only to pay for the cost of
20 service as directed by the Commission.

21 While this may deprive Carlyle of the acquisition gain that is contemplated
22 in the Joint Applicants’ deal, an acquisition gain that is premised on a profit
23 windfall that is derived from the abandonment of just and reasonable cost-of-
24 service regulation for a public utility is illegitimate and would reflect a false

²³ Direct Testimony of John Wilson, page 15, lines 6-13.

²⁴ Direct Testimony of John Wilson, page 15, lines 11-13.

1 market value that could not occur under either market competition or proper
2 public utility rate regulation.²⁵

3 Dr. Wilson's statements and conclusion, even leaving aside all the rhetoric and
4 the fact that ratepayers are not financing Carlyle's gain on the sale of Western Water,
5 simply have no basis in fact. Dr. Wilson's argument that Carlyle could not have achieved
6 the same gain from refinancing its equity is completely specious. Carlyle is not
7 refinancing its equity, or the equity of Mountain Water or Park Water, it is selling the
8 stock of Western Water. Dr. Wilson's assertion that Carlyle's gain on the sale of Western
9 Water's stock is dependent on APUC's debt issue and that his proposed pass-through
10 requirement could deprive Carlyle of its gain on sale of Western Water's stock is wrong
11 and his statement that the acquisition gain reflects a "false market value that could not
12 occur under market competition" is clearly incorrect. Dr. Wilson's arguments ignore the
13 fact that the sale of Western Water's stock was accomplished through a competitive
14 bidding process.²⁶ The final round of that bidding process included three other potential
15 buyers who all submitted bids close to that submitted by Liberty. The facts are: 1)
16 Carlyle could have achieved approximately the same gain on sale from other bidders in
17 transactions that would have had nothing to do with APUC's financial arrangements for
18 acquiring the cash with which to accomplish the transaction; and 2) when multiple
19 bidders in a competitive bidding process all arrive at approximately the same price, that is

²⁵ Direct Testimony of John Wilson, page 17, lines 5-14.

²⁶ This competitive bidding process was explained in the Direct Testimony of Robert Dove, and was further detailed in response to the MCC's data requests. *See* MCC-003 and MCC-005.

1 generally considered to be a good indication of the true market value of whatever is being
2 sold, in this case the stock of Western Water.

3 **IV. RESPONSE TO MR. HAYWARD**

4 **Q. PLEASE SUMMARIZE YOUR RESPONSE TO THE TESTIMONY OF MR.**
5 **HAYWARD.**

6 A. Mr. Hayward's testimony is directed at two main points: first, his opinion that Mountain
7 Water's water utility operations should be under public ownership and, second, his
8 contention that the applicants have not provided sufficiently transparent financial, rate,
9 or other information to support that the merger is in the public interest.²⁷ This issue of
10 public ownership, and Mr. Hayward's opinion on it, is not relevant to the issue in this
11 proceeding, which is the acquisition of Western Water's stock by Liberty. Therefore,
12 while I disagree with Mr. Hayward's opinion on public versus private ownership, my
13 rebuttal is limited to the correction of some of Mr. Hayward's statements that are simply
14 incorrect, attempt to cast Mountain Water or its parents in a negative light, or seek to
15 introduce other extraneous issues into this proceeding.

16 **Q. MR. HAYWARD STATES "IN THE ACQUISITION OF MOUNTAIN WATER**
17 **BY THE CARLYLE GROUP, APPROVAL WAS GIVEN BY THE PSC BASED**
18 **ON EXPECTED MERGER BENEFITS AND THE NO-HARM-TO-CONSUMER**
19 **STANDARD. ONE SUCH BENEFIT WAS A LOWER COST OF CAPITAL AS A**
20 **RESULT OF CARLYLE HAVING GREATER ACCESS TO FINANCIAL**
21 **MARKETS. THIS BENEFIT, HOWEVER, NEVER MATERIALIZED."**²⁸ **ARE**
22 **THESE STATEMENTS CORRECT?**

23 A. No.

²⁷ Direct Testimony of David Hayward, page 4, lines 11-18.

²⁸ Direct Testimony of David Hayward, page 21, lines 4-7.

1 **Q. IS MR. HAYWARD'S DESCRIPTION OF THE TRANSACTION INVOLVED IN**
2 **THAT APPLICATION FOR APPROVAL EVEN CORRECT?**

3 A. No. It was not an acquisition of Mountain Water by "The Carlyle Group." The caption
4 for that proceeding was "In the Matter of the Consolidated Petition by Mountain Water
5 Company for Declaratory Rulings and Application for Approval of the Sale and Transfer
6 of Stock in Park Water Company." The acquiring entity did not acquire Mountain Water,
7 but gained indirect control of Mountain Water through the acquisition of Park Water's
8 stock. The acquiring entity, which intervened in the proceeding, was CIP, not The
9 Carlyle Group.

10 **Q. DID THE COMMISSION, IN ITS ORDER APPROVING THE ACQUISITION**
11 **OF PARK WATER STOCK BY CARLYLE, STATE THAT ITS APPROVAL**
12 **WAS BASED ON THE EXPECTATION OF A LOWER COST OF CAPITAL AS**
13 **A RESULT OF CARLYLE OWNERSHIP, OR EXPRESS ANY EXPECTATION**
14 **THAT THE TRANSFER OF PARK WATER'S STOCK WOULD REDUCE THE**
15 **COST OF CAPITAL OF MOUNTAIN WATER OR PARK WATER?**

16 A. No. Under a section entitled "Benefits resulting from transaction" the Commission
17 enumerates the benefits of the transaction and there is no mention of any anticipation that
18 there will be reductions to Mountain Water's cost of capital as a result of the
19 transaction.²⁹ Further, in the Commission's summary of the positions of the parties in
20 that proceeding, nowhere is there any mention of an expectation by any party that the
21 transaction would result in a lower cost of capital for Mountain Water.

22 **Q. WAS THIS QUESTION THOROUGHLY LITIGATED IN MOUNTAIN**
23 **WATER'S SUBSEQUENT TEST YEAR 2011 GENERAL RATE CASE?**

²⁹ Order 7149d at ¶ 77.

