

**REQUEST FOR PROPOSALS FOR PROFESSIONAL SERVICES:
PUBLIC UTILITY CONSULTING SERVICES FOR A
GENERAL INCREASE IN WATER RATES
ISSUED BY THE DELAWARE PUBLIC SERVICE COMMISSION STAFF
CONTRACT NUMBER STA16318PSCSWDERATE**

I. Overview

The State of Delaware, Department of State, Delaware Public Service Commission Staff (“Commission Staff”) seeks professional services to provide public utility consulting services in the matter of the application filed by SUEZ Water Delaware Inc. (“SWDE” or the “Company”) for a general increase in water rates. This request for proposals (“RFP”) is issued pursuant to 29 *Del. C.* §§ [6981](#) and [6982\(b\)](#).

The proposed schedule of events subject to the RFP is outlined below:

RFP Issued	Date: 3/14/2016
Deadline for Questions	Date: 3/21/2016
Response to Questions Posted by:	Date: 3/24/2016
Deadline for Receipt of Proposals	Date: 4/01/2016 at 4:00 PM (Local Time)
Estimated Notification of Award	Date: 4/08/2016

Each proposal must be accompanied by a transmittal letter which briefly summarizes the proposing firm’s interest in providing the required professional services. The transmittal letter must also clearly state and justify any exceptions to the requirements of the RFP which the applicant may have taken in presenting the proposal. (Applicant exceptions must also be recorded on Attachment 3). The State of Delaware reserves the right to deny any and all exceptions taken to the RFP requirements.

MANDATORY PREBID MEETING

A mandatory pre-bid meeting has not been established for this RFP.

II. Background and Scope of Services

SWDE is a Delaware corporation duly authorized by its articles of incorporation to engage in the business of transporting, distributing and selling water in the State of Delaware. Under 26 *Del. C.* [§102](#), SWDE is a “public utility” and is authorized to sell and distribute water in portions of New Castle County, Delaware. SWDE serves approximately 38,000 water customers in Delaware pursuant to rates approved by the Commission.

SWDE has filed with the Delaware Public Service Commission (the “Commission”) an application seeking to adjust its volumetric delivery rates for the first time in over five years. SWDE alleges that costs have risen since 2010 to a point where the Company is falling short of its authorized return on utility investment. In addition, the Company alleges that water consumption on a per customer basis has declined since 2010, which has decreased the volumes over which to allocate fixed costs. In its application, the Company seeks approval of an increase in delivery service rates of \$4,943,665 or 19.96% over existing

STATE OF DELAWARE
Delaware Public Service Commission Staff

rates. SWDE states that it seeks an adjustment to its rates to more accurately reflect the current level of sales and the current level of costs that the Company is incurring so that it can provide safe and reliable service to its customers.

Copies of SWDE's application (including its proposed rate schedules, revised tariff pages, prefiled testimonies, and other supporting documents) can be accessed through the Commission's docketing and file management system, [DelaFile](#), by searching for Docket No. 16-0163 or by reviewing Appendix B – Application of SUEZ Water Delaware Inc.

The Commission Staff seeks assistance from qualified firms and individuals to provide professional public utility consulting services in regard to SWDE's application for an increase in water base rates. Staff will be available to perform field examination tasks and work with or, if needed, on behalf of the consultant(s) in the preparation and presentation of testimony and exhibits. Additionally, Commission Staff may participate in certain areas of the case, which may be incorporated in the consultant's case presentation package.

The successful offeror(s) will be required to analyze the filing made by the Company and to assist in the development of cross-examination of the utility's prefiled testimony and exhibits; to develop, present, and stand cross-examination on direct testimony regarding the Company's filing; and to assist Commission Staff's rate counsel, as needed, in the briefing and presentation of Staff's case to the Hearing Examiner and the Commission. This may also include preparing and assisting Staff's rate counsel in cross-examination of rebuttal testimony as may be deemed necessary. Professional assistance will also be required in the post-hearing phases of the proceeding, which may include the preparation of explanations, summaries, schedules, and exhibits as required by the Hearing Examiner, Commission Staff's rate counsel, or by Commission Staff.

In summary, the successful offeror(s) will be expected to provide a range of services in the areas specified which would normally be provided by the staff of a larger state utility regulatory commission in the proceeding of a similar matter to its conclusion. The Commission Staff seeks from the bidder(s) a firm total not-to-exceed price for completion of one or more tasks, a list of individuals and their qualifications who will be performing the tasks, and an estimate as to the time frame in which the work can be completed. The intent of this RFP is to award a contract (or contracts) to that responsible bidder or bidders whose proposals, conforming to the RFP, are most advantageous to the State, price and other factors considered. A bidder may submit a proposal to provide services for one or more of the four tasks listed below and need not submit a proposal covering all four tasks.

The following tasks appear to be the most significant areas for review and investigation regarding SWDE's application. These identified tasks do not constitute an exhaustive listing, and additional tasks or issues may be identified and investigated as the proceeding progresses. A bidder shall provide a single, all-inclusive price quote for each Task you intend to provide (i.e., for Task 1, 2, 3, and/or 4), as well as a detailed breakdown of the time, fees, and expenses to complete each necessary component of the Task(s):

Task 1: Cost of Service and Rate Design Study evaluation:

- A) Analysis and evaluation of SWDE's cost of service and rate design.
- B) Preparation of appropriate functionalization, classification, and allocation of distribution revenue requirements.

STATE OF DELAWARE
Delaware Public Service Commission Staff

- C) Analysis and evaluation of alternative regulation remedies for regulatory lag, including multi-year rate caps and fully forecasted test years.

Task 2: Rate Base, Revenue Requirement, Revenues, Expenses and other general rate case issues evaluation:

- A) Assist Commission Staff with identification of potential issues, including an analysis and evaluation of SWDE's rate base, revenue requirement, operations and maintenance expenses (including depreciation), revenues and other general rate case issues.
- B) Analysis and evaluation of appropriate adjustments to historical test year data, including weather normalization.
- C) Analysis and evaluation of the appropriate level, recognition, and recovery of executive and employee compensation benefits and uncollectible expenses.
- D) Analysis and evaluation of the depreciation rates contained in the application.
- E) Administering the revenue requirement model on behalf of Commission Staff, preparing subsequent recommendations or alternative adjustments, and reviewing the internal findings of Commission Staff, including respective recommendations and testimony.

Task 3: Capital Structure, Cost of Capital, Cost of Equity, and overall Rate of Return issues evaluation:

- A) Analysis and evaluation of SWDE's capital structure, cost of capital, cost of equity, and overall rate of return as listed in the application.
- B) Coordination with and review of Commission Staff's findings, recommendations, and testimony.

Task 4: Provide advice, guidance, and serve as an expert resource to Staff who will be testifying on the case:

- A) Analysis and evaluation of SWDE's testimony and accompanying exhibits to assist Commission Staff with identification of potential issues.
- B) Working with assigned Commission Staff as needed on appropriate adjustments recommended by Commission Staff.

The successful offeror(s) are expected to use professional expertise in projecting a reasonable work plan for this engagement which will result in the completion of the engagement for the fixed price. The Commission Staff recognizes that there are limited circumstances where, for unforeseeable reasons, the scope of work will necessarily expand beyond that reasonably contemplated in the original proposal and, therefore, the Commission Staff will consider timely filed requests for supplemental compensation. A timely filed request is one filed with the Commission in sufficient time prior to the consultant commencing the work for which the additional payment is sought as to enable the Commission Staff to consider the request (normally not less than four weeks). ALL OFFERORS ARE HEREBY SPECIFICALLY ADVISED THAT PRIOR TO ANY PAYMENT FOR SUCH ADDITIONAL COST, THE CONSULTANT WILL BE REQUIRED TO PROVIDE DETAILED WRITTEN SUPPORT FOR ANY SUPPLEMENTAL FUNDING THAT DEMONSTRATES THE WORK INVOLVED IN BRINGING THE MATTER TO CONCLUSION WAS NOT AND COULD NOT HAVE BEEN REASONABLY CONTEMPLATED AS BEING WITHIN THE ORIGINAL PROPOSAL. The consultant may, in addition, be required to appear before the

STATE OF DELAWARE
Delaware Public Service Commission Staff

Commission in an open public session to explain any such request for compensation over and above the firm price established to complete this engagement.

III. Required Information

The following information shall be provided in each proposal in the order listed below. Failure to respond to any request for information within this proposal may result in rejection of the proposal at the sole discretion of the State.

A. Minimum Requirements

1. Provide Delaware license(s) and/or certification(s) necessary to perform services as identified in the scope of work.

Prior to the execution of an award document, the successful offeror/vendor shall either furnish the Commission with proof of State of Delaware Business Licensure or initiate the process of application where required.

2. Offeror shall provide responses to the RFP scope of work and clearly identify capabilities as presented in the General Evaluation Requirements below.
3. Complete all appropriate attachments and forms as identified within the RFP.
4. Proof of insurance and amount of insurance shall be furnished to the Commission Staff prior to the start of the contract period and shall be no less than as identified in the bid solicitation, Section IV.D7g. (insurance).
5. Provide response to Employing Delawareans Report (Attachment 9)

B. General Evaluation Requirements

1. See Section IV.C.2 (criterion weight – Table) starting on page 14 of this RFP.

IV. Professional Services RFP Administrative Information

A. RFP Issuance

1. Public Notice

Public notice has been provided in accordance with 29 *Del. C.* [§6981](#).

2. Obtaining Copies of the RFP

This RFP is available in electronic form through the State of Delaware Procurement website at www.bids.delaware.gov or through the Delaware Public Service Commission website at www.depssc.delaware.gov/rfp.shtml. Paper copies of this RFP will not be available.

3. Assistance to Vendors with a Disability

Vendors/offers with a disability may receive accommodation regarding the means of communicating this RFP or participating in the procurement process. For more information, contact the Designated Contact no later than ten days prior to the deadline for receipt of proposals.

4. RFP Designated Contact

All requests, questions, or other communications about this RFP shall be made in writing to the Commission Staff. Address all communications to the person listed

STATE OF DELAWARE
Delaware Public Service Commission Staff

below. Communications made to other State of Delaware personnel or attempting to ask questions by phone or in person will not be allowed or recognized as valid and may disqualify the vendor. Offerors should rely on written statements issued only by the RFP designated contact listed here:

Toni M. Loper
Public Utilities Analyst
Delaware Public Service Commission
861 Silver Lake Blvd., Suite 100
Dover, DE 19904
toni.loper@state.de.us

To ensure that written requests are received and answered in a timely manner, electronic mail (e-mail) correspondence is preferred, but other forms of delivery, such as postal and courier services, can also be used.

5. Consultants and Legal Counsel

The Commission Staff may retain consultants or legal counsel to assist in the review and evaluation of this RFP and the offerors' responses. Bidders shall not contact the Commission Staff's consultant or legal counsel on any matter related to the RFP.

6. Contact with State Employees

Direct contact with State of Delaware employees (other than the State of Delaware Designated Contact listed above) regarding this RFP is expressly prohibited without prior consent. Offerors directly contacting State of Delaware employees risk elimination of their proposal from further consideration. Exceptions exist only for organizations currently doing business in the State who require contact in the normal course of doing that business.

7. Organizations Ineligible to Bid

Any individual, business, organization, corporation, consortium, partnership, joint venture, or any other entity (including subcontractors) currently debarred or suspended is ineligible to bid. Any entity ineligible to conduct business in the State of Delaware for any reason is ineligible to respond to the RFP.

8. Exclusions

The Proposal Evaluation Team reserves the right to refuse to consider any proposal from an offeror who:

- a. Has been convicted for commission of a criminal offense as an incident to obtaining or attempting to obtain a public or private contract or subcontract, or in the performance of the contract or subcontract;
- b. Has been convicted under State or Federal statutes of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or other offense indicating a lack of business integrity or business honesty that currently and seriously affects responsibility as a State contractor;
- c. Has been convicted or has had a civil judgment entered against them for a violation under State or Federal antitrust statutes;
- d. Has violated contract provisions such as:
 - 1) Knowing failure without good cause to perform in accordance with the specifications or within the time limit provided in the contract; or

STATE OF DELAWARE
Delaware Public Service Commission Staff

- 2) Failure to perform or unsatisfactory performance in accordance with the terms of one or more contracts;
- e. Has violated ethical standards set out in law or regulation; and
- f. Any other cause listed in regulations of the State of Delaware determined to be serious and compelling as to affect responsibility as a State contractor, including suspension or debarment by another governmental entity for a cause listed in the regulations.

B. RFP Submissions

1. Acknowledgement of Understanding of Terms

By submitting a bid, each offeror shall be deemed to acknowledge that it has carefully read all sections of this RFP, including all forms, schedules and exhibits hereto, and has fully informed itself as to all existing conditions and limitations.

2. Proposals

To be considered, it is preferred that all proposals be received via electronic email in either Microsoft Word or PDF format with the words “Bid Enclosed – Contract No. STA16318PSCSWDERATE” in the subject line to: psc@state.de.us. All bids should respond to the items outlined in this RFP. The Commission Staff reserves the right to reject any non-responsive or non-conforming proposals.

Alternatively, proposals may also be submitted with one (1) paper copy and one (1) electronic copy on CD or DVD media disk, or USB memory drive.

All properly sealed and marked proposals are to be sent to the State of Delaware and received no later than **4:00 PM (Local Time) on April 1, 2016**. The proposals may be delivered by Express Delivery (e.g., FedEx, UPS, etc.), U.S. Mail, or by hand to:

Toni M. Loper
Public Utilities Analyst
Delaware Public Service Commission
861 Silver Lake Blvd., Suite 100
Dover, DE 19904

Offerors are directed to clearly print “BID ENCLOSED” and “CONTRACT NO. STA16318PSCSWDERATE” on the outside of the bid submission package.

Any proposal received after the Deadline for Receipt of Proposals date shall not be considered and shall be returned unopened. The offeror bears the risk of delays in delivery. The contents of any proposal shall not be disclosed as to be made available to competing entities during the negotiation process.

Upon receipt of the proposals, each offeror shall be presumed to be thoroughly familiar with all specifications and requirements of this RFP. The failure or omission to examine any form, instrument or document shall in no way relieve offerors from any obligation in respect to this RFP.

3. Proposal Modifications

Any changes, amendments or modifications to a proposal must be made in writing, submitted in the same manner as the original response and conspicuously labeled

STATE OF DELAWARE
Delaware Public Service Commission Staff

as a change, amendment or modification to a previously submitted proposal. Changes, amendments or modifications to proposals shall not be accepted or considered after the hour and date specified as the deadline for submission of proposals.

4. Proposal Costs and Expenses

The Commission Staff will not pay any costs incurred by any offeror associated with any aspect of responding to this solicitation, including proposal preparation, printing or delivery, attendance at any conference, system demonstrations or negotiation process.

5. Proposal Expiration Date

Prices quoted in the proposal shall remain fixed and binding on the bidder at least through May 1, 2016. The Commission Staff reserves the right to ask for an extension of time if needed.

6. Late Proposals

Proposals received after the specified date and time will not be accepted or considered. To guard against premature opening, sealed proposals shall be submitted, plainly marked with the proposal title, offeror name, and time and date of the proposal opening. Evaluation of the proposals is expected to begin shortly after the proposal due date. To document compliance with the deadline, the proposal will be date and time stamped upon receipt.

7. Proposal Opening

The Commission Staff will receive proposals until the date and time shown in this RFP. Proposals will be opened in the presence of State of Delaware personnel. Any unopened proposals will be returned to the submitting offeror.

There will be no public opening of proposals, but a public log will be kept of the names of all vendors that submitted proposals. The contents of any proposal shall not be disclosed in accordance with [Executive Order # 31](#) and Title 29, Delaware Code, [Chapter 100](#) except as explained below in Section IV.B.11.

8. Non-Conforming Proposals

Non-conforming proposals will not be considered. Non-conforming proposals are defined as those that do not meet the requirements of this RFP. The determination of whether an RFP requirement is substantive or a mere formality shall reside solely within the Commission Staff.

9. Concise Proposals

The Commission Staff discourages overly lengthy and costly proposals. It is the desire that proposals be prepared in a straightforward and concise manner. Unnecessarily elaborate brochures or other promotional materials beyond those sufficient to present a complete and effective proposal are not desired. The Commission Staff's interest is in the quality and responsiveness of the proposal.

10. Realistic Proposals

It is the expectation of the Commission Staff that offerors can fully satisfy the obligations of the proposal in the manner and timeframe defined within the proposal. Proposals must be realistic and must represent the best estimate of time, materials

STATE OF DELAWARE
Delaware Public Service Commission Staff

and other costs, including the impact of inflation and any economic or other factors that are reasonably predictable.

The Commission Staff shall bear no responsibility or increase obligation for an offeror's failure to accurately estimate the costs or resources required to meet the obligations defined in the proposal.

11. Confidentiality of Documents

Subject to applicable law or the order of a court of competent jurisdiction to the contrary, all documents submitted as part of the offeror's proposal will be treated as confidential during the evaluation process. As such, offeror proposals will not be available for review by anyone other than the Commission Staff/Proposal Evaluation Team or its designated agents. There shall be no disclosure of any offeror's information to a competing offeror prior to award of the contract unless such disclosure is required by law or by order of a court of competent jurisdiction.

The State of Delaware and its constituent agencies are required to comply with the State of Delaware Freedom of Information Act, [29 Del. C. § 10001, et seq.](#) ("FOIA"). FOIA requires that the State of Delaware's records (including the Commission's records) are public records (unless otherwise declared by FOIA or other law to be exempt from disclosure) and are subject to inspection and copying by any person upon a written request. Once a proposal is received by the Commission Staff and a decision on contract award is made, the content of selected and non-selected offeror proposals will likely become subject to FOIA's public disclosure obligations.

The State of Delaware wishes to create a business-friendly environment and procurement process. As such, the State respects the offeror's desire to protect its intellectual property, trade secrets, and confidential business information (collectively referred to herein as "confidential business information"). Proposals must contain sufficient information to be evaluated. If an offeror feels that they cannot submit their proposal without including confidential business information, they must adhere to the following procedure or their proposal may be deemed unresponsive, may not be recommended for selection, and any applicable protection for the offeror's confidential business information may be lost.

In order to allow the Commission Staff to assess its ability to protect an offeror's confidential business information, offerors will be permitted to designate appropriate portions of their proposal as confidential business information.

Offeror(s) may submit portions of a proposal considered to be confidential business information in a separate, sealed envelope labeled "Confidential Business Information" and include the specific RFP number. The envelope must contain a letter from the offeror's legal counsel describing the documents in the envelope, representing in good faith that the information in each document is not "public record" as defined by 29 Del. C. § 10002, and briefly stating the reasons that such information in each document meets the definition(s) of an exception to a "public record."

Upon receipt of a proposal accompanied by such a separate, sealed envelope, the Commission Staff will open the envelope to determine whether the procedure described above has been followed. An offeror's allegation as to its confidential

STATE OF DELAWARE
Delaware Public Service Commission Staff

business information shall not be binding on the State or the Commission Staff. The Commission Staff shall independently determine the validity of any offeror's designation as set forth in this section. Any offeror submitting a proposal or using the procedures discussed herein expressly accepts the State's absolute right and duty to independently assess the legal and factual validity of any information designated as confidential business information. Accordingly, offeror(s) assumes the risk that confidential business information included within a proposal may enter the public domain.

12. Price Not Confidential

Offerors shall be advised that as a publically bid contract, no offeror shall retain the right to declare their pricing as confidential information.

13. Multi-Vendor Solutions (Joint Ventures)

Multi-vendor solutions (joint ventures) will be allowed only if one of the venture partners is designated as the "**prime contractor**". The "**prime contractor**" must be the joint venture's contact point for the Commission Staff and be responsible for the joint venture's performance under the contract, including all project management, legal and financial responsibility for the implementation of all vendor systems. If a joint venture is proposed, a copy of the joint venture agreement clearly describing the responsibilities of the partners must be submitted with the proposal. Services specified in the proposal shall not be subcontracted without prior written approval by the Commission Staff, and approval of a request to subcontract shall not in any way relieve an offeror of responsibility for the professional and technical accuracy and adequacy of the work. Further, offeror shall be and remain liable for all damages to the Commission Staff and State of Delaware caused by negligent performance or non-performance of work by its subcontractor or its sub-subcontractor.

Multi-vendor proposals must be a consolidated response with all cost included in the cost summary. Where necessary, RFP response pages are to be duplicated for each vendor.

a. Primary Vendor

The Commission Staff expects to negotiate and contract with only one "prime vendor". The Commission Staff will not accept any proposals that reflect an equal teaming arrangement or from vendors who are co-bidding on this RFP. The prime vendor will be responsible for the management of all subcontractors.

Any contract that may result from this RFP shall specify that the prime vendor is solely responsible for fulfillment of any contract with the State as a result of this procurement. The State will make contract payments only to the awarded vendor. Payments to any-subcontractors are the sole responsibility of the prime vendor (awarded vendor).

Nothing in this section shall prohibit the Commission Staff from the full exercise of its options under Section IV.B.16 regarding multiple source contracting.

b. Sub-contracting

The vendor selected shall be solely responsible for contractual performance and management of all subcontract relationships. This contract allows subcontracting assignments; however, vendors assume all responsibility for work quality,

STATE OF DELAWARE
Delaware Public Service Commission Staff

delivery, installation, maintenance, and any supporting services required by a subcontractor.

Use of subcontractors must be clearly explained in the proposal, and major subcontractors must be identified by name. **The prime vendor shall be wholly responsible for the entire contract performance whether or not subcontractors are used.** Any sub-contractors must be approved by the Commission Staff.

c. Multiple Proposals

A primary vendor may not participate in more than one proposal in any form. Sub-contracting vendors may participate in multiple joint venture proposals.

14. Sub-Contracting

The vendor selected shall be solely responsible for contractual performance and management of all subcontract relationships. This contract allows subcontracting assignments; however, vendors assume all responsibility for work quality, delivery, installation, maintenance, and any supporting services required by a subcontractor.

Use of subcontractors must be clearly explained in the proposal, and subcontractors must be identified by name. Any sub-contractors must be approved by the Commission Staff.

15. Discrepancies and Omissions

Vendor is fully responsible for the completeness and accuracy of their proposal, and for examining this RFP and all addenda. Failure to do so will be at the sole risk of vendor. Should vendor find discrepancies, omissions, unclear or ambiguous intent or meaning, or should any questions arise concerning this RFP, vendor shall notify the Commission Staff's Designated Contact, in writing, of such findings at least ten (10) days before the proposal opening. This will allow issuance of any necessary addenda. It will also help prevent the opening of a defective proposal and exposure of vendor's proposal upon which award could not be made. All unresolved issues should be addressed in the proposal.

Protests based on any omission or error, or on the content of the solicitation, will be disallowed if these faults have not been brought to the attention of the Designated Contact, in writing, at least ten (10) calendar days prior to the time set for opening of the proposals.

a. RFP Question and Answer Process

The Commission Staff will allow written requests for clarification of the RFP. All questions shall be received no later than **March 25, 2016**. All questions will be consolidated into a single set of responses and posted on the State's website at www.bids.delaware.gov by the date of **March 28, 2016**. Vendor names will be removed from questions in the responses released. Questions should be submitted in the following format. Deviations from this format will not be accepted.

Section number

Paragraph number

STATE OF DELAWARE
Delaware Public Service Commission Staff

Page number

Text of passage being questioned

Questions should be submitted electronically to toni.loper@state.de.us.

16. State's Right to Reject Proposals

The Commission Staff reserves the right to accept or reject any or all proposals or any part of any proposal, to waive defects, technicalities or any specifications (whether they be in the Commission Staff's specifications or vendor's response), to sit and act as sole judge of the merit and qualifications of each product offered, or to solicit new proposals on the same project or on a modified project which may include portions of the originally proposed project as the Commission Staff may deem necessary in the best interest of the State of Delaware.

17. State's Right to Cancel Solicitation

The Commission Staff reserves the right to cancel this solicitation at any time during the procurement process, for any reason or for no reason. The Commission Staff makes no commitments expressed or implied that this process will result in a business transaction with any vendor.

This RFP does not constitute an offer by the Commission Staff. Vendor's participation in this process may result in the Commission Staff selecting your organization to engage in further discussions and negotiations toward execution of a contract. The commencement of such negotiations does not, however, signify a commitment by the Commission Staff to execute a contract nor to continue negotiations. The Commission Staff may terminate negotiations at any time and for any reason, or for no reason.

18. State's Right to Award Multiple Source Contracting

Pursuant to 29 *Del. C.* [§ 6986](#), the Commission Staff may award a contract for a particular professional service to two or more vendors if the agency head makes a determination that such an award is in the best interest of the State of Delaware.

19. Potential Contract Overlap

Vendors shall be advised that the State, at its sole discretion, shall retain the right to solicit for goods and/or services as required by its agencies and as it serves the best interest of the State. As needs are identified, there may exist instances where contract deliverables, and/or goods or services to be solicited and subsequently awarded, overlap previous awards. The State reserves the right to reject any or all bids in whole or in part, to make partial awards, to award to multiple vendors during the same period, to award by types, on a zone-by-zone basis or on an item-by-item or lump sum basis item by item, or lump sum total, whichever may be most advantageous to the State of Delaware.

20. Notification of Withdrawal of Proposal

Vendor may modify or withdraw its proposal by written request, provided that both proposal and request is received by the Commission Staff prior to the proposal due date. Proposals may be re-submitted in accordance with the proposal due date in order to be considered further.

STATE OF DELAWARE
Delaware Public Service Commission Staff

Proposals become the property of the Commission Staff at the proposal submission deadline. All proposals received are considered firm offers at that time.

21. Revisions to the RFP

If it becomes necessary to revise any part of the RFP, an addendum will be posted on the State of Delaware's website at www.bids.delaware.gov. The Commission Staff is not bound by any statement related to this RFP made by any State of Delaware employee, contractor or its agents.

22. Exceptions to the RFP

Any exceptions to the RFP, or the Commission Staff's terms and conditions, must be recorded on Attachment 3. Acceptance of exceptions is within the sole discretion of the evaluation committee.

23. Award of Contract

The final award of a contract is subject to approval by the Commission Staff. The Commission Staff has the sole right to select the successful vendor(s) for award, to reject any proposal as unsatisfactory or non-responsive, to award a contract to other than the lowest priced proposal, to award multiple contracts, or not to award a contract, as a result of this RFP.

Notice in writing to a vendor of the acceptance of its proposal by the Commission Staff and the subsequent full execution of a written contract will constitute a contract, and no vendor will acquire any legal or equitable rights or privileges until the occurrence of both such events.

a. RFP Award Notifications

After reviews of the evaluation committee report and its recommendation, and once the contract terms and conditions have been finalized, the Commission Staff will award the contract.

The contract shall be awarded to the vendor whose proposal is most advantageous, taking into consideration the evaluation factors set forth in the RFP.

It should be explicitly noted that the Commission Staff is not obligated to award the contract to the vendor who submits the lowest bid or the vendor who receives the highest total point score, rather the contract will be awarded to the vendor whose proposal is the most advantageous to the State of Delaware. The award is subject to the appropriate State of Delaware approvals.

After a final selection is made, the winning vendor will be invited to negotiate a contract with the Commission Staff; remaining vendors will be notified in writing of their selection status.

24. Cooperatives

Vendors, who have been awarded similar contracts through a competitive bidding process with a cooperative, are welcome to submit the cooperative pricing for this solicitation.

STATE OF DELAWARE
Delaware Public Service Commission Staff

C. RFP Evaluation Process

An evaluation team composed of representatives of the Commission Staff will evaluate proposals on a variety of quantitative criteria. Neither the lowest price nor highest scoring proposal will necessarily be selected.

The Commission Staff reserves full discretion to determine the competence and responsibility, professionally and/or financially, of vendors. Vendors are to provide in a timely manner any and all information that the Commission Staff may deem necessary to make a decision.

1. Proposal Evaluation Team

The Proposal Evaluation Team shall be comprised of representatives of the Commission Staff. The Team shall determine which vendors meet the minimum requirements pursuant to selection criteria of the RFP and procedures established in 29 *Del. C.* §§ [6981](#) and [6982](#). The Team may negotiate with one or more vendors during the same period and may, at its discretion, terminate negotiations with any or all vendors. The Team shall make a recommendation regarding the award to the Executive Director of the Delaware Public Service Commission, who shall have final authority, subject to the provisions of this RFP and 29 *Del. C.* § [6982](#), to award a contract to the successful vendor in the best interests of the State of Delaware.

2. Proposal Selection Criteria

The Proposal Evaluation Team shall assign up to the maximum number of points for each Evaluation Item to each of the proposing vendor's proposals. All assignments of points shall be at the sole discretion of the Proposal Evaluation Team.

The proposals shall contain the essential information on which the award decision shall be made. The information required to be submitted in response to this RFP has been determined by the Commission Staff to be essential for use by the Team in the bid evaluation and award process. Therefore, all instructions contained in this RFP shall be met in order to qualify as a responsive and responsible contractor and participate in the Proposal Evaluation Team's consideration for award. Proposals which do not meet or comply with the instructions of this RFP may be considered non-conforming and deemed non-responsive and subject to disqualification at the sole discretion of the Team.

The Team reserves the right to:

- Select for contract or for negotiations a proposal other than that with lowest costs.
- Reject any and all proposals or portions of proposals received in response to this RFP or to make no award or issue a new RFP.
- Waive or modify any information, irregularity, or inconsistency in proposals received.
- Request modification to proposals from any or all vendors during the contract review and negotiation.
- Negotiate any aspect of the proposal with any vendor and negotiate with more than one vendor at the same time.
- Select more than one vendor pursuant to 29 *Del. C.* §[6986](#). Such selection will be based on the following criteria:

STATE OF DELAWARE
Delaware Public Service Commission Staff

- If the Commission Staff, or the Executive Director, makes a determination that such an award is in the best interests of the State of Delaware.

Criteria Weight

All proposals shall be evaluated using the same criteria and scoring process. The following criteria shall be used by the Evaluation Team to evaluate proposals:

Criteria	Weight
Demonstrated ability to understand and perform the task(s) in an expeditious and professional manner and description of the work product to be produced.	20
Demonstrated knowledge and understanding of public utility regulatory proceedings of a similar nature.	20
The quality of the staffing plan, qualifications and past experience of the personnel assigned to work on the project, and the specific approach proposed for the project, including the time requirements for different phases of the project, if any, and the presence or absence of briefing of Staff at the conclusion of the proceedings.	30
Total price of proposal and the components thereof.	15
Prior experience of the Commission with the offeror's work product.	5
Overall impression of the offeror from the form of the proposal and from services previously performed for the Commission, if any.	10
Total	100%

Vendors are encouraged to review the evaluation criteria and to provide a response that addresses each of the scored items. Evaluators will not be able to make assumptions about a vendor's capabilities so the responding vendor should be detailed in their proposal responses.

3. Proposal Clarification

STATE OF DELAWARE
Delaware Public Service Commission Staff

The Evaluation Team may contact any vendor in order to clarify uncertainties or eliminate confusion concerning the contents of a proposal. Proposals may not be modified as a result of any such clarification request.

4. References

The Evaluation Team may contact any customer of the vendor, whether or not included in the vendor's reference list, and use such information in the evaluation process. Additionally, the Commission Staff or its agents may choose to visit existing installations of comparable systems, which may or may not include vendor personnel. If the vendor is involved in such site visits, the Commission Staff will pay travel costs only for State of Delaware personnel for these visits.

5. Oral Presentations

After initial scoring and a determination that vendor(s) are qualified to perform the required services, selected vendors may be invited to make oral presentations to the Evaluation Team. All vendor(s) selected will be given an opportunity to present to the Evaluation Team.

The selected vendors will have their presentations scored or ranked based on their ability to successfully meet the needs of the contract requirements, successfully demonstrate their product and/or service, and respond to questions about the solution capabilities.

The vendor representative(s) attending the oral presentation shall be technically qualified to respond to questions related to the proposed system and its components. All of the vendor's costs associated with participation in oral discussions and system demonstrations conducted for the Commission Staff are the vendor's responsibility.

D. Contract Terms and Conditions

1. Contract Use by Other Agencies

REF: Title 29, Chapter [6904\(e\)](#) Delaware Code. If no state contract exists for a certain good or service, covered agencies may procure that certain good or service under another agency's contract so long as the arrangement is agreeable to all parties. Agencies, other than covered agencies, may also procure such goods or services under another agency's contract when the arrangement is agreeable to all parties.

2. Cooperative Use of Award

As a publicly competed contract awarded in compliance with 29 *Del. C.* ch. 69, this contract is available for use by other states and/or governmental entities through a participating addendum. Interested parties should contact the State Contract Procurement Officer identified in the contract for instruction. Final approval for permitting participation in this contract resides with the Director of Government Support Services and in no way places any obligation upon the awarded vendor(s).

3. General Information

- a. The term of the contract between the successful bidder and the State shall be for not greater than 18 months with an optional extension for extenuating circumstances for a to be determined period decided by the Commission Staff.

STATE OF DELAWARE
Delaware Public Service Commission Staff

- b. The selected vendor will be required to enter into a written agreement with the Commission Staff. The Commission Staff reserves the right to incorporate standard State contractual provisions into any contract negotiated as a result of a proposal submitted in response to this RFP. Any proposed modifications to the terms and conditions of the standard contract are subject to review and approval by the State of Delaware. Vendors will be required to sign the contract for all services, and may be required to sign additional agreements.
- c. The selected vendor or vendors will be expected to enter negotiations with the Commission Staff, which will result in a formal contract between parties. Procurement will be in accordance with subsequent contracted agreement. This RFP and the selected vendor's response to this RFP will be incorporated as part of any formal contract.
- d. The Commission Staff's standard contract will most likely be supplemented with the vendor's software license, support/maintenance, source code escrow agreements, and any other applicable agreements. The terms and conditions of these agreements will be negotiated with the finalist during actual contract negotiations.
- e. The successful vendor shall promptly execute a contract incorporating the terms of this RFP within twenty (20) days after award of the contract. No vendor is to begin any service prior to receipt of a State of Delaware purchase order signed by two authorized representatives of the agency requesting service, properly processed through the State of Delaware Accounting Office and the Department of Finance. The purchase order shall serve as the authorization to proceed in accordance with the bid specifications and the special instructions, once it is received by the successful vendor.
- f. If the vendor to whom the award is made fails to enter into the agreement as herein provided, the award will be annulled, and an award may be made to another vendor. Such vendor shall fulfill every stipulation embraced herein as if they were the party to whom the first award was made.
- g. The Commission Staff reserves the right to extend this contract on a month-to-month basis for a period of up to three months after the term of the full contract has been completed.

4. Collusion or Fraud

Any evidence of agreement or collusion among vendor(s) and prospective vendor(s) acting to illegally restrain freedom from competition by agreement to offer a fixed price, or otherwise, will render the offers of such vendor(s) void.

By responding, the vendor shall be deemed to have represented and warranted that its proposal is not made in connection with any competing vendor submitting a separate response to this RFP, and is in all respects fair and without collusion or fraud; that the vendor did not participate in the RFP development process and had no knowledge of the specific contents of the RFP prior to its issuance; and that no employee or official of the State of Delaware participated directly or indirectly in the vendor's proposal preparation.

Advance knowledge of information which gives any particular vendor advantages over any other interested vendor(s), in advance of the opening of proposals, whether in response to advertising or an employee or representative thereof, will potentially void that particular proposal.

STATE OF DELAWARE
Delaware Public Service Commission Staff

5. Lobbying and Gratuities

Lobbying or providing gratuities shall be strictly prohibited. Vendors found to be lobbying, providing gratuities to, or in any way attempting to influence a State of Delaware employee or agent of the State of Delaware concerning this RFP or the award of a contract resulting from this RFP shall have their proposal immediately rejected and shall be barred from further participation in this RFP.

The selected vendor will warrant that no person or selling agency has been employed or retained to solicit or secure a contract resulting from this RFP upon agreement or understanding for a commission, or a percentage, brokerage or contingent fee. For breach or violation of this warranty, the State of Delaware shall have the right to annul any contract resulting from this RFP without liability or at its discretion deduct from the contract price or otherwise recover the full amount of such commission, percentage, brokerage or contingent fee.

All contact with State of Delaware employees, contractors or agents of the State of Delaware concerning this RFP shall be conducted in strict accordance with the manner, forum and conditions set forth in this RFP.

6. Solicitation of State Employees

Until contract award, vendors shall not, directly or indirectly, solicit any employee of the State of Delaware to leave the State of Delaware's employ in order to accept employment with the vendor, its affiliates, actual or prospective contractors, or any person acting in concert with vendor, without prior written approval of the State of Delaware's contracting officer. Solicitation of State of Delaware employees by a vendor may result in rejection of the vendor's proposal.

This paragraph does not prevent the employment by a vendor of a State of Delaware employee who has initiated contact with the vendor. However, State of Delaware employees may be legally prohibited from accepting employment with the contractor or subcontractor under certain circumstances. Vendors may not knowingly employ a person who cannot legally accept employment under state or federal law. If a vendor discovers that they have done so, they must terminate that employment immediately.

7. General Contract Terms

a. Independent Contractors

The parties to the contract shall be independent contractors to one another, and nothing herein shall be deemed to cause this agreement to create an agency, partnership, joint venture or employment relationship between parties. Each party shall be responsible for compliance with all applicable workers compensation, unemployment, disability insurance, social security withholding and all other similar matters. Neither party shall be liable for any debts, accounts, obligations or other liability whatsoever of the other party or any other obligation of the other party to pay on the behalf of its employees or to withhold from any compensation paid to such employees any social benefits, workers compensation insurance premiums or any income or other similar taxes.

It may be at the Commission Staff's discretion as to the location of work for the contractual support personnel during the project period. The Commission Staff may provide working space and sufficient supplies and material to augment the contractor's services.

STATE OF DELAWARE
Delaware Public Service Commission Staff

b. Temporary Personnel are Not State Employees Unless and Until They are Hired

Vendor agrees that any individual or group of temporary staff person(s) provided to the State of Delaware pursuant to this Solicitation shall remain the employee(s) of vendor for all purposes, including any required compliance with the Affordable Care Act by the vendor. Vendor agrees that it shall not allege, argue, or take any position that individual temporary staff person(s) provided to the State pursuant to this Solicitation must be provided any benefits, including any healthcare benefits by the State of Delaware and vendor agrees to assume the total and complete responsibility for the provision of any healthcare benefits required by the Affordable Care Act to aforesaid individual temporary staff person(s). In the event that the Internal Revenue Service, or any other third party governmental entity determines that the State of Delaware is a dual employer or the sole employer of any individual temporary staff person(s) provided to the State of Delaware pursuant to this Solicitation, vendor agrees to hold harmless, indemnify, and defend the State to the maximum extent of any liability to the State arising out of such determinations.

Notwithstanding the content of the preceding paragraph, should the State of Delaware subsequently directly hire any individual temporary staff employee(s) provided pursuant to this Solicitation, the aforementioned obligations to hold harmless, indemnify, and defend the State of Delaware shall cease and terminate for the period following the date of hire. Nothing herein shall be deemed to terminate the vendor's obligation to hold harmless, indemnify, and defend the State of Delaware for any liability that arises out of compliance with the ACA prior to the date of hire by the State of Delaware. Vendor will waive any separation fee provided an employee works for both the vendor and hiring agency, continuously, for a three (3) month period and is provided thirty (30) days written notice of intent to hire from the agency. Notice can be issued at second month if it is the State's intention to hire.

c. ACA Safe Harbor

The State and its utilizing agencies are not the employer of temporary or contracted staff. However, the State is concerned that it could be determined to be a Common-law Employer as defined by the Affordable Care Act ("ACA"). Therefore, the State seeks to utilize the "Common-law Employer Safe Harbor Exception" under the ACA to transfer health benefit insurance requirements to the staffing company. The Common-law Employer Safe Harbor Exception can be attained when the State and/or its agencies are charged and pay for an "Additional Fee" with respect to the employees electing to obtain health coverage from the vendor.

The Common-law Employer Safe Harbor Exception under the ACA requires that an Additional Fee must be charged to those employees who obtain health coverage from the vendor, but does not state the required amount of the fee. The State requires that all Vendors shall identify the Additional Fee to obtain health coverage from the vendor and delineate the Additional Fee from all other charges and fees. The vendor shall identify both the Additional Fee to be charged and the basis of how the fee is applied (i.e. per employee, per invoice,

STATE OF DELAWARE
Delaware Public Service Commission Staff

etc.). The State will consider the Additional Fee and prior to award reserves the right to negotiate any fees offered by the vendor. Further, the Additional Fee shall be separately scored in the proposal to ensure that neither prices charged nor the Additional Fee charged will have a detrimental effect when selecting vendor(s) for award.

d. Licenses and Permits

In performance of the contract, the vendor will be required to comply with all applicable federal, state and local laws, ordinances, codes, and regulations. The cost of permits and other relevant costs required in the performance of the contract shall be borne by the successful vendor. The vendor shall be properly incorporated or formed, authorized by and registered with the State of Delaware, and licensed and authorized to transact business in the State of Delaware (as provided in 30 *Del. C.* § [2502](#)).

Prior to receiving an award, the successful vendor shall either furnish to the Commission Staff with proof of State of Delaware Business Licensure or initiate the process of application where required. An application may be requested in writing to: Division of Revenue, Carvel State Building, P.O. Box 8750, 820 N. French Street, Wilmington, DE 19899 or by telephone to one of the following numbers: (302) 577-8200—Public Service, (302) 577-8205—Licensing Department. The successful vendor shall also furnish to the Commission a certificate of good standing issued by the Division of Corporations, Department of State, State of Delaware.

Information regarding the award of the contract will be given to the Division of Revenue. Failure to comply with the State of Delaware licensing requirements and registration requirements may subject vendor to applicable fines and/or interest penalties.

e. Notice

Any notice to the Commission Staff required under the contract shall be sent by electronic or registered mail to:

Toni M. Loper
Public Utilities Analyst
Delaware Public Service Commission
861 Silver Lake Blvd., Suite 100
Dover, DE 19904

Email: toni.loper@state.de.us

f. Indemnification

1. General Indemnification

By submitting a proposal, the proposing vendor agrees that in the event it is awarded a contract, it will indemnify and otherwise hold harmless the State of Delaware, its agents and employees from any and all liability, suits, actions, or claims, together with all costs, expenses for attorney's fees, arising out of the vendor's, its agents and employees' performance work or services in connection with the contract, regardless of whether such suits, actions,

STATE OF DELAWARE
Delaware Public Service Commission Staff

claims or liabilities are based upon acts or failures to act attributable, whole or part, to the State, its employees or agents.

2. Proprietary Rights Indemnification

Vendor shall warrant that all elements of its solution, including all equipment, software, documentation, services and deliverables, do not and will not infringe upon or violate any patent, copyright, trade secret or other proprietary rights of any third party. In the event of any claim, suit or action by any third party against the Commission Staff or the State of Delaware, the Commission Staff shall promptly notify the vendor in writing, and vendor shall defend such claim, suit or action at vendor's expense, and vendor shall indemnify the Commission Staff and State of Delaware against any loss, cost, damage, expense or liability arising out of such claim, suit or action (including, without limitation, litigation costs, lost employee time, and counsel fees) whether or not such claim, suit or action is successful.

If any equipment, software, services (including methods) products or other intellectual property used or furnished by the vendor (collectively "Products") is or in vendor's reasonable judgment is likely to be, held to constitute an infringing product, vendor shall at its expense and option either:

- a. Procure the right for the Commission Staff or State of Delaware to continue using the Product(s);
- b. Replace the product with a non-infringing equivalent that satisfies all the requirements of the contract; or
- c. Modify the Product(s) to make it or them non-infringing, provided that the modification does not materially alter the functionality or efficacy of the product or cause the Product(s) or any part of the work to fail to conform to the requirements of the Contract, or only alters the Product(s) to a degree that the Commission Staff agrees to and accepts in writing.

g. Insurance

- 1. Vendor recognizes that it is operating as an independent contractor and that it is liable for any and all losses, penalties, damages, expenses, attorney's fees, judgments, and/or settlements incurred by reason of injury to or death of any and all persons, or injury to any and all property, of any nature, arising out of the vendor's negligent performance under this contract, and particularly without limiting the foregoing, caused by, resulting from, or arising out of any act of omission on the part of the vendor in their negligent performance under this contract.
- 2. The vendor shall maintain such insurance as will protect against claims under Worker's Compensation Act and from any other claims for damages for personal injury, including death, which may arise from operations under this contract. The vendor is an independent contractor and is not an employee of the Commission Staff or the State of Delaware.
- 3. During the term of this contract, the vendor shall, at its own expense, also carry insurance minimum limits as follows:

a.	Commercial General Liability	\$1,000,000 per occurrence / \$3,000,000 aggregate
----	------------------------------	---

STATE OF DELAWARE
Delaware Public Service Commission Staff

And at least one of the following, as outlined below:

b.	Medical or Professional Liability	\$1,000,000 per occurrence / \$3,000,000 aggregate
c.	Misc. Errors and Omissions	\$1,000,000 per occurrence / \$3,000,000 aggregate
d.	Product Liability	\$1,000,000 per occurrence / \$3,000,000 aggregate

The successful vendor must carry (a) and at least one of (b), (c), or (d) above, depending on the type of Service or Product being delivered.

If the contractual service requires the transportation of departmental clients or staff, the vendor shall, in addition to the above coverage's, secure at its own expense the following coverage:

a.	Automotive Liability (Bodily Injury)	\$100,000/\$300,000
b.	Automotive Property Damage (to others)	\$ 25,000

4. The vendor shall provide a Certificate of Insurance (COI) as proof that the vendor has the required insurance. The COI shall be provided prior to the Commission Staff prior to any work being completed by the awarded vendor(s).
5. The State of Delaware/Commission Staff shall not be named as an additional insured.
6. Should any of the above described policies be cancelled before expiration date thereof, notice will be delivered in accordance with the policy provisions.

h. Performance Requirements

The selected vendor will warrant that it possesses, or has arranged through subcontractors, all capital and other equipment, labor, materials, and licenses necessary to carry out and complete the work hereunder in compliance with any and all federal and state laws, and county and local ordinances, regulations and codes.

i. Performance Bond

There is no performance bond requirement.

j. Vendor Emergency Response Point of Contact

The awarded vendor(s) shall provide the name(s), telephone, or cell phone number(s) of those individuals who can be contacted twenty four (24) hours a day, seven (7) days a week where there is a critical need for commodities or services when the Governor of the State of Delaware declares a state of emergency under the Delaware Emergency Operations Plan or in the event of a local emergency or disaster where a state governmental entity requires the services of the vendor. Failure to provide this information could render the proposal as non-responsive.

In the event of a serious emergency, pandemic or disaster outside the control of the State, the State may negotiate, as may be authorized by law, emergency

STATE OF DELAWARE
Delaware Public Service Commission Staff

performance from the Contractor to address the immediate needs of the State, even if not contemplated under the original Contract or procurement. Payments are subject to appropriation and other payment terms.

k. Warranty

The vendor will provide a warranty that the deliverables provided pursuant to the contract will function as designed for a period of no less than one (1) year from the date of system acceptance. The warranty shall require the vendor correct, at its own expense, the setup, configuration, customizations or modifications so that it functions according to the State's requirements.

l. Costs and Payment Schedules

All contract costs must be as detailed specifically in the vendor's cost proposal. No charges other than as specified in the proposal shall be allowed without written consent of the Commission Staff. The proposal costs shall include full compensation for all taxes that the selected vendor is required to pay.

The Commission Staff will require a payment schedule, based on defined and measurable milestones (i.e., defined tasks or work products must be completed each month prior to submission to the Commission for reimbursement). Vendors will be required to submit monthly invoices to the Commission, that detail all work performed and incurred expenses (plus supporting receipts and documentation) for the billing period. Payments for services will not be made in advance of work performed. The Commission Staff may require holdback of contract monies until acceptable performance is demonstrated (as much as 25%).

The Commission Staff requests the following format be used with charges for non-professionals such as secretarial may be aggregated under "other fees or expenses:" Name, Billing Rate, Hours, Expenses, Total

m. Penalties

The Commission Staff may include in the final contract penalty provisions for non-performance, such as liquidated damages.

n. Dispute Resolution

At the option of, and in the manner prescribed by the Office of Management and Budget (OMB), the parties shall attempt in good faith to resolve any dispute arising out of or relating to this RFP promptly by negotiation between executives who have authority to settle the controversy and who are at a higher level of management than the persons with direct responsibility for administration of this RFP. All offers, promises, conduct and statements, whether oral or written, made in the course of the negotiation by any of the parties, their agents, employees, experts and attorneys are confidential, privileged and inadmissible for any purpose, including impeachment, in arbitration or other proceeding involving the parties, provided evidence that is otherwise admissible or discoverable shall not be rendered inadmissible.