1 A. Yes. As discussed above, in Mountain Water’s last rate case Dr. Wilson similarly
2 claimed that there was an expectation of a lower cost of capital as a result of the
3 transaction. He claimed that “anyone familiar with the record in the acquisition approval
4 case will recall that improved capital attraction benefits for Mountain Water were heavily
5 stressed by Carlyle and its witnesses in the acquisition approval proceeding.” Dr. Wilson
6 claimed that the transfer should be viewed as “improving the Company’s access to capital
7 at more favorable rates.” Dr. Wilson then provided quotes from testimony of Carlyle’s
8 witness, Mr. Dove, and from Carlyle’s Post-Hearing Brief, which includes a quote from
9 Mr. Dove’s testimony, as support for his claim.

10 My sur-rebuttal testimony in that proceeding demonstrated that Dr. Wilson’s
11 claim was not supported by any of the statements in those documents which Dr. Wilson
12 cited. There were no statements made by Carlyle, Mountain Water, or anybody else in
13 that proceeding that there would be “improved capital attraction benefits” resulting from
14 the transfer of Park Water’s stock. Carlyle, as evidenced from the quotes in Dr. Wilson’s
15 testimony, stated that the transfer would provide “better access to reasonably priced
16 capital.”³⁰ Mountain Water stated in its application that the transfer would “maintain or
17 enhance access” to capital.³¹ Nowhere were there any statements that there would be
18 improved capital attraction. There is no reference in Mr. Dove’s statements to access to
19 capital at more favorable rates and I am not aware of any statements made by Carlyle, or

³⁰ Emphasis added.

³¹ Emphasis added.

1 Mountain Water, that the transfer would result in access to capital at more favorable, or
2 lower, rates or result in a lower cost of capital. As stated above in my rebuttal to Dr.
3 Wilson, the Commission did not agree with Dr. Wilson's position with respect to Carlyle
4 ownership reducing Mountain Water's cost of capital.

5 **Q. MR. HAYWARD CONTENDS THAT RING-FENCING IN THE CASE OF**
6 **MOUNTAIN WATER UNDER CARLYLE OWNERSHIP HAS NOT BEEN**
7 **SUCCESSFUL, THAT THERE ARE PROBLEMS WITH THE COMMISSION'S**
8 **ENFORCEMENT OF RING-FENCING MEASURES, AND THAT THE**
9 **COMMISSION'S MONITORING OF RING-FENCING MEASURES HAS BEEN**
10 **INEFFECTIVE.³² ARE THESE ISSUES RELEVANT TO THIS PROCEEDING?**

11 A. No. The majority of Mr. Hayward's arguments regarding ring-fencing are simply a
12 function of his disagreement with private-ownership, the Commission's procedures, and
13 the format set by the Commission for its annual reporting requirements. With the
14 exception of the requirement in Mountain Water's ring-fencing conditions that requires
15 that Park Water provide the Commission with copies of all applications submitted to the
16 CPUC for authority to issue debt, the Commission has determined that the format of its
17 annual reports and its review during the process of reviewing Mountain Water's general
18 rate increase applications is sufficient for monitoring the ring-fencing conditions.
19 Although Mr. Hayward states "ring-fencing measures such as affiliate transactions and
20 inter-company loans have not been effective,"³³ there can be no rate impact of any such
21 transactions without review of the Commission in a general rate case.

³² Direct Testimony of David Hayward, pages 22-28.

³³ Direct Testimony of David Hayward, page 22, line 13-14.

1 The adequacy of the Commission’s annual reporting formats or procedures to
2 monitor ring-fencing measures are just another part of Mr. Hayward’s argument for
3 public ownership and are not at issue in this proceeding. This proceeding is about the
4 transfer of ownership of Western Water, and indirect control of Mountain Water, from
5 CIP to Liberty. The relevant issue is whether the proposed ring-fencing conditions for
6 Liberty are appropriate.

7 **Q. DOES MR. HAYWARD PROPOSE ANY REVISIONS TO LIBERTY’S**
8 **PROPOSED RING-FENCING MEASURES TO ADDRESS HIS PERCEIVED**
9 **PROBLEMS?**

10 A. The only proposal that Mr. Hayward makes is that the Commission simply prohibit all
11 affiliate transactions.³⁴ This is a “throw the baby out with the bathwater” approach that is
12 completely unreasonable and has not been adopted by the Commission, the CPUC, or any
13 other commission I am aware of.

14 **Q. WOULD MR. HAYWARD’S PROPOSAL TO PROHIBIT ALL AFFILIATE**
15 **TRANSACTIONS ELIMINATE THE POTENTIAL FOR SYNERGIES AND**
16 **ECONOMIES OF SCALE AND INCREASE THE COSTS OF SERVICE TO**
17 **RATEPAYERS?**

18 A. Yes. Mr. Hayward’s recommendation would preclude cost savings resulting from shared
19 support functions and the ability to spread costs over a larger customer base. In response
20 to Data Request PSC-079(c), Mr. Hayward admits that his recommendation to prohibit
21 all affiliate transactions could increase costs to ratepayers.

22 **Q. DO YOU AGREE WITH MR. HAYWARD’S CONTENTIONS THAT, IN THE**
23 **CASE OF MOUNTAIN WATER UNDER CARLYLE OWNERSHIP, RING-**
24 **FENCING HAS NOT BEEN SUCCESSFUL, THAT THERE ARE PROBLEMS**

³⁴ Direct Testimony of David Hayward, page 31, lines 1-5.

1 **WITH THE COMMISSION'S ENFORCEMENT OF RING-FENCING**
2 **MEASURES, AND THAT THE COMMISSION'S MONITORING OF RING-**
3 **FENCING MEASURES HAS BEEN INEFFECTIVE?**

4 A. No. I am not aware of any problems or issues regarding the Commission's enforcement
5 of ring-fencing measures.

6 **Q. WHAT EXAMPLE DOES MR. HAYWARD CITE IN HIS CONTENTIONS**
7 **THAT THERE ARE PROBLEMS WITH THE COMMISSION'S**
8 **ENFORCEMENT OF RING-FENCING MEASURES AND THAT THE**
9 **COMMISSION'S MONITORING OF RING-FENCING MEASURES HAS BEEN**
10 **INEFFECTIVE?**

11 A. Mr. Hayward cites only one example:

12 In 2012 an equity interest in WWH was granted to various Park employees. This
13 equity interest resulted in income tax liabilities for these employees. Funds from
14 some or all of the operating companies (Mountain, AVR, and Central Basin) flowed
15 from the ratepayers to the operating utilities to the parent (Park) which were provided
16 to the employees to pay their income tax obligations. In effect, the operating utilities
17 were acting as bankers lending money to these employees. Clearly, this type of
18 business is unrelated to the normal operations of a water utility.³⁵

19 Mr. Hayward's description and characterization of these transactions is not accurate. The
20 funds used for the loans to various employees came from Park Water's treasury, however
21 Park Water loaned it to Western Water who then loaned it to the employees. The money
22 in Park Water's treasury represents money derived either through retained earnings or
23 debt issued to reimburse the treasury for prior capital expenditures made from Park
24 Water's treasury. Once earnings have been retained, even if the original source of the
25 gross revenue which provides those earnings are from the payment of customer bills, the
26 retained earnings are the shareholders' money and not ratepayer money. This money is

³⁵ Direct Testimony of David Hayward page 27, lines 7-13.

1 not in rate base and receives no return from ratepayers. Park Water typically has some
2 amount of idle money in its treasury that has not yet been invested in plant and under
3 normal operations this money is invested. The loans (both the loans from Western Water
4 to employees and the loan from Park Water to Western) carry an interest rate of 3%
5 which is higher than the typical short-term return on such investments.

6 Mr. Hayward's characterization of the transaction as unrelated to the normal
7 operations of a water utility is incorrect; it is perfectly normal for Park Water to invest
8 small amounts of idle funds which are not yet invested in plant. Mr. Hayward's
9 characterization of the transaction as the operating utilities "acting as bankers" with
10 money that "flowed from the ratepayers" is a complete mischaracterization.

11 **Q. HAS MR. HAYWARD, IN RESPONSE TO DISCOVERY, CONCEDED THAT HE**
12 **DOES NOT ALLEGE THAT ANY OF THESE LOANS ARE IN RATE BASE OR**
13 **THEY HAVE ANY IMPACT ON RATEPAYERS?**

14 A. Yes.

15 **Q. HAVE THESE AFFILIATE LOAN TRANSACTIONS BEEN REVIEWED BY**
16 **THE CPUC?**

17 A. Yes. These transactions were thoroughly audited by auditors on the CPUC staff during
18 their review of Application 14-01-002, the most recent general rate application for AVR,
19 which includes Park Water's general office. In that audit, CPUC staff found the interest
20 rate to be acceptable, the terms of the loan to be reasonable, and took no issue with the
21 transactions, noting that the loans to employees were from Western Water and the loan
22 from Park Water to Western Water was an investment of idle cash which is typically
23 invested. CPUC staff especially noted that the loan from Park Water to Western Water

1 was due and payable to Park Water regardless of whether the employees repaid their
2 loans from Western Water, so that the un-regulated parent, not the utility, was at risk for
3 any default.

4 **Q. HAS THE COMMISSION REVIEWED THOSE TRANSACTIONS?**

5 A. The Commission has not yet reviewed those transactions because Mountain Water has
6 not yet filed a rate case based on a test year in which those loans existed. Therefore,
7 those loans cannot have had any impact on Mountain Water's ratepayers.

8 **Q. DO THE COMMISSION AND MCC ROUTINELY REVIEW ALL**
9 **TRANSACTIONS BETWEEN MOUNTAIN WATER AND ITS PARENT**
10 **COMPANY IN MOUNTAIN WATER'S GENERAL RATE CASES?**

11 A. Yes. Both the Commission and the MCC staff have audited transactions between
12 Mountain Water and its parent in every Mountain Water general rate case that I have
13 been involved in, which, is every rate case filed for Mountain Water in the last 25 years.

14 **Q. MR. HAYWARD CONTENDS THAT THAT THE COMMISSION SHOULD**
15 **CONSIDER YORK WATER COMPANY AS A POINT OF COMPARISON, AND**
16 **A MODEL, FOR MOUNTAIN WATER. DOES MR. HAYWARD LEAVE OUT A**
17 **VERY IMPORTANT POINT IN HIS COMPARISON?**

18 A. Yes. Mr. Hayward contends that York Water Company ("York"), a stand-alone publicly-
19 traded investor-owned utility in Pennsylvania, and Mountain Water are very comparable
20 in a number of areas³⁶ and recommends that the optimal organizational model for
21 Mountain Water would be a stand-alone utility modeled after York.³⁷

22 In fact, Mr. Hayward's comparison shows a number of differences between York

³⁶ Direct Testimony of David Hayward, page 29, line 9 through page 30, line 6.

³⁷ Direct Testimony of David Hayward, page 31, lines 10-15.

1 and Mountain Water. York is a publicly-traded company with access to public equity
2 markets, Mountain Water is not. While Mr. Hayward points out that York is smaller than
3 Park Water (on a Park-and-subsiaries consolidated basis) based on annual revenues,³⁸
4 York is considerable larger than Mountain Water on a stand-alone basis, with more than
5 twice the revenues and more than 2.5 times as many employees. What Mr. Hayward
6 leaves out, while contending that York, with less revenues than Park Water, has been able
7 to meet the SEC's filing requirements,³⁹ is the rates that York charges to provide it with
8 the wherewithal to do so and how those rates compare to Mountain Water's.

9 Exhibit LKJ-1 is an excerpt from York's Pennsylvania PUC approved tariffs,
10 which shows York's rate schedules for service. These rate schedules show that York's
11 rates are 2-3 times the rates of Mountain Water. York charges \$16.00 per month for a 5/8
12 inch meter service charge (about the same as Mountain Water), but York charges \$4.435
13 per 1000 gallons for residential customers on its "Gravity System" and \$7.231 per 1000
14 gallons for residential customers on its "Repumping System." Mountain Water charges
15 \$2.003 per CCF, equivalent to \$2.678 per 1000 gallons.