If the matter is not resolved by negotiation, as outlined above, or, alternatively, the Commission Staff elects to proceed directly to mediation, then the matter will proceed to mediation as set forth below. Any disputes, claims or controversies arising out of or relating to this RFP shall be submitted to mediation by a

STATE OF DELAWARE
Delaware Public Service Commission Staff

mediator selected by the Commission Staff, and if the matter is not resolved through mediation, then it shall be submitted, in the sole discretion of the Commission Staff, to the Office of Management and Budget, Government Support Services Director, for final and binding arbitration. The Commission Staff reserves the right to proceed directly to arbitration or litigation without negotiation or mediation. Any such proceedings held pursuant to this provision shall be governed by Delaware law and venue shall be in Delaware. The parties shall maintain the confidential nature of the arbitration proceeding and the award, including the hearing, except as may be necessary to prepare for or conduct the arbitration hearing on the merits. Each party shall bear its own costs of mediation, arbitration or litigation, including attorneys' fees.

o. Termination of Contract

Any contract resulting from this RFP may be terminated as follows by the Commission Staff.

1. **Termination for Cause**: If, for any reason, or through any cause, the vendor fails to fulfill in timely and proper manner its obligations under any contract resulting from this RFP, or if the vendor violates any of the covenants, agreements, or stipulations of any contract resulting from this RFP, the Commission Staff shall thereupon have the right to terminate any contract resulting from this RFP by giving written notice to the vendor of such termination and specifying the effective date thereof, at least twenty (20) days before the effective date of such termination. In that event, all finished or unfinished documents, data, studies, surveys, drawings, maps, models, photographs, and reports or other material prepared by the vendor under any contract shall, at the option of the Commission Staff, become its property, and the vendor shall be entitled to receive just and equitable compensation for any satisfactory work completed on such documents and other materials which is usable to the Commission Staff.

On receipt of any contract cancellation notice from the Commission Staff, the vendor shall have no less than five (5) days to provide a written response and may identify a method(s) to resolve the violation(s). A vendor response shall not effect or prevent any contract cancellation unless the Commission Staff provides a written acceptance of the vendor response. If the Commission Staff does accept the vendor's method and/or action plan to correct the identified deficiencies, the Commission Staff will define the time by which the vendor must fulfill its corrective obligations. Final retraction of the Commission Staff's termination for cause will only occur after the vendor successfully rectifies the original violation(s). At its discretion the Commission Staff may reject in writing the vendor's proposed action plan and proceed with any original contract cancellation timeline.

2. **Termination for Convenience**: The Commission Staff may terminate any contract entered into based on this RFP at any time by giving written notice of such termination and specifying the effective date thereof, at least twenty (20) days before the effective date of such termination. In that event, all finished or unfinished documents, data, studies, surveys, drawings, models, photographs, reports, supplies, and other materials shall, at the option of the Commission Staff, become its property and the vendor shall be entitled to receive

STATE OF DELAWARE
Delaware Public Service Commission Staff

compensation for any satisfactory work completed on such documents and other materials, and which is usable to the Commission Staff.

- 3. Termination for Non-Appropriations:** In the event the General Assembly fails to appropriate the specific funds necessary to enter into or continue any contractual agreement resulting from this RFP, in whole or part, the agreement shall be terminated as to any obligation of the State requiring the expenditure of money for which no specific appropriation is available at the end of the last fiscal year for which no appropriation is available or upon the exhaustion of funds. This is not a termination for convenience and will not be converted to such.
- p. Non-discrimination**
In performing the services subject to this RFP, the vendor, as set forth in Title 19 Delaware Code Chapter 7 section [711](#), will agree that it will not discriminate against any employee or applicant with respect to compensation, terms, conditions or privileges of employment because of such individual's race, marital status, genetic information, color, age, religion, sex, sexual orientation, gender identity, or national origin. The successful vendor shall comply with all federal and state laws, regulations and policies pertaining to the prevention of discriminatory employment practice. Failure to perform under this provision constitutes a material breach of contract.
- q. Covenant against Contingent Fees**
The successful vendor will warrant that no person or selling agency has been employed or retained to solicit or secure this contract upon an agreement of understanding for a commission or percentage, brokerage or contingent fee excepting bona-fide employees, bona-fide established commercial or selling agencies maintained by the vendor for the purpose of securing business. For breach or violation of this warranty the Commission Staff shall have the right to annul the contract without liability or at its discretion to deduct from the contract price or otherwise recover the full amount of such commission, percentage, brokerage or contingent fee.
- r. Vendor Activity**
No activity is to be executed in an offshore facility, either by a subcontracted firm or a foreign office or division of the vendor. The vendor must attest to the fact that no activity will take place outside of the United States in its transmittal letter. Failure to adhere to this requirement is cause for elimination from future consideration.
- s. Vendor Responsibility**
The Commission may enter into a contract with the successful vendor(s) based on the responses to this RFP. The successful vendor(s) shall be responsible for all products and services as required by this RFP, whether or not the vendor or its subcontractor provided final fulfillment of the order. Subcontractors, if any, shall be clearly identified in the vendor's proposal by completing Attachment 6, and are subject the approval and acceptance of the Commission Staff.
- t. Personnel, Equipment and Services**

STATE OF DELAWARE
Delaware Public Service Commission Staff

1. The vendor represents that it has, or will secure at its own expense, all personnel required to perform the services required under any contract entered into based on this RFP.
2. All of the equipment and services required hereunder shall be provided by or performed by the vendor or under its direct supervision, and all personnel, including subcontractors, engaged in the work shall be fully qualified and shall be authorized under state and local law to perform such services.
3. None of the equipment and/or services covered by any contract entered into based on this RFP shall be subcontracted without the prior written approval of the Commission Staff. Only those subcontractors identified in Attachment 6 are considered approved upon award. Changes to those subcontractor(s) listed in Attachment 6 must be approved in writing by the Commission Staff.

u. Fair Background Check Practices

Pursuant to 29 Del. C. [§6909B](#), the State does not consider the criminal record, criminal history, credit history or credit score of an applicant for state employment during the initial application process unless otherwise required by state and/or federal law. Vendors doing business with the State are encouraged to adopt fair background check practices. Vendors can refer to 19 Del. C. [§711\(g\)](#) for applicable established provisions.

v. Vendor Background Check Requirements

Vendor(s) selected for an award that access state property or come in contact with vulnerable populations, including children and youth, shall be required to complete background checks on employees serving the State's on premises contracts. Unless otherwise directed, at a minimum, this shall include a check of the following registry:

- Delaware Sex Offender Central Registry at:
<https://sexoffender.dsp.delaware.gov/>

Individuals that are listed in the registry shall be prevented from direct contact in the service of an awarded state contract, but may provide support or off-site premises service for contract vendors. Should an individual be identified and the vendor(s) believes their employee's service does not represent a conflict with this requirement; the vendor may apply for a waiver to the primary agency listed in the solicitation. The Commission Staff's decision to allow or deny access to any individual identified on a registry database is final and at the Commission Staff's sole discretion.

By Commission Staff's request, the vendor(s) shall provide a list of all employees serving an awarded contract, and certify adherence to the background check requirement. Individual(s) found in the central registry in violation of the terms stated shall be immediately prevented from a return to state property in service of any contract awarded under this RFP. A violation of this condition represents a violation of the terms and conditions of any contract awarded under this RFP and may subject the vendor to penalty, including contract cancellation for cause.

Individual contracts may require additional background checks and/or security clearance(s), depending on the nature of the services to be provided or locations accessed, but any other requirements shall be stated in the contract scope of

STATE OF DELAWARE
Delaware Public Service Commission Staff

work or be a matter of common law. The vendor(s) shall be responsible for the background check requirements of any authorized Subcontractor providing service to the Commission Staff's.

w. Drug Testing Requirements for Large Public Works

Pursuant to 29 Del.C. [§6908\(a\)\(6\)](#), effective as of January 1, 2016, OMB has established regulations that require Contractors and Subcontractors to implement a program of mandatory drug testing for Employees who work on Large Public Works Contracts funded all or in part with public funds. The regulations establish the mechanism, standards and requirements of a Mandatory Drug Testing Program that will be incorporated by reference into all Large Public Works Contracts awarded pursuant to 29 Del.C. [§6962](#).

Final publication of the identified regulations can be found at the following link: [4104 Regulations for the Drug Testing of Contractor and Subcontractor Employees Working on Large Public Works Projects](#)

x. Work Product

All materials and products developed under any executed contract by the vendor are the sole and exclusive property of the Commission Staff. The vendor will seek written permission to use any product created under the contract.

y. Contract Documents

The RFP, the purchase order, any executed contract and any supplemental documents between the Commission Staff and the successful vendor shall constitute the contract between the State of Delaware and the vendor. In the event there is any discrepancy between any of these contract documents, the following order of documents governs so that the former prevails over the latter: contract, this RFP, vendor's response to the RFP, and purchase order. No other documents shall be considered. These documents will constitute the entire agreement between the Commission Staff and the vendor.

z. Applicable Law

The laws of the State of Delaware shall apply, except where federal law has precedence. The successful vendor consents to jurisdiction and venue in the State of Delaware.

In submitting a proposal, vendors certify that they comply with all federal, state and local laws applicable to its activities and obligations, including:

1. the laws of the State of Delaware;
2. the applicable portion of the Federal Civil Rights Act of 1964;
3. the Equal Employment Opportunity Act and the regulations issued there under by the federal government;
4. a condition that the proposal submitted was independently arrived at, without collusion, under penalty of perjury; and
5. that programs, services, and activities provided to the general public under resulting contract conform with the Americans with Disabilities Act of 1990, and the regulations issued there under by the federal government.

STATE OF DELAWARE
Delaware Public Service Commission Staff

If any vendor fails to comply with (1) through (5) of this paragraph, the Commission Staff reserves the right to disregard the proposal, terminate the contract, or consider the vendor in default.

The selected vendor shall keep itself fully informed of and shall observe and comply with all applicable existing federal and state laws, and county and local ordinances, regulations and codes, and those laws, ordinances, regulations, and codes adopted during its performance of the work.

aa. Severability

If any term or provision of this RFP is found by a court of competent jurisdiction to be invalid, illegal or otherwise unenforceable, the same shall not affect the other terms or provisions hereof or the whole of this RFP, but such term or provision shall be deemed modified to the extent necessary in the court's opinion to render such term or provision enforceable, and the rights and obligations of the parties shall be construed and enforced accordingly, preserving to the fullest permissible extent the intent and agreements of the parties herein set forth.

bb. Scope of Agreement

If the scope of any provision of any contract entered into based on this RFP is determined to be too broad in any respect whatsoever to permit enforcement to its full extent, then such provision shall be enforced to the maximum extent permitted by law, and the parties hereto consent and agree that such scope may be judicially modified accordingly and that the whole of such provisions of the contract shall not thereby fail, but the scope of such provisions shall be curtailed only to the extent necessary to conform to the law.

cc. Affirmation

The vendor must affirm that within the past five (5) years the firm or any officer, controlling stockholder, partner, principal, or other person substantially involved in the contracting activities of the business is not currently suspended or debarred and is not a successor, subsidiary, or affiliate of a suspended or debarred business.

dd. Audit Access to Records

The vendor shall maintain books, records, documents, and other evidence pertaining to any contract based on this RFP to the extent and in such detail as shall adequately reflect performance hereunder. The vendor agrees to preserve and make available to the State, upon request, such records for a period of five (5) years from the date services were rendered by the vendor. Records involving matters in litigation shall be retained for one (1) year following the termination of such litigation. The vendor agrees to make such records available for inspection, audit, or reproduction to any official state representative in the performance of their duties under any contract based on this RFP. Upon notice given to the vendor, representatives of the State or other duly authorized state or federal agency may inspect, monitor, and/or evaluate the cost and billing records or other material relative to any contract based on this RFP. The cost of any contract audit disallowances resulting from the examination of the vendor's financial records will be borne by the vendor. Reimbursement to the State for disallowances shall be drawn from the vendor's own resources and not charged to contract cost or cost pools indirectly charging contract costs.

STATE OF DELAWARE
Delaware Public Service Commission Staff

ee. Other General Conditions

1. **Current Version** – “Packaged” application and system software shall be the most current version generally available as of the date of the physical installation of the software.
2. **Current Manufacture** – Equipment specified and/or furnished under this specification shall be standard products of manufacturers regularly engaged in the production of such equipment and shall be the manufacturer’s latest design. All material and equipment offered shall be new and unused.
3. **Volumes and Quantities** – Activity volume estimates and other quantities have been reviewed for accuracy; however, they may be subject to change prior or subsequent to award of the contract.
4. **Prior Use** – The State of Delaware reserves the right to use equipment and material furnished under this proposal prior to final acceptance. Such use shall not constitute acceptance of the work or any part thereof by the State of Delaware.
5. **Status Reporting** – The selected vendor will be required to lead and/or participate in status meetings and submit status reports covering such items as progress of work being performed, milestones attained, resources expended, problems encountered and corrective action taken, until final system acceptance.
6. **Regulations** – All equipment, software and services must meet all applicable local, state and federal regulations in effect on the date of the contract.
7. **Assignment** – Any resulting contract shall not be assigned except by express prior written consent from the Commission Staff.
8. **Changes** – No alterations in any terms, conditions, delivery, price, quality, or specifications of items ordered will be effective without the written consent of the Commission Staff.
9. **Purchase Orders** – Agencies that are part of the First State Financial (FSF) system are required to identify the contract number **STA16318PSCSWDERATE** on all Purchase Orders (P.O.) and shall complete the same when entering P.O. information in the state’s financial reporting system.
10. **Billing** – The vendor is required to "Bill as Shipped" to the respective ordering agency(s). Ordering agencies shall provide contract number, ship to and bill to address, contact name and phone number.
11. **Additional Terms and Conditions** – The Commission Staff reserves the right to add terms and conditions during any contract negotiations.

E. RFP Miscellaneous Information

1. No Press Releases or Public Disclosure

The State of Delaware reserves the right to pre-approve any news or broadcast advertising releases concerning this solicitation, any resulting contract, the work performed, or any reference to the Commission Staff or the State of Delaware with regard to any project or contract performance. Any such news or advertising releases pertaining to this solicitation or resulting contract shall require the prior express written permission of the State of Delaware.

STATE OF DELAWARE
Delaware Public Service Commission Staff

The State will not prohibit or otherwise prevent the awarded vendor(s) from direct marketing to the State of Delaware agencies, departments, municipalities, and/or any other political subdivisions; however, the vendor shall not use the State's seal or imply preference for the solution or goods provided.

2. Definitions of Requirements

To prevent any confusion about identifying requirements in this RFP, the following definition is offered: The words *shall*, *will* and/or *must* are used to designate a mandatory requirement. Vendors must respond to all mandatory requirements presented in the RFP. Failure to respond to a mandatory requirement may cause the disqualification of your proposal.

3. Production Environment Requirements

The State of Delaware requires that all hardware, system software products, and application software products included in proposals be currently in use in a production environment by a least three other customers, have been in use for at least six months, and have been generally available from the manufacturers for a period of six months. Unreleased or beta test hardware, system software, or application software will not be acceptable.

F. Attachments

The following attachments and appendixes shall be considered part of the solicitation:

- Attachment 1 – No Proposal Reply Form
- Attachment 2 – Non-Collusion Statement
- Attachment 3 – Exceptions
- Attachment 4 – Confidentiality and Proprietary Information
- Attachment 5 – Business References
- Attachment 6 – Subcontractor Information Form
- Attachment 7 – Monthly Usage Report
- Attachment 8 – Subcontracting (2nd Tier Spend) Report
- Attachment 9 – Employing Delawareans Report
- Attachment 10 – Office of Supplier Diversity Application
- Appendix A – Minimum Response Requirements
- Appendix B – Application of SUEZ Water Delaware Inc. (public version)

STATE OF DELAWARE
Delaware Public Service Commission Staff

[balance of page is intentionally left blank]

IMPORTANT – PLEASE NOTE

- **Attachments 2, 3, 4, 5 and 9 must be included in your proposal**
- Attachment 6 must be included in your proposal if subcontractors will be involved
- Attachments 7 and 8 represent required reporting on the part of awarded vendors. Those bidders receiving an award will be provided with active spreadsheets for reporting.

REQUIRED REPORTING

One of the primary goals in administering this contract is to keep accurate records regarding its actual value/usage. This information is essential in order to update the contents of the contract and to establish proper bonding levels if they are required. The integrity of future contracts revolves around our ability to convey accurate and realistic information to all interested parties.

A complete and accurate Usage Report (Attachment 7) shall be furnished in an **Excel format and submitted electronically**, no later than the 15th (or next business day after the 15th day) of each month, detailing the purchasing of all items on this contract. The reports shall be submitted and sent as an attachment to vendorusage@state.de.us. Submitted reports shall contain accurate descriptions of the products, goods or services procured, purchasing agency information, including the six-digit department and organization code, quantities procured and prices paid. Any exception to this mandatory requirement or failure to submit complete reports, or in the format required, may result corrective action, up to and including the possible cancellation of the award. Failure to provide the report with the minimum required information may also negate any contract extension clauses. Additionally, Vendors who are determined to be in default of this mandatory report requirement may have such conduct considered against them, in assessment of responsibility, in the evaluation of future proposals.

AGENCIES MAY NOT REMOVE SUBCONTRACTING 2ND TIER REPORTS –
Reporting is required by Executive Order.

In accordance with Executive Order 44, the State of Delaware is committed to supporting its diverse business industry and population. The successful vendor will be required to accurately report on the participation by Diversity Suppliers which includes: minority (MBE), woman (WBE), veteran owned business (VOBE), or service disabled veteran owned business (SDVOBE) under this awarded contract. The reported data elements shall include but not be limited to; name of state contract/project, the name of the Diversity Supplier, Diversity Supplier contact information (phone, email), type of product or service provided by the Diversity Supplier and any minority, women, veteran, or service disabled veteran certifications for the subcontractor (State OSD certification, Minority Supplier Development Council, Women's Business Enterprise Council, VetBiz.gov). The format used for Subcontracting 2nd Tier report is shown as in Attachment 8.

STATE OF DELAWARE
Delaware Public Service Commission Staff

Accurate 2nd tier reports shall be submitted to the contracting Agency's Office of Supplier Diversity at vendorusage@state.de.us on the 15th (or next business day) of the month following each quarterly period. For consistency quarters shall be considered to end the last day of March, June, September and December of each calendar year. Contract spend during the covered periods shall result in a report even if the contract has expired by the report due date.

STATE OF DELAWARE
Delaware Public Service Commission Staff

Attachment 1

NO PROPOSAL REPLY FORM

Contract No. **STA16318PSCSWDERATE**

Contract Title: **PUBLIC UTILITY CONSULTING SERVICES FOR A GENERAL INCREASE IN WATER RATES**

To assist us in obtaining good competition on our Request for Proposals, we ask that each firm that has received a proposal, but does not wish to bid, state their reason(s) below and return in a clearly marked envelope displaying the contract number. This information will not preclude receipt of future invitations unless you request removal from the Vendor's List by so indicating below, or do not return this form or bona fide proposal.

Unfortunately, we must offer a "No Proposal" at this time because:

- _____ 1. We do not wish to participate in the proposal process.
- _____ 2. We do not wish to bid under the terms and conditions of the Request for Proposal document. Our objections are:

- _____ 3. We do not feel we can be competitive.
- _____ 4. We cannot submit a Proposal because of the marketing or franchising policies of the manufacturing company.
- _____ 5. We do not wish to sell to the State. Our objections are:

- _____ 6. We do not sell the items/services on which Proposals are requested.
- _____ 7. Other: _____

FIRM NAME

SIGNATURE

_____ We wish to remain on the Vendor's List **for these goods or services.**

_____ We wish to be deleted from the Vendor's List **for these goods or services.**

PLEASE FORWARD NO PROPOSAL REPLY FORM TO THE CONTRACT OFFICER IDENTIFIED.

CONTRACT NO.: STA16318PSCSWDERATE
CONTRACT TITLE: PUBLIC UTILITY CONSULTING SERVICES FOR A GENERAL INCREASE IN WATER RATES
DEADLINE TO RESPOND: April 1, 2016 at 4:00 PM (Local Time)

NON-COLLUSION STATEMENT

This is to certify that the undersigned Vendor has neither directly nor indirectly, entered into any agreement, participated in any collusion or otherwise taken any action in restraint of free competitive bidding in connection with this proposal, **and further certifies that it is not a sub-contractor to another Vendor who also submitted a proposal as a primary Vendor in response to this solicitation** submitted this date to the State of Delaware, Delaware Public Service Commission Staff.

It is agreed by the undersigned Vendor that the signed delivery of this bid represents, subject to any express exceptions set forth at Attachment 3, the Vendor's acceptance of the terms and conditions of this solicitation including all specifications and special provisions.

NOTE: Signature of the authorized representative **MUST** be of an individual who legally may enter his/her organization into a formal contract with the State of Delaware, Delaware Public Service Commission Staff.

COMPANY NAME _____

(Check one)	
<input type="checkbox"/>	Corporation
<input type="checkbox"/>	Partnership
<input type="checkbox"/>	Individual

NAME OF AUTHORIZED REPRESENTATIVE
(Please type or print) _____

SIGNATURE _____ TITLE _____

COMPANY ADDRESS _____

PHONE NUMBER _____ FAX NUMBER _____

EMAIL ADDRESS _____

FEDERAL E.I. NUMBER _____ STATE OF DELAWARE
LICENSE NUMBER _____

COMPANY CLASSIFICATIONS: CERT. NO.: _____	Certification type(s)	Circle all that apply
	Minority Business Enterprise (MBE)	Yes No
	Woman Business Enterprise (WBE)	Yes No
	Disadvantaged Business Enterprise (DBE)	Yes No
	Veteran Owned Business Enterprise (VOBE)	Yes No
	Service Disabled Veteran Owned Business Enterprise (SDVOBE)	Yes No

[The above table is for informational and statistical use only.]

PURCHASE ORDERS SHOULD BE SENT TO:
(COMPANY NAME) _____

ADDRESS _____

CONTACT _____

PHONE NUMBER _____ FAX NUMBER _____

EMAIL ADDRESS _____

AFFIRMATION: Within the past five years, has your firm, any affiliate, any predecessor company or entity, owner, Director, officer, partner or proprietor been the subject of a Federal, State, Local government suspension or debarment?

YES _____ NO _____ if yes, please explain _____

THIS PAGE SHALL HAVE ORIGINAL SIGNATURE, BE NOTARIZED AND BE RETURNED WITH YOUR PROPOSAL

SWORN TO AND SUBSCRIBED BEFORE ME this _____ day of _____, 20 _____

Notary Public _____ My commission expires _____

City of _____ County of _____ State of _____

STATE OF DELAWARE
Delaware Public Service Commission Staff

Attachment 3

Contract No. **STA16318PSCSWDERATE**

Contract Title: **PUBLIC UTILITY CONSULTING SERVICES FOR A GENERAL INCREASE IN WATER RATES**

EXCEPTION FORM

Proposals must include all exceptions to the specifications, terms or conditions contained in this RFP. If the vendor is submitting the proposal without exceptions, please state so below.

By checking this box, the Vendor acknowledges that they take no exceptions to the specifications, terms or conditions found in this RFP.

Paragraph # and page #	Exceptions to Specifications, terms or conditions	Proposed Alternative

Note: Vendor may use additional pages as necessary, but the format shall be the same as provided above.

Contract No. **STA16318PSCSWDERATE**

Contract Title: **PUBLIC UTILITY CONSULTING SERVICES FOR A GENERAL INCREASE IN WATER RATES**

CONFIDENTIAL INFORMATION FORM

By checking this box, the Vendor acknowledges that they are not providing any information they declare to be confidential or proprietary for the purpose of production under 29 Del. C. ch. 100, Delaware Freedom of Information Act.

Confidentiality and Proprietary Information

Note: Vendor may use additional pages as necessary, but the format shall be the same as provided above.

Contract No. **STA16318PSCSWDERATE**
Contract Title: **PUBLIC UTILITY CONSULTING SERVICES FOR A GENERAL INCREASE IN WATER RATES**

BUSINESS REFERENCES

List a minimum of three business references, including the following information:

- Business Name and Mailing address
- Contact Name and phone number
- Number of years doing business with
- Type of work performed

Please do not list any State Employee as a business reference. If you have held a State contract within the last 5 years, please provide a separate list of the contract(s).

1.	Contact Name & Title:	
	Business Name:	
	Address:	
	Email:	
	Phone # / Fax #:	
	Current Vendor (YES or NO):	
	Years Associated & Type of Work Performed:	
2.	Contact Name & Title:	
	Business Name:	
	Address:	
	Email:	
	Phone # / Fax #:	
	Current Vendor (YES or NO):	
	Years Associated & Type of Work Performed:	
3.	Contact Name & Title:	
	Business Name:	
	Address:	
	Email:	
	Phone # / Fax #:	
	Current Vendor (YES or NO):	
	Years Associated & Type of Work Performed:	

STATE OF DELAWARE PERSONNEL MAY NOT BE USED AS REFERENCES.

STATE OF DELAWARE
Delaware Public Service Commission Staff

Attachment 6

SUBCONTRACTOR INFORMATION FORM

PART I – STATEMENT BY PROPOSING VENDOR		
1. CONTRACT NO. STA16318PSCSWDERATE	2. Proposing Vendor Name:	3. Mailing Address
4. SUBCONTRACTOR		
a. NAME	4c. Company OSD Classification: Certification Number: _____	
b. Mailing Address:	4d. Women Business Enterprise <input type="checkbox"/> Yes <input type="checkbox"/> No 4e. Minority Business Enterprise <input type="checkbox"/> Yes <input type="checkbox"/> No 4f. Disadvantaged Business Enterprise <input type="checkbox"/> Yes <input type="checkbox"/> No 4g. Veteran Owned Business Enterprise <input type="checkbox"/> Yes <input type="checkbox"/> No 4h. Service Disabled Veteran Owned Business Enterprise <input type="checkbox"/> Yes <input type="checkbox"/> No	
5. DESCRIPTION OF WORK BY SUBCONTRACTOR		
6a. NAME OF PERSON SIGNING	7. BY (<i>Signature</i>)	8. DATE SIGNED
6b. TITLE OF PERSON SIGNING		
PART II – ACKNOWLEDGEMENT BY SUBCONTRACTOR		
9a. NAME OF PERSON SIGNING	10. BY (<i>Signature</i>)	11. DATE SIGNED
9b. TITLE OF PERSON SIGNING		

*** Use a separate form for each subcontractor**

STATE OF DELAWARE
Delaware Public Service Commission Staff

Attachment 7

STATE OF DELAWARE
MONTHLY USAGE REPORT

SAMPLE REPORT - FOR ILLUSTRATION PURPOSES ONLY

State of Delaware - Monthly Usage Report

Ver. 2 8/19/14

Contract Number / Title: _____

See Below for Transaction Detail

E-mail report to vendorusage@state.de.us no later than the 15th of each month for prior calendar month usage

Check here if there were no transactions for the reporting period

Supplier Name: _____ State Contract Item Sales \$ _____ Report Start Date: _____
 Contact Name: _____ Non-State Contract Item Sales \$ _____ Report End Date: _____
 Contact Phone: _____ Total Sales \$ _____ Today's Date: _____

Customer Group	Customer Department, School District, or OTHER - Municipality / Non-Profit	Customer Division (State Agency Section name, School name, Municipality / Non-Profit name)	Item Description	Awarded Contract Item YES/NO	Contract Item Number	Unit of Measure	Qty	Contract Proposal Price/Rate	Total Spend (Qty x Contract Proposal Price/Rate)

Note: A copy of the Usage Report will be sent by electronic mail to the Awarded Vendor. The report shall be submitted electronically in **EXCEL** and sent as an attachment to vendorusage@state.de.us. It shall contain the six-digit department and organization code for each agency and school district.

STATE OF DELAWARE
Delaware Public Service Commission Staff

Attachment 8

SAMPLE REPORT - FOR ILLUSTRATION PURPOSES ONLY

State of Delaware																				
Subcontracting (2nd tier) Quarterly Report																				
Prime Name:							Report Start Date:													
Contract Name/Number							Report End Date:													
Contact Name:							Today's Date:													
Contact Phone:							*Minimum Required		Requested detail											
Vendor Name*	Vendor TaxID*	Contract Name/ Number*	Vendor Contact Name*	Vendor Contact Phone*	Report Start Date*	Report End Date*	Amount Paid to Subcontractor*	Work Performed by Subcontractor UNSPSC	M/WBE Certifying Agency	Veteran /Service Disabled Veteran Certifying Agency	2nd tier Supplier Name	2nd tier Supplier Address	2nd tier Supplier Phone Number	2nd tier Supplier email	Description of Work Performed	2nd tier Supplier Tax Id				

Note: A copy of the Subcontracting Quarterly Report will be sent by electronic mail to the Awarded Vendor.

Completed reports shall be saved in an Excel format, and submitted to the following email address: vendorousage@state.de.us

STATE OF DELAWARE
Delaware Public Service Commission Staff

Attachment 9

Contract No. **STA16318PSCSWDERATE**
Contract Title: **PUBLIC UTILITY CONSULTING SERVICES FOR A GENERAL INCREASE IN WATER RATES**

EMPLOYING DELAWAREANS REPORT

As required by House Bill # 410 (Bond Bill) of the 146th General Assembly and under Section 30, No bid for any public works or professional services contract shall be responsive unless the prospective bidder discloses its reasonable, good-faith determination of:

1. Number of employees reasonable anticipated to be employed on the project: _____
2. Number and percentage of such employees who are bona fide legal residents of Delaware: _____
Percentage of such employees who are bona fide legal residents of Delaware: _____
3. Total number of employees of the bidder: _____
4. Total percentage of employees who are bona fide resident of Delaware: _____

If subcontractors are to be used:

1. Number of employees who are residents of Delaware: _____
2. Percentage of employees who are residents of Delaware: _____

“Bona fide legal resident of this State” shall mean any resident who has established residence of at least 90 days in the State.

State of Delaware
Office of Supplier Diversity
Certification Application

The most recent application can be downloaded from the following site:
<http://gss.omb.delaware.gov/osd/certify.shtml>

Submission of a completed Office of Supplier Diversity (OSD) application is optional and does not influence the outcome of any award decision.

The minimum criteria for certification require the entity must be at least 51% owned and actively managed by a person or persons who are eligible: minorities, women, veterans, and/or service disabled veterans. Any one or all of these categories may apply to a 51% owner.



Complete application and mail, email or fax to:

Office of Supplier Diversity (OSD)
100 Enterprise Place, Suite 4
Dover, DE 19904-8202
Telephone: (302) 857-4554 Fax: (302) 677-7086
Email: osd@state.de.us
Web site: <http://gss.omb.delaware.gov/osd/index.shtml>

**THE OSD ADDRESS IS FOR OSD APPLICATIONS ONLY.
THE OSD WILL NOT ACCEPT ANY VENDOR BID RESPONSE PACKAGES.**

STATE OF DELAWARE
Delaware Public Service Commission Staff

**APPENDIX A
MINIMUM MANDATORY SUBMISSION REQUIREMENTS**

Each vendor solicitation response should contain at a minimum the following information:

1. Transmittal Letter as specified on page 1 of the Request for Proposal including an Applicant's experience, if any, providing similar services.
2. The remaining vendor proposal package shall identify how the vendor proposes meeting the contract requirements and shall include pricing. Vendors are encouraged to review the Evaluation criteria identified to see how the proposals will be scored and verify that the response has sufficient documentation to support each criteria listed.
3. Pricing as identified in the solicitation.
4. One (1) complete, signed and notarized copy of the non-collusion agreement (See Attachment 2). Bid marked "ORIGINAL", **MUST HAVE ORIGINAL SIGNATURES AND NOTARY MARK.** All other copies may have reproduced or copied signatures – Form must be included.
5. One (1) completed RFP Exception form (See Attachment 3) – please check box if no information – Form must be included.
6. One (1) completed Confidentiality Form (See Attachment 4) – please check if no information is deemed confidential – Form must be included.
7. One (1) completed Business Reference form (See Attachment 5) – please provide references other than State of Delaware contacts – Form must be included.
8. One (1) complete and signed copy of the Subcontractor Information Form (See Attachment 6) for each subcontractor – only provide if applicable.
9. One (1) complete Employing Delawareans Report (See Attachment 9)
10. One (1) complete OSD application (See link on Attachment 10) – only provide if applicable

The items listed above provide the basis for evaluating each vendor's proposal. **Failure to provide all appropriate information may deem the submitting vendor as "non-responsive" and exclude the vendor from further consideration.** If an item listed above is not applicable to your company or proposal, please make note in your submission package.

STATE OF DELAWARE
Delaware Public Service Commission Staff

APPENDIX B
APPLICATION OF SUEZ Water Delaware Inc. (PUBLIC VERSION)



STATE OF DELAWARE
THE PUBLIC SERVICE COMMISSION
 CANNON BUILDING
 861 SILVER LAKE BLVD., SUITE 100
 DOVER, DELAWARE 19904

TELEPHONE: (302) 736-7529
 TELECOPIER: (302) 739-4849

FILING COVER SHEET

1. NAME OF APPLICANT: SUEZ Water Delaware Inc.
2. TYPE OF FILING: RATE CHANGE
 FUEL ADJUSTMENT
 ADMINISTRATIVE
 CPCN
 NEW SERVICE OFFERING
 OTHER - DESCRIBE _____

IF A TELECOMMUNICATIONS FILING, WHAT TYPE OF SERVICE IS IMPACTED?

BASIC _____ COMPETITIVE _____ DISCRETIONARY _____

3. PROPOSED EFFECTIVE DATE: April 5, 2016
- IS EXPEDITED TREATMENT REQUESTED? YES NO
4. SHORT SUMMARY OF FILING: SUEZ Water Delaware Inc. is requesting a rate increase in order to recover increases in operating expenses and fair return on capital invested since its last rate case in 2010.
5. DOES THIS FILING RELATE TO OTHER DOCKETS: YES NO

IF YES, LIST DOCKET(S) NO(S): _____

6. IS PUBLIC NOTICE REQUIRED? YES NO
 IF YES, PLEASE ATTACH COPY OF PROPOSED PUBLIC NOTICE.
7. APPLICANT'S CONTACT PERSON: NAME: Gary S. Prettyman
 TITLE: Sr. Director Regulatory Business
 PHONE: 201-784-7083
 FAX: 201-750-5728
 EMAIL gary.prettyman@suez-na.com
 WEBSITE (IF APPLICABLE) _____

8. DID YOU PROVIDE A COMPLETE COPY OF THE FILING TO THE PUBLIC ADVOCATE?
 YES NO IF YES, WHEN? _____

9. FILING FEE ENCLOSED: AMOUNT: \$ 100.00

NOTE: House Bill 681, enacted into law 7/13/98, authorizes the Commission to recover the cost of time spent by in-house staff to process all filings initiated after the date of enactment. You may be required to reimburse the Commission for staff time.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION OF)
SUEZ WATER DELAWARE INC. FOR A) PSC Docket No.
GENERAL INCREASE IN RATES) 16- _____
(Filed February 5, 2016))

**APPLICATION OF SUEZ WATER DELAWARE INC.
FOR A GENERAL INCREASE IN RATES**

SUEZ WATER MANAGEMENT &
SERVICES INC.
461 From Road, Suite 400
Paramus, NJ 07652
Attention: Gary S. Prettyman
Phone: 201-784-7083
Fax: 201-750-5728
gary.prettyman@suez-na.com

SUEZ WATER DELAWARE INC.
2000 First State Blvd.
P.O. Box 6508
Wilmington, DE 19804-0508
Attention: Larry Finnicum
Phone: 302-633-5905 (Ext. 305)
Fax: 302-633-5910
larry.finnicum@suez-na.com

MORRIS, JAMES, HITCHENS &
WILLIAMS LLP
P. Clarkson Collins, Jr. Esq.
500 Delaware Avenue, Suite 1500
Wilmington, DE 19801-1494
Phone: 302-888-6990
Fax: 302-571-1750
pcollins@morrisjames.com

February 5, 2016

SUEZ Water Delaware Inc. (“SUEZ” or the “Company”) hereby submits this Application pursuant to Rule 8 of the Rules of Practice and Procedure of the Delaware Public Service Commission (the “Commission”), and in support thereof states as follows:

1. The Company’s name, mail and email address, telephone and fax numbers are as follows:

SUEZ WATER DELAWARE INC.
2000 First State Blvd.
P.O. Box 6508
Wilmington, DE 19804-0508
Attention: Larry Finnicum
Phone: 302-633-5905 (Ext. 305)
Fax: 302-633-5910
larry.finnicum@suez-na.com

SUEZ WATER MANAGEMENT
& SERVICES INC.
461 From Road, Suite 400
Paramus, NJ 07652
Attention: Gary S. Prettyman
Phone: 201-784-7083
Fax: 201-750-5728
gary.prettyman@suez-na.com

2. The Company seeks the authorization, right and approval for a general rate increase pursuant to 26 *Del.C.* §§ 201, 209, 304 and 306 and other sections of the Public Utilities Act of 1974, 26 *Del.C.* §§ 101 et seq. (the “Act”) as applicable.
3. The Company’s existing rates, as previously authorized and approved by the Commission in PSC Docket No. 10-421, will be affected and modified by relief sought with this Application.
4. The material facts to be relied upon by the Company in connection with this Application are contained in the pre-filed testimony and exhibits of the Company’s representatives and expert(s), and supporting schedules, filed concurrently with this Application in accordance with the Commission’s

Minimum Filing Requirements for All Regulated Companies Subject to the Jurisdiction of the Commission, codified at 26 *Del.C.* § 1002, Part A (the “Minimum Filing Requirements”).

5. This Application and the Commission’s review and approval thereof are authorized by Sections 201, 209, 304 and 306 of the Act, and by the Commission’s rules and regulations promulgated thereunder, including Part A of the Minimum Filing Requirements.
6. The proposed changes to the tariff, issued February 5 and effective April 5, are included as a part of the Minimum Filing Requirements.
7. The Company has, pursuant to Section 304 of the Act, and Section 1. A. of Part A of the Minimum Filing Requirements, filed a Notice of Intent to file a general rate increase, which Notice of Intent was originally filed on November 19, 2015.
8. Any information required by the Minimum Filing Requirements but not set forth herein (or attached hereto) is currently on file with the Commission.
9. Based on the foregoing, the Company seeks the Commission’s approval of the attached tariff *P.S.C. No. 6 – Water, Twenty Fourth Revised Sheet No. 1, Third Revised Sheet No. 4, Second Revised Sheet No. 6, Tenth Revised Sheet No.’s 12 and 12A, Ninth Revised Sheet No.’s 12B through 15 and Twenty First Revised Sheet No. 17* to provide for an overall net rate increase of \$ 4,943,665 or

19.96% The proposed increase in base rates includes \$1,696,286 of existing Distribution System Improvement Charge which will be rolled into base rates.

10. If the Commission suspends the operation of the rate change proposed in this Application, pursuant to Section 306(a) of the Act, then the Company intends to exercise its right to put increased rates into effect under bond sixty (60) days after the filing of this Application, as and to the extent permitted pursuant to 26 Del.C. § 306(c).

WHEREFORE, the Company respectfully requests that the Commission approve the general rate increase and tariff changes as requested in this Application.

Respectfully submitted:

SUEZ WATER DELAWARE INC.

Signature on File

By:

Name: Gary S. Prettyman

Title: Sr. Director Regulatory Business

Dated: February 5, 2016

VERIFICATION

STATE OF NEW JERSEY :
 :
 :
COUNTY OF BERGEN :

SS

The undersigned, Gary S. Prettyman, Sr. Director Regulatory Business of SUEZ Water Management and Services Inc., being duly sworn, deposes and says that the facts and statements in the foregoing APPLICATION OF SUEZ WATER DELAWARE INC. FOR A GENERAL INCREASE IN RATES, dated February 5, 2016, are true and correct to the best of his knowledge, information and belief, but are in part based upon knowledge and information supplied by others.

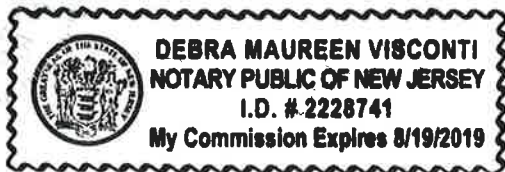
Signature on File

Name: Gary S. Prettyman

SWORN TO AND SUBSCRIBED
before me, a notary public, on this
5th day of February 2016.

Debra Maureen Visconti
Debra Maureen Visconti
Notary Public of New Jersey
I.D. # 2228741
My Commission Expires 8/19/2019


SEAL:



CERTIFICATE OF SERVICE

The undersigned, Gary S. Prettyman, does hereby certify that the foregoing APPLICATION OF SUEZ WATER DELAWARE INC. FOR A GENERAL INCREASE IN RATES, dated February 5, 2016, together with all exhibits, schedules and other attachments thereto, have been filed electronically with State of Delaware Public Service Commission via Delafile.

Signature on File



Gary S. Prettyman
Sr. Director Regulatory Business

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION OF)
 SUEZ WATER DELAWARE INC. FOR A) PSC Docket No.
 GENERAL INCREASE IN RATES) 16- _____
 (Filed February 5, 2016))

PUBLIC NOTICE

TO: ALL CUSTOMERS OF SUEZ WATER DELAWARE INC.

On February 5, 2016, SUEZ Water Delaware Inc. (“United” or “the Company”) filed with the Delaware Public Service Commission (“the Commission”) an application for an increase in its water service rates and for several changes to the Rules and Regulations in its Tariff (the “Application”). The new proposed rates and charges are designed to increase the net rates of the Company by approximately \$4.9 Million. The application includes a provision for \$1.6 Million of currently billed surcharges to be included in base rates and resetting of the surcharge amount to zero. The overall impact of the proposed rates on the Company’s revenue and on customers’ bills will be about 19.96%.

The following is a comparison of SUEZ’s present rates and those proposed in the Application:

**WATER CHARGE
Rate Per 1,000 Gallons**

<u>RATE</u>	<u>OLD RATE</u>	<u>NEW</u>
<u>RESIDENTIAL:</u>		
0-2,000	\$ 3.3819	\$ 4.3572
2,001-7,000	\$ 4.0880	\$ 5.2604
Over 7,000	\$ 5.7286	\$ 8.1591
<u>COMMERCIAL</u>		
All Consumption	\$ 3.3896	\$ 4.4673
<u>INDUSTRIAL</u>		
0-1,400,000	\$ 3.1697	\$ 4.1645
Over 1,400,000	\$ 2.3659	\$ 3.1321

PUBLIC AUTHORITY

All Consumption\$2.9741 \$ 4.1102

SALES FOR RESALE

All Consumption\$2.9994 \$ 3.6666

CUSTOMER SERVICE CHARGE

<u>Meter Size</u>	<u>MONTHLY Old Rate</u>	<u>New Rate</u>
5/8"	\$11.70	\$15.46
3/4"	14.05	19.27
1"	18.59	24.99
1 1/4"	21.80	29.32
1 1/2"	27.10	37.22
2"	40.27	53.62
3"	102.33	110.00
4"	137.08	147.36
6"	219.74	236.22
8"	315.41	354.92
10"	410.20	498.93

PUBLIC FIRE HYDRANT READY TO SERVE CHARGE

<u>Meter Size</u>	<u>MONTHLY Old Rate</u>	<u>New Rate</u>
5/8"	\$2.21	\$2.38
3/4"	3.30	3.55
1"	5.51	5.92
1 1/4"	8.28	8.90
1 1/2"	11.03	11.86
2"	17.67	19.00
3"	33.13	35.61
4"	55.22	59.36
6"	110.48	118.77
8"	176.76	190.02
10"	254.11	273.17

PUBLIC FIRE HYDRANT

Maintained by Company	\$120.25	\$120.25
Maintained by Customer	100.17	100.17

PRIVATE FIRE PROTECTION

	MONTHLY	
<u>Meter Size</u>	<u>Old Rate</u>	<u>New Rate</u>
1 1/2" service line	\$6.03	\$6.48
2" service line	25.07	26.95
4" service line	40.09	43.10
6" service line	100.17	107.68
8" service line	180.22	193.74
10" service line	280.44	301.47
12" service line	400.60	430.65
Charge per hydrant		
Maintained by Company	120.25	129.27
Maintained by Customer	100.17	107.68

Pursuant to 26 Del. C. 306(a)(1), the Commission has suspended the effectiveness of the proposed new rates and the proposed rules revisions pending further investigation and public evidentiary hearings, which will be held at a later date after further public notice. However, the utility is expected to exercise its right under 26 Del. C. 306(c) and place a portion of the proposed rate increase into effect, under bond and subject to refund, on April 5, 2016, sixty (60) days after the filing of the Application, as permitted by law.

The Commission will make its decision on this matter on the basis of the evidence of record taken at public evidentiary hearings. The Commission may approve or reject, in whole or in part, the proposed increase and revisions and may approve a different method for allocating among rates any allowed increase in revenues should one be found to be appropriate.

Any person wishing to participate as a party in this docket (PSC Docket No. 16-____) should file for leave to intervene with the Commission in accordance with Rule 21 of the Commission Rules of Practice and Procedure. Such petitions should be filed on or before _____, 2016 at the Commission's office located at:

Delaware Public Service Commission
861 Silver Lake Boulevard
Cannon Building
Suite 100
Dover, Delaware 19904

Petitions filed thereafter will not be considered except for good cause shown.

Interested customers are urged to review the application and supporting materials to see how their individual interest may be affected. Copies of the application are available for public inspection during normal business hours in the Commission's Dover office at the address listed above. Copies may also be reviewed, by appointment, at the office of the Division of the Public Advocate located at the Carvel State Office Building, 4th Floor, 820 North French Street, Wilmington, Delaware 19801. Please call (302) 577-5077 to arrange for a time to review the documents at such location.

Any individual with disabilities, who wishes to participate in, or to review these proceedings, should contact the Commission to discuss any auxiliary aides or services needed to facilitate such review or participation. Such contact may be in person, by writing, by telephone, or otherwise. For inquiries, the Commission's toll free telephone number (in Delaware) is 1-800-282-8574. Any person with questions may also contact the Commission Staff at (302) 736-7500 or by Text Telephone at (302) 736-7500. Inquiries can also be sent by Internet e-mail to karen.nickerson@state.de.us.