16 While there are certainly other factors affecting this differential in rates besides
17 the costs to York of SEC compliance and other costs associated with being a stand-alone
18 publicly traded company, I do not believe this rate comparison shows York as an attractive
19 model for Mountain Water from a ratepayer point of view.

³⁸ Direct Testimony of David Hayward, page 30, lines 11-14.

³⁹ Direct Testimony of David Hayward, page 30, lines 14-17.

1 **Q. IS THE QUESTION OF AN ALTERNATE ORGANIZATIONAL MODEL FOR**
2 **MOUNTAIN WATER AN ISSUE IN THIS PROCEEDING?**

3 A. No. Mountain Water is not currently a stand-alone publicly traded water utility; it is
4 owned by Park Water, which is owned by Western Water, which is owned by Carlyle.
5 Prior to Carlyle's acquisition, Mountain Water was not stand-alone; it was owned by Park
6 Water. Prior to Park Water's acquisition of Mountain Water in 1979, Mountain Water
7 was wholly-owned by the Montana Power Company. In this proceeding the Commission
8 is asked to approve the acquisition of Western Water by Liberty. Mountain Water will
9 continue to be a wholly-owned subsidiary and not a stand-alone utility. The
10 recommendation that Mr. Hayward makes with respect to Mountain Water's
11 organizational structure is completely extraneous and irrelevant to this proceeding and is
12 largely just another excuse to criticize the Commission's reporting requirements and
13 private-ownership generally.

14 **V. RESPONSE TO MR. CLOSE**

15 **Q. PLEASE SUMMARIZE YOUR RESPONSE TO THE TESTIMONY OF MR.**
16 **CLOSE.**

17 A. Mr. Close's testimony, by his own admission,⁴⁰ is primarily directed at the question of
18 public versus private ownership of water systems and expressing his opinion that public
19 ownership of water systems is preferred. This issue of public ownership, and Mr.
20 Close's opinion on it, is not relevant to the issue in this proceeding, which is the
21 acquisition of Western Water's stock by Liberty. Therefore, while I disagree with Mr.

⁴⁰ Direct Testimony of Craig Close, page 2, lines 15-20.

1 Close's opinion on public versus private ownership, my rebuttal is limited to the
2 correction of some of Mr. Close's miss-statements regarding the mechanisms and
3 resulting impacts of the regulation of investor-owned public utilities and the impacts on
4 Mountain Water and its ratepayers.

5 **Q. DOES THE TESTIMONY OF MR. CLOSE INCLUDE STATEMENTS WHICH**
6 **DEMONSTRATE A MISUNDERSTANDING OF HOW REGULATION OF**
7 **INVESTOR-OWNED UTILITIES ACTUALLY WORKS?**

8 A. Yes.

9 **Q. MR. CLOSE STATES "REGULATED UTILITIES MAXIMIZE PROFITS**
10 **BY...MAXIMIZING DEPRECIATION WHICH THE UTILITY TAKES AS**
11 **ADDITIONAL PROFIT...."**⁴¹ **IS THIS STATEMENT CORRECT?**

12 A. No. Depreciation expense is not an "additional profit." Depreciation is a non-cash
13 expense, but it is an expense and does not contribute to earnings or generate additional
14 profit by any usually-accepted definitions of those terms.⁴² Recovery of depreciation
15 expense through rates is generally allowed in utility regulation as a means to pay back the
16 company's original investment in plant (depreciation is based on the original cost of the
17 assets). The return on the investment, the return on the depreciated original cost included
18 in rate base, is the carrying cost which comes through the return on rate base. The return
19 of the investment is accomplished through the allowance of the depreciation expense in
20 rates.

21 The return of the original amount of investment is not a "profit" – it is simply the

⁴¹ Direct testimony of Craig Close, page 3.

⁴² For example, Investopedia defines profit as a "financial benefit that is realized when the amount of revenue gained from a business activity exceeds the expenses, costs and taxes needed to sustain the activity" (emphasis added).

1 return of the principle originally invested. It is because of the assumption that the utility
2 recovers its principle amount of investment through the depreciation expense that the
3 utility's rate base, the measure of its investment upon which it is entitled to earn a return,
4 is reduced by the accumulated depreciation reserve. This statement by Mr. Close
5 illustrates that he does not have a thorough understanding of the principles of utility
6 regulation, or of the definition of "profit." By most people's calculation, if you invest
7 \$100 in something, receive a return of \$10, and get your \$100 back, you have made a
8 profit of \$10, not \$110. If you receive a return of \$10 and do not get your \$100 back, you
9 have incurred a loss of \$90.

10 **Q. MR. CLOSE STATES, WITH RESPECT TO "CONTRIBUTED ASSETS," THAT**
11 **"PAY BACKS TO DEVELOPERS EVERY YEAR ARE ADDED TO THE RATE**
12 **BASE AND ARE PASSED THROUGH TO THE RATE PAYERS EVEN IF NO**
13 **ADDITIONAL CUSTOMERS OR REVENUE ARE GENERATED. MOUNTAIN**
14 **WATER ALSO BENEFITS FROM CLAIMED DEPRECIATION ON**
15 **DEVELOPER CONTRIBUTED ASSETS THAT HAVE BEEN ADDED TO RATE**
16 **BASE THROUGH THE PAYMENTS TO DEVELOPERS."**⁴³ **ARE THESE**
17 **STATEMENTS CORRECT?**

18 A. No. Mr. Close's statements are incorrect and his claims that Mountain Water benefits
19 from developer-funded assets is also incorrect. Mr. Close is wrong on two counts. First,
20 he is confusing "contributed assets," assets taken as Contributions in Aid of Construction
21 ("Contributions"), with "advanced assets," assets taken as Advances for Construction
22 ("Advances"). While both involve initial payment from developers, they are two
23 different things. Second, his statements regarding benefits are incorrect for Contributions

⁴³ Direct Testimony of Craig Close, page 6, lines 14-18.