SUEZ WATER DELAWARE INC.
MINIMUM FILING REQUIREMENTS
INDEX OF FILING

MFR Reference	Description	Schedule	Witness
2.1.1	Corporate History		Finnicum
2.1.2	Inter-Company Relationships		Finnicum
2.1.3	System Map		Finnicum
2.1.4	Statement for Proposed Increase		Loy
2.1.5	Significant Element of Application		Finnicum
2.2.1	Not Applicable		
2.2.2	Not Applicable		
2.2.3	Not Applicable		
2.2.4	Description of Major Water Utility Plant		Finnicum
2.3.1	Operating Revenues		Loy
3.1.1	Overall Financial Summary	Schedule 1	Loy
3.1.2	Not Applicable		
3.1.3	Summary of Test Year Adjustments		Loy
3.2.1	Supporting Documents (a, b, c, d & e)		Finnicum
4.1.1	Rate Base Defined		Loy
4.2.1	Jurisdictional Rate Base Summary	Schedule 2	Loy
4.2.2	Not Applicable		
4.3.1	Schedule of Plant in Service	Schedule 2A	Loy
4.4	Intangible Assets Claimed in Rate Base	Schedule 2B	Loy
4.5	Accumulated Reserve for Depreciation	Schedule 2C	Loy
4.6	Unrefunded Customer Advances and/or	Schedule 2G	Loy
4.7	Accumulated Deferred Income Taxes and	Schedule 2D	Loy
4.8	Accumulated Depreciation of Customer		Loy
4.9	Materials and Supplies		Loy
4.10	Investor Supplied Cash Working Capital	Schedule 2E	Loy
4.11.1, 2,	Other Element of Property		Loy
4.11.3	Not Applicable		
5.1	Net Operating Income Summary	Schedule 3	Loy
5.2.1	Operating Revenues	Schedule 3A	Loy
5.2.2	Revenue – Volume and Amount		Loy
5.2.5	Revenue Workpapers		Loy
5.2.6	Revenue Adjustments		Loy
5.3.1	Operating Expenses	Schedule 3B	Loy
5.3.2	Expense Workpapers		Loy
5.3.3	Not Applicable		Loy
5.3.4	Payroll Costs, Employee Benefits	Schedule 3C	Loy
5.3.5	Executive Compensation	Schedule 3D	Loy
5.3.6	Depreciation		Loy
5.3.7	Depreciation Study		Loy

SUEZ WATER DELAWARE INC.
MINIMUM FILING REQUIREMENTS
INDEX OF FILING

MFR Reference	Description	Schedule	Witness
5.3.8	Not Applicable		
5.3.9	Sales Promotion and Advertising Expense	Schedule 3E	Loy
5.3.10	Charitable Contributions	Schedule 3F	Loy
5.3.11	Lobbying Expense		Loy
5.3.12	Club and Professional Dues	Schedule 3G	Loy
5.3.13	Rate Case Expense	Schedule 3H	Loy
5.3.14	Affiliated Charges		Loy/ Prettyman
5.3.15.1	Operating Taxes	Schedule 3I	Loy
5.3.15.2	Current and Deferred Federal and State	Schedule 3J,	Loy
5.3.15.3	Test Period Deferred Federal and State		Loy
5.3.15.4	ITC Normalization	Schedule 3L	Loy
5.3.15.5	All Other Taxes for TY and TP	Schedule 3M	Loy
5.4	Allowance for Funds Used During		Loy
5.5	Other Income		Loy
6.1.1	Proposed Fair Rate of Return Summary	Schedule 4	Ahern
6.1.2	Capital Structure	Schedule 4A	Ahern
6.2.1	Short Term Debt Allocation		Ahern
6.2.2	Composition of Cost of Long-Term Debt	Schedule 4B,	Ahern
6.2.3	Long Term Debt Reacquisition		Ahern
6.2.4	Economic Cost of Debt		Ahern
6.3.1	Cost of Preferred Stock	Schedule 4D,	Ahern
6.3.2	Preferred Stock Reacquisition N/A		Ahern
6.3.3	Basis for Claiming True Cost Higher Than		Ahern
6.4.1	Common Equity Public Stock Offering	Schedule 4F	Ahern
6.4.2	Stock Dividends (past 5 years)		Ahern
6.4.3	Comparable Financial Data	Schedule 4G,	Ahern
6.4.4	Analysis of Claimed Common Equity Return		Ahern
6.4.5	Coverage Requirement		Ahern
6.5.1	Parent-Subsidiary Relationship		Ahern
6.5.2	Capital Structure/Capital Cost of		Ahern
7	Computation of Gross Revenue Conversion	Schedule 5	Loy
8.1	Proposed Tariff Schedules		Loy
8.2	Classification of Proposed Changes		Loy
8.3	Rationale for Proposed Changes		Loy
8.4	Cost of Service Study		Loy
8.5	Schedule of Revenues by Customer Class		Loy
8.6	Revenue Adjustment Calculation		Loy

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

GENERAL INFORMATION

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Larry Finnicum

MFR

2.0 GENERAL INFORMATION

2.1 Description of Company - If Presently Not on File with Commission

2.1.1 Provide a corporate history including dates of incorporation, subsequent acquisitions and/or mergers

Response:

SUEZ Water Delaware was originally incorporated as the Wilmington Suburban Water Corporation in 1933. During subsequent years, the Company acquired several small additional unincorporated water systems and in 1941 purchased the Delaware Water Supply Company. General Waterworks Corporation acquired the controlling interest in the Company in 1948 and changed its corporate name to Wilmington Suburban Water Corporation.

SUEZ Water Delaware in its present form is the survivor of a merger approved by order of the Delaware Public Service Commission on February 8, 1972 wherein Delaware Water Corporation, Delwatco, Inc., New Castle County Water Company and the Arden Water Company were merged into Wilmington Suburban Water Corporation. Also, by assignment dated February 10, 1972 General Waterworks transferred to Wilmington Suburban all of the assets and liabilities of its Delaware division. The facilities of the merged companies were physically interconnected and are now in fact a single operating entity.

In April of 1994, GWC Corp., the parent of General Waterworks Corporation merged into United Water Resources and became the nation's second largest investor owned water services company. At the same time, we gained a strategic alliance with Suez Lyonnaise Des Eaux which became a principal shareholder.

On July 27, 2000 United Water Resources became a wholly owned subsidiary of Suez Lyonnaise Des Eaux, an international leader in water and wastewater services.

In March 2001, our parent company changed its name to Suez. United Water is a key player in the Suez Environment subsidiary which serves 145 million people around the world.

In July 2008, Suez merged with Gaz de France, creating a new company called GDF Suez. As a part of that transaction, Suez Environment, which had been wholly owned by Suez, became a partial subsidiary of GDF Suez, with about 47% of its shares traded publicly and the remainder held under a Shareholder's Agreement between GDF Suez and the former major shareholders of Suez. United Water remains a subsidiary of Suez Environment. The transaction was deemed approved by the Public Service Commission at Docket No. 06-357.

In November 2015 all of the SUEZ companies changed their name to be under one brand. Effective November 9, 2015, United Water Delaware Inc. became SUEZ Water Delaware Inc.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

GENERAL INFORMATION

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Larry Finnicum

MFR

2.0 GENERAL INFORMATION

- 2.1 Description of Company - If Presently Not on File with Commission
- 2.1.2 Describe completely all relationships between applicant utility and its parent, subsidiaries and affiliates. Furnish a chart or charts which depict(s) the inter-company relationships.

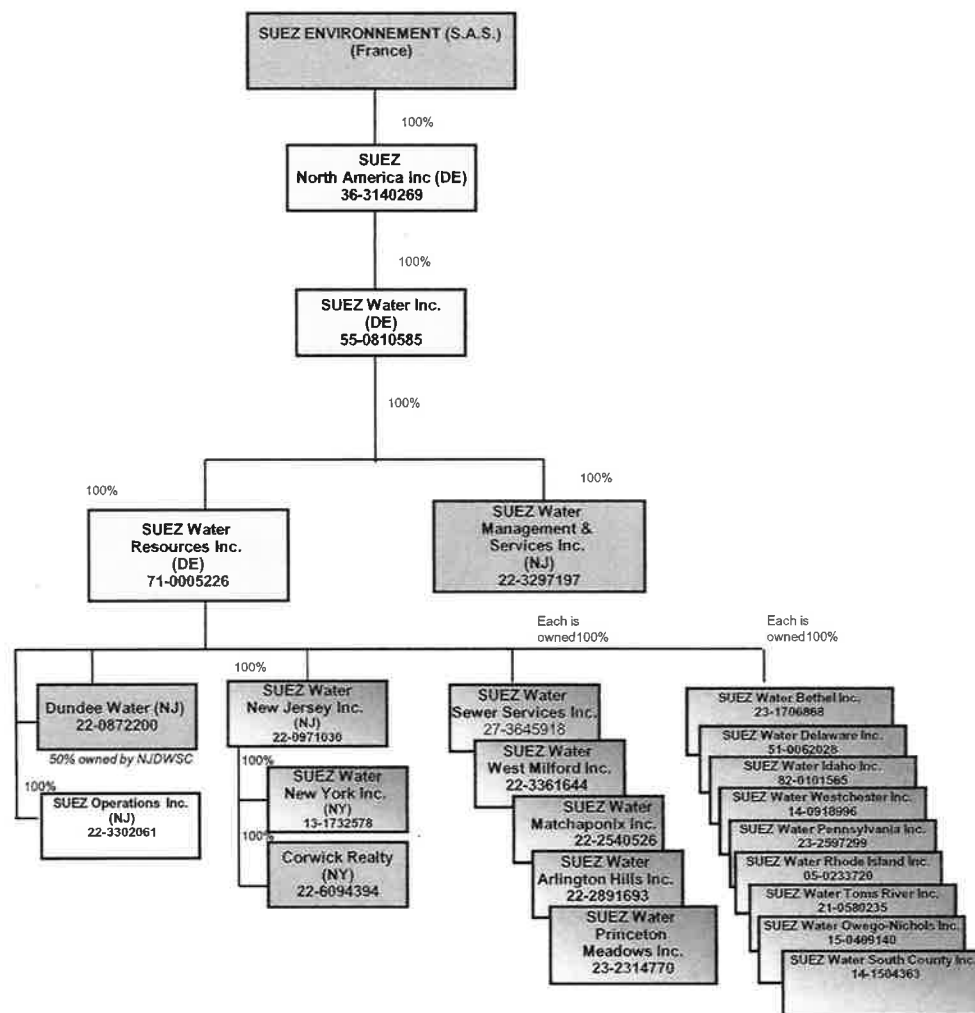
Response:

SUEZ Water Delaware is a wholly owned subsidiary of SUEZ Resources (SWR), the former General Waterworks Corporation, which became a wholly owned subsidiary of United Water Resources (UWR) with the 1994 merger. UWR (now SWR) became a wholly owned subsidiary of Suez, a publicly traded company, after the 2000 merger. See the attached corporate organization chart. Under an Agreement filed with and approved by the Delaware Public Service Commission, SUEZ Water Delaware receives and is charged for services rendered by SUEZ Water Management and Services, Inc., which is a subsidiary of SWR, and which has the same Agreement with all regulated subsidiaries of SWR. The Agreement is provided in the response to Section 5.3.14

Legend

Foreign
Regulated
Other
Holding
Contracts

SUEZ NORTH AMERICA REGULATED



Effective Date: November 9, 2015

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

GENERAL INFORMATION

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Larry Finnicum

MFR

2.0 GENERAL INFORMATION

2.1 Description of Company - If Presently Not on File with Commission

2.1.3 Provide a system map indicating all cities and counties and other government subdivisions to which service is provided.

Response:

System maps are on file with the Delaware Public Service Commission.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

GENERAL INFORMATION

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

MFR

2.0 GENERAL INFORMATION

2.1 Description of Company - If Presently Not on File with Commission

2.1.4 Provide a statement of reasons for the proposed increase including an explanation of the major factors which gave rise to the decision to seek a rate adjustment. Also include an estimate of dollars associated with each such major factor as "Wage Increase \$50,000" or "Increase in Chemical Expense \$100,000". A detailed reconciliation of each and every item is not required, just the principal items and an estimate fo the dollar impact, to the extent possible.

Response:

Please see attached MFR 2.1.4.1

SUEZ Water Delaware

SUMMARY OF THE GENERAL INCREASE IN RATES FILING

Delaware Public Service Commission
 Company: SUEZ Water Delaware
 Docket No. _____

Witness Responsible:
 Loy

Filing Date: February 5, 2016

Test Year: September 30, 2015

Test Period: June 30, 2016

Increase Requested: \$ 4,943,665

Percent Increase: 19.96%

Rate of Return: 7.89% on Rate Base
 10.25% Return on Equity

Cost of Capital Summary:

Type of Capital	Capital Structure Ratio	Cost Rate	Weighted Cost of Capital
Debt	46.66%	5.19%	2.42%
Equity	53.34%	10.25%	5.47%
Total Capital	100.00%		7.89%

Elements of Increase:

Revenues loss of customer	\$ 1,101,754	22.29%
Revenues normalization (1)	(822,447)	-16.64%
Labor and Benefits	592,884	11.99%
Other O&M	963,466	19.49%
Taxes and return	575,499	11.64%
Rate base and depreciation	2,532,509	51.23%
Requested Increase	<u>\$ 4,943,665</u>	100.00%

Note:1) Includes roll in of DSIC into base rates.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

GENERAL INFORMATION

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Larry Finnicum

MFR

2.0 GENERAL INFORMATION

2.1 Description of Company - If Presently Not on File with Commission

2.1.5 Provide a statement identifying any significant element of the application which to the applicant's knowledge represents a departure from prior decisions of the Commission and the associated revenue requirement. This would include proposed accounting changes or accounting changes that have occurred since the last rate Order.

Response:

The Company does not believe any of its proposals are a departure from prior Commission decisions, although treatment naturally varies from the past case based on analysis and results of various studies such as the cost of service study.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

GENERAL INFORMATION

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Larry Finnicum

MFR

2.0 GENERAL INFORMATION

2.2 Plant Capacity and Service

- 2.2.4 Water - System maps, explanation of operation: Expansion/modification in next 5 years, description of present and projected water supply.

Response:

System maps are on file with the Delaware Public Service Commission.

SUEZ Water Delaware (SWDE) provides water service to a population of approximately 110,000 people within Northern New Castle County, Delaware. The Company provides potable water in three noncontiguous, but interconnected service areas; the North Service area which includes the City of Newport, the South Service area, and the River Road Service area (boundary areas are identified on system maps on file with the Delaware Public Service Commission). These areas cover approximately 55 square miles.

SUEZ Water Delaware has a minimal growth rate of less than 0.5% per year. The North Service area consists primarily of residential and commercial customers and is considered to be fully built out. The River Road Service area consists primarily of industrial and residential customers. Since it is an area with heavy industrial zoning available, there is opportunity for some industrial growth however, with the downturn in the economy, SUEZ Water Delaware has actually lost nine industrial customers since September 30, 2008. The South Service area consists primarily of residential and commercial customers.

As of December 31, 2015, SWDE was providing domestic water service and fire protection to 34,239 residential customers, 2,654 commercial customers, 61 industrial customers, 54 public authority customers, 827 private fire protection customers, and 1 customer who resells water. The company has a broad service area within New Castle County, Delaware, which includes developments in Brandywine, White Clay Creek, Pencader, Wilmington, New Castle, Millcreek, Newark, St. Georges and Red Lion Hundreds.

Source of supply is from two surface water treatment plants. The primary treatment facility is the Stanton Water Treatment Plant located in the First State Industrial Park in Stanton, Delaware. This plant draws its water from the White Clay Creek and has a rated capacity of 30 MGD. The Stanton Plant has three raw water intakes. One raw water intake is located solely on the White Clay Creek and two raw water intakes are located immediately downstream of the confluence of the Red and White Clay Creeks. Pumping conditions on the White Clay Creek are enhanced at the Stanton Water Treatment Plant intakes by the use of an inflatable dam, the Tidal Capture Structure, (TCS) which is located approximately 1/2 mile downstream. This structure is also used to provide a barrier against intruding chlorides during times of drought. SUEZ Water Delaware also has a smaller treatment facility, the Christiana Water Treatment Plant, which is located at Smalley's Dam on the Christina River. This plant is used for peaking capacity and for limited back up to the Stanton Water Treatment Plant. The rated treatment capacity of this plant is 6 MGD.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

GENERAL INFORMATION

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Larry Finnicum

Response (Cont.):

Both treatment plants and all distribution systems are remotely controlled via SCADA control which is centralized at the Stanton Plant.

The Company also has various interconnections with area water suppliers. The interconnection with the Chester Water Authority has a maximum capacity of 0.5 MGD. There is also one interconnection with SUEZ Water Bethel which averaged 0.640 MGD in 2015, seven interconnections with the City of Wilmington with a potential combined capacity of 7.7 MGD, and five interconnections with Artesian Water Company which can be used for emergency purposes. During the period ending December 31, 2015, the maximum day demand on the system was **20.89** million gallons on February 22, 2015, while the average day demand was **16.71** million gallons.

For purposes of managing chlorides in the White Clay Creek during drought conditions, UWDE has a raw water contract with the City of Wilmington for releases of fresh water from Hoopes reservoir. Water releases are metered before entry to the Red Clay Creek, which transports it to the Stanton Water Treatment Plant intake. SWDE reserves releases by March of each year and can reserve between 50 MG and 200 MG.

As of December 2015 SUEZ Water Delaware's distribution system consisted of approximately 536 miles of water mains varying in size from one (1) inch to thirty (30) inches in diameter, approximately 6,830 valves, 2,195 fire hydrants, and 37,458 services. The distribution system also has 29.9 million gallons of storage that is contained in 18 facilities. The breakdown of the different types of storage is as follows: 10 elevated tanks with a combined capacity of 4.7 million gallons; 3 standpipes with a combined capacity of 0.7 million gallons; 4 ground level reservoirs with a combined capacity of 4.5 million gallons, and 1 covered in-ground reservoir with a capacity of 20.0 million gallons. In addition the St. Georges Aquifer Storage & Recovery facility (ASR) allows 75 MG of water taken from SUEZ Water's distribution system to be stored in an underground aquifer. This water is then recovered back to the distribution system during periods of low raw water supply. Additionally SUEZ Water has 13 booster stations strategically located throughout the system to maintain adequate pressures and serve the various storage facilities.

Capital investments for the medium-term are focused primarily on treatment plant upgrades to meet changes in safe drinking water regulations, and transmission and distribution system main replacements, to improve SUEZ Water Delaware's level of service to its customers.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

GENERAL INFORMATION

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Chuck Loy

MFR

2.0 GENERAL INFORMATION

2.3 Amount and Percent of Increases

2.3.1 A schedule showing the dollar amount of the increase by category of service, customer class, or type of service rendered as appropriate and also showing the percent increase over present revenues in the same categories.

Response:

The increase in overall rates by customer class is shown in the attached schedule. The effective net increase to revenues is less than that indicated by the change in base rates because the existing surcharge is reset to zero. Consequently, the net change in total rates reflects the amount of increase requested in this filing.

Amount and Percent of Increase over Present Rate by Type of Service

	Total	Residential	Commercial	Industrial	Public Authority	Sales for Resale	Public Fire	Private Fire
Current Revenue	\$22,791,709	\$11,662,844	\$4,240,447	\$4,486,766	\$120,824	\$174,559	\$1,181,156	\$925,114
DSIC Revenue	\$1,696,286	\$874,713	\$318,034	\$336,507	\$9,062	\$0	\$88,587	\$69,384
Misc Revenue	\$275,610	\$156,717	\$56,980	\$60,290	\$1,624	\$0	\$0	\$0
Test Year Revenue	\$24,763,605	\$12,694,273	\$4,615,461	\$4,883,563	\$131,509	\$174,559	\$1,269,743	\$994,497
Proposed Increase	\$4,943,665	\$2,788,974	\$1,014,032	\$1,072,935	\$28,893	\$38,831	\$0	\$0
Percent Increase	19.96%	21.97%	21.97%	21.97%	21.97%	22.24%	0.00%	0.00%

SUEZ Water Delaware
 Minimum Filing Requirements of the Delaware Public Service Commission
Statement of Operating Income and Proposed Revenue Requirements
 Per Books and Pro Forma for the Test Year Ended September 30, 2015

Delaware Public Service Commission
 Company: SUEZ Water Delaware
 Docket No. _____

Witness Responsible:
 Loy

Line No.	Description (a)	Per Books Test Year (b)	Test Period Adjustment (c)	Adjusted Test Period (d)	Under Proposed Rates	
					Adjustments (e)	Pro Forma (f)
1	Operating Revenues	\$ 26,730,582	\$ (1,966,977)	\$ 24,763,605	\$ 4,943,665	\$ 29,707,270
	Operating Expenses:					
2	Operation and Maintenance	\$ 12,762,141	\$ 840,450	\$ 13,602,591	\$ 37,567	\$ 13,640,158
3	Depreciation and Amortization	3,165,586	491,206	3,656,792	-	3,656,792
4	Taxes Other than Income	1,711,810	144,130	1,855,940		1,855,940
5	Total Operating Expenses	\$ 17,639,536	\$ 1,475,786	\$ 19,115,323	\$ 37,567	\$ 19,152,890
6	Total Operating Income before Income Taxes	\$ 9,091,046	\$ (3,442,763)	\$ 5,648,283	\$ 4,906,098	\$ 10,554,380
	Income Taxes:					
7	State Income Taxes	\$ 320,778	\$ -	\$ 320,778	\$ 426,831	\$ 747,609
8	Federal Income Taxes	1,152,089	14,013	1,166,102	1,567,744	2,733,846
9	Total Income Taxes	\$ 1,472,867	\$ 14,013	\$ 1,486,880	\$ 1,994,574	\$ 3,481,454
10	Operating Income	\$ 7,618,179	\$ (3,456,776)	\$ 4,161,402	\$ 2,911,524	\$ 7,072,926
11	Rate Base	\$ 82,602,288	\$ 7,080,334	\$ 89,682,623	\$ -	\$ 89,682,623
12	Rate of Return			4.64%		7.89%
13	Required Rate of Return			7.89%		
14	Required Operating Income			\$ 7,072,953		
15	Operating Income Deficiency			2,911,550		
16	GCRF			1.6979		
17	Revenue Deficiency			\$ 4,943,665		
18	Net Increase Percentage			19.96%		

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

Schedule No. 1

OVERALL FINANCIAL SUMMARY

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Description	Test Year ¹		Utility Proposed Test Period	
		Ref. Sched.	Amount	Ref. Sched.	Amount
1	Rate Base	2	\$ 89,682,623	2	\$ 89,682,623
2	Net Operating Income	3	\$ 4,161,402	3	\$ 7,072,926
3	Earned Rate of Return	L2/L1	4.64%		7.89%
4	Proposed Rate of Return	4	7.89%	4	7.89%
5	Required Operating Income	L1xL4	\$ 7,072,926		\$ 7,072,926
6	Operating Income Deficiency	L5-L2	\$ 2,911,524		\$ -
7	Gross Revenue Conversion Factor	5	1.70	5	1.70
8	Revenue Deficiency		\$ 4,943,665		\$ -
9	Revenue Increase Requested		\$ 4,943,665		\$ -

Note: 1) Adjusted Test Period Ending September 30, 2015

SUEZ Water Delaware

INCOME TAX CALCULATION
At present and Proposed Rates

Delaware Public Service Commission
 Company: SUEZ Water Delaware
 Docket No. _____

Witness Responsible:
 Loy

Line No.	Description (a)	As Adjusted Present Rates (b)	At Proposed Rates (c)
1	Revenues	\$ 24,763,605	\$ 29,707,270
2	Less: Operating Expenses	\$ 19,115,323	\$ 19,152,890
3	Less: Interest Expense	2,169,533	2,169,533
4	Total Deductions	\$ 21,284,856	\$ 21,322,423
5	Taxable Income: State (L1 - L4)	\$ 3,478,749	\$ 8,384,847
6	State Income Taxes @ 8.7% (L5 x .087)	302,651	729,482
7	Amortization of Flow Through Tax	18,127	18,127
8	Total State Income Tax	\$ 320,778	\$ 747,609
9	Federal Taxable Income (L5 - L6)	\$ 3,176,098	\$ 7,655,365
10	Federal Income Taxes at 35% (L9 x .35)	1,111,634	2,679,378
11	Amortization of ITC	(14,013)	(14,013)
12	Net Federal Income Tax	\$ 1,097,621	\$ 2,665,365
13	Amortization of Flow Through Tax	68,481	68,481
14	Total Federal Income Tax	\$ 1,166,102	\$ 2,733,846
Deferred Income Taxes:			
<u>State</u>			
15	Tax Depreciation Over Book	\$ 341,183	341,183
16	State Tax Rate	8.70%	8.70%
17	State Deferred Tax	\$ 29,683	\$ 29,683
18	State Current Income Tax	291,095	717,926
19	State Total Income Tax	\$ 320,778	\$ 747,609
<u>Federal</u>			
20	Tax Depreciation Over Book	\$ 341,183	\$ 341,183
	Less: State Deferred Taxes	29,683	29,683
	Federal Amount	\$ 311,500	\$ 311,500
21	Federal Tax Rate	35.00%	35.00%
22	Federal Deferred Tax	\$ 109,025	\$ 109,025
23	Federal Current Income Tax	1,057,077	2,624,821
24	Federal Total Income Tax	\$ 1,166,102	\$ 2,733,846
Interest Expense:			
25	Rate Base	\$ 89,682,623	\$ 89,682,623
26	Weighted Cost of Debt	2.42%	2.42%
27	Interest Expense (L25 x L26)	\$ 2,169,533	\$ 2,169,533

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

OVERALL FINANCIAL SUMMARY

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Chuck Loy

MFR

3.0 FINANCIAL RESULTS OF OPERATIONS

3.1 Financial Summary

3.1.2 Jurisdiction versus Total Company Results

Response:

NOT APPLICABLE

SUEZ Water Delaware

SUMMARY OF TEST YEAR ADJUSTMENTS12 Months Ending 9/30/2015

Delaware Public Service Commission
 Company: SUEZ Water Delaware
 Docket No. _____

Witness Responsible:
 Loy

Line No.	Adjustment Source (a)	Description (b)	Amount (c)
1	WP Sch 3B-1	Purchased Water	\$ 260,000
2	WP Sch 3B-2	Purchased Power	(\$78,554)
3	WP Sch 3B-3	Chemicals	(33,339)
4	WP Sch 3B-4	Sewer Connection Expense	139,056
5	WP Sch 3B-5	Customer Care and Costs - Quarterly to Monthly Billing	(32,155)
6	WP Sch 3B-6	Recovery of DBRC Charge (15-Year Amort.)	20,000
7	WP Sch 3B-7	Recovery of Watershed Protection Program Costs	5,126
8	WP Sch 3B-8	Vehicle Leasing and Related Transportation Costs	132,683
9	WP Sch 3B-9	Cross Connection Survey Costs	30,000
10	WP Sch 3B-10	Property/Real Estate Tax	105,887
11	WP Sch 3B-11	Convenience Cost	87,179
12	WP Sch 3B-12	Management Service Fees	26,186
13	Sch. 3B	Depreciation Expense	491,206
14	WP Payroll Adjustment	Salaries and Wages	454,133
15	WP Payroll Adjustment	Payroll Taxes	38,244
16	WP Payroll Adjustment	Temporary Help	(74,972)
17	WP Payroll Adjustment	Employee Benefits	(209,893)
19	MFR 5.3.13	Rate Case Expenses (4-Year Amortization)	115,000
20			
21			
22			
23			
24			
25		Total Adjustments to Expenses	\$ 1,475,786

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

OVERALL FINANCIAL SUMMARY

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Larry Finnicum

MFR

3.0 FINANCIAL RESULTS OF OPERATIONS

3.2 Supporting Documentation

3.2.1 The following Documents must be filed with the application if presently not on file with the Commission:

- a. Annual Report to Stockholders for applicant, its subsidiaries and its parent for the last five years.
- b. Annual Reports to Federal Regulatory jurisdictions, such as FERC, REA, FCC, etc., as applicable.
- c. SEC 10K Reports for last five years and most recent SEC 10Q Report for applicant or parent. If both applicant and parent have public stockholders, submit for both.
- d. Most recent proxy statement for applicant and parent. If both applicant and parent have public stockholders, then submit for both.
- e. All securities prospectuses for applicant and parent for most recent five year period.

Response:

SUEZ Water Delaware is a wholly owned subsidiary of SUEZ Resources, former General Waterworks Corporation, which became a wholly owned subsidiary of United Water Resources with the 1994 merger. United Water Resources became a wholly owned subsidiary of SUEZ, a publically traded French water, wastewater and energy services company, after the 2000 merger. See the corporate organization chart in Section II-A-2. There are no report to stockholders other than that of SUEZ.

SUEZ Water Delaware
 Minimum Filing Requirements of the
 Delaware Public Service Commission

Schedule No. 2

JURISDICTIONAL RATE BASE SUMMARY

Delaware Public Service Commission
 Company: SUEZ Water Delaware
 Docket No. _____

Witness Responsible:
 Loy

Line No.	Description	26 Del C. §102 (3) Letter Ref	Test Year Ended 9/30/2015	Ref Sched	Proposed Test Period
1	Used and Useful Utility Plant	(a)	\$ 160,409,977	2-A	\$ 167,813,605
2	Intangible Assets	(a)	31,321	2-B	31,321
3	Less: Accumulated Depreciation and Amortization	(b)	(36,727,435)	2-C	(36,301,922)
4	Less: Unrefunded Customer Advances and/or CIAC	(c)	(29,331,197)	2-G	(29,941,297)
5	Less: Accumulated deferred and unamortized income taxes and investment credit	(d)	(14,019,123)	2-D	(14,157,831)
6	Plus: Accumulated Depreciation of Customer Advances and CIAC	(e)	2,271,700	2-H	2,271,700
7	Plus: Materials and Supplies	(f)	272,806	2-I	272,806
8	Plus: Investor supplied Cash Working Capital	(f)	881,133	2-E	881,133
9	Plus: Prepayments	(g)	670,909	2-J	670,909
10	Less: OPEB Funding	(g)	(1,857,802)	2-K	(1,857,802)
11	Total Claimed Rate Base		<u>\$ 82,602,288</u>		<u>\$ 89,682,623</u>

SUEZ Water Delaware
 Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 2A

USED AND USEFUL UTILITY PLANT IN SERVICE

Delaware Public Service Commission
 Company: SUEZ Water Delaware
 Docket No. _____

Witness Responsible:
 Loy

Line No.	Account No.	Description of Property	Total Company 9/30/2015	Allocation Percent	Plant in Service for the Test Period		
					Allocated Total	Adjustment Amount [1]	Total As Adjusted 6/30/2016
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
Source of Supply Plant							
1	310	Land and Land Rights	\$ 404,525	100%	\$ 404,525	\$ -	\$ 404,525
2	311	Structures and Improvements	341,281	100%	341,281	-	341,281
3	312	Collecting and Impounding Reservoirs	3,758,464	100%	3,758,464	-	3,758,464
4	313	Lake, River and Other Intakes	994,513	100%	994,513	182,800	1,177,313
5	314	Wells and Springs	-	100%	-	-	-
6	316	Supply Mains	943,554	100%	943,554	-	943,554
7		Total Source of Supply Plant	\$ 6,442,337		\$ 6,442,337	\$ 182,800	\$ 6,625,137
Pumping Plant							
8	320	Land and Land Rights	\$ 12,862	100%	\$ 12,862	\$ -	\$ 12,862
9	321	Structures and Improvements	672,602	100%	672,602	389,300	1,061,902
10	323	Other Power Production Equipment	1,422,063	100%	1,422,063	32,200	1,454,263
11	325	Electric Pumping Equipment	5,313,876	100%	5,313,876	275,529	5,589,405
12	326	Diesel Pumping Equipment	63,043	100%	63,043	-	63,043
13		Total Pumping Plant	\$ 7,484,446		\$ 7,484,446	\$ 697,029	\$ 8,181,476
Water Treatment Plant							
14	330	Land and Land Rights	\$ 27,723	100%	\$ 27,723	\$ -	\$ 27,723
15	331	Structures and Improvements	20,275,748	100%	20,275,748	642,925	20,918,673
16	332	Water Treatment Equipment	15,026,499	100%	15,026,499	1,615,162	16,641,661
17		Total Water Treatment Plant	\$ 35,329,970		\$ 35,329,970	\$ 2,258,087	\$ 37,588,057
Transmission and Distribution Plant							
18	340	Land and Land Rights	\$ 100,812	100%	\$ 100,812	\$ -	\$ 100,812
19	342	Distribution Reservoirs and Standpipes	4,646,859	100%	4,646,859	44,000	4,690,859
20	343	Transmission and Distribution Mains	60,080,313	100%	60,080,313	3,342,513	63,422,826
21	344	Fire Mains	390,951	100%	390,951	-	390,951
22	345	Services	16,151,828	100%	16,151,828	299,680	16,451,507
23	346	Meters	12,614,883	100%	12,614,883	1,162,409	13,777,292
24	348	Hydrants	3,909,900	100%	3,909,900	46,816	3,956,716
25		Total Transmission and Distribution Plant	\$ 97,895,546		\$ 97,895,546	\$ 4,895,417	\$ 102,790,963
General Plant							
26	390	Structures and Improvements	\$ 2,327,714	100%	\$ 2,327,714	\$ 259,058	\$ 2,586,773
27	391	Office Furniture and Equipment	251,357	100%	251,357	(1,797,592)	(1,546,235)
28	391-A	Computer Hardware/Software	6,123,829	100%	6,123,829	-	6,123,829
29	392	Transportation Equipment	36,795	100%	36,795	-	36,795
30	393	Stores Equipment	18,683	100%	18,683	-	18,683
31	394	Tools, Shop and Garage Equipment	569,244	100%	569,244	152,629	721,873
32	395	Laboratory Equipment	135,075	100%	135,075	-	135,075
33	396	Power Operated Equipment	124,714	100%	124,714	392,200	516,914

SUEZ Water Delaware
Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 2A

USED AND USEFUL UTILITY PLANT IN SERVICE

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Account No.	Description of Property	Total Company 9/30/2015	Allocation Percent	Plant in Service for the Test Period		
					Allocated Total	Adjustment Amount [1]	Total As Adjusted 6/30/2016
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
34	397	Communications Equipment	3,441,681	100%	3,441,681	355,200	3,796,881
35	398.1	Miscellaneous Equipment	34,563	100%	34,563	8,800	43,363
		General Plant (Cont.)					
1	398.2	Office Equipment - SCADA System	\$ 194,020	100%	\$ 194,020	\$ -	\$ 194,020
2		Total General Plant	\$ 13,257,678		\$ 13,257,678	\$ (629,705)	\$ 12,627,973
3		Total Utility Plant in Service Less: Intangible Plant	\$ 160,409,977		\$ 160,409,977	\$ 7,403,629	\$ 167,813,605
4	CIAC	Contributions in Aid of Construction	(29,331,197)	100%	(29,331,197)	(610,100)	(29,941,297)

SUEZ Water Delaware
Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 2A.1

USED AND USEFUL UTILITY PLANT IN SERVICE BY PRIMARY ACCOUNT - TEST PERIOD ADJUSTMENTS

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy/Finnicum

Line No.	Account No.	Description of Property (b)	Plant Additions (c)	Plant Retirements (d)	Net Plant Adjustment (e)
<u>Source of Supply Plant</u>					
1	310	Land and Land Rights	\$ -	\$ -	\$ -
2	311	Structures and Improvements	-	-	-
3	312	Collecting and Impounding Reservoirs	-	-	-
4	313	Lake, River and Other Intakes	286,300	(103,500)	182,800
5	314	Wells and Springs	-	-	-
6	316	Supply Mains	-	-	-
7		Total Source of Supply Plant	<u>\$ 286,300</u>	<u>\$ (103,500)</u>	<u>\$ 182,800</u>
<u>Pumping Plant</u>					
8	320	Land and Land Rights	\$ -	\$ -	\$ -
9	321	Structures and Improvements	449,300	(60,000)	389,300
10	323	Other Power Production Equipment	32,200	-	32,200
11	325	Electric Pumping Equipment	372,629	(97,100)	275,529
12	326	Diesel Pumping Equipment	-	-	-
13		Total Pumping Plant	<u>\$ 854,129</u>	<u>\$ (157,100)</u>	<u>\$ 697,029</u>
<u>Water Treatment Plant</u>					
14	330	Land and Land Rights	\$ -	\$ -	\$ -
15	331	Structures and Improvements	662,325	(19,400)	642,925
16	332	Water Treatment Equipment	2,466,762	(851,600)	1,615,162
17		Total Water Treatment Plant	<u>\$ 3,129,087</u>	<u>\$ (871,000)</u>	<u>\$ 2,258,087</u>
<u>Transmission and Distribution Plant</u>					
18	340	Land and Land Rights	\$ -	\$ -	\$ -
19	342	Distribution Reservoirs and Standpipes	47,000	(3,000)	44,000
20	343	Transmission and Distribution Mains	3,400,013	(57,500)	3,342,513
21	344	Fire Mains	-	-	-
22	345	Services	309,680	(10,000)	299,680
23	346	Meters	1,412,409	(250,000)	1,162,409
24	348	Hydrants	56,816	(10,000)	46,816
25		Total Transmission and Distribution Plant	<u>\$ 5,225,917</u>	<u>\$ (330,500)</u>	<u>\$ 4,895,417</u>
<u>General Plant</u>					
26	390	Structures and Improvements	\$ 374,958	\$ (115,900)	\$ 259,058
27	391	Office Furniture and Equipment	196,529	(1,994,121)	(1,797,592)
28	391-A	Computer Hardware/Software	-	-	-
29	392	Transportation Equipment	-	-	-
30	393	Stores Equipment	-	-	-
31	394	Tools, Shop and Garage Equipment	177,629	(25,000)	152,629
32	395	Laboratory Equipment	-	-	-
33	396	Power Operated Equipment	392,200	-	392,200

SUEZ Water Delaware
 Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 2A.1

USED AND USEFUL UTILITY PLANT IN SERVICE BY PRIMARY ACCOUNT - TEST PERIOD ADJUSTMENTS

Delaware Public Service Commission
 Company: SUEZ Water Delaware
 Docket No. _____

Witness Responsible:
 Loy/Finnicum

Line No.	Account No.	Description of Property	Plant Additions	Plant Retirements	Net Plant Adjustment
	(a)	(b)	(c)	(d)	(e)
34	397	Communications Equipment	366,200	(11,000)	355,200
35	398	Miscellaneous Equipment	8,800	-	8,800
General Plant (Cont.)					
1	398.2	Office Equipment - SCADA System	\$ -	\$ -	\$ -
2		Total General Plant	\$ 1,516,316	\$ (2,146,021)	\$ (629,705)
3		Total Utility Plant in Service Less: Intangible Plant	\$ 11,011,750	\$ (3,608,121)	\$ 7,403,629

SUEZ Water Delaware
 Minimum Filing Requirements of the Delaware Public Service Commission
 Schedule No. 2B

INTANGIBLE ASSETS CLAIMED IN RATE BASE

Delaware Public Service Commission
 Company: SUEZ Water Delaware
 Docket No. _____

Witness Responsible:
 Loy

Line No.	Account No.	Description and Location of Asset	Date of Acquisition	Net Original Cost	Allocation Percentage	Jurisd. Net Original Cost	Revenue Included Test Year	Expected In Service Date	Expected Use of Asset
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
1	301	Organization Costs		\$ 2,383	100%	\$ 2,383			
2	302	Franchises and Consents		28,938	100%	28,938			
3		Total Intangible Assets		<u>31,321</u>		<u>31,321</u>			

NOTE: Company's intangible assets represent costs typically included in Utility Plant in Service

SUEZ Water Delaware
Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 2C

ACCUMULATED DEPRECIATION AND AMORTIZATION

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Account No.	Description of Property	Total Company 9/30/2015	Allocation Percent	Reserve for Depreciation for the Test Period				Total As Adjusted 6/30/2016
					Allocated Total	Depreciation Expense [1]	Retirements [2]	Cost of Removal	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Source of Supply Plant									
1	311	Structures and Improvements	\$ 131,619	100%	\$ 131,619	\$ 13,540	\$ -	\$ -	\$ 145,159
2	312	Collecting and Impounding Reservoirs	516,468	100%	516,468	28,470	-	-	544,938
3	313	Lake, River and Other Intakes	(400,114)	100%	(400,114)	15,322	(103,500)	4,000	(484,292)
4	314	Wells and Springs	-	100%	-	-	-	-	-
5	316	Supply Mains	119,421	100%	119,421	6,227	-	-	125,648
6		Total Source of Supply Plant	\$ 367,394		\$ 367,394	\$ 63,560	\$ (103,500)	\$ 4,000	\$ 331,454
Pumping Plant									
7	321	Structures and Improvements	\$ 94,203	100%	\$ 94,203	\$ 9,718	\$ (60,000)	\$ 7,300	\$ 51,221
8	323	Other Power Production Equipment	795,550	100%	795,550	41,249	-	-	836,798
9	325	Electric Pumping Equipment	463,295	100%	463,295	94,833	(97,100)	7,300	468,328
10	326	Diesel Pumping Equipment	34,130	100%	34,130	884	-	-	35,014
11		Total Pumping Plant	\$ 1,387,177		\$ 1,387,177	\$ 146,684	\$ (157,100)	\$ 14,600	\$ 1,391,361
Water Treatment Plant									
12	331	Structures and Improvements	\$ 3,927,659	100%	\$ 3,927,659	\$ 200,315	\$ (19,400)	\$ 3,500	\$ 4,112,074
13	332	Water Treatment Equipment	2,438,279	100%	2,438,279	350,246	(851,600)	110,600	2,047,525
14		Total Water Treatment Plant	\$ 6,365,938		\$ 6,365,938	\$ 550,561	\$ (871,000)	\$ 114,100	\$ 6,159,599
Transmission and Distribution Plant									
15	342	Distribution Reservoirs and Standpipes	\$ 873,811	100%	\$ 873,811	\$ 36,474	\$ (3,000)	\$ 2,400	\$ 909,686
16	343	Transmission and Distribution Mains	8,927,305	100%	8,927,305	495,354	(57,500)	3,800	9,368,959
17	344	Fire Mains	178,499	100%	178,499	5,102	-	-	183,601
18	345	Services	5,212,071	100%	5,212,071	257,538	(10,000)	-	5,459,609
19	346	Meters	4,655,475	100%	4,655,475	565,385	(250,000)	25,000	4,995,860
20	348	Hydrants	1,144,270	100%	1,144,270	75,669	(10,000)	-	1,209,939
21		Total Transmission and Distribution Plant	\$ 20,991,432		\$ 20,991,432	\$ 1,435,523	\$ (330,500)	\$ 31,200	\$ 22,127,654
General Plant									
22	390	Structures and Improvements	\$ 819,690	100%	\$ 819,690	\$ 35,068	\$ (115,900)	\$ 1,500	\$ 740,359
23	391	Office Furniture and Equipment	246,714	100%	246,714	(97,521)	(1,994,121)	-	(1,844,928)
24	391-A	Computer Hardware/Software	4,635,444	100%	4,635,444	630,601	-	-	5,266,046
25	392	Transportation Equipment	37,523	100%	37,523	-	-	-	37,523
26	393	Stores Equipment	7,426	100%	7,426	293	-	-	7,719
27	394	Tools, Shop and Garage Equipment	96,887	100%	96,887	15,500	(25,000)	-	87,387
28	395	Laboratory Equipment	109,971	100%	109,971	7,517	-	-	117,488
29	396	Power Operated Equipment	124,714	100%	124,714	15,492	-	-	140,206
30	397	Communications Equipment	1,268,291	100%	1,268,291	202,500	(11,000)	-	1,459,791
31	398	Miscellaneous Equipment	23,902	100%	23,902	1,971	-	-	25,873

SUEZ Water Delaware
Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 2C

ACCUMULATED DEPRECIATION AND AMORTIZATION

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Account No.	Description of Property	Total Company 9/30/2015	Allocation Percent	Reserve for Depreciation for the Test Period				Total As Adjusted 6/30/2016
					Allocated Total	Depreciation Expense [1]	Retirements [2]	Cost of Removal	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
		General Plant (Cont.)							
1	398.2	Office Equipment - SCADA System	\$ 179,420	100%	\$ 179,420	\$ 9,458	\$ -	\$ -	\$ 188,878
2		Total General Plant	\$ 7,549,982		\$ 7,549,982	\$ 820,880	\$ (2,146,021)	\$ 1,500	\$ 6,226,341
3	RWIP	Retirement Work in Progress	\$ 65,513	100%	\$ 65,513				\$ 65,513
4	301	Account 301		100%	-				-
5		Other Reserve Adjustments		100%	-				-
6		Total Accumulated Depreciation	36,727,435		36,727,435	3,017,208	(3,608,121)	165,400	36,301,922

[1] Refer to Workpaper 2A-K

[2] Refer to Schedule 2-A.1

Calc of ProForma Depreciation Exp.

	Total Company Plant 9/30/15 (a)	Depreciation Rate (b)	Proforma Depr. Expense (c)	Depr. Expense at end of Test Period (d)	Change in Depr. Expense (e)	50% Change (f)	Addition to Accum. Reserve to Test Period (g)
Source of Supply Plant							
310 Land and Land Rights	404,525	0.00%	-	-	-	-	-
311 Structures and Improvements	341,281	5.29%	18,054	18,054	-	-	13,540
312 Collecting and Impounding Reservoirs	3,758,454	1.01%	37,960	37,960	-	-	28,470
313 Lake, River and Other Intakes	994,513	1.83%	18,200	21,545	3,345	1,673	15,322.32
314 Wells and Springs	-	0.00%	-	-	-	-	-
316 Supply Mains	943,554	0.88%	8,303	8,303	-	-	6,227
Total Source of Supply Plant	6,442,337		82,517	85,862	3,345	1,673	63,560
Pumping Plant							
320 Land and Land Rights	12,862	0.00%	-	-	-	-	-
321 Structures and Improvements	672,602	1.39%	9,349	14,760	5,411	2,706	9,718
323 Other Power Production Equipment	1,422,063	3.81%	54,181	55,407	1,227	613	41,249
325 Electric Pumping Equipment	5,313,876	2.30%	122,219	128,556	6,337	3,169	94,833
326 Diesel Pumping Equipment	63,043	1.87%	1,179	1,179	-	-	884
Total Pumping Plant	7,484,446		186,928	199,903	12,975	6,488	146,684
Water Treatment Plant							
330 Land and Land Rights	27,723		-	-	-	-	-
331 Structures and Improvements	20,275,748	1.29%	261,557	269,851	8,294	4,147	200,315
332 Water Treatment Equipment	15,026,499	2.90%	435,768	482,608	46,840	23,420	350,246
Total Water Treatment Plant	35,329,970		697,326	752,459	55,133	27,567	550,561
Transmission and Distribution Plant							
340 Land and Land Rights	100,812		-	-	-	-	-
342 Distribution Reservoirs and Standpipes	4,646,859	1.04%	48,327	48,785	458	229	36,474
343 Transmission and Distribution Mains	60,080,313	1.06%	636,851	672,282	35,431	17,715	495,354
344 Fire Mains	390,951	1.74%	6,803	6,803	-	-	5,102
345 Services	16,151,828	2.10%	339,188	345,482	6,293	3,147	257,538
346 Meters	12,614,883	5.63%	710,218	775,662	65,444	32,722	565,385
348 Hydrants	3,909,900	2.56%	100,093	101,292	1,198	599	75,669
Total Transmission and Distribution Plant	97,895,546		1,841,481	1,950,305	108,824	54,412	1,435,523
General Plant							
390 Structures and Improvements	2,327,714	1.87%	43,528	48,373	4,844	2,422	35,068
391 Office Furniture and Equipment	251,357	13.73%	34,511	(21,298)	(246,809)	(123,405)	(97,521)
391-A Computer Hardware/Software	6,123,829	13.73%	840,802	840,802	-	-	630,601
392 Transportation Equipment *	36,795	20.00%	-	-	-	-	-
393 Stores Equipment	18,683	2.09%	390	390	-	-	293
394 Tools, Shop and Garage Equipment	569,244	3.08%	17,533	22,234	4,701	2,350	15,500
395 Laboratory Equipment	135,075	7.42%	10,023	10,023	-	-	7,517
396 Power Operated Equipment *	124,714	7.90%	-	30,984	30,984	15,492	15,492
397 Communications Equipment	3,441,681	7.34%	252,619	278,691	26,072	13,036	202,500
398 Miscellaneous Equipment	34,563	6.50%	2,247	2,819	572	286	1,971
398.2 Office Equipment - SCADA System	194,020	6.50%	12,611	12,611	-	-	9,458
Total General Plant	13,257,678		1,214,265	1,034,628	(179,637)	(89,818)	820,880
Total Utility Plant in Service Less: Intangible Plant	160,409,977		4,022,516	4,023,157	641	321	3,017,208
Less: Depreciation on CIAC							
313 Lake, River and Other Intakes	\$ (10,240)	1.83%	\$ (187)	\$ (191)			
325 Electric Pumping Equipment	(685,073)	2.30%	(15,757)	(16,084)			
332 Water Treatment Equipment	(163,879)	2.90%	(4,752)	(4,851)			
342 Distribution Reservoirs and Standpipes	(593,459)	1.04%	(6,172)	(6,300)			
343 Transmission and Distribution Mains	(23,946,688)	1.06%	(253,835)	(259,115)			
345 Services	(1,643,773)	2.10%	(34,519)	(35,237)			
346 Meters	(18,216)	5.63%	(1,026)	(1,047)			
348 Hydrants	(1,113,257)	2.56%	(28,499)	(29,092)			
UNC Unclassified CIAC	(1,156,611)	1.22%	(14,152)	(14,446.81)			
Total CIAC	(29,331,197)		(358,900)	(366,365)			
Proforma Depreciation Expense			3,663,616	\$ 3,656,792			
Book Depreciation Expense				\$ 3,165,586			
Increase/(Decrease)				\$ 491,206			

* Items that are fully reserved and therefore should have zero depreciation expense for test year balances only.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

Schedule No. 2G

UNFUNDED CUSTOMER ADVANCES AND/OR CIAC

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Description (a)	Amount (b)
1	Contributions in Aid of Construction at 9/30/2015	\$ (29,331,197)
2	Advances for construction at 9/30/2015	-
3	Contributions added from 10/1/2015 to 6/1/2015	(610,100)
4	Advances added from 10/1/2015 to 6/1/2015	-
5	Pro Forma CIAC and Advances at 6/1/2015	\$ (29,941,297)

SUEZ Water Delaware
Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 2D

ACCUMULATED DEFERRED INCOME TAXES - FEDERAL

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Description of Deferral (a)	Total Company 9/30/2015 (b)	Allocation Percentage (c)	Allocated Total (e)	Adjustment Amount (f)	Adjusted Total 6/30/2016 (g)	Included in Rate Base Claim Yes/No (h)
1	Deferred FIT - MACRS	\$ 9,732,203	100%	\$ 9,732,203	\$ -	\$ 9,732,203	Yes
2	Deferred FIT - Cost of Removal	365,208	100%	365,208	-	365,208	Yes
3	Deferred FIT - AFUDC Equity	323,852	100%	323,852	-	323,852	Yes
4	Test Period Increment (from DIT Workpaper)(Tax Over Book)	-	100%	-	138,708	138,708	Yes
5	Deferred FIT - Other	419,414	100%	419,414	-	419,414	Yes
6	Total Federal Deferred Taxes Included in Rate Base Claim	\$ 10,840,677		\$ 10,840,677	\$ 138,708	\$ 10,979,385	Yes
7	Deferred Federal Inc Taxes - Other	\$ (82,581)	100%	\$ (82,581)	\$ -	\$ (82,581)	No
8	Deferred Federal Income Taxes - Medicare Part D	-	100%	-	-	-	No
9	Deferred Federal Income Taxes - GU - Medicare Part D	-	100%	-	-	-	No
10	Deferred Federal Income Taxes - OCI Pension/PBOP	-	100%	-	-	-	No
11	Deferred Federal Income Taxes Benefit on DSIT	(4,016)	100%	(4,016)	-	(4,016)	No
12	Deferred Federal Income Taxes - Tank Painting	144,664	100%	144,664	-	144,664	No
13	Deferred Federal Income Taxes - Rate Expenses	180	100%	180	-	180	No
14	Deferred Federal Income Taxes - Def. Charges	69,936	100%	69,936	-	69,936	No
15	Deferred Federal Income Taxes - Relocation Expense	-	100%	-	-	-	No
16	Deferred Federal Income Taxes - M_S Fees	(547,121)	100%	(547,121)	-	(547,121)	No
17	Deferred Federal Income Taxes - Pensions	(1,911,952)	100%	(1,911,952)	-	(1,911,952)	No
18	Deferred Federal Income Taxes - PEBOP	(940,408)	100%	(940,408)	-	(940,408)	No
19	Deferred Federal Income Taxes - Uncollectables	-	100%	-	-	-	No
20	Deferred Federal Income Taxes - F71/F109 G/U ITC	63,750	100%	63,750	-	63,750	No
21	Total Deferred Taxes not included in Rate Base Claim	\$ (3,207,548)		\$ (3,207,548)	\$ -	\$ (3,207,548)	No
22	Investment Tax Credit	\$ 293,656	100%	\$ 293,656	\$ -	\$ 293,656	No

SUEZ Water Delaware
Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 2D

ACCUMULATED DEFERRED INCOME TAXES - STATE

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Description of Deferral (a)	Total Company 9/30/2015 (b)	Allocation Percentage (c)	Allocated Total (e)	Adjustment Amount (f)	Adjusted Total 6/30/2016 (g)	Included in Rate Base Claim Yes/No (h)
1	Deferred SIT - Excess Depreciation	\$ 2,859,293	100%	\$ 2,859,293	\$ -	\$ 2,859,293	Yes
2	Deferred SIT - Cost of Removal	99,153	100%	99,153	-	99,153	Yes
3	Deferred SIT - AFUDC Equity	87,680	100%	87,680	-	87,680	Yes
4	Deferred SIT - Other	132,320	100%	132,320	-	132,320	Yes
5	Total State Deferred Taxes Included in Rate Base Claim	\$ 3,178,446		\$ 3,178,446	\$ -	\$ 3,178,446	Yes
6	Deferred State Income Taxes - Other	\$ (12,775)	100%	\$ (12,775)	\$ -	\$ (12,775)	No
7	Deferred State Income Taxes - Medicare Part D	-	100%	-	-	-	No
8	Deferred State Income Taxes - GU - Medicare Part D	-	100%	-	-	-	No
9	Deferred SIT - Other	(12,775)	100%	(12,775)	-	(12,775)	No
10	Deferred SIT - Tank Painting	39,387	100%	39,387	-	39,387	No
11	Deferred SIT - Pensions	(520,272)	100%	(520,272)	-	(520,272)	No
12	Deferred SIT - Post-Retirement Benefits	(256,033)	100%	(256,033)	-	(256,033)	No
13	Deferred SIT - Relocation	-	100%	-	-	-	No
14	Deferred SIT - F71/F109 G/U ITC	17,396	100%	17,396	-	17,396	No
15	Deferred SIT - M&S Fees	(143,261)	100%	(143,261)	-	(143,261)	No
16	Total	5,468,558		5,468,558	-	5,468,558	

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

ACCUMULATED DEFERRED INCOME TAXES AND UNAMORTIZED INVESTMENT CREDIT

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Chuck Loy

MFR

4.7 Accumulated Deferred Income Taxes and Unamortized Investment Credit

4.7.2 The specific deferred income taxes shown on Schedule 2D lists some but not necessarily all deferred income taxes that may be applicable to a particular utility, hence the accounts shown should be modified as appropriate.

Response:

Schedule 2-D reflects all deferred income taxes.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

ACCUMULATED DEFERRED INCOME TAXES AND UNAMORTIZED INVESTMENT CREDIT

Delaware Public Service Commission

Company: SUEZ Water Delaware

Docket No. _____

Witness Responsible:

Chuck Loy

MFR

4.7 Accumulated Deferred Income Taxes and Unamortized Investment Credit

- 4.7.3 Provide a statement which fully explains the utility's deferred tax accounting practices, i.e., the basis upon which annual tax deferrals are determined and the basis upon which deferred tax reserves are charged or credited to current period.

Response:

SUEZ Water Delaware Inc. provides deferred income taxes based on the principals of Financial Accounting Standard #109, Accounting for Income Taxes. This standard provides that a deferred income tax asset or liability should be recognized for all temporary differences between the tax bases of assets and liabilities and their reported amounts on the balance sheet, which will result in taxable or deductible amounts in future years when the financial statement carrying amounts of the assets and liabilities are recovered and /or settled. Temporary differences are differences between the reported financial statement bases of assets and liabilities and their bases for income tax purposes, which ultimately will result in taxable or deductible amounts in future years when the reported amount of the asset are recovered and reported amounts of liabilities are settled. A deferred tax liability is recognized to reflect the tax effect of the Company's "taxable" temporary differences. A deferred tax asset is recognized for the tax effect of "deductible" temporary differences.

As a result of the adoption of FAS 109 in 1992, deferred taxes associated with temporary differences that were previously "flowed-through" to ratepayers (as a result of a Commission Order) were recognized with an offsetting Regulatory Asset or Liability (for such expected recovery through future rates the previously "flowed-through" temporary difference). These FAS 109 Deferred Taxes and offset by their Regulatory Assets/Liabilities do not affect rate base for regulatory purposes.

SWDE elected Opiton 2, ratable flow-through of its Investment Tax Credit under IRC 46(f)(2) to cost of service.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

ACCUMULATED DEFERRED INCOME TAXES AND UNAMORTIZED INVESTMENT CREDIT

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Chuck Loy

MFR

4.7 Accumulated Deferred Income Taxes and Unamortized Investment Credit

4.7.4 Provide the amount of amortization of Investment Tax Credit (ITC) and /or Job Development Credit included as a reduction of Income Tax Expense in the test year.

Response:

ITC amortization for the test year was \$18,684.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

ACCUMULATED DEFERRED INCOME TAXES AND UNAMORTIZED INVESTMENT CREDIT

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Chuck Loy

MFR

4.7 Accumulated Deferred Income Taxes and Unamortized Investment Credit

4.7.5 Provide the amount of Investment Tax Credit (ITC) and/or Job Development Credit (JDC) available but not utilized as of the end of the test year.

Response:

The unamortized ITC balance at the end of the test year (09/30/2015) was \$293,665.

SUEZ Water Delaware
 Minimum Filing Requirements of the
 Delaware Public Service Commission

Schedule No. 2H

AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION AND ADVANCES FOR CONSTRUCTION

Delaware Public Service Commission
 Company: SUEZ Water Delaware
 Docket No. _____

Witness Responsible:
 Loy

Line No.	Description (a)	Amount (b)
1	Accumlated amortization at 9/30/2015	\$ 2,271,700
2	Amortization from 10/1/2015 to 6/30/2016	-
3	Pro Forma Amortization at 6/30/2016 [1]	<u>\$ 2,271,700</u>

[1] Amortization on assets funded by CIAC or advances discontinued at 10/31/93

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

Schedule No. 21

MATERIALS AND SUPPLIES

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Period (a)	Balance			Total (e)
		Chemical Inv. (b)	Small Repairs (c)	Capital & Maint. (d)	
1	Sep-14	37,108	50,682	188,040	\$ 275,830
2	Oct-14	47,264	50,682	182,594	280,540
3	Nov-14	51,233	50,682	169,936	271,851
4	Dec-14	41,476	35,703	151,928	229,108
5	Jan-15	52,135	35,703	156,252	244,090
6	Feb-15	71,849	35,703	156,252	263,804
7	Mar-15	49,115	35,703	181,903	266,721
8	Apr-15	51,210	35,703	192,705	279,618
9	May-15	63,211	35,703	192,590	291,505
10	Jun-15	45,769	35,703	186,277	267,749
11	Jul-15	21,326	35,703	192,036	249,065
12	Aug-15	34,126	35,703	211,513	281,342
13	Sep-15	40,315	35,703	269,234	345,253
14			Thirteen Month Average (Test Period Amount):		\$ 272,806

Twelve Months Preceding Test Year

15	Sep-13	\$ 287,186	\$ 50,682	\$ 302,230	\$ 640,098
16	Oct-13	308,147	50,682	229,516	588,345
17	Nov-13	342,879	50,682	184,386	577,947
18	Dec-13	309,130	50,682	211,992	571,804
19	Jan-14	336,563	50,682	214,685	601,930
20	Feb-14	321,243	50,682	214,685	586,609
21	Mar-14	334,177	50,682	218,023	602,882
22	Apr-14	342,953	50,682	195,715	589,350
23	May-14	55,873	50,682	196,834	303,389
24	Jun-14	44,885	50,682	185,447	281,014
25	Jul-14	43,077	50,682	179,756	273,515
26	Aug-14	37,108	50,682	188,040	275,830
			Thirteen Month Average (Preceding Test Year):		\$ 474,503

SUEZ Water Delaware
 Minimum Filing Requirements of the
 Delaware Public Service Commission

Schedule No. 2E

INVESTOR SUPPLIED CASH WORKING CAPITAL

Delaware Public Service Commission
 Company: SUEZ Water Delaware
 Docket No. _____

Witness Responsible:
 Loy

Line No.	Working Capital Component (a)	Methodology Used to Determine Juris. Requirement (b)	Total Company (c)	Allocation Percentage (d)	Delaware Jurisdictional (e)
1	\$ 881,133	Lead-Lag Study	\$ 881,133	100%	\$ 881,133

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

INVESTOR SUPPLIED CASH WORKING CAPITAL

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Chuck Loy

MFR

4.10 Investor Supplied Cash Working Capital

4.10.2. Other items. If any other items are included in the working capital claim, provide a full and complete explanation in support thereof including the calculation which demonstrates the amounts so included as investorprovided funds with reference to 26 Del. C. § 102(3).

Response:

N/A

SUEZ Water Delaware
 Minimum Filing Requirements of the
 Delaware Public Service Commission

Schedule No. 2F

OTHER ELEMENT OF PROPERTY

Delaware Public Service Commission
 Company: SUEZ Water Delaware
 Docket No. _____

Witness Responsible:
 Loy

Line No.	Project No. (a)	Description of Property (b)	Specific Reason for Base Rate Claim (c)	Total Cost (d)	Allocation Percentage (e)	Delaware Jurisdictional (f)
1			NOT APPLICABLE			

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

Schedule No. 2J

PREPAYMENTS

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Period (a)	Prepayments (b)	Total (c)
1	Sep-14	\$ 1,164,452	\$ 1,164,452
2	Oct-14	1,212,073	1,212,073
3	Nov-14	1,018,762	1,018,762
4	Dec-14	861,013	861,013
5	Jan-15	800,240	800,240
6	Feb-15	656,049	656,049
7	Mar-15	521,495	521,495
8	Apr-15	378,177	378,177
9	May-15	227,981	227,981
10	Jun-15	249,838	249,838
11	Jul-15	227,290	227,290
12	Aug-15	93,510	93,510
13	Sep-15	1,310,939	<u>1,310,939</u>
14	Thirteen-Month Average		<u>\$ 670,909</u>

SUEZ Water Delaware
 Minimum Filing Requirements of the
 Delaware Public Service Commission

Schedule No. 2K

OPEB FUNDING

Delaware Public Service Commission
 Company: SUEZ Water Delaware
 Docket No. _____

Witness Responsible:
 Loy

Line No.	Description (a)	Total 9/30/2015 (b)	Adjustment Amount (c)	Adjusted Total 6/30/2016 (d)
1	Amount	\$ (3,127,613)	\$ -	\$ (3,127,613)
2	Related ADIT	1,269,811	-	1,269,811
3	Total	<u>\$ (1,857,802)</u>	<u>\$ -</u>	<u>\$ (1,857,802)</u>

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

Schedule No. 3

NET OPERATING INCOME SUMMARY

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Description	Test Year (1)		Utility Proposed Test Period	
		Ref. Sched.	Amount	Ref. Sched.	Amount
1	Operating Revenues	3A	\$ 24,763,605	3A	\$ 29,707,270
2	Operating Expenses	3B	\$ 19,115,323	3B	\$ 19,152,890
3	Net Operating Revenues	L1 - L2	\$ 5,648,282		\$ 10,554,380
4	Total Operating Taxes	3I	\$ 1,486,880	3I	\$ 3,481,454
5	Net Operating Income	L3 - L4	\$ 4,161,402		\$ 7,072,926
6	AFUDC	5.5.1	\$ (90,923)		\$ (90,923)
7	Other Income and Deductions	5.5.1	\$ (2,169,533)		\$ (2,169,533)
8	Net Income Available for Return	L5+L6+L7	\$ 1,900,946		\$ 4,812,470

Note: 1) Adjusted Test Period Ending September 30, 2015

SUEZ Water Delaware
 Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 3A

OPERATING REVENUES

Delaware Public Service Commission
 Company: SUEZ Water Delaware
 Docket No. _____

Witness Responsible:
 Loy

Line No.	Revenue Description (a)	TEST YEAR			TEST PERIOD							
		Total Company per Books (b)	Billing	Total Company per Books as Adjusted (d)	Total Company (e)	Allocation Percent (f)	Allocated Total (g)	Adjustments			Normalized as Adjusted (k)	
			Transition Adjustment (c)					Cust Growth/ Loss of Cust (h)	Normalization (i)	Other (j)		
1	Residential											
2	Facilities Charge	\$5,192,987	\$ (404,531)	\$ 4,788,456	\$ 4,788,456	100%	\$ 4,788,456	\$ 19,083	(1)	\$ -		\$ 4,807,539
3	Volumetric Charges	\$7,664,192	(547,149)	7,117,043	7,117,043	100%	7,117,043	27,103	(1)	(288,841)	(3)	6,855,305
4	Commercial											
5	Facilities Charge	\$707,024	(27,606)	679,419	679,419	100%	679,419	5,720	(1)	-		685,138
6	Volumetric Charges	\$3,955,858	(113,330)	3,842,528	3,842,528	100%	3,842,528	29,547	(1)	(316,766)	(3)	3,555,309
7	Industrial											
8	Facilities Charge	\$89,140		89,140	89,140	100%	89,140	(8,658)	(2)	-		80,482
9	Volumetric Charges	\$5,508,038		5,508,038	5,508,038	100%	5,508,038	(1,101,754)	(2)			4,406,284
10	Public Authority											
11	Facilities Charge	\$37,119		37,119	37,119	100%	37,119			-		37,119
12	Volumetric Charges	\$90,210		90,210	90,210	100%	90,210			(6,506)	(3)	83,705
13	Fire Protection	\$2,184,203	(84,252)	2,099,951	2,099,951	100%	2,099,951	6,318	(1)			2,106,270
14	Sales for Resale (3)	\$174,559		174,559	174,559	100%	174,559					174,559
15	Other	\$440,105		440,105	440,105	100%	440,105				(164,495)	(4) 275,610
16	DISC Surcharges	\$1,864,014		1,864,014	1,864,014	100%	1,864,014				(167,728)	(5) 1,696,286
17	Unbilled Revenue			-	-	100%	-					-
18	Total	\$ 27,907,449	\$ (1,176,867)	\$ 26,730,582	\$ 26,730,582		\$ 26,730,582	\$ (1,022,642)		\$ (612,112)	\$ (332,223)	\$ 24,763,605

(1) See 5.2.5 Sch 3A-1a
 (2) See 5.2.5 Sch 3A-1b
 (3) See 5.2.5 Sch 3A-2
 (4) See WP 3A Other Revenues
 (5) See Revenue Adjustment File

SUEZ Water Delaware
Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 3A-1a

CUSTOMER GROWTH REVENUE ADJUSTMENT - SALES OF WATER CUSTOMERS

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Description (a)	Residential (b)	Commercial (c)	Fire Protection Surcharge		Private Fire Protection (f)	Total (g)
				Residential (d)	Commercial (e)		
<u>Historical TY Growth Calculation</u>							
1	Actual Normalized Bills	410,652	31,980	410,652	31,980	9,456	452,088
2	Actual Annualized Bills	409,022	31,712	409,022	31,712	9,447	450,181
3	Average Volumes Per Bill (Per 3-Year Average)	4.15	32.53	n/a	n/a	n/a	
4	Historical TY Customer Growth - Bills	1,630	268	1,630	268	9	1,907
5	Historical TY Customer Growth - Volumes	6,766	8,717	n/a	n/a	n/a	15,483
<u>Test Period Customer Growth Revenue Normalization</u>							
6	Weighted Avg. Facility Charge	\$ 11.71	\$ 21.34				
7	Revenue Adjustment from Minimum Charge	\$ 19,083	\$ 5,720				\$ 24,802
8	Weighted Avg. Fire Protection Surcharge			\$ 2.21	\$ 7.11	\$ 89.42	
9	Revenue Adjustment - Fire Protection Surcharge			\$ 3,608	\$ 1,905	\$ 805	\$ 6,318
8	Weighted Average Volume Charge	\$ 4.01	\$ 3.39				
10	Revenue from Volumetric Charge	\$ 27,103	\$ 29,547				\$ 56,650
11	Total Historical Test Year Adjustment	\$ 46,186	\$ 35,266	\$ 3,608	\$ 1,905	\$ 805	\$ 87,770

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

Schedule No. 3A-1b

CUSTOMER GROWTH REVENUE ADJUSTMENT - INDUSTRIAL CUSTOMER LOSS REVENUE ADJUSTMENT

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Description (a)	Facility Charge/Bill (b)	1st Block (c)	2nd Block (d)	Total (e)
1	DUPONT/Edgemoor				
2	10" Meter	\$410.20	\$ 3.1697	\$ 2.3659	
3	Test Year Bills	12			
4	Test Year Volumes		<u>16,800</u>	<u>439,612</u>	
5	Revenues Lost	<u>\$ 4,922</u>	<u>\$ 53,251</u>	<u>\$ 1,040,078</u>	<u>\$ 1,098,251</u>
6	DUPONT/Stine Labs				
7	6" Meter	\$ 219.74	\$ 3.1697	\$ 2.3659	
8	Test Year Bills	12			
9	Test Year Volumes		<u>489</u>	<u>-</u>	
10	Revenues Lost	<u>\$ 2,637</u>	<u>\$ 1,550</u>	<u>\$ -</u>	<u>\$ 4,187</u>
11	Claymont Steel				
12	6" Meter	\$ 219.74	\$ 3.1697	\$ 2.3659	
13	Test Year Bills	5			
14	Test Year Volumes		<u>2,169</u>	<u>-</u>	
15	Revenues Lost	<u>\$ 1,099</u>	<u>\$ 6,875</u>	<u>\$ -</u>	<u>\$ 7,974</u>
16	Total				
17	10" Meter Bills	12			
18	6" Meter Bills	17			
19	Volumes Lost		<u>19,458</u>	<u>439,612</u>	
20	Revenues Lost	<u><u>\$ 8,658</u></u>	<u><u>\$ 61,676</u></u>	<u><u>\$ 1,040,078</u></u>	<u><u>\$ 1,110,412</u></u>

SUEZ Water Delaware
 Minimum Filing Requirements of the Delaware Public Service Commission
 Schedule No. 3A-2

NORMALIZE REVENUE ADJUSTMENT

Delaware Public Service Commission
 Company: SUEZ Water Delaware
 Docket No. _____

Witness Responsible:
 Loy

Line No.	Description (a)	Residential (b)	Commercial (c)	Public Authority (d)	Total (e)
<u>Normalization - Volumetric Adjustment Calculation</u>					
1	Average Volumes per Norms (1)	4.15			
2	Normalized Bills (2)	<u>410,652</u>			
3	Normalized Volumes	1,704,527	1,040,171	28,145	2,772,842
4	Actual Historical TY Volumes (3)	1,776,630	1,133,623	30332	2,940,585
5	Normalization Adjustment	(72,103)	(93,452)	(2,187)	(167,743)
<u>Normalization - Revenue Adjustment Calculation</u>					
6	Weighted Average Volume Charge	\$ 4.006	\$ 3.390	\$ 2.974	
7	Normalization Adjustment	\$ (288,841)	\$ (316,766)	\$ (6,506)	\$ (612,112)

(1) Residential, Commercial and Public Authority reflects 10 years trending of monthly usage.
 (2) Test Year customer count x 12 months
 (3) Test year volumes billed.
 (4) From WP Revenue Adjustment File

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

REVENUE ADJUSTMENTS

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Chuck Loy

MFR

5.2 Revenues

- 5.2.6 Adjustments to test period revenues should be fully detailed and explained including all mathematical calculations related thereto. This information should follow Schedule 3A with appropriate adjustments referenced to the amounts shown on Schedule 3A.

Response:

See MFR 5.2.5 and the testimony of Chuck Loy.

NORMALIZE OTHER REVENUES

WP-3A Other Revenues

	<u>9/30/2013</u>	<u>9/30/2014</u>	<u>9/30/2015</u>	<u>Test Period</u>	
Miscellaneous service revenue (1)	\$5,439	\$40,333	\$35,140	\$26,971	(1) Three Year Average
Rents from water property (2)	\$236,437	\$232,546	\$247,062	\$93,476	(2)
Other water rev - late charges	\$136,840	\$132,867	\$134,108	\$134,605	Three Year Average
Meter reset fees	\$13,350	\$24,530	\$23,795	\$20,558	Three Year Average
Total	\$392,066	\$430,277	\$440,105	\$275,610	<u>(\$164,495) Decrease</u>

(1) Misc service revenue was adjusted for a one time unusual nonrecurring penalty charge from a prior years contract in 2014 and for intercompany sales for Resale which are booked to Misc Service Revenues starting in May 2013 as follows:

	<u>9/30/2013</u>	<u>9/30/2014</u>	<u>9/30/2015</u>
Misc Service Revenues	\$103,325	\$411,677	\$156,870
Less: Nonrecurring penalty charge		(\$189,862) *	
Less: Sales for Resale Revenue	(\$97,886)	(\$181,482)	(\$174,559) **
Add Back: Bill May & Sept bill adjustments to Refinery			\$52,829
	<u>\$5,439</u>	<u>\$40,333</u>	<u>\$35,140</u>

* Detail of 2014 Penalty Charges:

<u>Journal</u>	<u>CA</u>	<u>Acct</u>	<u>Depmnt</u>	<u>Project</u>	<u>Affiliate</u>	<u>Amount</u>	<u>Date</u>	<u>Journal Line Description</u>
WATR_INTR	415	40200	100	WATR_INTR	00029	(\$17,428)	2014-01-15	Miscellaneous service revenue
WATR_INTR	415	40200	100	WATR_INTR	00029	(\$14,759)	2014-02-15	Miscellaneous service revenue
WATR_INTR	415	40200	100	WATR_INTR	00029	(\$14,759)	2014-03-15	Miscellaneous service revenue
WATR_INTR	415	40200	100	WATR_INTR	00029	(\$14,759)	2014-04-15	Miscellaneous service revenue
WATR_INTR	415	40200	100	WATR_INTR	00029	(\$14,358)	2014-05-15	Miscellaneous service revenue
WATR_INTR	415	40200	100	WATR_INTR	00029	(\$14,358)	2014-06-15	Miscellaneous service revenue
WATR_INTR	415	40200	100	WATR_INTR	00029	(\$14,358)	2014-07-15	Miscellaneous service revenue
WATR_INTR	415	40200	100	WATR_INTR	00029	(\$16,963)	2014-08-15	Miscellaneous service revenue
WATR_INTR	415	40200	100	WATR_INTR	00029	(\$16,963)	2014-09-15	Miscellaneous service revenue
WATR_INTR	415	40200	100	WATR_INTR	00029	(\$16,963)	2014-10-15	Miscellaneous service revenue
WATR_INTR	415	40200	100	WATR_INTR	00029	(\$17,096)	2014-11-15	Miscellaneous service revenue
WATR_INTR	415	40200	100	WATR_INTR	00029	(\$17,096)	2014-12-15	Miscellaneous service revenue
				Total Penalties		<u>(\$189,862)</u>		

** Detail of Interco Sales for Resale

	<u>9/30/2013</u>	<u>9/30/2014</u>	<u>9/30/2015</u>
September		\$15,780	\$15,444
August		\$15,780	\$15,444
July		\$13,638	\$13,191
June		\$13,638	\$13,191
May		\$13,638	\$13,191
April		\$14,019	\$13,536
March	21260	\$14,019	\$13,536
February	\$17,289	\$14,019	\$13,536
January	\$17,289	\$16,554	\$15,903
December	\$14,016	\$16,554	\$15,903
November	\$14,016	\$16,554	\$15,903
October	\$14,016	\$17,289	\$15,780
	<u>\$97,886</u>	<u>\$181,482</u>	<u>\$174,559</u>

(2) Normalize Lease/Rent Revenues:

	<u>Curren t Rates</u>	<u>Estimated Increase</u>	<u>Test Period Monthly Rates</u>	<u>Test Year</u>	<u>Remove 75% of Cell Tower Revenue to Shareholders</u>	<u>Test Period</u>
Pepsi	\$800	\$200	\$1,000	\$12,000		\$12,000
Boyko	\$1,100	0	\$1,100	\$13,200		\$13,200
Office	\$1,246	2.00%	\$1,271	\$15,251		\$15,251
AT&T	\$2,803	2.00%	\$2,859	\$34,312	(\$25,734)	\$8,578
AT&T	\$2,697	2.00%	\$2,751	\$33,009	(\$24,757)	\$8,252
Verizon	\$2,814	2.00%	\$2,870	\$34,441	(\$25,830)	\$8,610
Sprint	\$3,117	4.00%	\$3,242	\$38,900	(\$29,175)	\$9,725
T-Mobile	\$5,724	4.00%	\$5,953	\$71,439	(\$53,579)	\$17,860
				<u>\$252,552</u>		<u>\$93,476</u>

SUEZ Water Delaware
Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 3B

OPERATING EXPENSES

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Description (a)	TEST YEAR			TEST PERIOD				
		Total Company per Books (b)	Allocation Percentage (c)	Allocated Total (d)	O&M Adjustments (e)	Source Reference (f)	Pay/Benefits Adjustments (g)	Sch. Reference (h)	As Adjusted (i)
Source of Supply Expenses									
<i>Operation</i>									
1	Operation Supervision and Engineering	\$ -	100%	\$ -	\$ -		\$ -		\$ -
2	Operating Labor and Expenses	-	100%	-	-		-		-
3	Purchased Water	1,183,281	100%	1,183,281	260,000	WP 3B-1	-		1,443,281
4	Miscellaneous Expenses	74,403	100%	74,403	20,000	WP 3B-6	-		94,403
5	Total Operation	\$ 1,257,684		\$ 1,257,684	\$ 280,000		\$ -		\$ 1,537,684
<i>Maintenance</i>									
6	Maintenance of Structures and Improvements	\$ -	100%	\$ -	\$ -		\$ -		\$ -
7	Maintenance of Collecting and Impounding Res.	-	100%	-	-		-		-
8	Maintenance of Lake, River and Other Intakes	-	100%	-	5,126	WP 3B-7	-		5,126
9	Maintenance of Supply Mains	87	100%	87	-		-		87
10	Total Maintenance	\$ 87		\$ 87	\$ 5,126		\$ -		\$ 5,213
11	Total Source of Supply Expenses	\$ 1,257,771		\$ 1,257,771	\$ 285,126		\$ -		\$ 1,542,897
Pumping Expenses									
<i>Operation</i>									
12	Operation Supervision and Engineering	\$ -	100%	\$ -	\$ -		\$ -		\$ -
13	Fuel or Power Purchased for Production	1,249,168	100%	1,249,168	(\$78,554)	WP 3B-2	-		1,170,614
14	Pumping Labor and Expenses	4,279	100%	4,279	-		-		4,279
15	Miscellaneous Expenses	33,396	100%	33,396	-		-		33,396
16	Rents	5,558	100%	5,558	-		-		5,558
17	Total Operation	\$ 1,292,401		\$ 1,292,401	\$ (78,554)		\$ -		\$ 1,213,847
<i>Maintenance</i>									
18	Maintenance Supervision and Engineering	\$ -	100%	\$ -	\$ -		\$ -		\$ -
19	Maintenance of Structures and Improvements	-	100%	-	-		-		-
20	Maintenance of Power Production Equipment	4,161	100%	4,161	-		-		4,161
21	Maintenance of Pumping Equipment	33,212	100%	33,212	-		-		33,212
22	Total Maintenance	\$ 37,373		\$ 37,373	\$ -		\$ -		\$ 37,373
23	Total Pumping Expenses	\$ 1,329,774		\$ 1,329,774	\$ (78,554)		\$ -		\$ 1,251,220
Water Treatment Expenses									
<i>Operation</i>									
24	Operation Supervision and Engineering	\$ 1,401,739	100%	\$ 1,401,739	\$ -		\$ 116,654	WP 3C	\$ 1,518,393
25	Chemicals	927,743	100%	927,743	(33,339)	WP 3B-3	-		894,404
26	Operating Labor and Expenses	288,467	100%	288,467	-		9,031	WP 3C	297,498
27	Miscellaneous Expenses	211,239	100%	211,239	-		210	WP 3C	211,449
28	Total Operation	\$ 2,829,188		\$ 2,829,188	\$ (33,339)		\$ 125,894		\$ 2,921,743

SUEZ Water Delaware
 Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 3B

OPERATING EXPENSES

Delaware Public Service Commission
 Company: SUEZ Water Delaware
 Docket No. _____

Witness Responsible:
 Loy

Line No.	Description (a)	TEST YEAR			TEST PERIOD				
		Total Company per Books (b)	Allocation Percentage (c)	Allocated Total (d)	O&M Adjustments (e)	Source Reference (f)	Pay/Benefits Adjustments (g)	Sch. Reference (h)	As Adjusted (i)
Water Treatment Expenses (Cont.)									
<i>Maintenance</i>									
1	Maintenance Supervision and Engineering	\$ 237,856	100%	\$ 237,856	\$139,056	WP 3B-4	\$ 19,297	WP 3C	\$ 396,208
2	Maintenance of Structures and Improvements	545,835	100%	545,835	-		301	WP 3C	546,136
3	Maintenance of Water Treatment Equipment	32,661	100%	32,661	-		-		32,661
4	Total Maintenance	<u>\$ 816,351</u>		<u>\$ 816,351</u>	<u>\$ 139,056</u>		<u>\$ 19,597</u>		<u>\$ 975,004</u>
5	Total Water Treatment Expenses	<u>\$ 3,645,539</u>		<u>\$ 3,645,539</u>	<u>\$ 105,716</u>		<u>\$ 145,492</u>		<u>\$ 3,896,748</u>
Transmission and Distribution Expenses									
<i>Operation</i>									
6	Operation Supervision and Engineering	\$ 43,446	100%	\$ 43,446	\$ -		\$ 4,217	WP 3C	\$ 47,663
7	Storage Facilities Expenses	-	100%	-	-		-		-
8	Transmission and Distribution Lines Expenses	668,569	100%	668,569	-		52,205	WP 3C	720,774
9	Meter Expenses	224,120	100%	224,120	-		17,410	WP 3C	241,531
10	Customer Installations Expenses	8,033	100%	8,033	-		-		8,033
11	Miscellaneous Expenses	101,036	100%	101,036	-		3,308	WP 3C	104,344
12	Rent	70,049	100%	70,049	-		-		70,049
13	Total Operation	<u>\$ 1,115,253</u>		<u>\$ 1,115,253</u>	<u>\$ -</u>		<u>\$ 77,140</u>		<u>\$ 1,192,393</u>
<i>Maintenance</i>									
14	Maintenance Supervision and Engineering	\$ 40,229	100%	\$ 40,229	\$ -		\$ 3,040	WP 3C	\$ 43,269
15	Maintenance of Structures and Improvements	43,272	100%	43,272	-		1,658	WP 3C	44,930
16	Maintenance of Dist. Reservoirs & Standpipes	35,120	100%	35,120	-		23	WP 3C	35,143
17	Maintenance of Trans. & Distribution Mains	131,955	100%	131,955	-		7,546	WP 3C	139,501
18	Maintenance of Services	341,379	100%	341,379	-		21,595	WP 3C	362,974
19	Maintenance of Meters	-	100%	-	-		-		-
20	Maintenance of Hydrants	21,918	100%	21,918	-		1,185	WP 3C	23,104
21	Maintenance of Miscellaneous Plant	717	100%	717	-		-		717
22	Total Maintenance	<u>\$ 614,590</u>		<u>\$ 614,590</u>	<u>\$ -</u>		<u>\$ 35,047</u>		<u>\$ 649,637</u>
23	Total Water Treatment Expenses	<u>\$ 1,729,843</u>		<u>\$ 1,729,843</u>	<u>\$ -</u>		<u>\$ 112,187</u>		<u>\$ 1,842,030</u>
Customer Account Expenses									
<i>Operation</i>									
24	Supervision	\$ 11,032	100%	\$ 11,032	\$ -		\$ 864	WP 3C	\$ 11,896
25	Meter Reading Salaries	97,994	100%	97,994	-		7,239	WP 3C	105,233
26	Meter Reading Expenses	-	100%	-	-		-		-
27	Meter Reading Transportation	-	100%	-	-		-		-
28	Customer Records & Coll. Expenses-Labor	-	100%	-	-		-		-
29	Customer Records & Coll. Expenses-Supplies	-	100%	-	-		-		-

SUEZ Water Delaware
Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 3B

OPERATING EXPENSES

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Description (a)	TEST YEAR			TEST PERIOD				
		Total Company per Books (b)	Allocation Percentage (c)	Allocated Total (d)	O&M Adjustments (e)	Source Reference (f)	Pay/Benefits Adjustments (g)	Sch. Reference (h)	As Adjusted (i)
30	Customer Records & Coll. Expenses-Postage	-	100%	-	-		-		-
31	Customer Records & Coll. Expenses-Computer	-	100%	-	-		-		-
Customer Account Expenses - Operation (Cont.)									
1	Customer Records & Coll. Expenses-Collection	\$ 1,200,712	100%	\$ 1,200,712	(\$32,155)	WP 3B-5	\$ 64,711	WP 3C	\$ 1,233,268
2	Customer Records & Coll. Expenses	-	100%	-	-		-		-
3	Uncollectible Accounts	100,631	100%	100,631	-		-		100,631
4	Miscellaneous Customer Accounts Expense	21,220	100%	21,220	-		-		21,220
5	Total Customer Account Expenses	\$ 1,431,589		\$ 1,431,589	\$ (32,155)		\$ 72,814		\$ 1,472,247
Sales Expense									
Operation									
6	Supervision	\$ -	100%	\$ -	\$ -		\$ -		\$ -
7	Total Sales Expenses	\$ -		\$ -	\$ -		\$ -		\$ -
Administrative and General Expenses									
Operation									
8	Administrative and General Salaries	\$ 1,573,356	100%	\$ 1,573,356	\$ -		\$ 206,347	WP 3C	\$ 1,779,704
9	Office Supplies and Other Expenses	75,859	100%	75,859	-		-		75,859
10	Administrative Expenses Transferred	(1,018,931)	100%	(1,018,931)	-		(82,706)	3C	(1,101,637)
11	Outside Services Employed	429,557	100%	429,557	(428,669)	WP 3B-9, 12	(74,972)	3C	(74,084)
12	Property Insurance	190,821	100%	190,821	(14,252)	WP 3B-12	-		176,569
13	Injuries and Damages	60,993	100%	60,993	-		49,001	3C	109,994
14	Employee Pension and Benefits	1,849,576	100%	1,849,576	-		(240,017)	3C	1,609,558
15	Regulatory Commission Expenses	80,929	100%	80,929	115,000	MFR 5.3.13	-		195,929
16	Miscellaneous General Expenses	125,463	100%	125,463	718,969	WP 3B-8, 11, 12	(18,876)	3C	825,556
17	Total Operation	\$ 3,367,624		\$ 3,367,624	\$ 391,048		\$ (161,224)		\$ 3,597,449
Maintenance									
18	Maintenance of General Plant	\$ -	100%	\$ -	\$ -		\$ -		\$ -
19	Total Maintenance	\$ -		\$ -	\$ -		\$ -		\$ -
20	Total Administrative and General Expenses	\$ 3,367,624		\$ 3,367,624	\$ 391,048		\$ (161,224)		\$ 3,597,449
21	Total Operation and Maintenance Expenses	\$ 12,762,141		\$ 12,762,141	\$ 671,182		\$ 169,268		\$ 13,602,591
22	Depreciation Expense	\$ 3,165,586	100%	\$ 3,165,586	\$ 491,206	WP 2C-2	\$ -		\$ 3,656,792
23	Taxes Other than Income	\$ 1,711,810	100%	\$ 1,711,810	\$ 105,887	WP 3B-10	\$ 38,244	3C	\$ 1,855,940
24	Total Operating Expenses	\$ 17,639,536		\$ 17,639,536	\$ 1,268,274		\$ 207,512		\$ 19,115,323

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

OPERATING EXPENSE ADJUSTMENTS

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Chuck Loy

MFR

5.3 Operating Expenses

5.3.2 Adjustments to test period operating expenses should be fully detailed and explained including all mathematical calculations related thereto. This information should follow Schedule 3B with appropriate adjustments referenced to the adjustment amounts shown in Schedule 3B.

Response:

Please see the attached workpapers.

MFR 5.3.2
SUEZ WATER DELAWARE, INC.
Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 3B-1
Purchase Water Expense

Test Year Purchase Water	\$1,183,281
Increase in Hoops Contract (1)	\$260,000
Test Period Purchase Water	<u>1,443,281</u>
Adjustment	<u><u>\$260,000</u></u>

(1) Reflect City of Wilmington proposed Hoops 5-year contract for 200 million gallons per year for \$320,000 with no release fees.

Proposed Hoops Contract	\$320,000
Test Year Hoops Contract	<u>\$60,000</u>
Annual Increase	\$260,000

MFR 5.3.2

SUEZ WATER DELAWARE, INC.

Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 3B-2

Purchase Power Expense

Test Year Purchase Power Expense		\$1,265,263
Upcoming Test Period Increase of 3.7%		\$46,815
Normalize Volumes (2)	-12.37%	(\$162,262)
Test Period Increase For Aquifer Recovery Program (3)	3.03%	\$38,393
Reduction Related to Sewer Connection (4)		(\$1,500)
Total Test Period Purchase Power		<u><u>\$1,186,709</u></u>
	Adjustment	<u><u>(\$78,554)</u></u>

(1) Purchase power increase to \$.061 from \$.06 or 1.7% plus estimated 2% wire delivery charges from pending rate case for total of 3.7%.

(2) <i>a</i> Total Adjustment to Volumes	<u>(611,330)</u>
<i>b</i> Adjust for Test Year Non-Rev Water @19.26% (Line a/(1-.1926))	<u>(757,159)</u>
<i>c</i> Total Water Produced - Test Year	6,122,529
<i>e</i> Percent of Reduction (Line b / Line c)	-12.37%

(3) <i>a</i> Total Adjustment to Volumes	<u>150,000</u>
<i>b</i> Adjust for Test Year Non-Rev Water @19.26% (Line a/(1-.1926))	<u>185,782</u>
<i>c</i> Total Water Produced - Test Year	<u>6,122,529</u>
<i>e</i> Percent of increase (Line b / Line c)	<u>3.03%</u>

(4) Research/assessment of test year operation expenses related to the sludge press elimination. Refer to WP Sch 3B-4 Swr Connect.

MFR 5.3.2
SUEZ WATER DELAWARE, INC.
Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 3B-3
Chemical Expense

Test Year Chemical Expense		\$922,873
Anticipated Cost Increase (1)		\$83,059
Normalize Volumes (2)	-12.37%	(\$124,401)
Test Period Increase For Aquifer Recovery Program (3)	3.03%	\$28,004
Reduction Related to Sewer Connection (4)		(\$20,000)
Total Test Period Chemical Expense		<u><u>\$889,534</u></u>
	Adjustment	<u><u>(\$33,339)</u></u>

-
- (1) Anticipated Test Period increase of 9%.
- (2) *a* Total Adjustment to Volumes (611,330)
b Adjust for Test Year Non-Rev Water @19.26% (Line a/(1-.1926)) (757,159)
c Total Water Produced - Test Year 6,122,529
e Percent of Reduction (Line b / Line c) -12.37%
- (3) *a* Total Adjustment to Volumes 150,000
b Adjust for Test Year Non-Rev Water @19.26% (Line a/(1-.1926)) 185,782
c Total Water Produced - Test Year 6,122,529
e Percent of increase (Line b / Line c) 3.03%
- (4) Research/assessment of test year operation expenses related to the sludge press elimination.
 Elimination of 8,100 lbs of polymer . Refer to WP Sch 3B-4 Swr Connect.

MFR 5.3.2

SUEZ WATER DELAWARE, INC.

Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 3B-4

Sewer Connection Expense (1)

Test Period Annual County Sewer Connection Expense (2)	<u><u>\$237,500</u></u>
Remove Sludge Hauling Costs (3)	(\$98,445)
Net of Adjustments	<u><u>\$139,056</u></u>

(1) SWD planned elimination of sludge press by substituting disposal of sludge through connection with the County sewer system. This will result in more efficient use of the labor force, improve reliability of sludge removal and eliminate other imbalances and bottlenecks in the treatment process. In addition, the removal of the sludge press will improve safety by removing potential hazards associated with operating the press and from hauling operations. On top of these benefits stemming from eliminating sludge hauling operations, environmental benefits will accrue, through elimination of vehicle emissions currently generated by sludge hauling trucks.

(2) County Sewer Billing Cost Per Day Calculation

Wastewater Strength	Lbs/1000		1000/Gal	Total Lbs	\$/lb	Cost/day
	MG/1	Gal				
Avg BOD	62.419	0.521	19.876	10.347	\$0.372	\$3.851
Avg TSS	6,654.537	55.499	19.876	1,103.095	\$0.505	\$557.492
Flow Q/1000			19.876		\$4.495	<u>\$89.342</u>
Total Cost/day						\$650.69
Days Per Year						<u>365</u>
Test Period Sewer Cost						<u><u>\$237,500</u></u>

(3) Eliminate Test Year sludge hauling costs due to elimination of filter press.

MFR 5.3.2**SUEZ WATER DELAWARE, INC.****Minimum Filing Requirements of the Delaware Public Service Commission****Schedule No. 3B-5****Normalize Customer Care and Costs Due to Billing Change from Quarterly to Monthly (1)**

	Postage (2)	CC&B (3)	Net Adjustments
Postage Office/Non-billing	\$3,000		
Bill Printing/Envelopes		\$76,260	
Postage - Billing only		\$187,873	
Total Test Period	\$3,000	\$264,133	
Test Year	\$115,256	\$184,032	
Adjustments	(\$112,256)	\$80,101	(\$32,155)

-
- (1) The Quarterly to Monthly Transition was started and completed during the last half of the Test Year.
 - (2) Test Period Postage Costs will be moved from Acct 90450 to CC&B Acct 50405. Test Period estimated non-billing Postage for internal office use is \$3,000.
 - (3) Reflects costs for bills, collection letters, turn off notices, ebills and miscellaneous billing

MFR 5.3.2

SUEZ WATER DELAWARE, INC.

Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 3B-6

Proposed Recovery of Delaware River Basin Commission (DRBC) Charge (1)

Total Cost Paid and Requested for Recovery	\$300,000
Proposed Recovery Period (Years)	<u>15</u>
Annual Expense/Adjustment	<u>\$20,000</u>

(1) This adjustment amortizes the amount agreed to by the Company for reimbursement of water allocation billings overlooked by DRBC to Acct 92050.

MFR 5.3.2**SUEZ WATER DELAWARE, INC.****Minimum Filing Requirements of the Delaware Public Service Commission****Schedule No. 3B-7****Proposed Recovery of Watershed Control Plan Costs**

Grants Provided to Conservation Districts	\$30,032
Costs of Provided Vegetation	\$3,803
Watershed Consulting Costs	<u>\$165,221</u>
Total Watershed Protection	\$199,056
Proposed Recovery Period (Years)	<u>5</u>
Annual Expense/Adjustment	<u><u>\$39,811</u></u>
Remove Test Year Conservation Costs (1)	<u><u>(\$34,685)</u></u>
Net Adjustments	<u>\$5,126</u>

(1) Charged to Acct 50410 during test year. \$12,800 for Grants, \$525 Vegetation and \$21,360 Consulting

MFR 5.3.2

SUEZ WATER DELAWARE, INC.

Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 3B-8

Vehicle Leasing and Related Transportation Costs (1)

Test Period Monthly Vehicle Fleet Lease Costs	\$16,866
Test Period Avg. Monthly Vehicle Fleet Fuel Costs	\$10,000
Test Period Avg. Monthly Vehicle Fleet Repair Costs	\$3,000
Test Period Avg. Monthly GPS Costs (2)	\$1,343
Total Test Period Monthly Vehicle Fleet Costs	\$31,209
Annualize	<u>12</u>
Gross Test Period Vehicle Fleet Costs	\$374,510
Remove Capitalized Amount 18.00%	<u>(\$67,412)</u>
Test Period Vehicle Fleet Expense	<u>\$307,098</u>
Total Test Year Vehicle Fleet Costs (3)	<u>\$174,415</u>
Adjustment	<u>\$132,683</u>

(1) Reflects vehicle fleet in operation during the Test Year and planned replacement and new leases that will be active by Test Period in Acct 50645.

(2) GPS Monthly Fee (\$30 Per Month Per Vehicle)	\$1,110
Initial Installation Cost Per Vehicle \$275/ X 37 Vehicles	\$10,175
Amort Avrg Lease of 6 Years \$10,175 / (6 years X 12 months) =	\$141
Ongoing Installation Cost @ 4 Per Year	<u>\$92</u>
Total Monthly GPS Costs	\$1,343

	TY Per Books	Test Year Dist	Test Period Dist
(3) Transportation cost - other -OPERATION	\$95,521	54.77%	\$72,666
Transportation cost - other MAINT	\$31,245	17.91%	\$23,769
Transportation cost - other A&G	\$47,649	27.32%	\$36,248
	<u>\$174,415</u>		

MFR 5.3.2

SUEZ WATER DELAWARE, INC.

Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 3B-9

Cross Connection Surveys (1)

Number of Surveys Required Each Year	600
Cost Per Survey	<u>\$50</u>
Total Annual Cross Connection Cost	<u><u>\$30,000</u></u>

-
- (1) To meet upcoming State of Delaware regulations required for cross connections and back flow to meet public health concerns. Charged to Acct. 50400.

MFR 5.3.2

SUEZ WATER DELAWARE, INC.

Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 3B-10

Property/Real Estate Tax (1)

Test Year Property/Real Estate Tax	\$1,408,016
Test Year Gross Plant In Service	\$160,440,432
Effective Tax Rate	0.00878
Test Period Gross Plant In Service	\$172,505,981
Test Period Property Tax	<u><u>\$1,513,903</u></u>
Adjustment	<u><u>\$105,887</u></u>

(1) Reflects latest tax bills available.