1 and Advances.

2 Contributions are assets where the developer pays for the cost of the assets and
3 does not receive any refund of that cost. For Contributions, the assets are depreciated and
4 that accrues to the depreciation reserve, but the other side of the entry is to the
5 depreciation reserve for contributed plant, not to depreciation expense. The Contribution
6 depreciates away at exactly the same rate as the asset in the Utility Plant account and the
7 rate base is exactly zero. There is no depreciation expense; the accrual to the
8 depreciation reserve for Contributions is not booked as expense and is not allowed in
9 rates.

10 What Mr. Close is describing is more akin to Advances. For Advances, the
11 developer pays for the cost of construction but Mountain Water refunds all of that cost
12 back to the developer over 40 years. In the case of assets funded by Advances, the
13 depreciation on the advanced assets is booked into depreciation expense and allowed
14 recovery in rates because Mountain Water is paying the for the cost of the asset through
15 the refunds that it makes to the developer. There is no benefit to Mountain Water from
16 depreciation of the advanced assets; all the depreciation expense received through rates
17 must be paid to the developer as refunds of the cost.

18 The Advances account, which is the balance of un-refunded advances, is a
19 reduction to rate base. As Mountain Water makes the refunds, the Advances account is
20 reduced which could be described as “adding to rate base” but does not otherwise fit Mr.
21 Close’s description. What adds to rate base is not the depreciation taken on the assets;
22 but the fact Mountain Water has made a refund to the developer and has “paid” another

1 increment of the cost of construction of the asset. Since utility assets that Mountain
2 Water has paid to construct are legitimately includable in rate base there is absolutely
3 nothing inappropriate in this. As a practical matter, at the same time that Mountain
4 Water is refunding the cost of the asset to the developer, the asset is depreciating away
5 and the depreciation is being added to the depreciation reserve which is also a reduction
6 to rate base. The 40-year refund period was chosen to approximate the average life of
7 advanced assets and therefore the rate base associated with advanced assets is essentially
8 zero over their life. The only time that there would be any rate base is if Mountain Water
9 is paying for the asset through the refunds more quickly than rate payers are paying
10 depreciation expense on the assets, in which case Mountain Water has a net investment in
11 the plant upon which it is entitled to earn a return.

12 Mountain Water's Commission-approved tariffs do not allow the use of Advances
13 if it appears that the proposed main extension will not develop sufficient revenue to be
14 self-supporting within a reasonable period of time. Pursuant to its tariffs, Mountain
15 Water determines the projected revenues for each project and only allows Advances
16 based on revenues that can support refunds that will be self-funding. The developer is
17 required to provide the costs for the remainder of the project as a non-refundable
18 Contribution. Mr. Close's attempt to portray these regulatory procedures as somehow
19 inappropriate or as providing benefit to Mountain Water at ratepayer expense is simply
20 incorrect. Again, Mr. Close's statements indicate a lack of thorough understanding of
21 regulatory mechanisms and the underlying regulatory principles.

1 **VI. CONCLUSION**

2 **Q. DO YOU BELIEVE DR. WILSON, MR. HAYWARD, AND MR. CLOSE HAVE**
3 **PRESENTED ANY LEGITIMATE REASON FOR THE COMMISSION TO**
4 **REJECT THE SALE AND TRANSFER OF WESTERN WATER TO LIBERTY?**

5 A. No, I do not. Dr. Wilson’s arguments regarding “acquisition financing” and “cost
6 savings” do not reflect the reality of the transaction before the Commission, are
7 inconsistent with the Commission’s prior findings, are inconsistent with U.S. Supreme
8 Court decisions, are inconsistent with the fundamental principles and standard
9 methodologies of cost of service ratemaking, are inconsistent with historical test year
10 ratemaking as practiced by this Commission, and are even inconsistent with Dr. Wilson’s
11 own prior recommendations. Mr. Hayward’s support for public ownership of Mountain
12 Water is misplaced, as there is no public ownership option before the Commission. Mr.
13 Hayward’s testimony is also inconsistent with the Commission’s findings when it
14 approved the sale of Park Water to Carlyle in 2011, questions the Commission’s
15 regulatory oversight of Mountain Water as a privately-owned utility generally, and
16 addresses the merits of a stand-alone organizational structure that represents neither the
17 status quo for Mountain Water nor the future ownership under Liberty. Finally, Mr.
18 Close’s testimony primarily addresses public versus private ownership of Mountain
19 Water, and demonstrates Mr. Close’s lack of understanding regarding regulatory
20 mechanisms and principles.

21 **Q. DOES THIS CONCLUDE YOUR PRE-FILED REBUTTAL TESTIMONY?**

22 A. Yes. It does.

Rebuttal Testimony of

Leigh K. Jordan

Exhibit LKJ-1

Supplement No. 119
To
Water-Pa. P.U.C. No. 14

THE YORK WATER COMPANY

RATES, RULES AND REGULATIONS

GOVERNING THE DISTRIBUTION OF WATER

IN

THE CITY OF YORK

BOROUGHS OF EAST PROSPECT, GLEN ROCK, HALLAM, JACOBUS, JEFFERSON, LOGANVILLE, MANCHESTER, MOUNT WOLF, NEW FREEDOM, NEW SALEM, NORTH YORK, RAILROAD, SEVEN VALLEYS, SHREWSBURY, SPRING GROVE, WEST YORK, YORK HAVEN AND YORKANA, AND TOWNSHIPS OF CODORUS, CONEWAGO, EAST MANCHESTER, HELLAM, HOPEWELL, JACKSON, LOWER WINDSOR, MANCHESTER, NEWBERRY, NORTH CODORUS, NORTH HOPEWELL, PARADISE, SHREWSBURY, SPRINGETTSBURY, SPRINGFIELD, SPRING GARDEN, WEST MANCHESTER, WEST MANHEIM, WINDSOR AND YORK, IN YORK COUNTY, PENNSYLVANIA, AND THE BOROUGHS OF ABBOTTSTOWN AND CARROLL VALLEY, AND TOWNSHIPS OF BERWICK, CUMBERLAND, OXFORD, HAMILTON, READING, MOUNT PLEASANT AND UNION IN ADAMS COUNTY, PENNSYLVANIA

ISSUED: September 11, 2015

EFFECTIVE: September 12, 2015

By: Jeffrey R. Hines
President and CEO
130 East Market Street
York, Pennsylvania

**The York Water Company
York, Pennsylvania**

**Supplement No. 119
To
Water-Pa. P.U.C. No. 14
One Hundred Seventh Revised Page No. 2
Canceling
One Hundred Sixth Revised Page No. 2**

LIST OF CHANGES MADE BY THIS SUPPLEMENT

CHANGES

The Township of Newberry and the Borough of York Haven, York County have been added to the applicable municipalities for metered rates in the Company's repumped system on page 43, building, construction and miscellaneous rates in the Company's repumped system on page 47 and fire service rates in the Company's repumped system on page 48.

ISSUED: September 11, 2015

EFFECTIVE: December 28, 2013

**The York Water Company
York, Pennsylvania**

**Supplement No. 119
To
Water-Pa. P.U.C. No. 14
One Hundred Sixth Revised Page No. 3
Canceling
One Hundred Fifth Revised Page No. 3**

TABLE OF CONTENTS

	<u>Page</u>	
Title Page	Supplement No. 119	(C)
List of Changes Made by This Supplement	2 One Hundred Seventh Revised	(C)
Table of Contents	3 One Hundred Sixth Revised	(C)
Table of Contents	4 Third Revised	
Table of Contents	5 Tenth Revised	
Table of Contents	6 One Hundred Third Revised	(C)
Rules		
1. Definitions	7 Fourth Revised 7 (a) Fourth Revised	
2. Application for Service		
2.1 Application Required	8 First Revised	
2.2 Application Required	8 First Revised	
3. Service Connections		
3.1 Company Service Line	9 Original	
3.2 Temporary Service Connection	9 Original	
3.3 Company's Service Line in Advance of Street Improvement	10 Fourth Revised	
3.4 Customer's Service Line	10 Fourth Revised	
3.5 Separate Trench Required	10 Fourth Revised	
3.6 Tampering with Curb Stop	11 Original	
3.7 Renewal of Service Line	11 Original	
3.8 Location Change	11 Original	
3.9 Use of Service	11 Original	
3.10 Use of Service	12 First Revised	
3.11 Upgrade/Extension of Service	12 First Revised	
3.11.1 Agreement Required	12 First Revised	
3.11.2 Amount of Advance	12 First Revised	
3.11.3 Refunds	13 First Revised	
3.11.4 Waiver of Advance	14 First Revised	
3.11.5 Rules Not to Apply to System Improvements	15 First Revised	
3.11.6 Governmental or Political Subdivision Advances	15 First Revised	

(C) Indicates Change

**The York Water Company
York, Pennsylvania**

**Supplement No. 20
to
Water-Pa. P.U.C. No. 14
Third Revised Page No. 4
Canceling
Second Page No. 4**

TABLE OF CONTENTS (Continued)

Rules, continued	Page
4. Meter Service	
4.1 Right to Install	16 Original
4.2 Conditions Applicable to Apartment Complex Single-Point Meter Service	16 Original
4.3 Conditions Applicable to Condominium Complex Single-Point Meter Service	18 Original
4.4 Separate Meters for Centers, Apartments and Condominiums	21 Second Revised
4.5 Size of Meter	23 First Revised
4.6 Ownership and Location	23 First Revised
4.7 Meter Responsibilities	23 First Revised
4.8 Cost of Reinstallation	24 First Revised
4.9 Registration Conclusive	24 First Revised
4.10 Request Test	24 First Revised
4.11 Central Meter Reading	25 Second Revised
5. Public Fire Service	
5.1 Hydrant Location	26 Original
5.2 Maintenance	26 Original
5.3 Allowable Use	26 Original
5.4 Unauthorized Use	27 Original
5.5 Change of Location	27 Original
5.6 Inspection	27 Original
6. Private Fire Service	
6.1 When Private Fire Service Charge Not Applicable	28 First Revised
6.2 Installation	28 First Revised
6.3 Use of Water	28 First Revised
6.4 Location of Private Hydrants	28 First Revised
6.5 Location of Private Hydrants	28 First Revised

ISSUED: September 5, 1996

EFFECTIVE: September 5, 1996

**The York Water Company
York, Pennsylvania**

**Supplement No. 53
to
Water-Pa. P.U.C. No. 14
Tenth Revised Page No. 5
Canceling
Ninth Revised Page No. 5**

TABLE OF CONTENTS (Continued)

Rules, continued	Page	
7. Responsibility for Service		
7.1 Limitation of Liability of Company	29 Original	
7.2 Due to Emergency	29 Original	
7.3 Pressure Reducing Facilities	29 Original	
8. Use of Building, Construction and Miscellaneous Purposes		
8.1 Special Application	30 Original	
8.2 Construction Water to be Metered	30 Original	
9. Discontinuance of Service		
9.1 By Company	31 First Revised	
9.2 By Company	32 First Revised	
9.3 By Company	32 First Revised	
10. Payment		
10.1 Free Service	33 Original	
10.2 Place of Payment	33 Original	
10.3 Meter Bills	33 Original	
10.4 Payment by Mail	34 Sixth Revised	
10.5 Late Payment Charge	34 Sixth Revised	
10.6 Return Check Charge	35 Sixth Revised	(C)
11. General		
11.1 Inspection	35 Sixth Revised	(C)
11.2 Rules Cannot be Varied	35 Sixth Revised	(C)
11.3 Deposits	35 Sixth Revised	(C)
11.4 Installation of Pumps	36 First Revised	
11.5 Cross-Connections	36 First Revised	
11.6 Prevention of Back Flow	37 First Revised	
11.7 Availability of Service	37 First Revised	
11.8 Drought Emergency Excess Use Charges	37 First Revised	
11.9 Service to New Construction or Remodeled Buildings	38 Original	
11.10 Waste of Water	38 Original	
This page left blank intentionally for future use	39 Original	