MFR 5.3.2
SUEZ WATER DELAWARE, INC.
Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 3B-11

Customer Convenience Costs (1)

Test Year Credit Card Payments	35,047
25% Increase in Credit Card Payments due to Policy Change	8,762
Test Period Credit Card Payments	43,809
Cost per Credit Card Payment Occurance	\$1.99
Test Period Customer Convience Cost	\$87,179

(1) To reflect credit card payment policy change to improve customer convenience/relations. Acct. 92600.

MFR 5.3.2**SUEZ WATER DELAWARE, INC.****Minimum Filing Requirements of the Delaware Public Service Commission****Schedule No. 3B-12****Management Service Fees (1)****Test Period**

Remove Test Year Fees That Will Be Included in Management Service Fees Going Forward:

<u>Acct</u>	Description		
50405	CC&B Support Costs (2)	CCB IT Support	(\$47,788)
91250	Outside Services - IS	Other IT Corporate A	(\$166,138)
91350	Outside service - other	Other Corporate	(\$5,660)
91310	Outside Serv - Mgt Fees Other	R+I Alliance	(\$48,920)
91100	Outside service - acctg & audg	Audit Fees	(\$32,347)
91350	Outside service - other	WorkCare	(\$1,614)
91450	General corporate insurance	General Casualty	(\$184,081)
91400	Property insurance	Property	(\$14,252)
92150	Staff mtgs, conf's & seminars	WIKTI	(\$5,023)
90500	Club and professional dues	AWWARF	(\$11,308)
92150	Staff mtgs, conf's & seminars	Training & Recruitin	(\$14,003)
91350	Outside service - other	Actuarial Services	(\$19,909)
92150	Staff mtgs, conf's & seminars	PureSafety	(\$2,984)
	Total Costs to Remove		(\$554,027)
	Test Period Management Service Fee		\$2,372,653
	Less: Test Year Management Service Fee		\$1,792,440
	Increase (decrease) To M&S Fee		\$580,213
	Total Net Impact of Increase in M&S Fee and Alloction Methodology		\$26,186

(1) SUEZ has modified the Management Service Fee allocations. The Test Period Service Fee will include the various costs directly booked during the test year. Thus, these costs need to be removed from Test Year data.

(2) Excludes CCB Printing Costs

Test Year Payroll Per Books Breakdown

	Per Books	Gross Payroll			
Operations					
Supervisory labor	\$128,319	\$128,319			
Direct labor	\$1,410,904	\$1,410,904			
Supervisory labor transferred	\$233				
Maintenance					
Supervisory labor	\$175,566	\$175,566			
Direct labor	\$245,172	\$245,172			
Supervisory labor transferred	\$652				
Direct labor transferred out	(\$7,065)				
G&A					
Supervisory labor	\$1,171,563	\$1,171,563			
Direct labor	\$898,138	\$898,138			
Supervisory labor transferred	\$55,732				
Direct Labor transferred in	\$14				
Supervisory labor trans out	(\$696,077)				
Direct labor transferred out	(\$315,789)				
Total Net Payroll	\$3,067,362	\$4,029,663			
			Breakdown Trans Between Cap & Salary		
			Cap	Trans Out	Total
			(\$571,379)	(\$124,697)	(\$696,077)
			(\$300,418)	(\$15,371)	(\$315,789)
			(\$871,798)	(\$140,068)	(\$1,011,866)

Payroll - Test Year / Test Period

Total Payroll	\$4,029,663	\$537,997	\$4,567,660	
Transfer Out	(\$147,133)	(\$41,174)	(\$188,307)	
Transfer In	\$56,630	(\$1,158)	\$55,472	
Capitalize	(\$871,798)	(\$41,532)	(\$913,330)	286,449
Net Payroll	\$3,067,362	\$454,133	\$3,521,495	
All Payroll Tax	\$303,793	\$40,559	\$344,353	(17,344)

Pension Expense

91500 Employee pension cost	\$709,217	(\$21,217)	\$688,000 (2)
91550 Post Retire Health Care Accrue	\$252,375	(\$413,375)	(\$161,000) (3)
Total Pension	\$961,592	(\$434,592)	\$527,000

Other Benefits

91700 Employee group health & life	\$711,516	\$152,051	\$863,566
91800 Employee 401K	\$92,563	\$12,358	\$104,921
91850 Other employee benefits	\$57,894	(\$6,352)	\$51,542 (1)
91860 Other Awards	\$1,867	\$1,533	\$3,400 (1)
92250 Relocation expense	\$24,144	\$0	\$24,144
Total Other Benefits	\$887,984	\$159,590	\$1,047,574
Sub- Total			
91460 Worker compensation	\$60,993	\$49,001	\$109,994 (1)

Capitalize Benefits

90950 Fringe Benefits Transferred	(\$67,453)	(\$18,876)	(\$86,329)
90953 Fringe Ben Trf Capital & Other	(\$428,960)	\$32,669	(\$396,291)

Allocate 90953 Fring Ben Trf

Capitalize PR Tax	(17,344)	(\$2,316)	(\$19,660)
Capitalize Ben	(\$137,833)	(\$19,495)	(\$157,328)
Capitalize 401	(\$17,931)	(\$4,252)	(\$22,183)
Employee pension cost	(\$186,277)	\$84,188	(\$102,089)
Other (91850,91860 & 91460)	(\$69,575)	(\$25,456)	(\$95,031)
Total Alloc	(428,960)	\$32,669	(\$396,291)

(1) From 2016 Budget

(2) Per ASC 715-30 Net Periodic Pension Cost

Union Regulated	\$307,000
Non-Union Regulated	\$381,000

	Total	\$688,000
(3) Per ASC 715-30 Net Periodic Post Retirement	Cost (Income)	
Union Regulated		(\$165,000)
Non-Union Regulated		<u>\$4,000</u>
	Total	(\$161,000)

	PAYROLL	DIST
<u>Water Treatment Expenses</u>		
Operation Supervision and Engineering	\$884,498	21.68%
Operating Labor and Expenses	\$68,474	1.68%
Miscellaneous Expenses	\$1,591	0.04%
Maintenance Supervision and Engineering	\$146,311	3.59%
Maintenance of Structures and Improvements	\$2,281	0.06%
<u>Transmission and Distribution Expenses</u>		
Operation Supervision and Engineering	\$31,971	0.78%
Transmission and Distribution Lines Expenses	\$395,830	9.70%
Meter Expenses	\$132,010	3.24%
Miscellaneous Expenses	\$25,082	0.61%
Maintenance Supervision and Engineering	\$23,047	0.56%
Maintenance of Structures and Improvements	\$12,572	0.31%
Maintenance of Dist. Reservoirs & Standpipes	\$174	0.00%
Maintenance of Trans. & Distribution Mains	\$57,214	1.40%
Maintenance of Services	\$163,739	4.01%
Maintenance of Hydrants	\$8,988	0.22%
<u>Customer Account Expenses</u>		
Supervision	\$6,548	0.16%
Meter Reading Salaries	\$54,891	1.35%
Customer Records & Coll. Expenses-Collection	\$490,651	12.03%
<u>Administrative and General Expenses</u>		
Administrative and General Salaries	\$1,573,356	38.57%
Total Payroll/Benefits	\$4,079,228	

PAYROLL ADJUSTMENT - Descriptions		Non-Exempt Non-Union Hourly	Exempt	Non-Exempt Union Hourly	Total
1	Test Period Gross Payroll (a)	\$209,810	\$1,411,724	\$2,008,406	\$3,629,940
2	Vacancies to be filled during Test Period (b)	\$65,728	\$174,990	\$82,909	\$323,627
3	Union Shift Pay (Test Year)			\$24,999	\$24,999
4	Total Gross Base Payroll	\$275,538	\$1,586,714	\$2,116,314	\$3,978,566
5	Normalized Bonuses (c)	\$4,960	\$2,392	\$28,666	\$36,018
6	Normalized STIP (c)	\$1,814	\$165,357	\$0	\$167,172
7	Normalized OT (d)	\$6,782		\$269,581	\$276,363
8	Total Gross Normalized Payroll	\$289,094	\$1,754,463	\$2,414,561	\$4,458,118
9	Payroll Transferred Out To Other Jurisdictions (e)		(\$188,307)		(\$188,307)
10	Total Gross Normalized Payroll Adjusted	\$289,094	\$1,566,156	\$2,414,561	\$4,269,811
11	Average Test Period Payroll Increase	2.00%	2.00%	3.00%	
12	Amount of Increase	\$5,782	\$31,323	\$72,437	\$109,542
13	Test Period Gross Normalized Payroll Adjusted	\$294,876	\$1,597,479	\$2,486,998	\$4,379,353
14	Capitalization Rates (f)	16.62%	37.61%	7.75%	
	Less:				
15	Capitalization Amounts ([Line 8+Line 12]*Line 14)	(\$48,997)	(\$671,687)	(\$192,646)	(\$913,330)
16	Division Office Payroll Transferred In (Test Year)		\$55,472		\$55,472
17	Net Payroll Expense	\$245,879	\$981,264	\$2,294,352	\$3,521,495
18	Test Year Payroll Expense				\$3,067,362
19	Test Period Payroll Increase				\$454,133
Payroll Tax Adjustment:					
20	Total Payroll Tax Rate (g)	7.54%			\$344,353
21	Test Year Payroll Tax				\$303,793
22	Test Period Payroll Taxes Increase				\$40,559
401k Adjustment:					
	Total 401k Rate (h)	2.30%			\$104,921
	Test Year Payroll Tax				\$92,563
	Test Period 401k Increase				\$12,358

- (a) See WP-Sch 3C2 Salary Detail
 (b) See WP-Sch 3C3 Payroll Adj Support Part A
 (c) See WP-Sch 3C3 Payroll Adj Support Part B
 (d) See WP-Sch 3C3 Payroll Adj Support Part C
 (e) See WP-Sch 3C3 Payroll Adj Support Part D
 (f) See WP-Sch 3C3 Payroll Adj Support Part E
 (g) See WP-Sch 3C3 Payroll Adj Support Part F

Dept	Job Description	Supervisory & Direct Exempt/Non-Exempt	Pay type	Employee Type	Hourly Wage @:	Annualized	No. of Pays Per Year	2016 Test Period Raise Budgeted
400	Admin Asst	Nonexempt	NH - Hrly	Regular	24.7300	51,438.40		
100	Production Asst	Nonexempt	NH - Hrly	Regular	23.1600	48,172.80		
113	Operations Asst	Nonexempt	NH - Hrly	Regular	24.4600	50,876.80		
205	Admin Asst	Nonexempt	NH - Hrly	Regular	28.5200	59,321.60		
Non Union - Hrly Count				4		209,809.60	26	2.0%
205	Project Engineer	Exempt	NS - Salary	Regular	33.5131	69,707.25		
530	Financial Analyst	Exempt	NS - Salary	Regular	30.4347	63,304.18		
113	Supt T&D	Exempt	NS - Salary	Regular	37.5279	78,058.03		
205	Div GIS Manager	Exempt	NS - Salary	Regular	43.2692	89,999.94	<--- 1/3 to DE	
100	Supv Maintenance/SCADA Analyst	Exempt	NS - Salary	Regular	34.5288	71,819.90	Division: PA / DE / South Jersey	
400	Manager Operations	Exempt	NS - Salary	Regular	49.7596	103,499.97		
205	Dir Engineering	Exempt	NS - Salary	Regular	67.0304	139,423.23		
205	Sr Project Engineer	Exempt	NS - Salary	Regular	48.7646	101,430.37		
405	Public Affairs Mgr	Exempt	NS - Salary	Regular	42.9095	89,251.76		
400	Manager Env Health & Safety	Exempt	NS - Salary	Regular	43.2692	89,999.94		
205	Project Coord	Exempt	NS - Salary	Regular	29.3397	61,026.58		
400	Div Water Quality Manager	Exempt	NS - Salary	Regular	44.4591	92,474.93	<--- 1/3 to DE	
100	Manager Production	Exempt	NS - Salary	Regular	43.4422	90,359.78	Division: PA / DE / South Jersey	
100	Water Quality Spec	Exempt	NS - Salary	Regular	27.3441	56,875.73		
205	GIS Lead	Exempt	NS - Salary	Regular	35.6586	74,169.89		
301	Supervisor Field Services	Exempt	NS - Salary	Regular	33.8088	70,322.30		
304	Supervisor Customer Service	Exempt	NS - Salary	Regular	33.6538	69,999.90		
Non union - Salary Count				17		1,411,723.66	26	2.0%
100	Chief Plant Operator	Nonexempt	UN - Union	Regular	32.0700	66,705.60		
113	Crew Leader	Nonexempt	UN - Union	Regular	31.2100	64,916.80		
113	Crew Leader	Nonexempt	UN - Union	Regular	31.2100	64,916.80		
304	Customer Service Rep	Nonexempt	UN - Union	Regular	20.6200	42,889.60		
304	Customer Service Rep	Nonexempt	UN - Union	Regular	18.2100	37,876.80		
304	Customer Service Rep	Nonexempt	UN - Union	Regular	19.7900	41,163.20		
304	Customer Service Rep	Nonexempt	UN - Union	Regular	20.7400	43,139.20		
304	Customer Service Rep	Nonexempt	UN - Union	Regular	20.3500	42,328.00		
304	Customer Service Rep	Nonexempt	UN - Union	Regular	21.5700	44,865.60		
301	Field Service Representative	Nonexempt	UN - Union	Regular	27.4200	57,033.60		
301	Field Service Representative	Nonexempt	UN - Union	Regular	25.2200	52,457.60		
301	Field Service Representative	Nonexempt	UN - Union	Regular	24.9000	51,792.00		
301	Field Service Representative	Nonexempt	UN - Union	Regular	24.9000	51,792.00		
301	Field Service Representative	Nonexempt	UN - Union	Regular	26.6500	55,432.00		
100	Maintenance Technician	Nonexempt	UN - Union	Regular	29.6000	61,568.00		
100	Maintenance Technician	Nonexempt	UN - Union	Regular	24.2700	50,481.60		
301	Meter Reader	Nonexempt	UN - Union	Regular	21.1200	43,929.60		
305	Meter Reader/Union	Nonexempt	UN - Union	Regular	21.1200	43,929.60		
100	Plant Operator/Maintenance	Nonexempt	UN - Union	Regular	27.3900	56,971.20		
100	Plant Operator/Maintenance	Nonexempt	UN - Union	Regular	27.3900	56,971.20		
100	Plant Operator/Maintenance	Nonexempt	UN - Union	Regular	27.3900	56,971.20		
100	Plant Operator/Maintenance	Nonexempt	UN - Union	Regular	27.3900	56,971.20		
100	Plant Operator/Maintenance	Nonexempt	UN - Union	Regular	27.3900	56,971.20		
100	Plant Operator/Maintenance	Nonexempt	UN - Union	Regular	28.7600	59,820.80		
100	Plant Operator/Maintenance	Nonexempt	UN - Union	Regular	27.3900	56,971.20		
100	Plant Operator/Maintenance	Nonexempt	UN - Union	Regular	28.7600	59,820.80		
100	Plant Operator/Maintenance	Nonexempt	UN - Union	Regular	27.3900	56,971.20		
100	Plant Operator/Maintenance	Nonexempt	UN - Union	Regular	27.9500	58,136.00		
100	Relief Operator/Maintenance	Nonexempt	UN - Union	Regular	29.7900	61,963.20		
100	Relief Operator/Maintenance	Nonexempt	UN - Union	Regular	29.7900	61,963.20		
113	Utility Worker T&D	Nonexempt	UN - Union	Regular	26.5100	55,140.80		
113	Utility Worker T&D	Nonexempt	UN - Union	Regular	26.5100	55,140.80		
113	Utility Worker T&D	Nonexempt	UN - Union	Regular	27.2700	56,721.60		
113	Utility Worker T&D	Nonexempt	UN - Union	Regular	26.5100	55,140.80		
113	Utility Worker T&D	Nonexempt	UN - Union	Regular	27.0900	56,347.20		
113	Utility Worker T&D	Nonexempt	UN - Union	Regular	26.5100	55,140.80		

113	Utility Worker T&D	Nonexempt	UN - Union	Regular	26,5100	55,140.80		
113	Utility Worker T&D	Nonexempt	UN - Union	Regular	28,3100	58,884.80		
		UN - Union Count		37		2,008,406.40	26	3.0%
		Grand Count		58		3,629,939.66		

A New Positions/Vacancies to be Filled By Test Period End

	<u>Non-Exempt</u>	<u>Exempt</u>	<u>Union</u>
Intern Operator (2080 * \$25.60)	\$53,248		
Two Summer Interns (960 Hrs * \$13.00 per Hr)	\$12,480		
Asset Management Specialist		\$75,005	
Director of Engineering		\$99,986	
Utility Worker T&D			\$49,629
Customer Service Rep			\$33,280
	\$65,728	\$174,990	\$82,909

B Normalize Bonuses and STIP

	<u>Non-Union</u>	<u>Exempt</u>	<u>Union</u>
12/31/2012 Base Pay	\$481,242	\$1,136,913	\$1,519,674
Bonus	\$7,294	\$1,347	\$16,142
<i>Bonus Rate</i>	<i>1.52%</i>	<i>0.12%</i>	<i>1.06%</i>
STIP	\$2,709	\$85,297	\$0
<i>STIP Rate</i>	<i>0.56%</i>	<i>7.50%</i>	<i>0.00%</i>
12/31/2013 Base Pay	\$540,587	\$1,148,465	\$1,584,929
Bonus	\$10,463	\$2,475	\$21,276
<i>Bonus Rate</i>	<i>1.94%</i>	<i>0.22%</i>	<i>1.34%</i>
STIP	\$2,111	\$117,957	\$0
<i>STIP Rate</i>	<i>0.39%</i>	<i>10.27%</i>	<i>0.00%</i>
12/31/2014 Base Pay	\$491,616	\$1,195,023	\$1,568,704
Bonus	\$12,162	\$1,968	\$26,038
<i>Bonus Rate</i>	<i>2.47%</i>	<i>0.16%</i>	<i>1.66%</i>
STIP	\$3,405	\$150,897	\$0
<i>STIP Rate</i>	<i>0.69%</i>	<i>12.63%</i>	<i>0.00%</i>
9/30/2015 Base Pay	\$300,098	\$1,288,987	\$1,910,685
Bonus	\$3,826	\$1,344	\$25,864
<i>Bonus Rate</i>	<i>1.28%</i>	<i>0.10%</i>	<i>1.35%</i>
STIP	\$2,965	\$145,462	\$0
<i>STIP Rate</i>	<i>0.99%</i>	<i>11.28%</i>	<i>0.00%</i>
Average Test Period Rates			
Bonus	1.80%	0.15%	1.35%
STIP	0.66%	10.42%	0.00%

C Normalized Overtime (OT) Calculation (Non-Union & Union Hourly)

	<u>Non-Union</u>	<u>Union</u>
Test Year OT Payroll Costs	\$5,308	\$249,232
Test Year OT Hours	135	6,266
Average Rate (Line 16/Line 17)	\$39.32	\$39.78
Total Regular Hours Per Test Period	8,320	76,960
Average OT Rate (b)	2.07%	8.81%
Last Pay Total Non Exempt Hours	172	6,778
Normalized OT Pay	<u><u>\$6,782</u></u>	<u><u>\$269,581</u></u>

Average OT Hour to Regular Hour Rate

	<u>Non-Union Total Regular Hrs</u>	<u>Non-Union OT Hours</u>	<u>Union Total Regular Hrs</u>	<u>Union OT Hours</u>	<u>Average Non- Union OT Rate</u>	<u>Average Union OT Rate</u>
12/31/2012	22,596	398	61,668	5,975	1.76%	9.69%
12/31/2013	24,799	625	62,189	5,021	2.52%	8.07%
12/31/2014	22,942	665	59,372	5,341	2.90%	9.00%
9/30/2015	12,210	135	73,999	6,266	1.11%	8.47%
			Average OT Rate		<u><u>2.07%</u></u>	<u><u>8.81%</u></u>

D Payroll Transferred to Other Jurisdictions

	<u>Exempt</u>	
Div Engineer	\$99,986	
Div GIS Manager	\$90,000	
Div Water Quality Manager	\$92,475	
Total	\$282,460	
Allocate 2/3rds	\$188,307	Payroll related to PA and South Jersey Services
Delaware	\$94,153	Payroll Related to DE Only

E Average Capitalization Rate

		<u>Non-Union</u>	<u>Exempt</u>	<u>Union</u>	
12/31/2012	PR Capitalized	\$68,879	\$429,066	\$95,253	
	Gross PR	\$504,687	\$1,252,873	\$1,785,208	
	Cap Rate	13.65%	34.25%	5.34%	
12/31/2013	PR Capitalized	\$71,562	\$483,495	\$140,874	
	Gross PR	\$574,196	\$1,275,313	\$1,825,584	
	Cap Rate	12.46%	37.91%	7.72%	
12/31/2014	PR Capitalized	\$66,740	\$522,168	\$151,295	
	Gross PR	\$526,777	\$1,356,351	\$1,833,571	
	Cap Rate	12.67%	38.50%	8.25%	
					<u>TY Total</u>
9/30/2015	PR Capitalized	\$86,428	\$571,379	\$213,990	\$871,798
	Gross PR	\$312,197	\$1,435,793	\$2,210,448	\$3,958,438
	Cap Rate	27.68%	39.80%	9.68%	
	Average	<u><u>16.62%</u></u>	<u><u>37.61%</u></u>	<u><u>7.75%</u></u>	

F Calculate Effective Payroll Tax Rate

Test Year Payroll Taxes	\$303,793
Test Year Gross Payroll	<u>\$4,029,663</u>
Effective TY Tax Rate	<u>7.54%</u>

G Calculate Effective 401k Rate

Test Year 401k	\$92,563
Test Year Payroll Expense	<u>\$4,029,663</u>
Effective TY 401k Rate	<u>2.30%</u>

Description	Non-Exempt Non-Union Hourly	Exempt	Non-Exempt Union Hourly	Total
Medical Insurance - Employees	\$35,414	\$238,594	\$454,589	\$728,597
Medical Insurance - Vacancies	\$14,299	\$28,599	\$28,599	\$71,497
Dental Insurance - Employees	\$2,110	\$14,019	\$29,910	\$46,039
Dental Insurance - Vacancies	\$818	\$1,635	\$1,635	\$4,088
Life Insurance Employees	\$729	\$3,610	\$7,945	\$12,283
Life Insurance Vacancies	\$212	\$425	\$425	\$1,062
Total	\$53,582	\$286,882	\$523,103	\$863,566
Capitalization Rates (a)	16.62%	37.61%	7.75%	
Capitalized Amounts	(\$8,903)	(\$107,905)	(\$40,520)	(\$157,328)

(a) See WP-Sch 3C3 Payroll Adj Support Part E

DELAWARE PUBLIC SERVICE COMMISSION
SUEZ WATER DELAWARE
DOCKET NO.

FLSA	Job Title	Loc Id	Medical Plan Desc	Medical Coverage Level	Medical Annual Employer Cost	Dental Annual Employer Cost	BASICLIFE Coverage Amount	BASICLIFE Annual Employer Cost	BASICLIFE Plan Desc
Exempt	Manager Env Health & Safety	57	BCBS NJ PPO Plan	Family	\$21,449	\$1,220	\$90,000	\$124	Basic Life 1X Annual Salary
Exempt	Sr Project Engineer	57	BCBS NJ High Deductible Health Plan	Employee plus Spouse/DP	\$13,965	\$866	\$305,000	\$421	Basic Life 3X Annual Salary
Exempt	Manager GIS Mid-Atlantic Div	57	BCBS NJ High Deductible Health Plan	Family	\$19,929	\$1,220	\$90,000	\$124	Basic Life 1X Annual Salary
Exempt	Manager Operations	57	BCBS NJ High Deductible Health Plan	Family	\$19,929	\$1,220	\$104,000	\$144	Basic Life 1X Annual Salary
Exempt	Supervisor Field Services	57	BCBS NJ High Deductible Health Plan	Family	\$19,929	\$1,220	\$211,000	\$291	Basic Life 3X Annual Salary
Exempt	Water Quality Spec	57	BCBS NJ PPO Plan	Employee Only	\$7,150	\$415	\$57,000	\$79	Basic Life 1X Annual Salary
Exempt	Financial Analyst	57	BCBS NJ High Deductible Health Plan	Employee plus Spouse/DP	\$13,965	\$0	\$190,000	\$262	Basic Life 3X Annual Salary
Exempt	Supervisor Customer Service	57	BCBS NJ High Deductible Health Plan	Employee Only	\$6,643	\$415	\$70,000	\$97	Basic Life 1X Annual Salary
Exempt	GIS Lead	57	BCBS NJ High Deductible Health Plan	Family	\$19,929	\$1,220	\$223,000	\$308	Basic Life 3X Annual Salary
Exempt	Project Coord	57	BCBS NJ PPO Plan	Employee Only	\$7,150	\$415	\$184,000	\$254	Basic Life 3X Annual Salary
Exempt	Project Engineer	57	BCBS NJ High Deductible Health Plan	Employee plus Spouse/DP	\$13,965	\$866	\$70,000	\$97	Basic Life 1X Annual Salary
Exempt	Public Affairs Mgr	57	BCBS NJ PPO Plan	Family	\$21,449	\$1,220	\$268,000	\$370	Basic Life 3X Annual Salary
Exempt	Manager Production	57	BCBS NJ High Deductible Health Plan	Family	\$19,929	\$1,220	\$91,000	\$126	Basic Life 1X Annual Salary
Exempt	Supl T&D	57	BCBS NJ High Deductible Health Plan	Employee Only	\$6,643	\$415	\$79,000	\$109	Basic Life 1X Annual Salary
Exempt	Dir Engineering	57	BCBS NJ High Deductible Health Plan	Employee Only	\$6,643	\$866	\$419,000	\$578	Basic Life 3X Annual Salary
Exempt	Supv Maintenance/SCADA Analyst	57	No Coverage		\$0	\$0	\$72,000	\$99	Basic Life 1X Annual Salary
Exempt	Manager Water Quality	57	BCBS NJ High Deductible Health Plan	Family	\$19,929	\$1,220	\$93,000	\$128	Basic Life 1X Annual Salary
			Test Period Exempt Gross		\$238,594	\$14,019		\$3,610	
Exempt	Asset Management Specialist	57	Proxy	Avg Family & Empl Only	\$14,299	\$818	Avg	\$212	
Exempt	Director of Engineering		Proxy	Avg Family & Empl Only	\$14,299	\$818	Avg	\$212	
			Test Period Exempt Vacancy Gross		\$28,599	\$1,635		\$425	
Nonexempt	Admin Asst	57	BCBS NJ High Deductible Health Plan	Employee plus Spouse/DP	\$13,965	\$866	\$52,000	\$72	Basic Life 1X Annual Salary
Nonexempt	Production Asst	57	BCBS NJ PPO Plan	Employee Only	\$7,150	\$415	\$145,000	\$200	Basic Life 3X Annual Salary
Nonexempt	Operations Asst	57	BCBS NJ PPO Plan	Employee Only	\$7,150	\$415	\$153,000	\$211	Basic Life 3X Annual Salary
Nonexempt	Admin Asst	57	BCBS NJ PPO Plan	Employee Only	\$7,150	\$415	\$178,000	\$246	Basic Life 3X Annual Salary
			Test Period Non-Exempt Gross		\$35,414	\$2,110		\$729	
Nonexempt	Intern Operator (2080 * \$25.60)	57	Proxy	Avg Family & Empl Only	\$14,299	\$818		\$212	
			Test Period Non Exempt Vacancy Gross		\$14,299	\$818		\$212	
Union - NE	Plant Operator/Maintenance	57	BCBS NJ PPO Plan	Employee Only	\$7,150	\$415	\$171,000	\$236	Basic Life 3X Annual Salary
Union - NE	Maintenance Technician	57	BCBS NJ PPO Plan	Employee Only	\$7,150	\$415	\$53,000	\$73	Basic Life 1X Annual Salary
Union - NE	Plant Operator/Maintenance	57	BCBS NJ PPO Plan	Family	\$21,449	\$1,220	\$171,000	\$236	Basic Life 3X Annual Salary
Union - NE	Utility Worker T&D	57	BCBS NJ PPO Plan	Employee plus children	\$12,870	\$1,220	\$170,000	\$235	Basic Life 3X Annual Salary
Union - NE	Plant Operator/Maintenance	57	No Coverage		\$0	\$863	\$180,000	\$248	Basic Life 3X Annual Salary
Union - NE	Plant Operator/Maintenance	57	BCBS NJ High Deductible Health Plan	Employee Only	\$6,643	\$610	\$171,000	\$236	Basic Life 3X Annual Salary
Union - NE	Customer Service Rep	57	BCBS NJ High Deductible Health Plan	Employee Only	\$6,643	\$415	\$114,000	\$157	Basic Life 3X Annual Salary
Union - NE	Utility Worker T&D	57	BCBS NJ PPO Plan	Employee plus Spouse/DP	\$15,015	\$866	\$177,000	\$244	Basic Life 3X Annual Salary
Union - NE	Utility Worker T&D	57	BCBS NJ High Deductible Health Plan	Family	\$19,929	\$1,220	\$166,000	\$229	Basic Life 3X Annual Salary
Union - NE	Meter Reader	57	BCBS NJ High Deductible Health Plan	Employee plus Spouse/DP	\$13,965	\$866	\$132,000	\$182	Basic Life 3X Annual Salary
Union - NE	Utility Worker T&D	57	BCBS NJ High Deductible Health Plan	Employee plus Spouse/DP	\$13,965	\$866	\$166,000	\$229	Basic Life 3X Annual Salary
Union - NE	Plant Operator/Maintenance	57	BCBS NJ PPO Plan	Employee Only	\$7,150	\$415	\$171,000	\$236	Basic Life 3X Annual Salary
Union - NE	Field Service Representative	57	BCBS NJ High Deductible Health Plan	Employee plus children	\$11,929	\$912	\$158,000	\$218	Basic Life 3X Annual Salary
Union - NE	Plant Operator/Maintenance	57	BCBS NJ PPO Plan	Employee Only	\$7,150	\$866	\$171,000	\$236	Basic Life 3X Annual Salary
Union - NE	Chief Plant Operator	57	BCBS NJ PPO Plan	Family	\$21,449	\$1,220	\$201,000	\$277	Basic Life 3X Annual Salary
Union - NE	Meter Reader/Union	57	BCBS NJ High Deductible Health Plan	Family	\$19,929	\$863	\$132,000	\$182	Basic Life 3X Annual Salary
Union - NE	Utility Worker T&D	57	BCBS NJ PPO Plan	Employee plus Spouse/DP	\$15,015	\$866	\$166,000	\$229	Basic Life 3X Annual Salary
Union - NE	Plant Operator/Maintenance	57	BCBS NJ PPO Plan	Employee Only	\$7,150	\$415	\$175,000	\$242	Basic Life 3X Annual Salary
Union - NE	Customer Service Rep	57	BCBS NJ High Deductible Health Plan	Family	\$19,929	\$1,220	\$124,000	\$171	Basic Life 3X Annual Salary
Union - NE	Customer Service Rep	57	BCBS NJ PPO Plan	Employee plus Spouse/DP	\$15,015	\$866	\$127,000	\$175	Basic Life 3X Annual Salary
Union - NE	Plant Operator/Maintenance	57	BCBS NJ PPO Plan	Employee Only	\$7,150	\$415	\$180,000	\$248	Basic Life 3X Annual Salary
Union - NE	Field Service Representative	57	BCBS NJ PPO Plan	Employee Only	\$7,150	\$415	\$156,000	\$215	Basic Life 3X Annual Salary
Union - NE	Customer Service Rep	57	BCBS NJ PPO Plan	Employee Only	\$7,150	\$415	\$130,000	\$179	Basic Life 3X Annual Salary
Union - NE	Field Service Representative	57	BCBS NJ High Deductible Health Plan	Employee Only	\$6,643	\$293	\$172,000	\$237	Basic Life 3X Annual Salary
Union - NE	Utility Worker T&D	57	BCBS NJ PPO Plan	Employee Only	\$7,150	\$1,220	\$166,000	\$229	Basic Life 3X Annual Salary
Union - NE	Customer Service Rep	57	No Coverage		\$0	\$912	\$129,000	\$178	Basic Life 3X Annual Salary
Union - NE	Field Service Representative	57	BCBS NJ High Deductible Health Plan	Family	\$19,929	\$863	\$156,000	\$215	Basic Life 3X Annual Salary
Union - NE	Utility Worker T&D	57	BCBS NJ High Deductible Health Plan	Employee plus Spouse/DP	\$13,965	\$866	\$166,000	\$229	Basic Life 3X Annual Salary
Union - NE	Relief Operator/Maintenance	57	BCBS NJ PPO Plan	Family	\$21,449	\$1,220	\$186,000	\$257	Basic Life 3X Annual Salary
Union - NE	Plant Operator/Maintenance	57	BCBS NJ PPO Plan	Employee plus Spouse/DP	\$15,015	\$866	\$171,000	\$236	Basic Life 3X Annual Salary
Union - NE	Customer Service Rep	57	BCBS NJ High Deductible Health Plan	Employee Only	\$6,643	\$415	\$135,000	\$186	Basic Life 3X Annual Salary
Union - NE	Relief Operator/Maintenance	57	BCBS NJ High Deductible Health Plan	Family	\$19,929	\$1,220	\$186,000	\$257	Basic Life 3X Annual Salary
Union - NE	Crew Leader	57	BCBS NJ PPO Plan	Family	\$21,449	\$1,220	\$195,000	\$269	Basic Life 3X Annual Salary
Union - NE	Utility Worker T&D	57	BCBS NJ PPO Plan	Employee plus Spouse/DP	\$15,015	\$866	\$171,000	\$236	Basic Life 3X Annual Salary
Union - NE	Crew Leader	57	BCBS NJ PPO Plan	Family	\$21,449	\$1,220	\$195,000	\$269	Basic Life 3X Annual Salary
Union - NE	Field Service Representative	57	BCBS NJ PPO Plan	Employee plus Spouse/DP	\$15,015	\$866	\$167,000	\$230	Basic Life 3X Annual Salary
			Test Period Union Gross		\$454,589	\$29,910		\$7,945	
Nonexempt	Utility Worker T&D		Proxy	Avg Family & Empl Only	\$14,299	\$818		\$212	
Nonexempt	Customer Service Rep		Proxy	Avg Family & Empl Only	\$14,299	\$818		\$212	
			Test Period Non Exempt Vacancy Gross		\$28,599	\$1,635		\$425	

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

OPERATING EXPENSES

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Chuck Loy

MFR

5.3 Operating Expenses

5.3.3 Copies of invoices should be attached for raw materials purchased at prices higher than those experienced during the test year and an adjustment is made where a future test period is not used.

Response:

Not applicable.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

Schedule No. 3C

PAYROLL COSTS

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Description (a)	Test Year (1) (b)	Adjustments (c)	Test Period (2) (d)
Direct Payroll Costs				
1	Total Company Gross Payroll	\$ 4,029,663	\$ 537,997	\$ 4,567,660
2	Amount Capitalized	(871,798)	(41,532)	(913,330)
3	Payroll Transferred Out	(147,133)	(41,174)	(188,307)
4	Payroll Transferred In	56,630	(1,158)	55,472
5	Total Company Payroll Expense	\$ 3,067,362	\$ 454,133	\$ 3,521,495
6	Payroll-Related Taxes	303,793	40,559	344,353
7	Amount Capitalized	(17,344)	(2,316)	(19,660)
Direct Benefit Costs				
8	Pension Expense & OPEB (3)	\$ 961,592	\$ (434,592)	\$ 527,000
9	Amount Capitalized	(186,277)	84,188	(102,089)
10	Other Benefits (4)	887,984	159,590	1,047,574
11	Amount Capitalized	(225,339)	(49,203)	(274,542)
12	Fringe Benefits Transferred	(67,453)	(18,876)	(86,329)
Indirect Benefit Costs				
13	Worker's Compensation	\$ 60,993	\$ 49,001	\$ 109,994
14	Temporary Help	74,972	(74,972)	-
15	Total Payroll and Payroll-Related Costs	<u>4,860,284</u>	<u>207,512</u>	<u>5,067,796</u>

(1) Refer to WP 3C1.5 Pay-Ben Summary

(2) Refer to WP-Sch 3.C1 - Payroll Adjustment and WP-Sch 3C4 Benefits Adj.

(3) Reflects Pension and Post Retirement Benefits. WP-Sch 3C1.5 Pay-Ben Summary shows Pension Test Period Detail

(4) Includes Medical, Dental, Life & Other

SUEZ Water Delaware
Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 3D

EXECUTIVE COMPENSATION

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Name and Title (a)	Annual Base Salary Incl. Deferred Amnts. (1) (b)	Bonus, Performance Shares or Other Variable Amount (c)	Value of Stock Options Awarded (d)	Benefits (2) (e)	Other (3) (f)	Reference (g)	Total Value of Compensation Package (h)
1	Director -Engineering	\$ 116,229	\$ 28,190	\$ -	N/A	Car		\$ 144,419
2	Manager - Operations	131,162	12,867	-	N/A	Car		144,029
3	Sr. Project Engineer	89,689	15,200	-	N/A	Car		104,889
4	Manager - Env., Health, and Safety	83,751	14,318	-	N/A	Car		98,069
5	Manager - Water Quality (4)	76,731	-	-	N/A	Car		76,731

(1) Based on amounts included in the test period claim

(2) Cash value of special life insurance or medical benefits not provided to rank and file employees

(3) Company Car, Etc.

(4) Transfers 2/3 out to other operations

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

OPERATING EXPENSES - DEPRECIATION RATES

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Chuck Loy

MFR

5.3 Operating Expenses

- 5.3.6 Provide a statement of procedures used for determining depreciation rates utilized to compute the depreciation expense claim (Schedule 3B), including a statement of the depreciation rates either approved by or implicit in the rate determination made by the Commission in the last rate proceeding. Provide a schedule showing the calculations of claimed depreciation expense by major plant categories (if not provided in the detailed supporting adjustments in Item C(2)) if available.

Response:

The company's depreciation rates were approved in Docket 98-98 which were based on a study by Earl Robinson of AUS Consultants. The study used remaining lives, the results of a salvage analysis and the company's vintage plant-in-service investment and depreciation reserve to develop average remaining life depreciation rates. These depreciation rates have been used since they were approved.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

OPERATING EXPENSES - DEPRECIATION STUDY

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Chuck Loy

MFR

5.3 Operating Expenses

5.3.7 Provide a copy of the most recent depreciation study that is relied on to support the depreciation rates used for the purpose of Schedule 3B if a change in depreciation rates is proposed.

Response:

No change in depreciation rates is proposed.

SUEZ Water Delaware
 Minimum Filing Requirements of the
 Delaware Public Service Commission

Schedule No. 3E

SALES PROMOTION AND ADVERTISING EXPENSES

Delaware Public Service Commission
 Company: SUEZ Water Delaware
 Docket No. _____

Witness Responsible:
 Loy

Line No.	Account No. (a)	Description (b)	Test Period	
			Total Utility (c)	Delaware Portion (d)
1	92600	Monthly Bill Communication	\$ 2,957	\$ 2,957
2	92600	Use Water Wisely Communication	4,310	4,310
3	92600	Layout Services - Consumer Confidence Report	2,800	2,800
4		Total	\$ 10,067	\$ 10,067

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

Schedule No. 3F

CHARITABLE AND EDUCATIONAL EXPENSE

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Account No. *	Description	Test Period	
			Total Utility (c)	Delaware Portion (d)
1	71254	Aetna Hose Hook & Ladder Fire Company	\$ 300	\$ 300
2	71254	American Water Resources Association	500	500
3	71254	Brandywine 100 Fire Company	300	300
4	71254	Christina Fire Company	300	300
5	71254	Christina Conservancy	2,000	2,000
6	71254	Claymont Fire Company	300	300
7	71254	Delaware City Fire Company	300	300
8	71254	Delaware Estuary, Inc.	2,000	2,000
9	71254	Delaware Nature Society	1,000	1,000
10	71254	Girl Scouts of the Chesapeake	200	200
11	71254	Minquas Fire Company	500	500
12	71254	New Jersey Shores Inc.	8,000	8,000
13	71254	Red Clay Valley Association	2,500	2,500
14	71254	Talleyville Fire Company	300	300
15	71254	Taylor Lions Club	50	50
16	71254	The Delaware Kids Fund	500	500
17	71254	United Way	2,000	2,000
18	71254	White Clay Watershed Association	3,000	3,000
19	71254	Water Resources Association of the Delaware River Basin	850	850
20		Total	\$ 24,900	\$ 24,900

* These costs were booked "below the line" in account 71254.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

NET OPERATING INCOME

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Chuck Loy

MFR

5.3 Operating Expenses

- 5.3.11 Submit a statement showing amounts spent in the test year and test period on influencing legislation both at the state and national levels which applicant seeks to recovery from ratepayer. Where this activity is less than full time, furnish the basis for allocations of payroll and related costs.

Response:

The Company is not requesting recovery in this case.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

Schedule No. 3G

SOCIAL AND SERVICE CLUB DUES

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Account No. (a)	Social Organization, Service Club or Company Facility (b)	Test Period	
			Total Utility (c)	Delaware Portion (d)
1	92500	AWWARF Dues	\$ 11,308	\$ 11,308
2	92500	NAWC - Delaware Chapter	13,931	13,931
3	92500	American Water Works Association	530	530
4	92500	Delaware Safety Council	600	600
5	92500	Water Resources Association	1,500	1,500
6	92500	American Water Resources Association	254	254
7	92500	Delaware State Chamber of Commerce	965	965
8	92500	New Castle County Chamber of Commerce	1,145	1,145
9	92500	South Jersey Water Professionals Association	75	75
10		Total	\$ 30,309	\$ 30,309

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

COMPARISON OF PROJECTED EXPENSES OF CURRENT CASE TO PRIOR RATE CASE

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Item of Expense (a)	Current Case Estimated (b)	Prior Case Actual (c)	Reasons for Significant Change (d)
1	Legal	\$ 100,000	\$ 38,920	
2	Rate of Return Studies	30,000	15,506	
3	Cost of Service Studies	-		
4	Consultant	200,000		
5	UM M&S Co.	-	147,729	
6	Del. Public Svc. Commission	110,000	93,881	
7	Other Rate Case Expenses	20,000	13,532	
8	Total Rate Case Expenses	\$ 460,000	\$ 309,569	

SCHEDULE OF RATE CASE EXPENSE AMORTIZATION

Line No.	Rate case (a)	Total Expense (b)	Opinion/Order Date (c)	Amortization Period (Months) (d)	Amount Amortized to Date (e)	Write Offs During Test Year (f)
9	Current (Estimated)	\$ 460,000		36		
10	Most Recent	368,163	Case 09-60; 8/9/09	36	368,163	
11	Next Most Recent	470,139	Case 06-174; 1/23/07	36	470,139	

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

NET OPERATING INCOME

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy/Prettyman

MFR

5.3 Operating Expenses

- 5.3.14 Provide a schedule by major expense category of all the amounts charged or credited from each affiliated company for the test year and the test period. Provide the basis of allocation or basis of charging. State whether there has been a change in allocation method or pricing formula since the last general rate case, and, finally, describe the services or products provided in Delaware and the benefits of such arrangements

Response:

A breakdown by expense category of M&S fees for the test year and test period is attached.

Also attached is the Agreement between Wilmington Suburban Water Corporation (now SUEZ Water Delaware) and General Waterworks Management and Service Company (GWM&S) dated January 1, 1974, together with the Assignment and Assumption Agreement dated January 1, 1995, under which United Water Management and Services, Inc. (UWM&S), assumed the rights and obligations of GWM&S. Also attached is the Addendum dated July 1, 1985, under which the method of allocating accounting and data processing charges was changed. The basis of charging and allocation is set forth in the Agreement, and that has not changed from SWDE's last rate case. The services provided are also set forth in the Agreement. The benefits to the customers of SWDE are produced by the availability of a centralized group of water utility professionals to provide specialized services to SUEZ Water Delaware, which is too small to completely staff itself with operations, finance, legal, accounting and management professionals. The charges for these services are provided without profit to SWM&S, which maintains a group of such professionals whose services are provided to all subsidiaries of SWR under identical Agreements.

Also attached is the Agreement between SWD and SUEZ Water Pennsylvania, under which certain services are provided by and between the two companies on an as needed basis. Bills are rendered at cost based on time sheets as provided under the Agreement.

SUEZ Water Delaware Inc.
Affiliate Charges

MFR 5.3.14
Witness Responsible:
Prettyman

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No.

<u>Line No.</u>	<u>Department Number</u>	<u>Description</u>	<u>Test Year 12 Months Ended 9/30/2015</u>
1	210	Environmental Health and Safety	\$77,028
2	245	Technical Services	14,463
3	255	Operations Support - Quality	82,996
4	400	Office of CEO	78,133
5	401	Office of the COO - Reg	80,623
6	405	Corporate Communications	168,965
7	410	Facilities	45,797
8	415	Human Resources	140,217
9	416	HR - Shared Services	8,097
10	425	IT	145,528
11	445	Procurement	59,387
12	455	Customer Care	111,587
13	460	Revenue Management	10,103
14	500	Accounting	162,165
15	501	Accounts Payable	23,953
16	515	Payroll	20,301
17	520	Taxes	51,920
18	530	Financial Planning	77,447
19	535	Internal Audit	60,183
20	605	Treasury	26,052
21	610	Legal	151,086
22	705	External Affairs	30,948
23	800	Regulatory Business	73,648
24		Other	<u>91,813</u>
25		Total	<u>\$1,792,440</u>

A G R E E M E N T
B E T W E E N
GENERAL WATERWORKS MANAGEMENT AND SERVICE COMPANY
AND
WILMINGTON SUBURBAN WATER CORPORATION

Filed with Delaware Public Service
Regulatory Body

Date 6/19/74

A G R E E M E N T

Agreement dated January 1, 1974 between GENERAL WATERWORKS MANAGEMENT AND SERVICE COMPANY, a Pennsylvania corporation (hereinafter called the Service Company), and Wilmington Suburban Water Corporation corporation (hereinafter called Utility Company).

The background of this agreement is that:

1. Both Service Company and Utility Company are affiliated with General Waterworks Corporation, a Delaware corporation (hereinafter called General).

2. Service Company maintains an organization whose officers and employees are familiar with all facets of the water utility business including the development, business and property of Utility Company and are experienced in the efficient management, financing, accounting and operation of water works properties and the extension and improvement thereof. Such officers and employees are qualified to be of great aid and assistance to Utility Company through the services to be performed under this agreement.

3. Utility Company can economically secure valuable administrative and operating services of superior quality by contracting to secure the same from Service Company.

4. Service Company has entered or proposes to enter into agreements similar to this agreement with other affiliated utility companies (hereinafter referred to collectively as Utility Companies).

5. The services to be rendered under this agreement are to be rendered at their cost to Service Company, as hereinafter provided.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto agree as follows:

ARTICLE I.

Service Company shall make its qualified employees available to become officers of Utility Company, and such employees may be elected by Utility Company to such positions as president, vice president, secretary, treasurer and controller.

Service Company shall furnish to Utility Company, and Utility Company shall utilize, all the following services upon the terms and conditions hereinafter set forth; provided, however, that Service Company or Utility Company, by mutual consent, may engage a non-affiliated company or person to provide such services on its behalf:

A. ADMINISTRATIVE: Service Company shall make qualified employees available to perform or assist in the performance of Utility Company's corporate administration. In order to render such service and to promote the efficient and economic operation of Utility Company, those employees shall keep themselves informed on all aspects of Utility Company's operations and shall regularly visit Utility Company's facilities. Such administrative personnel shall make recommendations for operating expenditures and for additions to and improvements of property, plant and equipment. Such administrative personnel shall also assist Utility Company in the conduct of proceedings before, and in its compliance with the rulings of, regulatory bodies having jurisdiction over its operations.

B. ENGINEERING: Service Company shall advise and provide engineering services to assist Utility Company in planning, operating, maintenance and construction functions.

It shall assist Utility Company in its operations by conducting distribution system surveys and hydraulic analyses, reviewing procedures for water quality control, and preparing or reviewing maps, charts, operating statistics, reports and other pertinent data.

It shall assist Utility Company in the proper maintenance and protection of its properties by periodic inspection of its structures, tanks, reservoirs, wells and electrical and mechanical equipment.