(C) Indicates Change

**The York Water Company
York, Pennsylvania**

**Supplement No. 119
To
Water-Pa. P.U.C. No. 14
One Hundred Third Revised Page No. 6
Canceling
One Hundred Second Revised Page No. 6**

TABLE OF CONTENTS (Continued)

Rules, continued	Page
12. State Tax Adjustment Surcharge	40 Forty-first Revised
13. Rate Schedules	
Meter Rates	
Schedule "A" - Gravity System	41 Fourth Revised
	42 Twenty-third Revised
Schedule "B" - Repumping System	43 Fifteenth Revised (C)
	44 Twenty-third Revised
Flat Rates - Gravity System	
Schedule "C" - Building, Construction and Miscellaneous	45 Original
Schedule "D" - Fire Service	46 Twenty-first Revised
Flat Rates - Repumping System	
Schedule "E" - Building, Construction and Miscellaneous	47 Ninth Revised (C)
Schedule "F" - Fire Service	48 Thirty-first Revised (C)
This page left blank intentionally for future use	49 Original
This page left blank intentionally for future use	50 Original
14. Drought Contingency Plan	51 Second Revised
15. Distribution System Improvement Charge	65 Third Revised 66 Sixtieth Revised
16. Rider DS - Demand Based Service	67 First Revised

(C) Indicates Change

**The York Water Company
York, Pennsylvania**

**Supplement No. 40
To
Water-Pa. P.U.C. No. 14
Fourth Revised Page No. 41
Canceling
Third Revised Page No. 41**

13. Rate Schedules

Schedule "A" - Meter Rates

Gravity System

Applicable for water service furnished, from the gravity system, to Premises located in the City of York, Boroughs of Hallam, North York, and West York, and Townships of Hellam, Springettsbury, Spring Garden, Manchester, and West Manchester, York County, Pennsylvania.

Available to all classes of service and for tank truck pick-up by special arrangement with the approval of the Company except service provided under other schedules.

Available also for single-point meter service to an apartment complex or to a condominium complex under the conditions prescribed in Rule 4.2 and in Rule 4.3.

When service is furnished through a single meter to a building containing twenty-five or more apartment dwelling units or condominium dwelling units, or to a mobile home park containing twenty-five or more dwelling units, or to a complex of buildings served at single-point meter service prescribed in Rule 4.2 and in Rule 4.3, the first block rate shall be applied to usage equal to the number of apartment dwelling units or condominium dwelling units times 1,200 gallons per month, and the balance of the use shall be billed at the applicable block rates in the regular manner. (C)

(C) Indicates Change

ISSUED: September 30, 1999

EFFECTIVE: October 1, 1999

The York Water Company
York, Pennsylvania

Supplement No. 117
to
Water-Pa. P.U.C. No. 14
Twenty-third Revised Page No. 42
Canceling
Twenty-second Revised Page No. 42

13. Rate Schedules (Continued)

Schedule "A" - Meter Rates (Continued)

Gravity System (Continued)

RATES

Customer Charges

Size of Meter	All Classes	
5/8"	\$16.00	(I) ↓
3/4"	22.00	
1"	31.00	
1-1/2"	47.80	
2"	62.00	
3"	149.50	
4"	222.40	
6"	247.00	
8"	474.00	
10"	610.00	
12"	751.00	

Output Charges

	Rate per 1,000 Gallons					
	Residential		Commercial		Industrial	
Up to 5,000 Gallons Per Month	\$4.435	(I)	\$4.111	(I)	\$4.111	(I)
Next 45,000 Gallons Per Month	4.435	(I)	2.944	(I)	2.944	(I)
Next 1,950,000 Gallons Per Month	4.435	(I)	2.294	(I)	2.588	(I)
Over 2,000,000 Gallons Per Month	4.435	(I)	2.294	(I)	2.228	(I)

(I) Indicates Increase

ISSUED: February 21, 2014

EFFECTIVE: February 28, 2014

The York Water Company
York, Pennsylvania

Supplement No 119
to
Water-Pa. P.U.C. No. 14
Fifteenth Revised Page No. 43
Canceling
Fourteenth Revised Page No. 43

13. Rate Schedules (Continued)

Schedule "B" - Meter Rates

Repumping System

Applicable for water service furnished in the City of York, Boroughs of East Prospect, Glen Rock, Jacobus, Jefferson, Loganville, New Freedom, New Salem, North York, Railroad, Seven Valleys, Shrewsbury, Spring Grove, West York, Manchester, Mount Wolf, York Haven and Yorkana, and Townships of Codorus, Conewago, Hellam, Hopewell, Jackson, North Hopewell, Paradise, Shrewsbury, Springettsbury, Springfield, Spring Garden, Manchester, East Manchester, Newberry, North Codorus, West Manchester, West Manheim, Windsor, York and Lower Windsor, York County, Pennsylvania, and the Boroughs of Abbottstown and Carroll Valley, and Townships of Berwick, Cumberland, Oxford, Hamilton, Reading, Mount Pleasant and Union in Adams County, Pennsylvania where water is repumped. (C)

Available to all classes of service and for tank truck pick-up by special arrangement with the approval of the Company except service provided under other schedules. (C)

Available also for single-point meter service to an apartment complex, to a condominium complex or to municipalities under the conditions prescribed in Rule 4.2 and in Rule 4.3.

When service is furnished through a single meter to a building containing twenty-five or more apartment dwelling units or condominium dwelling units, or to a mobile home park containing twenty-five or more dwelling units, or to a complex of buildings served at single-point meter service prescribed in Rule 4.2 and in Rule 4.3, the first block rate shall be applied to usage equal to the number of apartment dwelling units or condominium dwelling units times 1,200 gallons per month, and the balance of the use shall be billed at the applicable block rates in the regular manner.

(C) Indicates Change

ISSUED: September 11, 2015

EFFECTIVE: December 28, 2013

The York Water Company
York, Pennsylvania

Supplement No. 117
to
Water-Pa. P.U.C. No. 14
Twenty-third Revised Page No. 44
Canceling
Twenty-second Revised Page No. 44

13. Rate Schedules (Continued)

Schedule "B" - Meter Rates (Continued)

Repumping System (Continued)

RATES

Customer Charges

Size of Meter	All Classes	
5/8"	\$16.00	(I) ↓
3/4"	22.00	
1"	31.00	
1-1/2"	47.80	
2"	62.00	
3"	149.50	
4"	222.40	
6"	247.00	
8"	474.00	
10"	610.00	
12"	751.00	

Output Charges

	Rate per 1,000 Gallons					
	Residential		Commercial		Industrial	
Up to 5,000 Gallons Per Month	\$7.321	(I)	\$6.828	(I)	\$6.828	(I)
Next 45,000 Gallons Per Month	7.321	(I)	5.801	(I)	5.801	(I)
Next 1,950,000 Gallons Per Month	7.321	(I)	3.124	(I)	5.257	(I)
Over 2,000,000 Gallons Per Month	7.321	(I)	3.124	(I)	3.226	(I)

(I) Indicates Increase

ISSUED: February 21, 2014

EFFECTIVE: February 28, 2014

The York Water Company
York, Pennsylvania

Supplement No 14
to
Water-Pa. P.U.C. No. 14
First Revised Page No. 45
Canceling
Original Page No. 45

13. Rate Schedules (Continued)

Schedule "C" - Building, Construction and Miscellaneous Rates (C)

Gravity System

Applicable for water service furnished from the gravity system for building and construction purposes in the City of York, Boroughs of Hallam, North York, and West York, and Townships of Hellam, Springettsbury, Spring Garden, Manchester, and West Manchester, York County, Pennsylvania.

RATES

Charge for Building and Construction Purposes	\$10.00
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(C) Indicates Change

ISSUED: October 26, 1990

EFFECTIVE: December 27, 1990

The York Water Company
York, Pennsylvania

Supplement No. 117
to
Water-Pa. P.U.C. No. 14
Twenty-first Revised Page No. 46
Canceling
Twentieth Revised Page No. 46

13. Rate Schedules (Continued)

Schedule "D" - Fire Service Rates

Gravity System

Applicable for water service for fire purposes, from the gravity system in the City of York, Boroughs of Hallam, North York, West York, Townships of Hellam, Springettsbury, Spring Garden, Manchester and West Manchester, in York County, Pennsylvania.

RATES

	Per Month
Public:	
Public Fire Hydrant (billed to a municipality or other Customer)	\$21.21 (I)
Private:	
Sprinkler or Fire Service Systems:	
2-inch Connection	26.68
3-inch Connection	35.53
4-inch Connection	44.40
6-inch Connection	88.96
8-inch Connection	177.93
10-inch Connection	266.94
12-inch Connection	397.03
Fire Hydrant, Private:	
Direct Connection to Company Owned Mains:	35.53
Direct Connection to Customers Owned Mains:	
First Hydrant	35.53
Each Additional Hydrant	26.68

(I) Indicates Increase

ISSUED: February 21, 2014

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**The York Water Company
York, Pennsylvania**

**Supplement No 119
to
Water-Pa. P.U.C. No. 14
Ninth Revised Page No. 47
Canceling
Eighth Revised Page No. 47**

13. Rate Schedules (Continued)

Schedule "E" - Building, Construction and Miscellaneous Rates

Repumping System

Applicable for water service for building and construction purposes, in the City of York, Boroughs of East Prospect, Glen Rock, Jacobus, Jefferson, Loganville, New Freedom, New Salem, North York, Railroad, Seven Valleys, Shrewsbury, Spring Grove, West York, Manchester, Mount Wolf, York Haven and Yorkana, and Townships of (C)
Codus, Conewago, Hellam, Hopewell, Jackson, North Hopewell, Paradise,
Shrewsbury, Springettsbury, Springfield, Spring Garden, Manchester, East Manchester, (C)
Newberry, North Codorus, West Manchester, West Manheim, Windsor, York and Lower
Windsor, York County, Pennsylvania, and the Boroughs of Abbottstown and Carroll
Valley, and Townships of Berwick, Cumberland, Oxford, Hamilton, Reading, Mount
Pleasant and Union in Adams County, Pennsylvania where water is repumped:

RATES

Charge for Building and Construction Purposes	\$10.00
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(C) Indicates Change

ISSUED: September 11, 2015

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**The York Water Company
York, Pennsylvania**

**Supplement No. 119
to
Water-Pa. P.U.C. No. 14
Thirty-first Revised Page No. 48
Canceling
Thirtieth Revised Page No. 48**

13. Rate Schedules (Continued)

Schedule "F" - Fire Service Rates

Repumping System

Applicable for water service for fire purposes, in the City of York, Boroughs of East Prospect, Glen Rock, Jacobus, Jefferson, Loganville, New Freedom, New Salem, North York, Railroad, Seven Valleys, Shrewsbury, Spring Grove, West York, Manchester, Mount Wolf, York Haven and Yorkana, and Townships (C) of Codorus, Conewago, Hellam, Hopewell, Jackson, North Hopewell, Paradise, Shrewsbury, Springettsbury, Springfield, Spring Garden, Manchester, Newberry, North Codorus, West Manchester, East Manchester, West Manheim, (C) Windsor, York and Lower Windsor, York County, Pennsylvania, and the Boroughs of Abbottstown and Carroll Valley, and the Townships of Berwick, Cumberland, Oxford, Hamilton, Reading, Mount Pleasant and Union in Adams County, Pennsylvania where water is repumped.

RATES

	Per Month
Public:	
Public Fire Hydrant (billed to a municipality or other Customer)	\$30.76
Private:	
Sprinkler or Fire Service Systems:	
2-inch Connection	37.73
3-inch Connection	50.28
4-inch Connection	62.89
6-inch Connection	125.76
8-inch Connection	251.64
10-inch Connection	377.54
12-inch Connection	563.19
Fire Hydrant, Private:	
Direct Connection to Company Owned Mains:	45.67
Direct Connection to Customers Owned Mains:	
First Hydrant	45.67
Each Additional Hydrant	34.28

(C) Indicates Change

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