Such engineering services shall also include the conduct of field investigations as necessary to obtain engineering information and, when required, the preparation of studies, reports, designs and drawings, cost estimates, specifications, and contracts for the construction of additions to or improvements of Utility Company's sources of supply, treatment plant, pumping stations, distribution system, and such other facilities as Utility Company may request.

C. CUSTOMER AND PUBLIC RELATIONS: Service Company shall recommend procedures to promote satisfactory customer and public relations. It shall furnish sales promotional material, including advertising copy, layouts, and scripts. It shall assist in the preparation of news and customer information releases, and in arrangements for public inspections, displays and other related services.

D. EMPLOYEE RELATIONS: Service Company shall assist Utility Company in the procurement of qualified personnel, in the establishment of appropriate rates of pay and in negotiations with bargaining units representing Utility Company's employees. It shall recommend programs for supervision of training and educational assistance, and shall advise on federal and state regulations affecting personnel.

It shall recommend and administer group insurance and pension plans for the benefit of Utility Company. It shall also assist in the establishment of accident prevention and other programs relating to employee health and welfare.

E. ACCOUNTING: Service Company shall keep the general books of account of Utility Company, including records supplemental thereto. It shall prepare monthly financial statements and analyses of accounts of Utility Company and special accounting and financial reports as required by Utility Company. It shall prepare reports on the costs incurred for property additions and improvements and will establish continuing property records as requested.

Service Company shall prepare or assist in the preparation of federal, state and local tax returns for and to the extent required by Utility Company.

Service Company shall keep abreast of and advise Utility Company concerning appropriate accounting theories and principles for Utility Companies and changes therein; it shall advise and assist in the establishment and maintenance of modern record keeping techniques; and it shall review accounting procedures, methods and forms and evaluate systems of internal control for receipt and disbursements of funds, materials and supplies, and other assets.

It shall conduct periodic audits of accounts, records and procedures of Utility Company and submit reports thereon.

F. CORPORATE SECRETARIAL: Service Company shall maintain documents of Utility Company such as minute books, charters, by-laws, contracts, deeds, and other corporate records, and shall administer an orderly program of records retention. It shall maintain, or arrange for the maintenance of, records of stockholders of Utility Company, prepare or arrange for the preparation of stock certificates, perform duties relating to the transfers of stock and perform other corporate secretarial functions as required including preparation of notices of stockholder and director meetings and keeping the minutes thereof.

Service Company shall review, and may assist in the preparation of, documents required by Utility Company such as deeds, easements, contracts, charters, franchises, trust indentures, and regulatory reports.

G. TREASURY: Service Company will coordinate financial arrangements with financial community to arrange and provide for furnishing of Utility Company's entire capital needs from other than internally generated sources.

Service Company shall assist Utility Company in cash management, collection policies, and development of temporary investment programs.

H. PURCHASING: Service Company shall endeavor to arrange for the purchase of equipment, materials, and supplies in volume on a basis advantageous to Utility Company.

I. INSURANCE: Service Company shall review the insurance coverage of Utility Company, recommend the types and limits of insurance adequate for its protection and assist in the placement of such insurance. It shall supervise investigation procedures and review claims and proposals for settlement at request of Utility Company.

J. DATA PROCESSING: Service Company shall make available to Utility Company electronic data processing services, including system analysis and programming, maintaining general accounting records, financial analysis and studies, area consumption patterns, engineering analysis and studies, and such other functions that may be requested by Utility Company.

K. RATES: Service Company will advise and assist in the preparation of rate schedules for Utility Company's services; will prepare, or assist in preparing, the material and exhibits required for Utility Company's rate cases and render advice with respect to the procedure therein and will, at the request of Utility Company, arrange for the employment of such witnesses as may be required.

L. GENERAL: Service Company shall keep abreast of economic, regulatory, governmental and operational developments and conditions that may affect Utility Company and shall advise Utility Company thereof to the extent that they may be important to Utility Company.

ARTICLE II.

In consideration for the services to be rendered by Service Company as hereinabove provided, Utility Company agrees to pay to Service Company the cost thereof determined as provided in this Article II and in Article III.

The extent of service rendered by Service Company personnel for Utility Company or in common with other Utility Companies shall be based on actual time spent by such personnel as reflected in their daily time sheets or other mutually acceptable means of determination.

All costs of Service Company incurred in connection with services rendered by Service Company which can be identified and related exclusively to Utility Company, shall be charged directly to Utility Company.

All costs incurred in rendering services to Utility Company in common with similar services to other Utility Companies which cannot be identified and related exclusively to services rendered to a particular Utility Company, shall be allocated among all Utility Companies so served, or, in the case of costs incurred with respect to services rendered to a particular group of Utility Companies, among the members of such group, in the manner hereinafter set forth:

1. Administrative, Purchasing, Insurance and General Services: 33-1/3% thereof in proportion to the number of employees, 33-1/3% thereof in proportion to the number of customers served, both as of the end of the preceding calendar year, and 33-1/3% thereof in proportion to operation and maintenance expenses (excluding charges under this agreement, regulatory expenses and provisions for depreciation and taxes) for the preceding calendar year.

2. Engineering Services: 40% in proportion to the sum of utility plant in service and construction work in progress accounts less the reserve for depreciation at the end of the preceding calendar year, 40% thereof in proportion to the volume of water delivered during the preceding calendar year, and 20% thereof in proportion to the total of fuel and power and chemical costs during the preceding calendar year. If any company or component of a company served is engaged in both water and sewer service, the volume of water delivered by such company or component thereof engaged in both services shall be doubled for the purposes of this paragraph.

3. Customer Billing and Communications Services: In proportion to the number of customers at the close of the preceding calendar year.

4. Employee Relations Services: In proportion to the number of employees at the close of the preceding calendar year.

5. Accounting and Data Processing Services: In proportion to the number of transactions processed during the preceding calendar year.

6. Treasury Services: Costs will be allocated on the basis of the proportion of the Utility Company's total capitalization to the consolidated capitalization of General at the end of the preceding year.

ARTICLE III.

In determining the cost to be assessed by Service Company for the rendering of services to Utility Companies as herein provided, there shall be added to the salaries of all officers and employees for whose services charges are to be made, a percentage sufficient to cover the general overhead of Service Company properly allocable thereto. Such percentage shall be calculated on the basis of budgeted costs and adjusted bills will be rendered at the end of each year to reflect actual costs. No general overhead of Service Company shall be added to costs incurred for services of non-affiliated consultants employed by Service Company.

The term "general overhead" shall include (a) salaries of secretaries and clerical personnel, (b) salaries of file clerks, messengers, telephone operators, mail clerks and other employees in the general category of office services, (c) pension and insurance premiums paid for the benefit of Service Company employees, (d) salaries paid during vacation, holidays, sickness and other authorized absences, (e) office rent, utilities, depreciation, general office supplies and other similar expenses, (f) legal, auditing and other fees for services rendered to Service Company, and (g) taxes.

ARTICLE IV.

As soon as practicable after the last day of each month, Service Company shall render a bill to Utility Company for all amounts due from Utility Company for services and expenses for such month, computed pursuant to Articles II and III. Such bills shall be in sufficient detail to show separately the charge for each class of service rendered. All amounts so billed shall be paid by Utility Company within a reasonable time after receipt of the bill therefor.

It is understood by Utility Company that Service Company has entered or may enter into similar agreements with other Utility Companies that are affiliated with General to which similar services are to be furnished. Service Company will not enter into agreements to perform similar services for other companies on terms more favorable than those provided herein.

Service Company agrees to keep its books and records available at all times for inspection by representatives of Utility Company or by regulatory bodies having jurisdiction over Utility Company.

Service Company shall at any time, upon request of Utility Company, furnish any and all information required by Utility Company with respect to the services rendered by Service Company hereunder, the cost thereof, and the allocation of such cost among Utility Companies.

This agreement shall be in full force and effect as of the date first mentioned above, subject to any necessary approval of governmental regulatory agencies having jurisdiction in the premises, and shall continue in full force and effect until terminated by either of the parties hereto giving the other party hereto ninety days' notice in writing; provided, however, that this agreement shall terminate as of the date Utility Company or Service Company ceases to be an affiliate of General.

IN WITNESS WHEREOF, SERVICE COMPANY and UTILITY COMPANY have caused these presents to be signed in their respective corporate names by their respective Presidents or Vice Presidents, and impressed with their respective corporate seals attested by their respective Secretaries or Assistant Secretaries, all as of the day and year first above written.

ATTEST:

GENERAL WATERWORKS MANAGEMENT
AND SERVICE COMPANY

J. C. Alexander
Secretary

By *Robert J. ...*
Vice President

ATTEST:

H. A. Buck Jr
Asst Secretary

By *R. C. Rabold*
President

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS AGREEMENT is made and entered into as of January 1, 1995 between General Waterworks Management & Service Company, a Pennsylvania corporation ("GWM&S") and UWR Management & Services Company, a New Jersey corporation ("UWRM&S").

W I T N E S S E T H

GWM&S hereby assigns to UWRM&S all of its rights, title, interest and obligations in and to the Contract attached hereto as Exhibit A, which GWM&S has entered into, and which is currently in effect, with each of the utility companies listed on Exhibit B, attached hereto. UWRM&S hereby agrees to be bound by all terms and provisions of the Contract and assumes all the obligations of GWM&S under the Contract.

GWM&S and UWRM&S agree to do such further acts and to execute and deliver any further agreements, instruments or documents as may be necessary or appropriate to carry out the purposes of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first above written.

ATTEST:

Signature on File

Allan

GENERAL WATERWORKS MANAGEMENT
& Signatur

e on File

Signature on File

By:

Name: Joseph V. Boyle

Title: Vice-ident

Date: January 1995

ATTEST:

Signature on File

Allan D. Shakley
Secretary

UWR MANAGEMENT & SERVICES COMPANY

Signature on File

By:

Name: Walton F. Hill

Title: Vice-President

Date: January 1, 1995

ADDENDUM

AGREEMENT

BETWEEN

GENERAL WATERWORKS MANAGEMENT AND SERVICE COMPANY

AND

WILMINGTON SUBURBAN WATER CORPORATION

Filed with: DELAWARE PUBLIC
SERVICE COMMISSION

Date:

ADDENDUM, dated July 1, 1985, to Agreement dated January 1, 1974 between GENERAL WATERWORKS MANAGEMENT AND SERVICE COMPANY and WILMINGTON SUBURBAN WATER CORPORATION.

ARTICLE II, Paragraph 5, is changed to read as

Signature
on File

y

GENERAL WATERWORKS MANAGEMENT
AND

Signature on File

Signature on File

Assistant _____
t

Senior Vice President _____
sid t

Signature on File

Signature on File

Asst. S t ry U _____

_____ P ident _____

ADDENDUM

AGREEMENT

BETWEEN

GENERAL WATERWORKS MANAGEMENT AND SERVICE COMPANY

AND

WILMINGTON SUBURBAN WATER CORPORATION

Filed with: DELAWARE PUBLIC
SERVICE COMMISSION

Date:

ADDENDUM, dated July 1, 1985, to Agreement dated January 1, 1974 between GENERAL WATERWORKS MANAGEMENT AND SERVICE COMPANY and WILMINGTON SUBURBAN WATER CORPORATION.

ARTICLE II, Paragraph 5, is changed to read as follows:

Accounting and Data Processing Services: In proportion to the capitalization of Utility Company at the end of the preceding year.

ATTEST:

GENERAL WATERWORKS MANAGEMENT
SERVICE COMPANY

Signature on File

Signature on File

Assistant Secretary

By: Senior Vice President

ATTEST:

WILMINGTON SUBURBAN
WATER CORPORATION

(Utility Company)

Signature on File

Signature on File

Asst. Secretary

By: President

AGREEMENT

Agreement, dated June 20, 2001 between UNITED WATER DELAWARE INC. (hereinafter "UWDE"), a Delaware corporation, with offices at 2000 First State Boulevard, Wilmington, Delaware 19804-0508 and UNITED WATER PENNSYLVANIA INC. (hereinafter "UWPA"), a Pennsylvania corporation, with offices at 4211 East Park Circle, Harrisburg, Pennsylvania 17111.

The background of this Agreement is that:

1. Both UWDE and UWPA are subsidiaries of United Waterworks Inc. (hereinafter "UWW"), a Delaware corporation, with offices at 200 Old Hook Road, Harrington Park, New Jersey 07640.

2. UWW was reorganized based on a geographical concept in which utilities in close proximity to each other provide certain operational and management support to each other, on an as needed basis. Both UWDE and UWPA maintain organizations whose officers and employees are familiar with all facets of the water utility business. Such officers and employees are qualified to render the services to be performed under this Agreement.

3. UWPA and UWDE can economically obtain valuable management and operating services of superior quality by contracting to secure the same from each other as needed from time to time.

4. The services to be rendered under this Agreement are to be rendered at their cost, as hereinafter provided.

5. Both UWDE and UWPA have Service Agreements with United Water Management and Services Inc., which are on file with the appropriate regulatory agencies, and which provide for a broader scope of service functions. Services rendered pursuant to this Agreement will not be duplicative of those rendered pursuant to the Service Agreements.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto agree as follows:

ARTICLE I.

UWDE and UWPA shall make their respective qualified employees available to each other to furnish, and each shall utilize, as needed, general management and operations services upon the terms and conditions hereinafter set forth. In order to render such services and to promote the efficient and economic operation of UWPA and UWDE, the officers and employees of each shall keep themselves informed on all aspects of their respective operations. Such personnel may make recommendations for operating expenditures and additions to and improvements of property, plant and equipment. UWDE or UWPA, by mutual consent, may engage a non-affiliated company or person to provide such services on its behalf.

ARTICLE II

In consideration for the services to be rendered as herein above provided, UWDE and UWPA each agree to pay the cost thereof, determined as provided in this Article II and in Article III.

The extent of service rendered shall be based on actual time spent by such personnel, as reflected in their daily time sheets or other mutually acceptable means of determination, and shall be charged directly.

In determining the cost to be assessed for the rendering of services as herein provided, there shall be added to the salaries of all officers and employees for whose services charges are to be made, a percentage sufficient to cover the general overhead properly allocable thereto. Such percentage shall be calculated on the basis of budgeted costs and will be adjusted periodically to reflect actual costs. No general overhead shall be added to costs incurred for services of non-affiliated consultants. In addition, the utility providing service shall be reimbursed for actual travel or other expense of personnel rendering service.

The term "general overhead" shall include (a) pension and insurance, (b) salaries paid during vacation, holidays, sickness and other authorized absences, and (c) payroll-related taxes.

ARTICLE III

As soon as practicable after the last day of each month, UWDE and or UWPA shall render a bill for all amounts due for services and expenses for such month, computed pursuant to Article II. Such bills shall be in sufficient detail to show separately the charge for each class of service rendered. All amounts so billed shall be paid within a reasonable time after receipt of the bill therefor.

It is understood by both UWPA and UWDE that each has entered, or may enter, into similar agreements with other Utility Companies that are affiliated with UWW to which similar services are to be furnished. Neither UWDE nor UWPA will enter into agreements to perform similar services for other companies on terms more favorable than those provided herein.

Both UWDE and UWPA agree to keep their books and records available for inspection by each others' representatives and by regulatory bodies having jurisdiction over each respective utility with respect to information pertaining to services rendered hereunder.

Both UWDE and UWPA shall at any time, upon request of the other, furnish any and all information required with respect to the services rendered hereunder and the cost thereof.

This Agreement shall be in full force and effect as of the date first mentioned above, subject to any necessary approval of governmental regulatory agencies having jurisdiction in the premises, and shall continue in full force and effect until terminated by either of the parties hereto giving the other party hereto ninety days' notice in writing; provided, however, that this Agreement shall terminate as of the date UWPA or UWDE ceases to be an affiliate of UWW.

IN WITNESS WHEREOF, UWDE and UWPA have caused these presents to be signed in their respective corporate names by their respective Presidents or Vice Presidents, and attested by their respective Secretaries or Assistant Secretaries, all as of the day and year first above written.

UNITED WATER DELAWARE INC.

ATTEST:

Signature on File

, Secretary

Signature on File

By: _____

UNITED WATER PENNSYLVANIA INC.

ATTEST:

Signature on File

, Secretary

Signature on File


By: _____

VERIFICATION

STATE OF PENNSYLVANIA)
) ss:
COUNTY OF DAUPHIN)

I, John D. Hollenbach, being duly sworn, depose and state that I am the Vice President and General Manager of United Water Pennsylvania, the corporation named and described in the foregoing Agreement; that I have read the foregoing Agreement and know the contents thereof to be true.

Signature on File

 _____
John D. Hollenbach

Sworn to before me this 20th
Day of June, 2001

Signature on File

Notary Public

SUSANNE O'CONNELL
Notary Public of Delaware
My Commission Expires May 7, 2003

VERIFICATION

STATE OF DELAWARE)
) ss:
COUNTY OF NEW CASTLE)

I, Anthony A. Langley, being duly sworn, depose and state that I am the Vice President and General Manager of United Water Delaware, the corporation named and described in the foregoing Agreement; that I have read the foregoing Agreement and know the contents thereof to be true.

Signature on File

Anthony A. Langley

Sworn to before me this 20th
Day of June, 2001

Signature on File

Susanne O'Connell
Notary Public

SUSANNE O'CONNELL
Notary Public of Delaware
My Commission Expires May 7, 2003

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

OPERATING EXPENSES

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Chuck Loy

MFR

C. Operating Expenses

5.3.15 Operating Taxes

- a. Complete Schedule 3I to agree with the amounts shown on Schedule 3, line 12, for the test year and for the test period.
- b. Complete Schedules 3J and 3K in support of the amount of current and deferred state and federal income tax claimed by the utility for ratemaking purposes as reflected in total on Schedule 3I.
- c. Provide a statement of the utility's income tax accounting practice with respect to timing differences related to liberalized depreciation, the Asset Depreciation Range System, accelerated amortization and cost of removal and all other timing differences such as employee benefits and taxes capitalized.
- d. Provide a statement of the utility's accounting practice with respect to Investment Tax Credits (ITC) and Job Development Credits (JDC) including a copy of all elections filed with the Internal Revenue Service related thereto.
- e. Utilities which "normalize" all or any portion of ITC or JDC must complete Schedule 3L.
- f. If the utility is part of an affiliated group of companies and its federal income tax return is filed as part of a consolidated federal income tax return, please provide a statement of the procedure used to allocate the consolidated federal income tax liability, the benefits of the consolidated return, and how those benefits are reflected on the utility's books.
- g. Complete Schedule 3M for all other Federal, State and local taxes for the test year and for the test period.

Response:

- a. b. e. g. – See attached Schedules 3 – I, J, K, L, M.
- c. SUEZ Water Delaware Inc. (SWDE) follows Financial Accounting Standard No. 109, Accounting for Income Taxes, in determining its income tax accounting practice. FAS #109 requires that a deferred income tax asset or liability is recognized for all temporary differences between the tax accounting and financial accounting, which will result in taxable or deductible amounts in the future years when such differences are recovered or settled. SWDE recognizes deferred income taxes on all temporary differences, including liberalized depreciation, the Asset Depreciation Range System, accelerated amortization and cost of removal and all other timing differences such as employee benefits and taxes capitalized.
- d. SUEZ Water Delaware Inc. Elected Option 2, the Ratable Flow-Through method of recognizing Investment Tax Credit (ITC) for regulatory and financial accounting as provided under Internal Revenue Code § 46(f)(2) in 1972. This election requires SWDE to reduce its cost of service (ratably over the life of the asset creating the ITC) by the amortization of the ITC. This method of recognition of ITC requires that SWDE (1) not reduce its rate base by any portion of the ITC and (2) that the cost of service for ratemaking purposes cannot be reduced by more than a ratable portion of the ITC (i.e., no quicker than that ratable over the life of the asset given rise to the ITC).

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

OPERATING EXPENSES

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Chuck Loy

Response (Cont.):

- f. SUEZ Water Delaware Inc. participates in the consolidated tax return filed by Suez Environnement North America Inc., which is a U.S. subsidiary of Suez Environnement. Each member of the U.S. consolidated group prepares its own income tax return on a stand-alone basis and pays the indicated tax to the group, which then pays the aggregate tax to the IRS.

SWD's federal income tax liability is based on its own revenue and costs as reflected in its stand-alone tax return. It has no debt of its own, so the interest expense of its parent and financing vehicle, SUEZ Resources, is allocated and recorded on SWD's books and used as a deduction in calculating income tax expense.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

Schedule No. 31

OPERATING TAXES

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Description (a)	Test Year		Utility Proposed Test Period	
		Total Utility (b)	Delaware Jurisdiction (c)	Total Utility (d)	Delaware Jurisdiction (e)
1	Federal Income Tax - Current	\$ 1,057,077	\$ 1,057,077	\$ 2,624,821	\$ 2,624,821
2	State Income Tax - Current	291,095	291,095	717,926	717,926
3	Deferred Federal Income Tax	109,025	109,025	109,025	109,025
4	Deferred State Income Tax	29,683	29,683	29,683	29,683
5	Investment Tax Credit	(14,013)	(14,013)	(14,013)	(14,013)
6	State Utility Tax	80,929	80,929	110,680	110,680
7	Other Federal, State and Local Taxes	1,711,810	1,711,810	1,855,940	1,855,940
8	Total Operating Taxes	<u>\$ 3,265,606</u>	<u>\$ 3,265,606</u>	<u>\$ 5,434,061</u>	<u>\$ 5,434,061</u>

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

Schedule No. 3J

TEST PERIOD FEDERAL AND STATE INCOME TAX

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Description (a)	Test Period	
		Federal (b)	State (c)
1	Net Income Available for Return - Sch. 3, Line 8	4,812,470	
	Additions:		
2	Federal Income Taxes Current	2,624,821	
3	State Income Taxes Current		717,926
4	Deferred State and Federal Income Tax	109,025	29,683
5	Investment Tax Credit		
	Deductions:		
6	Interest Expense (_____ x 3.18%)	2,169,533	
7	Cost of Removal	-	
8	Tax Depreciation in Excess of Book not Normalized	-	
9	Preferred Stock Dividend Credit	-	
10	Miscellaneous Tax Adjustments	-	
11	State Taxable Income (Line 22)	<u>8,384,848</u>	
12	State Income Tax at 8.7%	<u>729,482</u>	
13	Federal Taxable Income	<u>7,655,366</u>	
14	Federal Income Tax at 35%	<u>2,679,378</u>	
15	Less: Surtax Exemption	-	
16	Amortization of Prior Years Job Development Credit	-	
17	Net Federal Income Tax	<u><u>2,679,378</u></u>	
18	Net Income Available	\$ 4,812,470	
19	Add Back Income Taxes	<u>3,481,455</u>	
20	Net Income Plus Income Taxes	8,293,925	
21	Plus AFUDC	<u>90,923</u>	
22	Net Income and Taxes, Less Interest Expense	\$ 8,384,848	

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

Schedule No. 3K

TEST PERIOD DEFERRED FEDERAL AND STATE INCOME TAX

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Description (a)	Test Period	
		Federal (b)	State (c)
<u>Investment Tax Credit</u>			
1	Provision for Investment Tax Credit as of 9/30/15 - Sch. 3L	\$ 293,665	\$ -
2	Less: Amortization	(14,013)	-
3	Net Provision for Investment Tax Credit as 6/30/16	<u>\$ 279,652</u>	<u>\$ -</u>
<u>Deferred Income Tax - Depreciation Related</u>			
4	Excess of Tax Depreciation Over Book - Normalized	\$ 341,183	
5	Deferred State Income Tax at 8.7%		\$ 29,683
6	Deferred Federal Income Tax Base	311,500	
7	Deferred Federal Income Tax at 35%	<u>109,025</u>	
<u>Deferred Income Taxes - Employee Benefits and Taxes (Including Vacation Accrual)</u>			
8	Employee Benefits and Taxes Capitalized	\$ -	
9	Deferred State Income Tax at 8.7%		\$ -
10	Deferred Federal Income Tax Base	-	
11	Deferred Federal Income Tax at 35%	<u>-</u>	
<u>Summary of Income Taxes Currently Payable and Deferred</u>			
12	Income Tax Currently Payable	\$ 2,624,821	\$ 717,926
<u>Deferred Income Tax</u>			
13	Depreciation Related	\$ 109,025	\$ 29,683
14	Employee Benefit and Tax Related	-	-
15	Total Deferred Income Taxes	<u>109,025</u>	<u>29,683</u>
16	Job Development Credit	-	-
17	Total Income Taxes	<u>2,733,846</u>	<u>747,609</u>

SUEZ Water Delaware
Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 3L

UNAMORTIZED INVESTMENT TAX CREDIT

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Year	Book Life	Unamortized Balance at 12/31/2014	Amount Amortized to 9/30/2015	Unamortized Balance at 9/30/2015	Amount Amortized for Test Period	Unamortized Balance at 6/30/2016
1	1971	50 Years	\$ -	\$ -	\$ -	\$ -	\$ -
2	1972	50 Years	2,578	274	2,304	274	2,029
3	1973	50 Years	2,098	195	1,903	195	1,708
4	1974	50 Years	2,394	200	2,194	200	1,994
5	1975	50 Years	5,357	402	4,955	402	4,554
6	1976	50 Years	6,740	460	6,280	460	5,820
7	1977	50 Years	14,315	895	13,420	895	12,524
8	1978	50 Years	9,160	529	8,631	529	8,102
9	1979	50 Years	13,545	729	12,816	729	12,087
10	1980	50 Years	13,907	694	13,212	694	12,518
11	1981	50 Years	23,749	1,112	22,637	1,112	21,525
12	1982	50 Years	21,972	969	21,003	969	20,034
13	1983	50 Years	61,980	2,585	59,395	2,585	56,810
14	1984	50 Years	59,026	2,310	56,716	2,310	54,406
15	1985	50 Years	54,570	2,094	52,476	2,094	50,381
16	1986	50 Years	14,929	526	14,403	526	13,877
17	1987	50 Years	375	13	362	13	348
18	1988	50 Years	85	2	83	2	81
19	1989	50 Years	-	-	-	-	-
20	1995	50 Years	179	5	174	5	169
21	1997	50 Years	718	16	702	16	685
22	Total		\$ 307,678	\$ 14,013	\$ 293,665	\$ 14,013	\$ 279,652

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

Schedule No. 3M

OTHER FEDERAL, STATE AND LOCAL TAXES

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Description (a)	Test Year		Utility Proposed Test Period	
		Total Utility (b)	Delaware Jurisdiction (c)	Total Utility (d)	Delaware Jurisdiction (e)
1	Real Estate Tax	\$ 1,408,016	\$ 1,408,016	\$ 1,513,903	\$ 1,513,903
2	FICA Tax	286,449	286,449	\$324,692	324,692
3	Federal Unemployment Tax	2,669	2,669	2,669	2,669
4	State Unemployment Tax	13,700	13,700	13,700	13,700
5	Misc. Taxes	975	975	975	975
6	Gross Reciepts/PSC	80,929	80,929	80,822	80,822
8	Total Other Taxes	<u>\$ 1,792,739</u>	<u>\$ 1,792,739</u>	<u>\$ 1,936,762</u>	<u>\$ 1,936,762</u>

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC)

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Chuck Loy

MFR

5.4 Allowance for Funds Used During Construction (AFUDC)

5.4.1

- a. The AFUDC rate employed by the Commission in the last rate decision.
- b. The AFUDC rate used in each month from the end fo the test period in the last case through the end of the test year and test period.

Response:

- a. The rate from the 2010 rate case (Docket No. 10-421) is 11.74%.
- b. 0.9783% per month

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC)

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Chuck Loy

MFR

5.4 Allowance for Funds Used During Construction (AFUDC)

5.4.2 Provide a statement which describes the methodology employed to complete the AFUDC rates for all periods of time specified in Item 1 above.

Response:

The annual rate is divided by 12 to develop the monthly rate that is applied.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC)

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Chuck Loy

MFR

5.4 Allowance for Funds Used During Construction (AFUDC)

5.4.3 Provide a statement which fully describes how the AFUDC is applied in the accounting procedures.

Response:

The monthly AFUDC rate is applied each month to construction above \$50,000 with duration over 30 days.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

OTHER INCOME

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

MFR

5.5 Other Income

5.5.1 Provide a schedule which describes the nature and amount of each item of other income for the test year and test period.

Response:

Description (a)	Test Year (b)	Test Period (c)
Mechandising and Jobbing	\$ (15,071)	\$ (15,071)
Intercompany Interest	(2,154,505)	(2,169,533)
Interest Charged to Construction - CR	(90,923)	(90,923)
Misc. Non-Operating Income	65,514	65,514
Other Income Deductions	(61,125)	(61,125)
Other Interest Expense	(2,666)	(2,666)
Total	\$ (2,258,776)	\$ (2,273,804)

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

Schedule No. 4

PROPOSED FAIR RATE OF RETURN

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Ahern

Line No.	Type of Capital	Capital Structure Ratio	Cost Rate	Weighted Cost of Capital
1	Debt	46.66%	5.19%	2.42%
2	Equity	53.34%	10.25%	5.47%
3	Interest Free Capital	0.00%	0.00%	0.00%
4	Total Capital	100.00%		7.89%
5	Adjustment to Cost of Capital to Equal Fair Rate of Return			0.00%
6	Recommended Fair Rate of Return for use in this case			7.89%
7	Indicated level of coverage based on recommended			
8	Fair Rate of Return for use in this case			7.89%
			Test Year	
9	Before Income Taxes, all interest		4.38X	
10	Before Income Taxes, all interest, before AFUDC		4.97X	
11	After Income Taxes, all interest		2.46X	
12	After Income Taxes, all interest, before AFUDC		2.78X	
13	Overall coverage, after Income Taxes		2.46X	
14	Overall coverage, after Income Taxes, before AFUDC		2.78X	

SUEZ Water Delaware
Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 4A

PROPOSED FAIR RATE OF RETURN

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Pauline Ahern

Line No.	Description	At End of Test Year			At End of Test Period		
		Amount Outstanding	Capital Ratios		Amount Outstanding	Capital Ratios	
			Excluding Short-Term Debt	Including Short-Term Debt		Excluding Short-Term Debt	Including Short-Term Debt
<u>Long-Term Debt:</u>							
1	Medium Term Notes	\$ 775,332,246	40.78%	40.78%	\$ 775,352,246	41.78%	41.78%
2	Notes Payable	-	0.00%	0.00%	-	0.00%	0.00%
3	Tax Exempt Notes	90,645,000	4.77%	4.77%	90,645,000	4.88%	4.88%
4	Subtotal	\$ 865,977,246	45.54%	45.54%	\$ 865,997,246	46.66%	46.66%
5	Interest Free Capital	-	0.00%	0.00%	-	0.00%	0.00%
<u>Common Equity:</u>							
6	Common Stock	\$ 558,043,645	29.35%	29.35%	\$ 558,043,645	30.07%	30.07%
7	Other Paid-In-Capital	20,718,029	1.09%	1.09%	20,718,029	1.12%	1.12%
8	Retained Earnings	456,746,093	24.02%	24.02%	411,259,456	22.16%	22.16%
9	Subtotal	\$ 1,035,507,767	54.46%	54.46%	\$ 990,021,130	53.34%	53.34%
10	Total Permanent Capital	\$ 1,901,485,013			\$ 1,856,018,376		
<u>Short Term Debt:</u>							
11	Notes Payable			0.00%			0.00%
12	Commercial Paper	-		0.00%	-		0.00%
13	Subtotal	\$ -		0.00%	\$ -		0.00%
14	Total Capital Employed	\$ 1,901,485,013		100.00%	\$ 1,856,018,376		100.00%

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

EMBEDDED COST OF DEBT

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Pauline Ahern

MFR

6.2 Embedded Cost of Debt

6.2.1 Describe how short-term debt is allocated between rate base and non-rate base CWIP.

Describe compensating balance requirements of credit line banks and supply documentation in support of such requirements. If the compensating balance requirements exceed the cash and float included in the working capital claim, give a statement explaining the excess.

Response:

Short-term debt is allocated to CWIP in the same manner as long-term debt. For those Projects qualifying, an approved rate is applied to reflect AFUDC on a monthly basis. There is no distinction made in this process between rate base and non-rate base plant.

There are no compensating balance arrangements with any of our creditline banks.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

Schedule No. 4B

EMBEDDED COST OF DEBT

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Pauline Ahern

Line No.	Series or Issue Designation	Amount Outstanding	Percent to Total	Cost Rate Effective	Weighted
1	Medium Term Note Series A 1998	\$ 25,000,000	2.89%	7.57%	0.22%
2	Medium Term Note Series A 1998	5,000,000	0.58%	6.99%	0.04%
3	Medium Term Note Series A 1998	15,000,000	1.73%	7.20%	0.13%
4	Tax Exempt-Dauphin 92 TEF Series B	4,185,000	0.48%	6.81%	0.03%
5	NEW UWR SENIOR NOTES 2015 SERIES A	75,000,000	8.66%	3.89%	0.34%
6	NEW UWR SENIOR NOTES 2015 SERIES B	75,000,000	8.66%	3.69%	0.32%
7	NEW UWR SENIOR NOTES 2015 SERIES C	125,000,000	14.43%	4.17%	0.61%
8	Tax Exempt-Dauphin 92 TEF Series A	10,000,000	1.15%	7.20%	0.08%
9	Tax Exempt-Boise 05 TEF	18,245,000	2.11%	5.31%	0.11%
10	Tax Exempt-Pennsylvania Series 2007	23,215,000	2.68%	4.88%	0.13%
11	Senior Note Series 2010	45,000,000	5.20%	5.21%	0.27%
12	Senior Note Series A	15,000,000	1.73%	5.77%	0.10%
13	Senior Note Series B	15,000,000	1.73%	6.22%	0.11%
14	Medium Term Note Mutual of Omaha A	7,500,000	0.87%	6.60%	0.06%
15	Medium Term Note Mutual of Omaha B	7,500,000	0.87%	6.65%	0.06%
16	Medium Term Note NY Life A	12,500,000	1.44%	6.29%	0.09%
17	Medium Term Note NY Life B	12,500,000	1.44%	6.39%	0.09%
18	Tax-Exempt-NY Series 2010A	35,000,000	4.04%	5.11%	0.21%
19	Senior Note Series 2011	20,000,000	2.31%	4.51%	0.10%
20	Private Placement Note Series A	35,000,000	4.04%	4.50%	0.18%
21	Private Placement Note Series B	40,000,000	4.62%	4.95%	0.23%
22	EDA Fixed Rate Bonds	20,000,000	2.31%	5.31%	0.12%
23	EDA Fixed Rate Bonds	30,000,000	3.46%	5.65%	0.19%
24	EDA Fixed Rate Bonds	80,000,000	9.24%	5.30%	0.48%
25	North Jersey Water District	255,323	0.03%	6.58%	0.00%
26	Senior Note 2012 Series A	10,000,000	1.15%	3.97%	0.04%
27	Senior Note 2012 Series B	30,000,000	3.46%	4.35%	0.15%
28	Senior Note	12,000,000	1.39%	9.04%	0.13%
29	Senior Note Series 2010	30,000,000	3.46%	4.83%	0.17%
30	UWR	5,000,000	0.58%	7.12%	0.04%
31	UWR	25,000,000	2.89%	8.11%	0.24%
32	UWR	3,076,923	0.36%	6.77%	0.02%
33		<u>\$ 865,977,246</u>	100.00%		5.10%
34	Unamortized Costs Associated with Retired Medium Term Note (\$10M @ 8.84%)				0.00%
35	Premium on Retirement of Medium Term Note Premium on Retirement of Prudent Capital Corp. Debt (\$20M @ 10.05%, \$15M @ 9.57%)				0.04%
36	Unamortized Costs Associated with Retired Jacksonville Debt (\$12M @ 6.75%)				0.00%
37	UW Westchester TEF (\$2.25M @ 8.85%)				0.00%
38	Premium on Amortized \$25MM 4.392%, \$20MM 4.318% and \$20MM 4.319%				0.01%
39	EDA Fixed Rate Bonds				0.01%
40	EDA Fixed Rate Bonds				0.01%
41	Tax Exempt-Boise 2001 TEF				0.02%
42	Tax Exempt-DE 2002 TEF				0.01%
43	Tax Exempt NY (NR) 2002 TEF				0.01%
44	Total				<u>5.19%</u>

SUEZ Water Delaware
Minimum Filing Requirements of the Delaware Public Service Commission

Schedule No. 4C

EMBEDDED COST OF DEBT

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Pauline Ahern

Line No.	Series of Issue Designation	Issue Date	Maturity Date	Amount Outstanding	Unamortized Net Discount Premium and Expense	Net Proceeds	Stated Interest Rate	Annual Interest Expense	Net Discount Premium and Expense Amortization	Annual Cost	Embedded Cost Rate	Weighted Embedded Cost Rate
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1	Medium Term Note Series A 1998	Feb-98	Feb-23	\$ 25,000,000	\$ 688,585	\$ 24,311,415	6.97%	\$ 1,742,500	97,212	\$ 1,839,712	7.57%	0.22%
2	Medium Term Note Series A 1998	Dec-98	Dec-17	5,000,000	8,064	4,991,936	6.90%	345,000	4,032	349,032	6.99%	0.04%
3	Medium Term Note Series A 1998	Feb-98	Feb-28	15,000,000	96,860	14,903,140	7.10%	1,065,000	8,016	1,073,016	7.20%	0.13%
4	Tax Exempt-Dauphin 92 TEF Series B	Jun-92	Jun-17	4,185,000	5,831	4,179,169	6.70%	280,395	4,116	284,511	6.81%	0.03%
5	NEW UWR SENIOR NOTES 2015 SERIES A	Aug-15	Aug-30	75,000,000	651,230	74,348,770	3.80%	2,850,000	44,402	2,894,402	3.89%	0.34%
6	NEW UWR SENIOR NOTES 2015 SERIES B	Aug-15	Aug-31	75,000,000	652,155	74,347,845	3.60%	2,700,000	41,627	2,741,627	3.69%	0.32%
7	NEW UWR SENIOR NOTES 2015 SERIES C	Aug-15	Aug-35	125,000,000	1,091,791	123,908,209	4.09%	5,112,500	55,515	5,168,015	4.17%	0.61%
8	Tax Exempt-Dauphin 92 TEF Series A	Jun-92	Jun-24	10,000,000	161,660	9,838,340	6.90%	690,000	18,480	708,480	7.20%	0.08%
9	Tax Exempt-Boise 05 TEF	May-05	May-35	18,245,000	1,317,528	16,927,472	4.55%	830,148	68,148	898,296	5.31%	0.11%
10	Tax Exempt-Pennsylvania Series 2007	Feb-07	Feb-37	23,215,000	922,438	22,292,562	4.50%	1,044,675	43,752	1,088,427	4.88%	0.13%
11	Senior Note Series 2010	Jan-10	Jan-25	45,000,000	806,600	44,193,400	4.92%	2,214,000	88,800	2,302,800	5.21%	0.27%
12	Senior Note Series A	Nov-07	Nov-17	15,000,000	29,256	14,970,744	5.66%	849,000	15,264	864,264	5.77%	0.10%
13	Senior Note Series B	Nov-07	Nov-28	15,000,000	93,930	14,906,070	6.13%	919,500	7,272	926,772	6.22%	0.11%
14	Medium Term Note Mutual of Omaha A	Oct-08	Oct-29	7,500,000	33,990	7,466,010	6.54%	490,500	2,472	492,972	6.60%	0.06%
15	Medium Term Note Mutual of Omaha B	Dec-08	Dec-29	7,500,000	34,402	7,465,598	6.59%	494,250	2,472	496,722	6.65%	0.06%
16	Medium Term Note NY Life A	Oct-08	Oct-18	12,500,000	23,760	12,476,240	6.21%	776,250	8,640	784,890	6.29%	0.09%
17	Medium Term Note NY Life B	Dec-08	Dec-18	12,500,000	25,340	12,474,660	6.31%	788,750	8,688	797,438	6.39%	0.09%
18	Tax-Exempt-NY Series 2010A	Sep-10	Sep-40	35,000,000	891,256	34,108,744	4.88%	1,706,250	36,132	1,742,382	5.11%	0.21%
19	Senior Note Series 2011	Dec-11	Dec-27	20,000,000	635,616	19,364,384	4.10%	820,000	52,968	872,968	4.51%	0.10%
20	Private Placement Note Series A	Apr-11	Apr-21	35,000,000	107,199	34,892,801	4.43%	1,549,533	20,388	1,569,921	4.50%	0.18%
21	Private Placement Note Series B	Apr-11	Apr-26	40,000,000	724,746	39,275,254	4.68%	1,872,000	70,704	1,942,704	4.95%	0.23%
22	EDA Fixed Rate Bonds	Nov-96	Nov-25	20,000,000	1,050,935	18,949,065	4.50%	900,000	106,872	1,006,872	5.31%	0.12%
23	EDA Fixed Rate Bonds	Nov-96	Nov-25	30,000,000	1,470,339	28,529,661	4.88%	1,462,500	148,272	1,610,772	5.65%	0.19%
24	EDA Fixed Rate Bonds	Nov-96	Nov-26	80,000,000	3,725,190	76,274,810	4.63%	3,700,000	343,860	4,043,860	5.30%	0.48%
25	North Jersey Water District	n/a	Jul-24	255,323		255,323	6.58%	16,800		16,800	6.58%	0.00%
26	Senior Note 2012 Series A	Oct-12	Oct-27	10,000,000	404,184	9,595,816	3.47%	347,000	34,392	381,392	3.97%	0.04%
27	Senior Note 2012 Series B	Oct-12	Oct-32	30,000,000	1,292,710	28,707,290	3.91%	1,173,000	77,172	1,250,172	4.35%	0.15%
28	Senior Note	Jan-95	Jan-25	12,000,000	36,291	11,963,709	8.98%	1,077,600	4,032	1,081,632	9.04%	0.13%
29	Senior Note Series 2010	Feb-10	Feb-20	30,000,000	95,300	29,904,700	4.74%	1,422,000	22,872	1,444,872	4.83%	0.17%
30	UWR			5,000,000	15,000	4,985,000	7.04%	352,000	3,000	355,000	7.12%	0.04%
31	UWR			25,000,000	84,502	24,915,498	7.90%	1,975,000	46,092	2,021,092	8.11%	0.24%
32	UWR			3,076,923	7,500	3,069,423	6.70%	206,154	1,500	207,654	6.77%	0.02%
33	Total Long Term Debt			\$ 865,977,246	\$ 17,184,189	\$ 848,793,057		\$ 41,772,305	\$ 1,487,164	\$ 43,259,468		5.10%
34	Unamortized Costs Associated with Retired Medium Term Note (\$10M @ 8.84%)				51,012				5,616	5,616	0.00%	0.00%
35	Premium on Retirement of Medium Term Note Debt (\$20M @ 10.05%, \$15M @ 9.57%)				200,669				22,092	22,092	0.00%	0.00%
36	Unamortized Costs Associated with Retired Jacksonville Debt (\$12M @ 6.75%)				159,929				24,924	24,924	0.00%	0.00%
37	UW Westchester TEF (\$2.25M @ 8.85%)				2,136				2,136	2,136	0.00%	0.00%
38	Premium on Amortized \$25MM 4.392%, \$20MM 4.318% and \$20MM 4.319%				90,807				17,458	17,458	0.00%	0.00%
39	EDA Fixed Rate Bonds				696,737				53,940	53,940	0.01%	0.01%
40	EDA Fixed Rate Bonds				2,091,296				88,680	88,680	0.01%	0.01%
41	Tax Exempt-Boise 2001 TEF				2,077,070				132,132	132,132	0.02%	0.02%
42	Tax Exempt-DE 2002 TEF				1,301,066				74,964	74,964	0.01%	0.01%
43	Tax Exempt NY (NR) 2002 TEF				969,882				53,388	53,388	0.01%	0.01%
44	Totals				\$ 27,666,393				\$ 2,303,486	\$ 44,075,791		5.19%

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

EMBEDDED COST OF DEBT

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Pauline Ahern

MFR

6.2 Embedded Cost of Debt

6.2.3 Describe the long-term debt re-acquisitions by company and parent company, if applicable, as follows: re-acquisitions by issue by year; total gain by acquisitions by year; accounting of gain for income tax and book purposes.

Response:

Not applicable.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

EMBEDDED COST OF DEBT

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Pauline Ahern

MFR

6.2 Embedded Cost of Debt

6.2.4 In the event that applicant believes the true or economic cost of debt exceeds the nominal costs shown in Schedule 4C because of convertible features, sale with warrants or for any other reason, a full statement of the basis for this claim should be provided.

Response:

Not applicable.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

RATE OF RETURN

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Pauline Ahern

MFR

6.3 Embedded Cost of Preferred Stock

6.3.1 Complete Schedules 4D & E to show the cost of preferred stock. Use the preferred stock cost rates most appropriate to the capital structure adopted for cost of capital computations, i.e., if a test year end capital structure is used, use a test year end embedded cost analysis.

Response:

Not applicable.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

RATE OF RETURN

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Pauline Ahern

MFR

6.3 Embedded Cost of Preferred Stock

6.3.2 Describe preferred stock reacquisitions by company and by parent company, if applicable, as follows: reacquisitions by issue year; total gain by acquisitions by year; accounting for gain for income tax and book for financial reporting purposes.

Response:

Not applicable.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

RATE OF RETURN

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Pauline Ahern

MFR

6.3 Embedded Cost of Preferred Stock

6.3.2 In the event that applicant claims a true or economic cost higher than the nominal rate shown in Schedule 4E due to convertibility or for any other reason, a full statement of the basis for this claim shall be furnished.

Response:

Not applicable.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

COMMON EQUITY COST RATES

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Pauline Ahern

MFR

6.4 Embedded Cost of Preferred Stock

6.4.1 Provide data on all common equity public stock offerings (including registered secondary offerings) for the current year and for the previous five calendar years. Use Schedule form 4F.

Response:

Not applicable.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

COMMON EQUITY COST RATES

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Pauline Ahern

MFR
6.4 Embedded Cost of Preferred Stock

6.4.2 Provide a summary statement of all stock dividends, splits or par value changes in the last five years.

Response:

Not applicable.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

Schedule No. 4G

COMMON EQUITY COST RATES

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Pauline Ahern

COMPARATIVE FINANCIAL DATA - GENERAL

Line No.	Item (a)	Next Most Recent Calendar Year (b)	Most Recent Calendar Year (c)	Test Year (d)	Test Period ¹ (e)
1	Embedded Cost - Long Term Debt	6.03%	5.19%	5.18%	5.19%
2	Embedded Cost - Preferred Stock	0.00%	0.00%	0.00%	0.00%
3	Pretax Interest Coverage	4.73x	4.75x	4.38x	
4	Pretax Interest Coverage, Before AFUDC	4.78x	5.43x	4.97x	
5	After Tax Interest Coverage	2.66x	2.73x	2.46x	
6	After Tax Interest Coverage, Before AFUDC	2.68x	3.11x	2.78x	
7	Indenture Provision Coverage	2.56x	2.83x	2.83x	
8	After Tax Interest and Preferred Dividend Coverage	2.66x	2.73x	2.46x	
9	After Tax Interest and Preferred Dividend Coverage, Before AFUDC	2.68x	3.11x	2.78x	
10	Moody's Bond Rating - Senior Debt				
11	S&P Bond Rating - Senior Debt	A-	A-	A-	
12	Moody's Preferred Stock Rating	na	na	na	
13	S&P Preferred Stock Rating	na	na	na	
14	Rate of Return on Net Plant in Service				
15	Rate of Return on Total Capital				
16	Percentage of Revenues From:				
17	Electric Service				
18	Gas Service				
19	Telephone Service				
20	Water Service				
21	Percentage of Fuel Used:				
22	Coal				
23	Oil				
24	Gas				
25	Nuclear				
26	Other				
27	Composite Depreciation Rate				

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

Schedule No. 4H

COMMON EQUITY COST RATES

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Pauline Ahern

COMPARITIVE FINANCIAL DATA - COMMON STOCK (1)

<u>Line No.</u>	<u>Item</u>	<u>Next Most Recent Calendar Year</u>	<u>Most Recent Calendar Year</u>	<u>Test Year</u>	<u>Test Period¹</u>
	(a)	(b)	(c)	(d)	(e)

Not Applicable.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

COMMON EQUITY COST RATES

Delaware Public Service Commission
Company: United Water Delaware
Docket No. _____

Witness Responsible:
Pauline Ahern

MFR
6.4 Common Equity Cost Rates

6.4.4 Analysis and Support of Claimed Common Equity Return Rate

Response:

Please refer to the testimony and exhibits of Pauline Ahern

SUEZ Water Delaware Inc.
PSC Docket No. _____
Witness: Pauline M. Ahern

BEFORE THE
DELAWARE PUBLIC SERVICE COMMISSION

EXHIBIT TO ACCOMPANY THE
PREPARED TESTIMONY

OF

PAULINE M. AHERN, CRRA
PARTNER
SUSSEX ECONOMIC ADVISORS, LLC

ON BEHALF OF

SUEZ WATER DELAWARE INC.

FEBRUARY 5, 2016

SUEZ Water Delaware Inc.
Table of Contents
to MFR 6.4.4
of Pauline M. Ahern, CRRA

Summary of Recommended Capital Structure and Capital Cost Rates	Exhibit PMA-1
	<u>Workpaper</u>
Summary of Cost of Capital and Fair Rate of Return	PMA-1
Capital Intensity and Depreciation Rates for SUEZ Water Delaware Inc. and the Proxy Group of Eight Water Companies	PMA-2
Financial Profile of the Proxy Group of Eight Water Companies	PMA-3
Indicated Common Equity Cost Rate Using the Discounted Cash Flow Model	PMA-4
Indicated Common Equity Cost Rate Using the Risk Premium Model	PMA-5
Indicated Common Equity Cost Rate Using the Capital Asset Pricing Model	PMA-6
Basis of selection for the Non-Price Regulated Companies Comparable in Total Risk to the Proxy Group of Eight Water Companies	PMA-7
Cost of Common Equity Models Applied to the Comparable Risk Non-Price Regulated Companies	PMA-8
Estimated Market Capitalization for the SUEZ Water Delaware Inc. and the Proxy Group of Eight Water Companies	PMA-9

SUEZ Water Delaware Inc.
Summary of Cost of Capital and Fair Rate of Return
Based on the December 31, 2015 Consolidated Capital Structure of SUEZ Water Resources,
Inc.

<u>Type Of Capital</u>	<u>Ratios (1)</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Long-Term Debt	46.66%	5.19% (1)	2.42%
Common Equity	<u>53.34%</u>	10.40% (2)	<u>5.55%</u>
Total	<u>100.00%</u>		<u>7.97%</u>

Notes:

(1) Company provided.

(2) From Workpaper PMA-1.

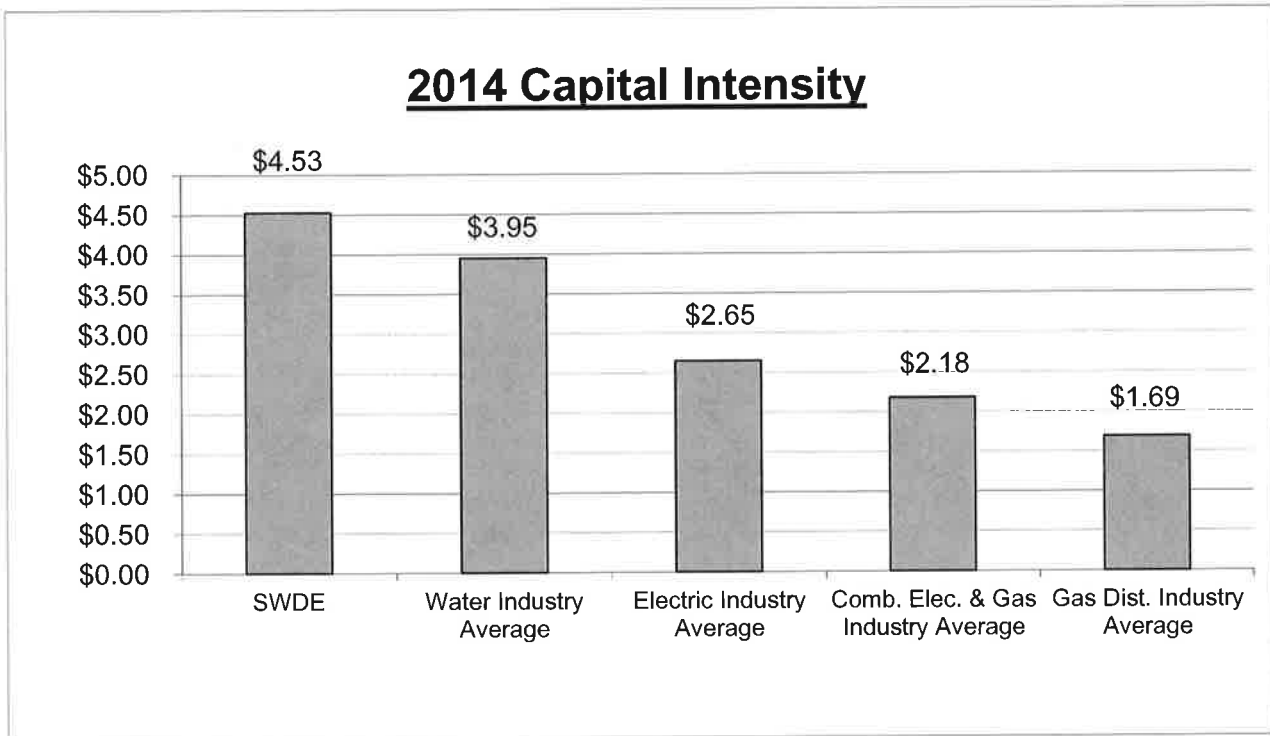
SUEZ Water Delaware Inc.
Brief Summary of Common Equity Cost Rate

<u>Line No.</u>	<u>Principal Methods</u>	<u>The Proxy Group of Eight Water Companies</u>
1.	Discounted Cash Flow Model (DCF) (1)	8.51 %
2.	Risk Premium Model (RPM) (2)	10.42
3.	Capital Asset Pricing Model (CAPM) (3)	9.93
4.	Market Models Applied to Comparable Risk, Non-Price Regulated Companies (4)	<u>11.21</u>
5.	Indicated Common Equity Cost Rate before Adjustment for Business Risks	10.10 %
6.	Size Adjustment (5)	<u>0.30</u>
7.	Indicated Common Equity Cost Rate	<u><u>10.40</u></u> %
8.	Recommended Common Equity Cost Rate	<u><u>10.40</u></u> %

- Notes: (1) From Workpaper PMA-4.
 (2) From page 1 of Workpaper PMA-5.
 (3) From page 1 of Workpaper PMA-6.
 (4) From page 1 of Workpaper PMA-8.
 (5) Business risk adjustment to reflect SUEZ Water Delaware Inc.'s greater business risk due to its small size relative to the proxy group as detailed in Ms. Ahern's accompanying direct testimony.

SUEZ Water Delaware Inc.
 2014 Capital Intensity of SUEZ Water Delaware Inc. and
 AUS Utility Reports Utility Companies Industry Averages

	Average Net Plant (\$ mill)	Total Operating Revenue (\$ mill)	Capital Intensity (\$)	Capital Intensity SUEZ Water Delaware Inc. v. Other Industries (times)
SUEZ Water Delaware Inc.	\$ 120.18	\$ 26.51	\$ 4.53	--
Water Industry Average	\$ 2,411.70	\$ 611.15	\$ 3.95	114.68%
Electric Industry Average	\$ 17,004.84	\$ 6,422.08	\$ 2.65	170.94%
Comb. Elec. & Gas Industry Average	\$ 16,109.32	\$ 7,385.21	\$ 2.18	207.80%
Gas Dist. Industry Average	\$ 3,842.72	\$ 2,271.59	\$ 1.69	268.05%



Notes:
 Capital Intensity is equal to Net Plant divided by Total Operating Revenue.

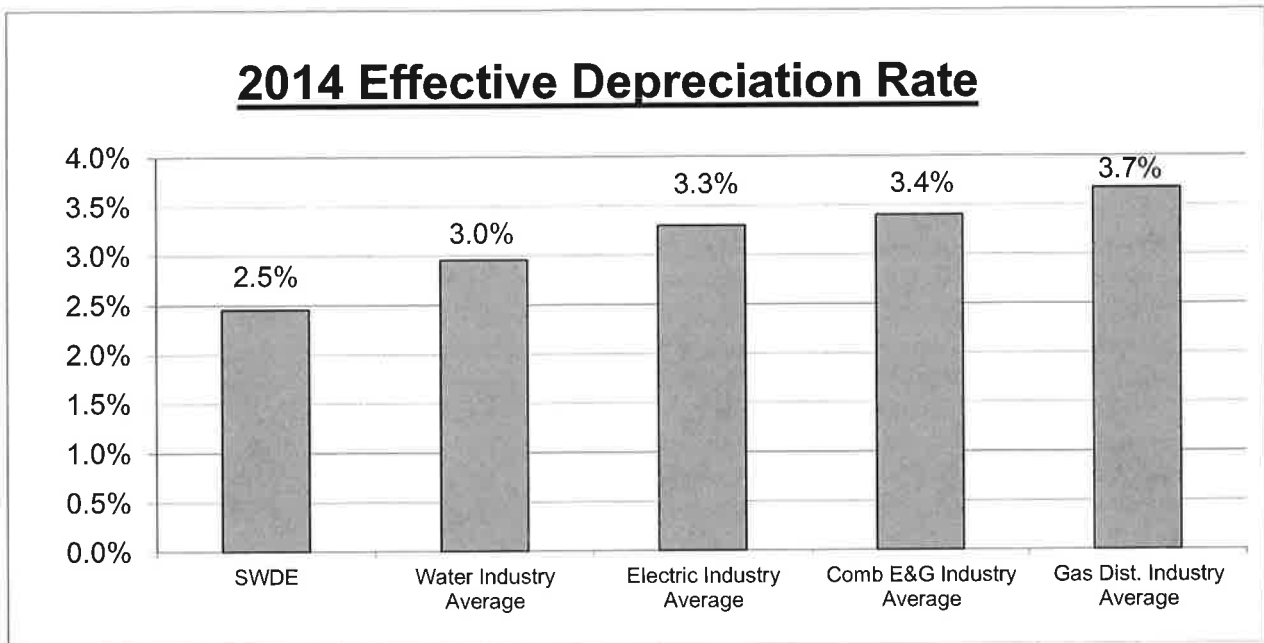
Source of Information:
 EDGAR Online's I-Metrix Database
 Company Annual Forms 10-K

AUS Utility Reports - December 2015
 Published By AUS Consultants

SUEZ Water Delaware Inc.'s Annual Report to the Delaware Public Service Commission for the year ended December 31, 2014

SUEZ Water Delaware Inc.
 2014 Effective Depreciation Rate of SUEZ Water Delaware Inc. and
AUS Utility Reports Utility Companies Industry Averages

	Depreciation Depletion & Amort. Expense (\$ mill)	Average Total Gross Plant Less CWIP (\$ mill)	Depreciation Rate (%)	Depreciation Rate SUEZ Water Delaware Inc. v. Other Industries (times)
SUEZ Water Delaware Inc.	\$ 3.01	\$ 122.48	2.5%	--
Water Industry Average	\$ 80.97	\$ 2,739.56	3.0%	83.33%
Electric Industry Average	\$ 727.38	\$ 22,063.71	3.3%	75.76%
Comb E&G Industry Average	\$ 756.74	\$ 22,241.95	3.4%	73.53%
Gas Dist. Industry Average	\$ 182.93	\$ 4,979.82	3.7%	67.57%



Notes:

Effective Depreciation Rate is equal to Depreciation, Depletion and Amortization Expense divided by average beginning and ending year's Gross Plant minus Construction Work in Progress.

Source of Information:
 EDGAR Online's I-Metrix Database
 Company Annual Forms 10-K

AUS Utility Reports - December 2015
 Published by AUS Consultants

SUEZ Water Delaware Inc.'s Annual Report to the Delaware Public Service Commission for the year ended December 31, 2014

The Proxy Group of Eight Water Companies
 CAPITALIZATION AND FINANCIAL STATISTICS (1)
 2010 - 2014, Inclusive

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	
	(MILLIONS OF DOLLARS)					
<u>CAPITALIZATION STATISTICS</u>						
<u>AMOUNT OF CAPITAL EMPLOYED</u>						
TOTAL PERMANENT CAPITAL	\$2,156.407	\$2,058.747	\$1,998.358	\$1,926.369	\$1,901.851	
SHORT-TERM DEBT	<u>\$72.459</u>	<u>\$95.589</u>	<u>\$60.594</u>	<u>\$89.698</u>	<u>\$56.420</u>	
TOTAL CAPITAL EMPLOYED	<u>\$2,228.866</u>	<u>\$2,154.336</u>	<u>\$2,058.952</u>	<u>\$2,016.067</u>	<u>\$1,958.271</u>	
<u>INDICATED AVERAGE CAPITAL COST RATES (2)</u>						
TOTAL DEBT	5.09 %	5.19 %	5.36 %	5.32 %	5.54 %	
PREFERRED STOCK	5.30 %	5.51 %	5.53 %	5.53 %	5.54 %	
<u>CAPITAL STRUCTURE RATIOS</u>						
<u>BASED ON TOTAL PERMANENT CAPITAL:</u>						
LONG-TERM DEBT	45.71 %	46.24 %	49.32 %	50.91 %	50.74 %	48.58 %
PREFERRED STOCK	0.13	0.16	0.18	0.21	0.21	0.18
COMMON EQUITY	<u>54.16</u>	<u>53.60</u>	<u>50.50</u>	<u>48.88</u>	<u>49.05</u>	<u>51.24</u>
TOTAL	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %
<u>BASED ON TOTAL CAPITAL:</u>						
TOTAL DEBT, INCLUDING SHORT-TERM	47.00 %	47.77 %	50.87 %	52.68 %	52.82 %	50.23 %
PREFERRED STOCK	0.13	0.15	0.17	0.19	0.20	0.17
COMMON EQUITY	<u>52.87</u>	<u>52.08</u>	<u>48.96</u>	<u>47.13</u>	<u>46.98</u>	<u>49.60</u>
TOTAL	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %
<u>FINANCIAL STATISTICS</u>						
<u>FINANCIAL RATIOS - MARKET BASED</u>						
EARNINGS / PRICE RATIO	5.44 %	4.84 %	5.47 %	5.19 %	5.18 %	5.22 %
MARKET / AVERAGE BOOK RATIO	212.84	206.33	187.65	181.94	181.79	194.11
DIVIDEND YIELD	2.79	2.91	3.17	3.40	3.39	3.13
DIVIDEND PAYOUT RATIO	52.49	58.37	60.45	64.89	65.69	60.38
<u>RATE OF RETURN ON AVERAGE BOOK COMMON EQUITY</u>	11.38 %	10.08 %	10.12 %	9.30 %	9.29 %	10.03 %
<u>TOTAL DEBT / EBITDA (3)</u>	3.40 X	3.65 X	3.83 X	4.30 X	4.55 X	3.95 X
<u>FUNDS FROM OPERATIONS / TOTAL DEBT (4)</u>	25.99 %	22.91 %	20.95 %	19.26 %	17.60 %	21.34 %
<u>TOTAL DEBT / TOTAL CAPITAL</u>	47.00 %	47.77 %	50.87 %	52.68 %	52.82 %	50.23 %

Notes:

- (1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group, and are based upon financial statements as originally reported in each year.
- (2) Computed by relating actual total debt interest or preferred stock dividends booked to average of beginning and ending total debt or preferred stock reported to be outstanding.
- (3) Total debt relative to EBITDA (Earnings before Interest, Income Taxes, Depreciation and Amortization).
- (4) Funds from operations (sum of net income, depreciation, amortization, net deferred income tax and investment tax credits, less total AFUDC) plus interest charges as a percentage of total debt.

Source of Information: Company Annual Forms 10-K

Capital Structure Based upon Total Permanent Capital for the
The Proxy Group of Eight Water Companies
2010 - 2014, Inclusive

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>5 YEAR</u> <u>AVERAGE</u>
<u>American States Water Co.</u>						
Long-Term Debt	39.15 %	40.30 %	42.49 %	45.46 %	44.30 %	42.34 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	60.85	59.70	57.51	54.54	55.70	57.66
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>American Water Works Company Inc</u>						
Long-Term Debt	52.70 %	52.42 %	54.30 %	55.72 %	56.73 %	54.37 %
Preferred Stock	0.15	0.17	0.21	0.27	0.29	0.22
Common Equity	47.15	47.41	45.49	44.01	42.98	45.41
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>Aqua America Inc.</u>						
Long-Term Debt	49.45 %	50.32 %	53.41 %	54.11 %	57.05 %	52.87 %
Preferred Stock	0.00	0.01	0.01	0.02	0.02	0.01
Common Equity	50.55	49.67	46.58	45.87	42.93	47.12
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>California Water Service Group</u>						
Long-Term Debt	40.46 %	42.03 %	50.39 %	52.04 %	52.51 %	47.49 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	59.54	57.97	49.61	47.96	47.49	52.51
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>Connecticut Water Service Inc</u>						
Long-Term Debt	45.91 %	47.34 %	49.03 %	53.05 %	49.32 %	48.93 %
Preferred Stock	0.20	0.20	0.21	0.30	0.34	0.25
Common Equity	53.90	52.46	50.76	46.65	50.34	50.82
Total Capital	<u>100.01 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>Middlesex Water Co.</u>						
Long-Term Debt	41.55 %	41.37 %	43.53 %	43.12 %	43.91 %	42.69 %
Preferred Stock	0.71	0.88	1.02	1.06	1.07	0.95
Common Equity	57.74	57.75	55.45	55.82	55.02	56.36
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>SIW Corp</u>						
Long-Term Debt	51.66 %	51.09 %	55.39 %	56.63 %	53.79 %	53.71 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	48.34	48.91	44.61	43.37	46.21	46.29
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>York Water Co.</u>						
Long-Term Debt	44.81 %	45.07 %	45.98 %	47.16 %	48.28 %	46.26 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	55.19	54.93	54.02	52.84	51.72	53.74
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>The Proxy Group of Eight Water Companies</u>						
Long-Term Debt	45.71 %	46.24 %	49.32 %	50.91 %	50.74 %	48.58 %
Preferred Stock	0.13	0.16	0.18	0.21	0.21	0.18
Common Equity	54.16	53.60	50.50	48.88	49.05	51.24
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

Source of Information
 Annual Forms 10-K

SUEZ Water Delaware Inc.
 Indicated Common Equity Cost Rate Using the Discounted Cash Flow Model for
The Proxy Group of Eight Water Companies

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Proxy Group of Eight Water Companies	Average Dividend Yield (1)	Value Line Projected Five Year Growth in EPS (2)	Reuters Mean Consensus Projected Five Year Growth Rate in EPS	Zack's Five Year Projected Growth Rate in EPS	Yahoo! Finance Projected Five Year Growth in EPS	Average Projected Five Year Growth in EPS (3)	Adjusted Dividend Yield (4)	Indicated Common Equity Cost Rate (5)
American States Water Co.	2.20 %	6.00 %	4.00 %	5.00 %	4.00 %	4.75 %	2.25 %	7.00 %
American Water Works Company Inc	2.43	7.00	7.34	7.20	7.34	7.22	2.52	9.74
Aqua America Inc	2.59	7.50	5.55	6.00	5.55	6.15	2.67	8.82
California Water Service Group	3.03	6.50	5.00	5.00	5.00	5.38	3.11	8.49
Connecticut Water Service Inc	2.96	4.50	5.00	5.00	5.00	4.88	3.03	7.91
Middlesex Water Co.	3.23	5.00	NA	NA	2.70	3.85	3.29	7.14
SJW Corp	2.55	1.50	NA	NA	14.00	7.75	2.65	10.40
York Water Co.	2.75	6.50	NA	NA	4.90	5.70	2.83	8.53
							Average	8.50 %
							Median	8.51 %
							Average of Mean and Median	8.51 %

NA= Not Available
 NMF = Not Meaningful Figure

Notes:

- (1) Indicated dividend at 11/30/2015 divided by the average closing price of the last 60 trading days ending 11/30/2015 for each company.
- (2) From pages 2 through 10 of this Workpaper.
- (3) Average of columns 2 through 5 excluding negative growth rates.
- (4) This reflects a growth rate component equal to one-half the conclusion of growth rate (from column 6) x column 1 to reflect the periodic payment of dividends (Gordon Model) as opposed to the continuous payment. Thus, for American States Water Co., $2.20\% \times (1 + (1/2 \times 4.75\%)) = 2.25\%$.
- (5) Column 6 + column 7.

Source of Information:

Value Line Investment Survey
 www.reuters.com Downloaded on 11/30/2015
 www.zacks.com Downloaded on 11/30/2015
 www.yahoo.com Downloaded on 11/30/2015

AMER. STATES WATER NYSE-AWR		RECENT PRICE	41.33	P/E RATIO	26.0	(Trailing: 25.4 Median: 20.0)	RELATIVE P/E RATIO	1.49	DIV'D YLD	2.2%	VALUE LINE							
TIMELINESS	2 Raised 6/5/15	High: 13.4	17.3	21.9	23.1	21.0	19.4	19.8	18.2	24.1	33.1	38.7	42.4	35.8	Target Price Range	2018	2019	2020
SAFETY	2 Raised 7/20/12	Low: 10.4	12.2	15.1	16.8	13.5	14.9	15.6	15.3	17.0	24.0	27.0	35.8					
TECHNICAL	4 Raised 10/16/15	LEGENDS 1.25 x Dividends p sh divided by Interest Rate --- Relative Price Strength 3-for-2 split 6/02 2-for-1 split 9/13 Options: Yes Shaded area indicates recession																
BETA	.70 (1.00 = Market)	2018-20 PROJECTIONS High Price 50 Gain (+20%) 7% Low Price 35 (-15%) -1%																
Insider Decisions		N D J F M A M J J to Buy 0 0 0 0 0 0 0 0 0 0 Options 1 0 1 0 1 0 1 0 1 to Sell 3 0 1 0 1 0 0 3 1																
Institutional Decisions		4Q2014 1Q2015 2Q2015 to Buy 99 86 80 to Sell 87 93 82 Mid's(000) 23380 23637 23702 Percent shares traded 24 16 8																
CAPITAL STRUCTURE as of 6/30/16		Total Debt \$325.9 mill. Due in 5 Yrs \$41.6 mill. LT Debt \$325.6 mill. LT Interest \$22.0 mill. (41% of Cap'l) Leases, Uncapitalized: Annual rentals \$0.4 mill. Pension Assets-12/14 \$140.6 mill. Oblig. \$185.2 mill. Pfd Stock None. Common Stock 37,240,678 shs. as of 6/3/16																
MARKET CAP: \$1.5 billion (Mid Cap)		CURRENT POSITION 2013 2014 6/30/16 (\$MILL.) Cash Assets 38.2 76.0 43.9 Accs Receivable 23.8 18.8 19.2 Other 129.6 114.7 87.1 Current Assets 191.6 209.5 150.2 Accs Payable 49.8 41.9 42.3 Debt Due 6.3 3 3 Other 44.8 57.1 52.6 Current Liab. 100.9 99.3 95.2																
ANNUAL RATES of change (per sh)		Past 10 Yrs. Past 5 Yrs. Est'd '12-'14 to '18-'20 Revenues 6.0% 5.5% 3.5% "Cash Flow" 8.5% 9.0% 5.0% Earnings 11.0% 14.0% 6.0% Dividends 5.5% 8.5% 7.5% Book Value 6.0% 6.5% 3.0%																
QUARTERLY REVENUES (\$ mill.)		Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2012 107.6 114.3 133.5 111.5 466.9 2013 110.6 120.7 130.9 109.9 472.1 2014 102.0 115.6 138.3 109.9 465.8 2015 100.9 114.6 129.5 105 450 2016 95.0 110 135 110 450																
EARNINGS PER SHARE A		Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2012 27 .40 49 26 1.41 2013 35 .43 53 30 1.61 2014 28 .39 54 36 1.57 2015 32 .41 .55 .32 1.60 2016 31 .46 .60 .33 1.70																
QUARTERLY DIVIDENDS PAID B		Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2011 .13 .14 .14 .14 .55 2012 .14 .14 .1775 .1775 .64 2013 .1775 .1775 .2025 .2025 .76 2014 .2025 .2025 .213 .213 .83 2015 .213 .213 .224																
BUSINESS:		American States Water Co. operates as a holding company. Through its principal subsidiary, Golden States Water Company, it supplies water to 258,191 customers in 75 communities and 10 counties. Service areas include the greater metropolitan areas of Los Angeles and Orange Counties. The company also provides electric utility services to 23,716 customers in the city of Big Bear Lake and in areas of San Bernardino County. Sold Chaparral City Water of Arizona (6/11). Has 707 employees. Blackrock, Inc., owns 9.8% of out. shares; Vanguard, 8.5%; off. & dir. 1.5% (4/15 Proxy). Chairman: Lloyd Ross. President & CEO: Robert J. Sprowls. Inc. CA. Addr: 630 East Foothill Boulevard, San Dimas, CA 91773. Tel: 909-394-3600. Internet: www.aswater.com.																
AMERICAN STATES WATER'S MAIN SUBSIDIARY OPERATES IN DROUGHT-STRIKEN CALIFORNIA.		Golden State Water is responsible for almost 85% of the company's total business activity. Due to the lack of potable water, state regulators implemented measures in June aimed at reducing water consumption by 25%. The sharp drop in the demand for water should not have a material impact on the company. In a prescient move, the California Public Utility Commission (CPUC) got out in front of a potential problem by changing the methodology water utilities use to calculate income. In the past, profits were mostly determined by the amount of water sold. In the recent past, utilities' compensation was changed to be more like a service fee. As a result, water companies are joining with the CPUC to aggressively pursue conservation. If the old system had remained in place, Golden State would probably be financially strapped and unable to both provide adequate service to its customers while replacing an aging infrastructure. The near-term profit outlook is mixed. We only expect American States to earn \$1.60 a share in 2015, the second-straight year of flattish bottom-line growth. Income gains are being restrained because the utility is already earning close to the rate established by the CPUC. Next year, earnings should improve due to rate relief and help from nonregulated activities (see below). In sum, we expect share net to increase \$0.10, to \$1.70, a solid 6% gain. Nonregulated activities are doing well. The company's ASUS segment provides water services to military installations. For the first half of the year, ASUS was responsible for 15% of the company's net income. With more privatization expected in the future, increased contributions from this sector are likely. Short-term investors may like these shares. The stock has turned in an excellent performance since our July report, as its value rose 6.5%, compared to the S&P 500's 4.9% decline. Our ranking system believes this good run will continue as it has pegged the stock to outperform the market averages in the year ahead. The equity's recent rally has left AWR with subpar long-term prospects, however. James A. Flood October 16, 2015																
(A) Primary earnings. Excludes nonrecurring gains/(losses): '04, 7c; '05, 13c; '06, 3c; '08, (14c); '10, (23c); '11, 10c. Next earnings report due mid-November. Quarterly earnings may not add due to rounding.		(B) Dividends historically paid in early March, June, September, and December. = Div'd reinvestment plan available.																
(C) In millions, adjusted for splits.		Company's Financial Strength A Stock's Price Stability 85 Price Growth Persistence 70 Earnings Predictability 85																
© 2015 Value Line, Inc. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.																		

To subscribe call 1-800-VALUENE

AQUA AMERICA NYSE-WTR				RECENT PRICE	26.83	P/E RATIO	21.3	(Trailing: 21.5 Median: 23.0)	RELATIVE P/E RATIO	1.22	DIV'D YLD	2.7%	VALUE LINE																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
TIMELINESS 3 Lowered 5/24/13	High: 14.8	23.4	23.8	21.3	17.6	17.2	18.4	19.0	21.5	28.1	28.2	28.1	Target Price Range 2018 2019 2020																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
SAFETY 2 Raised 4/20/12	Low: 11.3	14.0	16.1	15.1	9.8	12.3	13.2	15.4	16.8	20.6	22.4	24.4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
TECHNICAL 4 Lowered 10/9/15																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
BETA .75 (1.00 = Market)	LEGENDS 1.60 x Dividends p sh divided by Interest Rate Relative Price Strength 5-for-4 split 12/03 4-for-3 split 12/05 5-for-4 split 9/13 Options: Yes Shaded area indicates recession																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
2018-20 PROJECTIONS				<table border="1"> <tr> <th>Price</th> <th>Gain</th> <th>Ann'l Total Return</th> </tr> <tr> <td>High 45</td> <td>(+70%)</td> <td>16%</td> </tr> <tr> <td>Low 30</td> <td>(+10%)</td> <td>6%</td> </tr> </table>										Price	Gain	Ann'l Total Return	High 45	(+70%)	16%	Low 30	(+10%)	6%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Price	Gain	Ann'l Total Return																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
High 45	(+70%)	16%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Low 30	(+10%)	6%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Insider Decisions				<table border="1"> <tr> <th>to Buy</th> <th>to Sell</th> <th>Options</th> </tr> <tr> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>2</td> <td>1</td> <td>1</td> </tr> <tr> <td>5</td> <td>2</td> <td>2</td> </tr> </table>										to Buy	to Sell	Options	0	0	0	2	1	1	5	2	2																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
to Buy	to Sell	Options																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
0	0	0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
2	1	1																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
5	2	2																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Institutional Decisions				<table border="1"> <tr> <th>to Buy</th> <th>to Sell</th> <th>Options</th> </tr> <tr> <td>137</td> <td>153</td> <td>156</td> </tr> <tr> <td>140</td> <td>133</td> <td>145</td> </tr> <tr> <td>81382</td> <td>81133</td> <td>82530</td> </tr> </table>										to Buy	to Sell	Options	137	153	156	140	133	145	81382	81133	82530																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
to Buy	to Sell	Options																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
137	153	156																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
140	133	145																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
81382	81133	82530																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
<table border="1"> <tr> <th>4Q2014</th> <th>1Q2015</th> <th>2Q2015</th> </tr> <tr> <td>137</td> <td>153</td> <td>156</td> </tr> <tr> <td>140</td> <td>133</td> <td>145</td> </tr> <tr> <td>81382</td> <td>81133</td> <td>82530</td> </tr> </table>				4Q2014	1Q2015	2Q2015	137	153	156	140	133	145	81382	81133	82530	<table border="1"> <tr> <th>Percent</th> <th>shares</th> <th>traded</th> </tr> <tr> <td>15</td> <td>10</td> <td>5</td> </tr> </table>										Percent	shares	traded	15	10	5																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
4Q2014	1Q2015	2Q2015																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
137	153	156																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
140	133	145																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
81382	81133	82530																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Percent	shares	traded																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
15	10	5																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
<table border="1"> <tr> <th>1999</th> <th>2000</th> <th>2001</th> <th>2002</th> <th>2003</th> <th>2004</th> <th>2005</th> <th>2006</th> <th>2007</th> <th>2008</th> <th>2009</th> <th>2010</th> <th>2011</th> <th>2012</th> <th>2013</th> <th>2014</th> <th>2015</th> <th>2016</th> <th>18-20</th> </tr> <tr> <td>1.93</td> <td>1.97</td> <td>2.16</td> <td>2.28</td> <td>2.38</td> <td>2.78</td> <td>3.08</td> <td>3.23</td> <td>3.61</td> <td>3.71</td> <td>3.93</td> <td>4.21</td> <td>4.10</td> <td>4.32</td> <td>4.32</td> <td>4.37</td> <td>4.60</td> <td>4.70</td> <td>Revenue per sh</td> <td>5.70</td> </tr> <tr> <td>58</td> <td>61</td> <td>69</td> <td>76</td> <td>77</td> <td>87</td> <td>97</td> <td>1.01</td> <td>1.10</td> <td>1.14</td> <td>1.29</td> <td>1.42</td> <td>1.45</td> <td>1.51</td> <td>1.62</td> <td>1.89</td> <td>2.00</td> <td>2.10</td> <td>"Cash Flow" per sh</td> <td>2.55</td> </tr> <tr> <td>33</td> <td>37</td> <td>41</td> <td>43</td> <td>46</td> <td>51</td> <td>57</td> <td>56</td> <td>57</td> <td>58</td> <td>62</td> <td>72</td> <td>83</td> <td>87</td> <td>1.16</td> <td>1.20</td> <td>1.25</td> <td>1.35</td> <td>Earnings per sh^A</td> <td>1.65</td> </tr> <tr> <td>22</td> <td>23</td> <td>24</td> <td>26</td> <td>28</td> <td>29</td> <td>32</td> <td>35</td> <td>38</td> <td>41</td> <td>44</td> <td>47</td> <td>50</td> <td>54</td> <td>58</td> <td>63</td> <td>69</td> <td>76</td> <td>Div'd Decl'd per sh^B</td> <td>1.00</td> </tr> <tr> <td>72</td> <td>93</td> <td>87</td> <td>96</td> <td>1.06</td> <td>1.23</td> <td>1.47</td> <td>1.64</td> <td>1.43</td> <td>1.58</td> <td>1.66</td> <td>1.89</td> <td>1.90</td> <td>1.98</td> <td>1.73</td> <td>1.84</td> <td>1.90</td> <td>1.95</td> <td>Cap'l Spending per sh</td> <td>2.00</td> </tr> <tr> <td>2.74</td> <td>3.08</td> <td>3.32</td> <td>3.49</td> <td>4.27</td> <td>4.71</td> <td>5.04</td> <td>5.57</td> <td>5.85</td> <td>6.26</td> <td>6.50</td> <td>6.81</td> <td>7.21</td> <td>7.90</td> <td>8.63</td> <td>9.27</td> <td>9.90</td> <td>10.45</td> <td>Book Value per sh</td> <td>11.75</td> </tr> <tr> <td>133.50</td> <td>139.78</td> <td>142.47</td> <td>141.49</td> <td>154.31</td> <td>158.97</td> <td>161.21</td> <td>165.41</td> <td>166.75</td> <td>169.21</td> <td>170.61</td> <td>172.46</td> <td>173.60</td> <td>175.43</td> <td>177.93</td> <td>178.59</td> <td>176.50</td> <td>175.00</td> <td>Common Shs Outst'g^C</td> <td>170.00</td> </tr> <tr> <td>21.2</td> <td>18.2</td> <td>23.6</td> <td>23.6</td> <td>24.5</td> <td>25.1</td> <td>31.8</td> <td>34.7</td> <td>32.0</td> <td>24.9</td> <td>23.1</td> <td>21.1</td> <td>21.3</td> <td>21.9</td> <td>21.2</td> <td>20.8</td> <td>20.0</td> <td>20.0</td> <td>Avg Ann'l P/E Ratio</td> <td>22.5</td> </tr> <tr> <td>1.21</td> <td>1.18</td> <td>1.21</td> <td>1.29</td> <td>1.40</td> <td>1.33</td> <td>1.69</td> <td>1.87</td> <td>1.70</td> <td>1.50</td> <td>1.54</td> <td>1.34</td> <td>1.39</td> <td>1.39</td> <td>1.19</td> <td>1.10</td> <td>1.10</td> <td>1.10</td> <td>Relative P/E Ratio</td> <td>1.40</td> </tr> <tr> <td>3.0%</td> <td>3.3%</td> <td>2.5%</td> <td>2.5%</td> <td>2.3%</td> <td>2.3%</td> <td>1.8%</td> <td>1.8%</td> <td>1.7%</td> <td>2.8%</td> <td>3.1%</td> <td>3.1%</td> <td>2.8%</td> <td>2.8%</td> <td>2.4%</td> <td>2.5%</td> <td>2.5%</td> <td>2.5%</td> <td>Avg Ann'l Div'd Yield</td> <td>2.7%</td> </tr> <tr> <td colspan="4">CAPITAL STRUCTURE as of 6/30/15</td> <td colspan="10"> <table border="1"> <tr> <td>496.8</td> <td>533.5</td> <td>602.5</td> <td>627.0</td> <td>670.5</td> <td>726.1</td> <td>712.0</td> <td>757.8</td> <td>768.6</td> <td>779.9</td> <td>810</td> <td>825</td> <td>Revenues (\$mill)</td> <td>980</td> </tr> <tr> <td>91.2</td> <td>92.0</td> <td>95.0</td> <td>97.9</td> <td>104.4</td> <td>124.0</td> <td>144.8</td> <td>153.1</td> <td>205.0</td> <td>213.9</td> <td>220</td> <td>235</td> <td>Net Profit (\$mill)</td> <td>280</td> </tr> <tr> <td>38.4%</td> <td>39.6%</td> <td>38.9%</td> <td>39.7%</td> <td>39.4%</td> <td>39.2%</td> <td>32.9%</td> <td>39.0%</td> <td>10.0%</td> <td>10.5%</td> <td>8.0%</td> <td>15.0%</td> <td>Income Tax Rate</td> <td>25.0%</td> </tr> <tr> <td>--</td> <td>--</td> <td>--</td> <td>--</td> <td>--</td> <td>--</td> <td>--</td> <td>--</td> <td>--</td> <td>1.1%</td> <td>2.4%</td> <td>2.5%</td> <td>AFUDC % to Net Profit</td> <td>3.0%</td> </tr> <tr> <td>52.0%</td> <td>51.6%</td> <td>55.4%</td> <td>54.1%</td> <td>55.6%</td> <td>56.6%</td> <td>52.7%</td> <td>52.7%</td> <td>48.9%</td> <td>48.5%</td> <td>49.5%</td> <td>49.0%</td> <td>Long-Term Debt Ratio</td> <td>50.0%</td> </tr> <tr> <td>48.0%</td> <td>48.4%</td> <td>44.6%</td> <td>45.9%</td> <td>44.4%</td> <td>43.4%</td> <td>47.3%</td> <td>47.3%</td> <td>51.1%</td> <td>51.5%</td> <td>50.5%</td> <td>51.0%</td> <td>Common Equity Ratio</td> <td>50.0%</td> </tr> <tr> <td>1690.4</td> <td>1904.4</td> <td>2191.4</td> <td>2306.6</td> <td>2495.5</td> <td>2706.2</td> <td>2646.8</td> <td>2929.7</td> <td>3003.6</td> <td>3216.0</td> <td>3450</td> <td>3605</td> <td>Total Capital (\$mill)</td> <td>4000</td> </tr> <tr> <td>2280.0</td> <td>2506.0</td> <td>2792.8</td> <td>2997.4</td> <td>3227.3</td> <td>3469.3</td> <td>3612.9</td> <td>3936.2</td> <td>4167.3</td> <td>4402.0</td> <td>4620</td> <td>4800</td> <td>Net Plant (\$mill)</td> <td>5000</td> </tr> <tr> <td>6.9%</td> <td>6.4%</td> <td>5.9%</td> <td>5.7%</td> <td>5.6%</td> <td>5.9%</td> <td>6.9%</td> <td>6.6%</td> <td>8.0%</td> <td>7.8%</td> <td>7.5%</td> <td>7.5%</td> <td>Return on Total Cap'l</td> <td>8.5%</td> </tr> <tr> <td>11.2%</td> <td>10.0%</td> <td>9.7%</td> <td>9.3%</td> <td>9.4%</td> <td>10.6%</td> <td>11.6%</td> <td>11.0%</td> <td>13.4%</td> <td>12.9%</td> <td>12.5%</td> <td>13.0%</td> <td>Return on Shr. Equity</td> <td>14.0%</td> </tr> <tr> <td>11.2%</td> <td>10.0%</td> <td>9.7%</td> <td>9.3%</td> <td>9.4%</td> <td>10.6%</td> <td>11.6%</td> <td>11.0%</td> <td>13.4%</td> <td>12.9%</td> <td>12.5%</td> <td>13.0%</td> <td>Return on Com Equity</td> <td>14.0%</td> </tr> <tr> <td>4.9%</td> <td>3.7%</td> <td>3.2%</td> <td>2.8%</td> <td>2.7%</td> <td>3.7%</td> <td>4.6%</td> <td>4.3%</td> <td>6.7%</td> <td>6.1%</td> <td>5.5%</td> <td>5.5%</td> <td>Retained to Com Eq</td> <td>5.5%</td> </tr> <tr> <td>56%</td> <td>63%</td> <td>67%</td> <td>70%</td> <td>72%</td> <td>65%</td> <td>60%</td> <td>61%</td> <td>50%</td> <td>52%</td> <td>55%</td> <td>56%</td> <td>All Div'ds to Net Prof</td> <td>61%</td> </tr> </table> </td> </tr> <tr> <td colspan="4">Pension Assets-12/14 232.4 mill.</td> <td colspan="10"> <table border="1"> <tr> <td>52.0%</td> <td>51.6%</td> <td>55.4%</td> <td>54.1%</td> <td>55.6%</td> <td>56.6%</td> <td>52.7%</td> <td>52.7%</td> <td>48.9%</td> <td>48.5%</td> <td>49.5%</td> <td>49.0%</td> <td>Long-Term Debt Ratio</td> <td>50.0%</td> </tr> <tr> <td>48.0%</td> <td>48.4%</td> <td>44.6%</td> <td>45.9%</td> <td>44.4%</td> <td>43.4%</td> <td>47.3%</td> <td>47.3%</td> <td>51.1%</td> <td>51.5%</td> <td>50.5%</td> <td>51.0%</td> <td>Common Equity Ratio</td> <td>50.0%</td> </tr> </table> </td> </tr> <tr> <td colspan="4">Pfd Stock None</td> <td colspan="10"> <table border="1"> <tr> <td>1690.4</td> <td>1904.4</td> <td>2191.4</td> <td>2306.6</td> <td>2495.5</td> <td>2706.2</td> <td>2646.8</td> <td>2929.7</td> <td>3003.6</td> <td>3216.0</td> <td>3450</td> <td>3605</td> <td>Total Capital (\$mill)</td> <td>4000</td> </tr> <tr> <td>2280.0</td> <td>2506.0</td> <td>2792.8</td> <td>2997.4</td> <td>3227.3</td> <td>3469.3</td> <td>3612.9</td> <td>3936.2</td> <td>4167.3</td> <td>4402.0</td> <td>4620</td> <td>4800</td> <td>Net Plant (\$mill)</td> <td>5000</td> </tr> </table> </td> </tr> <tr> <td colspan="4">Common Stock 176,805,350 shares as of 7/24/15</td> <td colspan="10"> <table border="1"> <tr> <td>6.9%</td> <td>6.4%</td> <td>5.9%</td> <td>5.7%</td> <td>5.6%</td> <td>5.9%</td> <td>6.9%</td> <td>6.6%</td> <td>8.0%</td> <td>7.8%</td> <td>7.5%</td> <td>7.5%</td> <td>Return on Total Cap'l</td> <td>8.5%</td> </tr> <tr> <td>11.2%</td> <td>10.0%</td> <td>9.7%</td> <td>9.3%</td> <td>9.4%</td> <td>10.6%</td> <td>11.6%</td> <td>11.0%</td> <td>13.4%</td> <td>12.9%</td> <td>12.5%</td> <td>13.0%</td> <td>Return on Shr. Equity</td> <td>14.0%</td> </tr> <tr> <td>11.2%</td> <td>10.0%</td> <td>9.7%</td> <td>9.3%</td> <td>9.4%</td> <td>10.6%</td> <td>11.6%</td> <td>11.0%</td> <td>13.4%</td> <td>12.9%</td> <td>12.5%</td> <td>13.0%</td> <td>Return on Com Equity</td> <td>14.0%</td> </tr> </table> </td> </tr> <tr> <td colspan="4">MARKET CAP: \$4.7 billion (Mid Cap)</td> <td colspan="10"> <table border="1"> <tr> <td>4.9%</td> <td>3.7%</td> <td>3.2%</td> <td>2.8%</td> <td>2.7%</td> <td>3.7%</td> <td>4.6%</td> <td>4.3%</td> <td>6.7%</td> <td>6.1%</td> <td>5.5%</td> <td>5.5%</td> <td>Retained to Com Eq</td> <td>5.5%</td> </tr> <tr> <td>56%</td> <td>63%</td> <td>67%</td> <td>70%</td> <td>72%</td> <td>65%</td> <td>60%</td> <td>61%</td> <td>50%</td> <td>52%</td> <td>55%</td> <td>56%</td> <td>All Div'ds to Net Prof</td> <td>61%</td> </tr> </table> </td> </tr> <tr> <td colspan="4">CURRENT POSITION (\$MILL.)</td> <td colspan="10"> <table border="1"> <tr> <td>2013</td> <td>2014</td> <td>6/30/15</td> </tr> <tr> <td>5.1</td> <td>4.1</td> <td>4.6</td> </tr> <tr> <td>95.4</td> <td>97.0</td> <td>109.5</td> </tr> <tr> <td>11.4</td> <td>12.8</td> <td>13.6</td> </tr> <tr> <td>59.8</td> <td>38.6</td> <td>47.7</td> </tr> <tr> <td>171.7</td> <td>152.5</td> <td>175.4</td> </tr> <tr> <td>65.8</td> <td>60.0</td> <td>47.5</td> </tr> <tr> <td>123.0</td> <td>70.0</td> <td>74.8</td> </tr> <tr> <td>78.1</td> <td>95.3</td> <td>81.1</td> </tr> <tr> <td>266.9</td> <td>225.3</td> <td>203.4</td> </tr> </table> </td> </tr> <tr> <td colspan="4">ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '12-'14 of change (per sh)</td> <td colspan="10"> <table border="1"> <tr> <td>Revenues</td> <td>5.5%</td> <td>3.0%</td> <td>4.5%</td> </tr> <tr> <td>"Cash Flow"</td> <td>8.0%</td> <td>8.0%</td> <td>6.5%</td> </tr> <tr> <td>Earnings</td> <td>8.5%</td> <td>13.0%</td> <td>7.5%</td> </tr> <tr> <td>Dividends</td> <td>7.5%</td> <td>7.0%</td> <td>9.5%</td> </tr> <tr> <td>Book Value</td> <td>7.5%</td> <td>6.5%</td> <td>5.5%</td> </tr> </table> </td> </tr> <tr> <td colspan="4">QUARTERLY REVENUES (\$ mill.)</td> <td colspan="10"> <table border="1"> <tr> <th>Cal-endar</th> <th>Mar.31</th> <th>Jun.30</th> <th>Sep.30</th> <th>Dec.31</th> <th>Full Year</th> </tr> <tr> <td>2012</td> <td>164.0</td> <td>191.7</td> <td>214.6</td> <td>187.5</td> <td>757.8</td> </tr> <tr> <td>2013</td> <td>180.0</td> <td>195.7</td> <td>204.3</td> <td>188.6</td> <td>768.6</td> </tr> <tr> <td>2014</td> <td>182.7</td> <td>195.3</td> <td>210.5</td> <td>191.4</td> <td>779.9</td> </tr> <tr> <td>2015</td> <td>190.3</td> <td>205.8</td> <td>220</td> <td>193.9</td> <td>810</td> </tr> <tr> <td>2016</td> <td>192</td> <td>208</td> <td>225</td> <td>200</td> <td>825</td> </tr> </table> </td> </tr> <tr> <td colspan="4">EARNINGS PER SHARE^A</td> <td colspan="10"> <table border="1"> <tr> <th>Cal-endar</th> <th>Mar.31</th> <th>Jun.30</th> <th>Sep.30</th> <th>Dec.31</th> <th>Full Year</th> </tr> <tr> <td>2012</td> <td>.15</td> <td>.24</td> <td>.29</td> <td>.19</td> <td>.87</td> </tr> <tr> <td>2013</td> <td>.26</td> <td>.30</td> <td>.36</td> <td>.24</td> <td>1.16</td> </tr> <tr> <td>2014</td> <td>.24</td> <td>.31</td> <td>.38</td> <td>.27</td> <td>1.20</td> </tr> <tr> <td>2015</td> <td>.27</td> <td>.32</td> <td>.39</td> <td>.27</td> <td>1.25</td> </tr> <tr> <td>2016</td> <td>.28</td> <td>.34</td> <td>.42</td> <td>.31</td> <td>1.35</td> </tr> </table> </td> </tr> <tr> <td colspan="4">QUARTERLY DIVIDENDS PAID^B</td> <td colspan="10"> <table border="1"> <tr> <th>Cal-endar</th> <th>Mar.31</th> <th>Jun.30</th> <th>Sep.30</th> <th>Dec.31</th> <th>Full Year</th> </tr> <tr> <td>2011</td> <td>.124</td> <td>.124</td> <td>.124</td> <td>.132</td> <td>.50</td> </tr> <tr> <td>2012</td> <td>.132</td> <td>.132</td> <td>.132</td> <td>.14</td> <td>.54</td> </tr> <tr> <td>2013</td> <td>.14</td> <td>.14</td> <td>.152</td> <td>.152</td> <td>.58</td> </tr> <tr> <td>2014</td> <td>.152</td> <td>.152</td> <td>.165</td> <td>.165</td> <td>.63</td> </tr> <tr> <td>2015</td> <td>.165</td> <td>.165</td> <td>.178</td> <td></td> <td></td> </tr> </table> </td> </tr> <tr> <td colspan="4">BUSINESS: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately three million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and five other states. Has 1,617 employees. Acquired AquaSource, 7/03; Consumers Water, 4/99; and others. Water supply revenues '14: residential, 68%; commercial, 17%; industrial & other, 15%. Officers and directors own .8% of the common stock; Vangurad Group, 7.1%; Blackrock, Inc, 6.7%; Stale Street Capital Corp., 5.7% (3/15 Proxy). Chairman: Nicholas DeBenedictis. CEO: Christopher Franklin. Incorporated: Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Tel.: 610-525-1400. Internet: www.aquaamerica.com.</td> <td colspan="10"> <p>Aqua America raised its dividend a hefty 8% in the last quarter. We had anticipated a 7% increase, but the latest hike further enhances the stock's reputation for having much better-than-average dividend growth prospects. Over the next three- to five-year period, we expect the rate to average a generous 9.0%.</p> <p>Earnings will probably be flat for the remainder of this year, than pick up in 2016. Aqua's bottom line benefited from a one-time \$0.11 a-share-gain in 2014, making the 2015 profit figure seem less favorable by comparison. Still, we think the company's share net will rise a decent 4%, to \$1.25. Next year, due to a combination of rate relief, cost saving from acquisitions (see below), and the ability to earn returns on capital expenditures without much regulatory lag, earnings per share may well climb a healthy 8%, to \$1.35.</p> <p>Aqua should continue to be very active in the M&A markets. As we have pointed out before, the domestic water market is fragmented among over 50,000 major-to-mid-sized water districts. With the nation's long-neglected water infrastructure in desperate need of modernization, large amounts of capital will be required to pay for the repairs. Since many small municipally run water authorities are in a financial bind, it makes sense for them to be purchased by a larger water company. Because there is a tremendous amount of redundancies in the water industry, companies such as Aqua are able to absorb smaller concerns and substantially reduce overhead. This strategy should help fuel profit growth for the foreseeable future.</p> <p>Long-term, conservative, income-oriented investors should take note of this stock. Though only ranked to perform in-line with the broader market averages in the coming year, WTR has many attractive attributes. For starters, the stock's yield is 2.7%, which is close to the industry average. This is unusual, as utilities with good dividend growth prospects often carry a much lower yield than a typical member of the group. Moreover, the stock has an A Financial Strength rating, and scores extremely high for both Earnings Predictability (100), and Stock Price Stability (95).</p> <p>James A. Flood October 16, 2015</p> </td> </tr> <tr> <td colspan="4">(A) Diluted eggs. Excl. nonrec. gains (losses): '99, (9¢); '00, 2¢; '01, 2¢; '02, 4¢; '03, 3¢; '12, 18¢. Excl. gain from disc. operations: '12, 7¢; '13, 9¢; '14, 11¢. May not sum due to rounding.</td> <td colspan="4">(B) Dividends historically paid in early March, June, Sept. & Dec. = Div'd. reinvestment plan available (5% discount).</td> <td colspan="4">(C) In millions, adjusted for stock splits.</td> <td colspan="4"> <table border="1"> <tr> <td>Company's Financial Strength</td> <td>A</td> </tr> <tr> <td>Stock's Price Stability</td> <td>95</td> </tr> <tr> <td>Price Growth Persistence</td> <td>60</td> </tr> <tr> <td>Earnings Predictability</td> <td>100</td> </tr> </table> </td> </tr> <tr> <td colspan="18"> <p>© 2015 Value Line, Inc. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.</p> </td> </tr> </table>				1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	18-20	1.93	1.97	2.16	2.28	2.38	2.78	3.08	3.23	3.61	3.71	3.93	4.21	4.10	4.32	4.32	4.37	4.60	4.70	Revenue per sh	5.70	58	61	69	76	77	87	97	1.01	1.10	1.14	1.29	1.42	1.45	1.51	1.62	1.89	2.00	2.10	"Cash Flow" per sh	2.55	33	37	41	43	46	51	57	56	57	58	62	72	83	87	1.16	1.20	1.25	1.35	Earnings per sh ^A	1.65	22	23	24	26	28	29	32	35	38	41	44	47	50	54	58	63	69	76	Div'd Decl'd per sh ^B	1.00	72	93	87	96	1.06	1.23	1.47	1.64	1.43	1.58	1.66	1.89	1.90	1.98	1.73	1.84	1.90	1.95	Cap'l Spending per sh	2.00	2.74	3.08	3.32	3.49	4.27	4.71	5.04	5.57	5.85	6.26	6.50	6.81	7.21	7.90	8.63	9.27	9.90	10.45	Book Value per sh	11.75	133.50	139.78	142.47	141.49	154.31	158.97	161.21	165.41	166.75	169.21	170.61	172.46	173.60	175.43	177.93	178.59	176.50	175.00	Common Shs Outst'g ^C	170.00	21.2	18.2	23.6	23.6	24.5	25.1	31.8	34.7	32.0	24.9	23.1	21.1	21.3	21.9	21.2	20.8	20.0	20.0	Avg Ann'l P/E Ratio	22.5	1.21	1.18	1.21	1.29	1.40	1.33	1.69	1.87	1.70	1.50	1.54	1.34	1.39	1.39	1.19	1.10	1.10	1.10	Relative P/E Ratio	1.40	3.0%	3.3%	2.5%	2.5%	2.3%	2.3%	1.8%	1.8%	1.7%	2.8%	3.1%	3.1%	2.8%	2.8%	2.4%	2.5%	2.5%	2.5%	Avg Ann'l Div'd Yield	2.7%	CAPITAL STRUCTURE as of 6/30/15				<table border="1"> <tr> <td>496.8</td> <td>533.5</td> <td>602.5</td> <td>627.0</td> <td>670.5</td> <td>726.1</td> <td>712.0</td> <td>757.8</td> <td>768.6</td> <td>779.9</td> <td>810</td> <td>825</td> <td>Revenues (\$mill)</td> <td>980</td> </tr> <tr> <td>91.2</td> <td>92.0</td> <td>95.0</td> <td>97.9</td> <td>104.4</td> <td>124.0</td> <td>144.8</td> <td>153.1</td> <td>205.0</td> <td>213.9</td> <td>220</td> <td>235</td> <td>Net Profit (\$mill)</td> <td>280</td> </tr> <tr> <td>38.4%</td> <td>39.6%</td> <td>38.9%</td> <td>39.7%</td> <td>39.4%</td> <td>39.2%</td> <td>32.9%</td> <td>39.0%</td> <td>10.0%</td> <td>10.5%</td> <td>8.0%</td> <td>15.0%</td> <td>Income Tax Rate</td> <td>25.0%</td> </tr> <tr> <td>--</td> <td>--</td> <td>--</td> <td>--</td> <td>--</td> <td>--</td> <td>--</td> <td>--</td> <td>--</td> <td>1.1%</td> <td>2.4%</td> <td>2.5%</td> <td>AFUDC % to Net Profit</td> <td>3.0%</td> </tr> <tr> <td>52.0%</td> <td>51.6%</td> <td>55.4%</td> <td>54.1%</td> <td>55.6%</td> <td>56.6%</td> <td>52.7%</td> <td>52.7%</td> <td>48.9%</td> <td>48.5%</td> <td>49.5%</td> <td>49.0%</td> <td>Long-Term Debt Ratio</td> <td>50.0%</td> </tr> <tr> <td>48.0%</td> <td>48.4%</td> <td>44.6%</td> <td>45.9%</td> <td>44.4%</td> <td>43.4%</td> <td>47.3%</td> <td>47.3%</td> <td>51.1%</td> <td>51.5%</td> <td>50.5%</td> <td>51.0%</td> <td>Common Equity Ratio</td> <td>50.0%</td> </tr> <tr> <td>1690.4</td> <td>1904.4</td> <td>2191.4</td> <td>2306.6</td> <td>2495.5</td> <td>2706.2</td> <td>2646.8</td> <td>2929.7</td> <td>3003.6</td> <td>3216.0</td> <td>3450</td> <td>3605</td> <td>Total Capital (\$mill)</td> <td>4000</td> </tr> <tr> <td>2280.0</td> <td>2506.0</td> <td>2792.8</td> <td>2997.4</td> <td>3227.3</td> <td>3469.3</td> <td>3612.9</td> <td>3936.2</td> <td>4167.3</td> <td>4402.0</td> <td>4620</td> <td>4800</td> <td>Net Plant (\$mill)</td> <td>5000</td> </tr> <tr> <td>6.9%</td> <td>6.4%</td> <td>5.9%</td> <td>5.7%</td> <td>5.6%</td> <td>5.9%</td> <td>6.9%</td> <td>6.6%</td> <td>8.0%</td> <td>7.8%</td> <td>7.5%</td> <td>7.5%</td> <td>Return on Total Cap'l</td> <td>8.5%</td> </tr> <tr> <td>11.2%</td> <td>10.0%</td> <td>9.7%</td> <td>9.3%</td> <td>9.4%</td> <td>10.6%</td> <td>11.6%</td> <td>11.0%</td> <td>13.4%</td> <td>12.9%</td> <td>12.5%</td> <td>13.0%</td> <td>Return on Shr. Equity</td> <td>14.0%</td> </tr> <tr> <td>11.2%</td> <td>10.0%</td> <td>9.7%</td> <td>9.3%</td> <td>9.4%</td> <td>10.6%</td> <td>11.6%</td> <td>11.0%</td> <td>13.4%</td> <td>12.9%</td> <td>12.5%</td> <td>13.0%</td> <td>Return on Com Equity</td> <td>14.0%</td> </tr> <tr> <td>4.9%</td> <td>3.7%</td> <td>3.2%</td> <td>2.8%</td> <td>2.7%</td> <td>3.7%</td> <td>4.6%</td> <td>4.3%</td> <td>6.7%</td> <td>6.1%</td> <td>5.5%</td> <td>5.5%</td> <td>Retained to Com Eq</td> <td>5.5%</td> </tr> <tr> <td>56%</td> <td>63%</td> <td>67%</td> <td>70%</td> <td>72%</td> <td>65%</td> <td>60%</td> <td>61%</td> <td>50%</td> <td>52%</td> <td>55%</td> <td>56%</td> <td>All Div'ds to Net Prof</td> <td>61%</td> </tr> </table>										496.8	533.5	602.5	627.0	670.5	726.1	712.0	757.8	768.6	779.9	810	825	Revenues (\$mill)	980	91.2	92.0	95.0	97.9	104.4	124.0	144.8	153.1	205.0	213.9	220	235	Net Profit (\$mill)	280	38.4%	39.6%	38.9%	39.7%	39.4%	39.2%	32.9%	39.0%	10.0%	10.5%	8.0%	15.0%	Income Tax Rate	25.0%	--	--	--	--	--	--	--	--	--	1.1%	2.4%	2.5%	AFUDC % to Net Profit	3.0%	52.0%	51.6%	55.4%	54.1%	55.6%	56.6%	52.7%	52.7%	48.9%	48.5%	49.5%	49.0%	Long-Term Debt Ratio	50.0%	48.0%	48.4%	44.6%	45.9%	44.4%	43.4%	47.3%	47.3%	51.1%	51.5%	50.5%	51.0%	Common Equity Ratio	50.0%	1690.4	1904.4	2191.4	2306.6	2495.5	2706.2	2646.8	2929.7	3003.6	3216.0	3450	3605	Total Capital (\$mill)	4000	2280.0	2506.0	2792.8	2997.4	3227.3	3469.3	3612.9	3936.2	4167.3	4402.0	4620	4800	Net Plant (\$mill)	5000	6.9%	6.4%	5.9%	5.7%	5.6%	5.9%	6.9%	6.6%	8.0%	7.8%	7.5%	7.5%	Return on Total Cap'l	8.5%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	12.9%	12.5%	13.0%	Return on Shr. Equity	14.0%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	12.9%	12.5%	13.0%	Return on Com Equity	14.0%	4.9%	3.7%	3.2%	2.8%	2.7%	3.7%	4.6%	4.3%	6.7%	6.1%	5.5%	5.5%	Retained to Com Eq	5.5%	56%	63%	67%	70%	72%	65%	60%	61%	50%	52%	55%	56%	All Div'ds to Net Prof	61%	Pension Assets-12/14 232.4 mill.				<table border="1"> <tr> <td>52.0%</td> <td>51.6%</td> <td>55.4%</td> <td>54.1%</td> <td>55.6%</td> <td>56.6%</td> <td>52.7%</td> <td>52.7%</td> <td>48.9%</td> <td>48.5%</td> <td>49.5%</td> <td>49.0%</td> <td>Long-Term Debt Ratio</td> <td>50.0%</td> </tr> <tr> <td>48.0%</td> <td>48.4%</td> <td>44.6%</td> <td>45.9%</td> <td>44.4%</td> <td>43.4%</td> <td>47.3%</td> <td>47.3%</td> <td>51.1%</td> <td>51.5%</td> <td>50.5%</td> <td>51.0%</td> <td>Common Equity Ratio</td> <td>50.0%</td> </tr> </table>										52.0%	51.6%	55.4%	54.1%	55.6%	56.6%	52.7%	52.7%	48.9%	48.5%	49.5%	49.0%	Long-Term Debt Ratio	50.0%	48.0%	48.4%	44.6%	45.9%	44.4%	43.4%	47.3%	47.3%	51.1%	51.5%	50.5%	51.0%	Common Equity Ratio	50.0%	Pfd Stock None				<table border="1"> <tr> <td>1690.4</td> <td>1904.4</td> <td>2191.4</td> <td>2306.6</td> <td>2495.5</td> <td>2706.2</td> <td>2646.8</td> <td>2929.7</td> <td>3003.6</td> <td>3216.0</td> <td>3450</td> <td>3605</td> <td>Total Capital (\$mill)</td> <td>4000</td> </tr> <tr> <td>2280.0</td> <td>2506.0</td> <td>2792.8</td> <td>2997.4</td> <td>3227.3</td> <td>3469.3</td> <td>3612.9</td> <td>3936.2</td> <td>4167.3</td> <td>4402.0</td> <td>4620</td> <td>4800</td> <td>Net Plant (\$mill)</td> <td>5000</td> </tr> </table>										1690.4	1904.4	2191.4	2306.6	2495.5	2706.2	2646.8	2929.7	3003.6	3216.0	3450	3605	Total Capital (\$mill)	4000	2280.0	2506.0	2792.8	2997.4	3227.3	3469.3	3612.9	3936.2	4167.3	4402.0	4620	4800	Net Plant (\$mill)	5000	Common Stock 176,805,350 shares as of 7/24/15				<table border="1"> <tr> <td>6.9%</td> <td>6.4%</td> <td>5.9%</td> <td>5.7%</td> <td>5.6%</td> <td>5.9%</td> <td>6.9%</td> <td>6.6%</td> <td>8.0%</td> <td>7.8%</td> <td>7.5%</td> <td>7.5%</td> <td>Return on Total Cap'l</td> <td>8.5%</td> </tr> <tr> <td>11.2%</td> <td>10.0%</td> <td>9.7%</td> <td>9.3%</td> <td>9.4%</td> <td>10.6%</td> <td>11.6%</td> <td>11.0%</td> <td>13.4%</td> <td>12.9%</td> <td>12.5%</td> <td>13.0%</td> <td>Return on Shr. Equity</td> <td>14.0%</td> </tr> <tr> <td>11.2%</td> <td>10.0%</td> <td>9.7%</td> <td>9.3%</td> <td>9.4%</td> <td>10.6%</td> <td>11.6%</td> <td>11.0%</td> <td>13.4%</td> <td>12.9%</td> <td>12.5%</td> <td>13.0%</td> <td>Return on Com Equity</td> <td>14.0%</td> </tr> </table>										6.9%	6.4%	5.9%	5.7%	5.6%	5.9%	6.9%	6.6%	8.0%	7.8%	7.5%	7.5%	Return on Total Cap'l	8.5%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	12.9%	12.5%	13.0%	Return on Shr. Equity	14.0%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	12.9%	12.5%	13.0%	Return on Com Equity	14.0%	MARKET CAP: \$4.7 billion (Mid Cap)				<table border="1"> <tr> <td>4.9%</td> <td>3.7%</td> <td>3.2%</td> <td>2.8%</td> <td>2.7%</td> <td>3.7%</td> <td>4.6%</td> <td>4.3%</td> <td>6.7%</td> <td>6.1%</td> <td>5.5%</td> <td>5.5%</td> <td>Retained to Com Eq</td> <td>5.5%</td> </tr> <tr> <td>56%</td> <td>63%</td> <td>67%</td> <td>70%</td> <td>72%</td> <td>65%</td> <td>60%</td> <td>61%</td> <td>50%</td> <td>52%</td> <td>55%</td> <td>56%</td> <td>All Div'ds to Net Prof</td> <td>61%</td> </tr> </table>										4.9%	3.7%	3.2%	2.8%	2.7%	3.7%	4.6%	4.3%	6.7%	6.1%	5.5%	5.5%	Retained to Com Eq	5.5%	56%	63%	67%	70%	72%	65%	60%	61%	50%	52%	55%	56%	All Div'ds to Net Prof	61%	CURRENT POSITION (\$MILL.)				<table border="1"> <tr> <td>2013</td> <td>2014</td> <td>6/30/15</td> </tr> <tr> <td>5.1</td> <td>4.1</td> <td>4.6</td> </tr> <tr> <td>95.4</td> <td>97.0</td> <td>109.5</td> </tr> <tr> <td>11.4</td> <td>12.8</td> <td>13.6</td> </tr> <tr> <td>59.8</td> <td>38.6</td> <td>47.7</td> </tr> <tr> <td>171.7</td> <td>152.5</td> <td>175.4</td> </tr> <tr> <td>65.8</td> <td>60.0</td> <td>47.5</td> </tr> <tr> <td>123.0</td> <td>70.0</td> <td>74.8</td> </tr> <tr> <td>78.1</td> <td>95.3</td> <td>81.1</td> </tr> <tr> <td>266.9</td> <td>225.3</td> <td>203.4</td> </tr> </table>										2013	2014	6/30/15	5.1	4.1	4.6	95.4	97.0	109.5	11.4	12.8	13.6	59.8	38.6	47.7	171.7	152.5	175.4	65.8	60.0	47.5	123.0	70.0	74.8	78.1	95.3	81.1	266.9	225.3	203.4	ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '12-'14 of change (per sh)				<table border="1"> <tr> <td>Revenues</td> <td>5.5%</td> <td>3.0%</td> <td>4.5%</td> </tr> <tr> <td>"Cash Flow"</td> <td>8.0%</td> <td>8.0%</td> <td>6.5%</td> </tr> <tr> <td>Earnings</td> <td>8.5%</td> <td>13.0%</td> <td>7.5%</td> </tr> <tr> <td>Dividends</td> <td>7.5%</td> <td>7.0%</td> <td>9.5%</td> </tr> <tr> <td>Book Value</td> <td>7.5%</td> <td>6.5%</td> <td>5.5%</td> </tr> </table>										Revenues	5.5%	3.0%	4.5%	"Cash Flow"	8.0%	8.0%	6.5%	Earnings	8.5%	13.0%	7.5%	Dividends	7.5%	7.0%	9.5%	Book Value	7.5%	6.5%	5.5%	QUARTERLY REVENUES (\$ mill.)				<table border="1"> <tr> <th>Cal-endar</th> <th>Mar.31</th> <th>Jun.30</th> <th>Sep.30</th> <th>Dec.31</th> <th>Full Year</th> </tr> <tr> <td>2012</td> <td>164.0</td> <td>191.7</td> <td>214.6</td> <td>187.5</td> <td>757.8</td> </tr> <tr> <td>2013</td> <td>180.0</td> <td>195.7</td> <td>204.3</td> <td>188.6</td> <td>768.6</td> </tr> <tr> <td>2014</td> <td>182.7</td> <td>195.3</td> <td>210.5</td> <td>191.4</td> <td>779.9</td> </tr> <tr> <td>2015</td> <td>190.3</td> <td>205.8</td> <td>220</td> <td>193.9</td> <td>810</td> </tr> <tr> <td>2016</td> <td>192</td> <td>208</td> <td>225</td> <td>200</td> <td>825</td> </tr> </table>										Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year	2012	164.0	191.7	214.6	187.5	757.8	2013	180.0	195.7	204.3	188.6	768.6	2014	182.7	195.3	210.5	191.4	779.9	2015	190.3	205.8	220	193.9	810	2016	192	208	225	200	825	EARNINGS PER SHARE^A				<table border="1"> <tr> <th>Cal-endar</th> <th>Mar.31</th> <th>Jun.30</th> <th>Sep.30</th> <th>Dec.31</th> <th>Full Year</th> </tr> <tr> <td>2012</td> <td>.15</td> <td>.24</td> <td>.29</td> <td>.19</td> <td>.87</td> </tr> <tr> <td>2013</td> <td>.26</td> <td>.30</td> <td>.36</td> <td>.24</td> <td>1.16</td> </tr> <tr> <td>2014</td> <td>.24</td> <td>.31</td> <td>.38</td> <td>.27</td> <td>1.20</td> </tr> <tr> <td>2015</td> <td>.27</td> <td>.32</td> <td>.39</td> <td>.27</td> <td>1.25</td> </tr> <tr> <td>2016</td> <td>.28</td> <td>.34</td> <td>.42</td> <td>.31</td> <td>1.35</td> </tr> </table>										Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year	2012	.15	.24	.29	.19	.87	2013	.26	.30	.36	.24	1.16	2014	.24	.31	.38	.27	1.20	2015	.27	.32	.39	.27	1.25	2016	.28	.34	.42	.31	1.35	QUARTERLY DIVIDENDS PAID^B				<table border="1"> <tr> <th>Cal-endar</th> <th>Mar.31</th> <th>Jun.30</th> <th>Sep.30</th> <th>Dec.31</th> <th>Full Year</th> </tr> <tr> <td>2011</td> <td>.124</td> <td>.124</td> <td>.124</td> <td>.132</td> <td>.50</td> </tr> <tr> <td>2012</td> <td>.132</td> <td>.132</td> <td>.132</td> <td>.14</td> <td>.54</td> </tr> <tr> <td>2013</td> <td>.14</td> <td>.14</td> <td>.152</td> <td>.152</td> <td>.58</td> </tr> <tr> <td>2014</td> <td>.152</td> <td>.152</td> <td>.165</td> <td>.165</td> <td>.63</td> </tr> <tr> <td>2015</td> <td>.165</td> <td>.165</td> <td>.178</td> <td></td> <td></td> </tr> </table>										Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year	2011	.124	.124	.124	.132	.50	2012	.132	.132	.132	.14	.54	2013	.14	.14	.152	.152	.58	2014	.152	.152	.165	.165	.63	2015	.165	.165	.178			BUSINESS: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately three million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and five other states. Has 1,617 employees. Acquired AquaSource, 7/03; Consumers Water, 4/99; and others. Water supply revenues '14: residential, 68%; commercial, 17%; industrial & other, 15%. Officers and directors own .8% of the common stock; Vangurad Group, 7.1%; Blackrock, Inc, 6.7%; Stale Street Capital Corp., 5.7% (3/15 Proxy). Chairman: Nicholas DeBenedictis. CEO: Christopher Franklin. Incorporated: Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Tel.: 610-525-1400. Internet: www.aquaamerica.com.				<p>Aqua America raised its dividend a hefty 8% in the last quarter. We had anticipated a 7% increase, but the latest hike further enhances the stock's reputation for having much better-than-average dividend growth prospects. Over the next three- to five-year period, we expect the rate to average a generous 9.0%.</p> <p>Earnings will probably be flat for the remainder of this year, than pick up in 2016. Aqua's bottom line benefited from a one-time \$0.11 a-share-gain in 2014, making the 2015 profit figure seem less favorable by comparison. Still, we think the company's share net will rise a decent 4%, to \$1.25. Next year, due to a combination of rate relief, cost saving from acquisitions (see below), and the ability to earn returns on capital expenditures without much regulatory lag, earnings per share may well climb a healthy 8%, to \$1.35.</p> <p>Aqua should continue to be very active in the M&A markets. As we have pointed out before, the domestic water market is fragmented among over 50,000 major-to-mid-sized water districts. With the nation's long-neglected water infrastructure in desperate need of modernization, large amounts of capital will be required to pay for the repairs. Since many small municipally run water authorities are in a financial bind, it makes sense for them to be purchased by a larger water company. Because there is a tremendous amount of redundancies in the water industry, companies such as Aqua are able to absorb smaller concerns and substantially reduce overhead. This strategy should help fuel profit growth for the foreseeable future.</p> <p>Long-term, conservative, income-oriented investors should take note of this stock. Though only ranked to perform in-line with the broader market averages in the coming year, WTR has many attractive attributes. For starters, the stock's yield is 2.7%, which is close to the industry average. This is unusual, as utilities with good dividend growth prospects often carry a much lower yield than a typical member of the group. Moreover, the stock has an A Financial Strength rating, and scores extremely high for both Earnings Predictability (100), and Stock Price Stability (95).</p> <p>James A. Flood October 16, 2015</p>										(A) Diluted eggs. Excl. nonrec. gains (losses): '99, (9¢); '00, 2¢; '01, 2¢; '02, 4¢; '03, 3¢; '12, 18¢. Excl. gain from disc. operations: '12, 7¢; '13, 9¢; '14, 11¢. May not sum due to rounding.				(B) Dividends historically paid in early March, June, Sept. & Dec. = Div'd. reinvestment plan available (5% discount).				(C) In millions, adjusted for stock splits.				<table border="1"> <tr> <td>Company's Financial Strength</td> <td>A</td> </tr> <tr> <td>Stock's Price Stability</td> <td>95</td> </tr> <tr> <td>Price Growth Persistence</td> <td>60</td> </tr> <tr> <td>Earnings Predictability</td> <td>100</td> </tr> </table>				Company's Financial Strength	A	Stock's Price Stability	95	Price Growth Persistence	60	Earnings Predictability	100	<p>© 2015 Value Line, Inc. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.</p>																	
1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	18-20																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
1.93	1.97	2.16	2.28	2.38	2.78	3.08	3.23	3.61	3.71	3.93	4.21	4.10	4.32	4.32	4.37	4.60	4.70	Revenue per sh	5.70																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
58	61	69	76	77	87	97	1.01	1.10	1.14	1.29	1.42	1.45	1.51	1.62	1.89	2.00	2.10	"Cash Flow" per sh	2.55																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
33	37	41	43	46	51	57	56	57	58	62	72	83	87	1.16	1.20	1.25	1.35	Earnings per sh ^A	1.65																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
22	23	24	26	28	29	32	35	38	41	44	47	50	54	58	63	69	76	Div'd Decl'd per sh ^B	1.00																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
72	93	87	96	1.06	1.23	1.47	1.64	1.43	1.58	1.66	1.89	1.90	1.98	1.73	1.84	1.90	1.95	Cap'l Spending per sh	2.00																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
2.74	3.08	3.32	3.49	4.27	4.71	5.04	5.57	5.85	6.26	6.50	6.81	7.21	7.90	8.63	9.27	9.90	10.45	Book Value per sh	11.75																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
133.50	139.78	142.47	141.49	154.31	158.97	161.21	165.41	166.75	169.21	170.61	172.46	173.60	175.43	177.93	178.59	176.50	175.00	Common Shs Outst'g ^C	170.00																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
21.2	18.2	23.6	23.6	24.5	25.1	31.8	34.7	32.0	24.9	23.1	21.1	21.3	21.9	21.2	20.8	20.0	20.0	Avg Ann'l P/E Ratio	22.5																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
1.21	1.18	1.21	1.29	1.40	1.33	1.69	1.87	1.70	1.50	1.54	1.34	1.39	1.39	1.19	1.10	1.10	1.10	Relative P/E Ratio	1.40																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
3.0%	3.3%	2.5%	2.5%	2.3%	2.3%	1.8%	1.8%	1.7%	2.8%	3.1%	3.1%	2.8%	2.8%	2.4%	2.5%	2.5%	2.5%	Avg Ann'l Div'd Yield	2.7%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
CAPITAL STRUCTURE as of 6/30/15				<table border="1"> <tr> <td>496.8</td> <td>533.5</td> <td>602.5</td> <td>627.0</td> <td>670.5</td> <td>726.1</td> <td>712.0</td> <td>757.8</td> <td>768.6</td> <td>779.9</td> <td>810</td> <td>825</td> <td>Revenues (\$mill)</td> <td>980</td> </tr> <tr> <td>91.2</td> <td>92.0</td> <td>95.0</td> <td>97.9</td> <td>104.4</td> <td>124.0</td> <td>144.8</td> <td>153.1</td> <td>205.0</td> <td>213.9</td> <td>220</td> <td>235</td> <td>Net Profit (\$mill)</td> <td>280</td> </tr> <tr> <td>38.4%</td> <td>39.6%</td> <td>38.9%</td> <td>39.7%</td> <td>39.4%</td> <td>39.2%</td> <td>32.9%</td> <td>39.0%</td> <td>10.0%</td> <td>10.5%</td> <td>8.0%</td> <td>15.0%</td> <td>Income Tax Rate</td> <td>25.0%</td> </tr> <tr> <td>--</td> <td>--</td> <td>--</td> <td>--</td> <td>--</td> <td>--</td> <td>--</td> <td>--</td> <td>--</td> <td>1.1%</td> <td>2.4%</td> <td>2.5%</td> <td>AFUDC % to Net Profit</td> <td>3.0%</td> </tr> <tr> <td>52.0%</td> <td>51.6%</td> <td>55.4%</td> <td>54.1%</td> <td>55.6%</td> <td>56.6%</td> <td>52.7%</td> <td>52.7%</td> <td>48.9%</td> <td>48.5%</td> <td>49.5%</td> <td>49.0%</td> <td>Long-Term Debt Ratio</td> <td>50.0%</td> </tr> <tr> <td>48.0%</td> <td>48.4%</td> <td>44.6%</td> <td>45.9%</td> <td>44.4%</td> <td>43.4%</td> <td>47.3%</td> <td>47.3%</td> <td>51.1%</td> <td>51.5%</td> <td>50.5%</td> <td>51.0%</td> <td>Common Equity Ratio</td> <td>50.0%</td> </tr> <tr> <td>1690.4</td> <td>1904.4</td> <td>2191.4</td> <td>2306.6</td> <td>2495.5</td> <td>2706.2</td> <td>2646.8</td> <td>2929.7</td> <td>3003.6</td> <td>3216.0</td> <td>3450</td> <td>3605</td> <td>Total Capital (\$mill)</td> <td>4000</td> </tr> <tr> <td>2280.0</td> <td>2506.0</td> <td>2792.8</td> <td>2997.4</td> <td>3227.3</td> <td>3469.3</td> <td>3612.9</td> <td>3936.2</td> <td>4167.3</td> <td>4402.0</td> <td>4620</td> <td>4800</td> <td>Net Plant (\$mill)</td> <td>5000</td> </tr> <tr> <td>6.9%</td> <td>6.4%</td> <td>5.9%</td> <td>5.7%</td> <td>5.6%</td> <td>5.9%</td> <td>6.9%</td> <td>6.6%</td> <td>8.0%</td> <td>7.8%</td> <td>7.5%</td> <td>7.5%</td> <td>Return on Total Cap'l</td> <td>8.5%</td> </tr> <tr> <td>11.2%</td> <td>10.0%</td> <td>9.7%</td> <td>9.3%</td> <td>9.4%</td> <td>10.6%</td> <td>11.6%</td> <td>11.0%</td> <td>13.4%</td> <td>12.9%</td> <td>12.5%</td> <td>13.0%</td> <td>Return on Shr. Equity</td> <td>14.0%</td> </tr> <tr> <td>11.2%</td> <td>10.0%</td> <td>9.7%</td> <td>9.3%</td> <td>9.4%</td> <td>10.6%</td> <td>11.6%</td> <td>11.0%</td> <td>13.4%</td> <td>12.9%</td> <td>12.5%</td> <td>13.0%</td> <td>Return on Com Equity</td> <td>14.0%</td> </tr> <tr> <td>4.9%</td> <td>3.7%</td> <td>3.2%</td> <td>2.8%</td> <td>2.7%</td> <td>3.7%</td> <td>4.6%</td> <td>4.3%</td> <td>6.7%</td> <td>6.1%</td> <td>5.5%</td> <td>5.5%</td> <td>Retained to Com Eq</td> <td>5.5%</td> </tr> <tr> <td>56%</td> <td>63%</td> <td>67%</td> <td>70%</td> <td>72%</td> <td>65%</td> <td>60%</td> <td>61%</td> <td>50%</td> <td>52%</td> <td>55%</td> <td>56%</td> <td>All Div'ds to Net Prof</td> <td>61%</td> </tr> </table>										496.8	533.5	602.5	627.0	670.5	726.1	712.0	757.8	768.6	779.9	810	825	Revenues (\$mill)	980	91.2	92.0	95.0	97.9	104.4	124.0	144.8	153.1	205.0	213.9	220	235	Net Profit (\$mill)	280	38.4%	39.6%	38.9%	39.7%	39.4%	39.2%	32.9%	39.0%	10.0%	10.5%	8.0%	15.0%	Income Tax Rate	25.0%	--	--	--	--	--	--	--	--	--	1.1%	2.4%	2.5%	AFUDC % to Net Profit	3.0%	52.0%	51.6%	55.4%	54.1%	55.6%	56.6%	52.7%	52.7%	48.9%	48.5%	49.5%	49.0%	Long-Term Debt Ratio	50.0%	48.0%	48.4%	44.6%	45.9%	44.4%	43.4%	47.3%	47.3%	51.1%	51.5%	50.5%	51.0%	Common Equity Ratio	50.0%	1690.4	1904.4	2191.4	2306.6	2495.5	2706.2	2646.8	2929.7	3003.6	3216.0	3450	3605	Total Capital (\$mill)	4000	2280.0	2506.0	2792.8	2997.4	3227.3	3469.3	3612.9	3936.2	4167.3	4402.0	4620	4800	Net Plant (\$mill)	5000	6.9%	6.4%	5.9%	5.7%	5.6%	5.9%	6.9%	6.6%	8.0%	7.8%	7.5%	7.5%	Return on Total Cap'l	8.5%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	12.9%	12.5%	13.0%	Return on Shr. Equity	14.0%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	12.9%	12.5%	13.0%	Return on Com Equity	14.0%	4.9%	3.7%	3.2%	2.8%	2.7%	3.7%	4.6%	4.3%	6.7%	6.1%	5.5%	5.5%	Retained to Com Eq	5.5%	56%	63%	67%	70%	72%	65%	60%	61%	50%	52%	55%	56%	All Div'ds to Net Prof	61%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
496.8	533.5	602.5	627.0	670.5	726.1	712.0	757.8	768.6	779.9	810	825	Revenues (\$mill)	980																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
91.2	92.0	95.0	97.9	104.4	124.0	144.8	153.1	205.0	213.9	220	235	Net Profit (\$mill)	280																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
38.4%	39.6%	38.9%	39.7%	39.4%	39.2%	32.9%	39.0%	10.0%	10.5%	8.0%	15.0%	Income Tax Rate	25.0%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
--	--	--	--	--	--	--	--	--	1.1%	2.4%	2.5%	AFUDC % to Net Profit	3.0%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
52.0%	51.6%	55.4%	54.1%	55.6%	56.6%	52.7%	52.7%	48.9%	48.5%	49.5%	49.0%	Long-Term Debt Ratio	50.0%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
48.0%	48.4%	44.6%	45.9%	44.4%	43.4%	47.3%	47.3%	51.1%	51.5%	50.5%	51.0%	Common Equity Ratio	50.0%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
1690.4	1904.4	2191.4	2306.6	2495.5	2706.2	2646.8	2929.7	3003.6	3216.0	3450	3605	Total Capital (\$mill)	4000																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
2280.0	2506.0	2792.8	2997.4	3227.3	3469.3	3612.9	3936.2	4167.3	4402.0	4620	4800	Net Plant (\$mill)	5000																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
6.9%	6.4%	5.9%	5.7%	5.6%	5.9%	6.9%	6.6%	8.0%	7.8%	7.5%	7.5%	Return on Total Cap'l	8.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	12.9%	12.5%	13.0%	Return on Shr. Equity	14.0%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	12.9%	12.5%	13.0%	Return on Com Equity	14.0%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
4.9%	3.7%	3.2%	2.8%	2.7%	3.7%	4.6%	4.3%	6.7%	6.1%	5.5%	5.5%	Retained to Com Eq	5.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
56%	63%	67%	70%	72%	65%	60%	61%	50%	52%	55%	56%	All Div'ds to Net Prof	61%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
Pension Assets-12/14 232.4 mill.				<table border="1"> <tr> <td>52.0%</td> <td>51.6%</td> <td>55.4%</td> <td>54.1%</td> <td>55.6%</td> <td>56.6%</td> <td>52.7%</td> <td>52.7%</td> <td>48.9%</td> <td>48.5%</td> <td>49.5%</td> <td>49.0%</td> <td>Long-Term Debt Ratio</td> <td>50.0%</td> </tr> <tr> <td>48.0%</td> <td>48.4%</td> <td>44.6%</td> <td>45.9%</td> <td>44.4%</td> <td>43.4%</td> <td>47.3%</td> <td>47.3%</td> <td>51.1%</td> <td>51.5%</td> <td>50.5%</td> <td>51.0%</td> <td>Common Equity Ratio</td> <td>50.0%</td> </tr> </table>										52.0%	51.6%	55.4%	54.1%	55.6%	56.6%	52.7%	52.7%	48.9%	48.5%	49.5%	49.0%	Long-Term Debt Ratio	50.0%	48.0%	48.4%	44.6%	45.9%	44.4%	43.4%	47.3%	47.3%	51.1%	51.5%	50.5%	51.0%	Common Equity Ratio	50.0%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
52.0%	51.6%	55.4%	54.1%	55.6%	56.6%	52.7%	52.7%	48.9%	48.5%	49.5%	49.0%	Long-Term Debt Ratio	50.0%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
48.0%	48.4%	44.6%	45.9%	44.4%	43.4%	47.3%	47.3%	51.1%	51.5%	50.5%	51.0%	Common Equity Ratio	50.0%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
Pfd Stock None				<table border="1"> <tr> <td>1690.4</td> <td>1904.4</td> <td>2191.4</td> <td>2306.6</td> <td>2495.5</td> <td>2706.2</td> <td>2646.8</td> <td>2929.7</td> <td>3003.6</td> <td>3216.0</td> <td>3450</td> <td>3605</td> <td>Total Capital (\$mill)</td> <td>4000</td> </tr> <tr> <td>2280.0</td> <td>2506.0</td> <td>2792.8</td> <td>2997.4</td> <td>3227.3</td> <td>3469.3</td> <td>3612.9</td> <td>3936.2</td> <td>4167.3</td> <td>4402.0</td> <td>4620</td> <td>4800</td> <td>Net Plant (\$mill)</td> <td>5000</td> </tr> </table>										1690.4	1904.4	2191.4	2306.6	2495.5	2706.2	2646.8	2929.7	3003.6	3216.0	3450	3605	Total Capital (\$mill)	4000	2280.0	2506.0	2792.8	2997.4	3227.3	3469.3	3612.9	3936.2	4167.3	4402.0	4620	4800	Net Plant (\$mill)	5000																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
1690.4	1904.4	2191.4	2306.6	2495.5	2706.2	2646.8	2929.7	3003.6	3216.0	3450	3605	Total Capital (\$mill)	4000																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
2280.0	2506.0	2792.8	2997.4	3227.3	3469.3	3612.9	3936.2	4167.3	4402.0	4620	4800	Net Plant (\$mill)	5000																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
Common Stock 176,805,350 shares as of 7/24/15				<table border="1"> <tr> <td>6.9%</td> <td>6.4%</td> <td>5.9%</td> <td>5.7%</td> <td>5.6%</td> <td>5.9%</td> <td>6.9%</td> <td>6.6%</td> <td>8.0%</td> <td>7.8%</td> <td>7.5%</td> <td>7.5%</td> <td>Return on Total Cap'l</td> <td>8.5%</td> </tr> <tr> <td>11.2%</td> <td>10.0%</td> <td>9.7%</td> <td>9.3%</td> <td>9.4%</td> <td>10.6%</td> <td>11.6%</td> <td>11.0%</td> <td>13.4%</td> <td>12.9%</td> <td>12.5%</td> <td>13.0%</td> <td>Return on Shr. Equity</td> <td>14.0%</td> </tr> <tr> <td>11.2%</td> <td>10.0%</td> <td>9.7%</td> <td>9.3%</td> <td>9.4%</td> <td>10.6%</td> <td>11.6%</td> <td>11.0%</td> <td>13.4%</td> <td>12.9%</td> <td>12.5%</td> <td>13.0%</td> <td>Return on Com Equity</td> <td>14.0%</td> </tr> </table>										6.9%	6.4%	5.9%	5.7%	5.6%	5.9%	6.9%	6.6%	8.0%	7.8%	7.5%	7.5%	Return on Total Cap'l	8.5%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	12.9%	12.5%	13.0%	Return on Shr. Equity	14.0%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	12.9%	12.5%	13.0%	Return on Com Equity	14.0%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													
6.9%	6.4%	5.9%	5.7%	5.6%	5.9%	6.9%	6.6%	8.0%	7.8%	7.5%	7.5%	Return on Total Cap'l	8.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	12.9%	12.5%	13.0%	Return on Shr. Equity	14.0%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	13.4%	12.9%	12.5%	13.0%	Return on Com Equity	14.0%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
MARKET CAP: \$4.7 billion (Mid Cap)				<table border="1"> <tr> <td>4.9%</td> <td>3.7%</td> <td>3.2%</td> <td>2.8%</td> <td>2.7%</td> <td>3.7%</td> <td>4.6%</td> <td>4.3%</td> <td>6.7%</td> <td>6.1%</td> <td>5.5%</td> <td>5.5%</td> <td>Retained to Com Eq</td> <td>5.5%</td> </tr> <tr> <td>56%</td> <td>63%</td> <td>67%</td> <td>70%</td> <td>72%</td> <td>65%</td> <td>60%</td> <td>61%</td> <td>50%</td> <td>52%</td> <td>55%</td> <td>56%</td> <td>All Div'ds to Net Prof</td> <td>61%</td> </tr> </table>										4.9%	3.7%	3.2%	2.8%	2.7%	3.7%	4.6%	4.3%	6.7%	6.1%	5.5%	5.5%	Retained to Com Eq	5.5%	56%	63%	67%	70%	72%	65%	60%	61%	50%	52%	55%	56%	All Div'ds to Net Prof	61%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
4.9%	3.7%	3.2%	2.8%	2.7%	3.7%	4.6%	4.3%	6.7%	6.1%	5.5%	5.5%	Retained to Com Eq	5.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
56%	63%	67%	70%	72%	65%	60%	61%	50%	52%	55%	56%	All Div'ds to Net Prof	61%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
CURRENT POSITION (\$MILL.)				<table border="1"> <tr> <td>2013</td> <td>2014</td> <td>6/30/15</td> </tr> <tr> <td>5.1</td> <td>4.1</td> <td>4.6</td> </tr> <tr> <td>95.4</td> <td>97.0</td> <td>109.5</td> </tr> <tr> <td>11.4</td> <td>12.8</td> <td>13.6</td> </tr> <tr> <td>59.8</td> <td>38.6</td> <td>47.7</td> </tr> <tr> <td>171.7</td> <td>152.5</td> <td>175.4</td> </tr> <tr> <td>65.8</td> <td>60.0</td> <td>47.5</td> </tr> <tr> <td>123.0</td> <td>70.0</td> <td>74.8</td> </tr> <tr> <td>78.1</td> <td>95.3</td> <td>81.1</td> </tr> <tr> <td>266.9</td> <td>225.3</td> <td>203.4</td> </tr> </table>										2013	2014	6/30/15	5.1	4.1	4.6	95.4	97.0	109.5	11.4	12.8	13.6	59.8	38.6	47.7	171.7	152.5	175.4	65.8	60.0	47.5	123.0	70.0	74.8	78.1	95.3	81.1	266.9	225.3	203.4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
2013	2014	6/30/15																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
5.1	4.1	4.6																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
95.4	97.0	109.5																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
11.4	12.8	13.6																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
59.8	38.6	47.7																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
171.7	152.5	175.4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
65.8	60.0	47.5																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
123.0	70.0	74.8																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
78.1	95.3	81.1																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
266.9	225.3	203.4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '12-'14 of change (per sh)				<table border="1"> <tr> <td>Revenues</td> <td>5.5%</td> <td>3.0%</td> <td>4.5%</td> </tr> <tr> <td>"Cash Flow"</td> <td>8.0%</td> <td>8.0%</td> <td>6.5%</td> </tr> <tr> <td>Earnings</td> <td>8.5%</td> <td>13.0%</td> <td>7.5%</td> </tr> <tr> <td>Dividends</td> <td>7.5%</td> <td>7.0%</td> <td>9.5%</td> </tr> <tr> <td>Book Value</td> <td>7.5%</td> <td>6.5%</td> <td>5.5%</td> </tr> </table>										Revenues	5.5%	3.0%	4.5%	"Cash Flow"	8.0%	8.0%	6.5%	Earnings	8.5%	13.0%	7.5%	Dividends	7.5%	7.0%	9.5%	Book Value	7.5%	6.5%	5.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Revenues	5.5%	3.0%	4.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
"Cash Flow"	8.0%	8.0%	6.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
Earnings	8.5%	13.0%	7.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
Dividends	7.5%	7.0%	9.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
Book Value	7.5%	6.5%	5.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
QUARTERLY REVENUES (\$ mill.)				<table border="1"> <tr> <th>Cal-endar</th> <th>Mar.31</th> <th>Jun.30</th> <th>Sep.30</th> <th>Dec.31</th> <th>Full Year</th> </tr> <tr> <td>2012</td> <td>164.0</td> <td>191.7</td> <td>214.6</td> <td>187.5</td> <td>757.8</td> </tr> <tr> <td>2013</td> <td>180.0</td> <td>195.7</td> <td>204.3</td> <td>188.6</td> <td>768.6</td> </tr> <tr> <td>2014</td> <td>182.7</td> <td>195.3</td> <td>210.5</td> <td>191.4</td> <td>779.9</td> </tr> <tr> <td>2015</td> <td>190.3</td> <td>205.8</td> <td>220</td> <td>193.9</td> <td>810</td> </tr> <tr> <td>2016</td> <td>192</td> <td>208</td> <td>225</td> <td>200</td> <td>825</td> </tr> </table>										Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year	2012	164.0	191.7	214.6	187.5	757.8	2013	180.0	195.7	204.3	188.6	768.6	2014	182.7	195.3	210.5	191.4	779.9	2015	190.3	205.8	220	193.9	810	2016	192	208	225	200	825																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
2012	164.0	191.7	214.6	187.5	757.8																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
2013	180.0	195.7	204.3	188.6	768.6																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
2014	182.7	195.3	210.5	191.4	779.9																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
2015	190.3	205.8	220	193.9	810																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
2016	192	208	225	200	825																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
EARNINGS PER SHARE^A				<table border="1"> <tr> <th>Cal-endar</th> <th>Mar.31</th> <th>Jun.30</th> <th>Sep.30</th> <th>Dec.31</th> <th>Full Year</th> </tr> <tr> <td>2012</td> <td>.15</td> <td>.24</td> <td>.29</td> <td>.19</td> <td>.87</td> </tr> <tr> <td>2013</td> <td>.26</td> <td>.30</td> <td>.36</td> <td>.24</td> <td>1.16</td> </tr> <tr> <td>2014</td> <td>.24</td> <td>.31</td> <td>.38</td> <td>.27</td> <td>1.20</td> </tr> <tr> <td>2015</td> <td>.27</td> <td>.32</td> <td>.39</td> <td>.27</td> <td>1.25</td> </tr> <tr> <td>2016</td> <td>.28</td> <td>.34</td> <td>.42</td> <td>.31</td> <td>1.35</td> </tr> </table>										Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year	2012	.15	.24	.29	.19	.87	2013	.26	.30	.36	.24	1.16	2014	.24	.31	.38	.27	1.20	2015	.27	.32	.39	.27	1.25	2016	.28	.34	.42	.31	1.35																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
2012	.15	.24	.29	.19	.87																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
2013	.26	.30	.36	.24	1.16																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
2014	.24	.31	.38	.27	1.20																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
2015	.27	.32	.39	.27	1.25																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
2016	.28	.34	.42	.31	1.35																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
QUARTERLY DIVIDENDS PAID^B				<table border="1"> <tr> <th>Cal-endar</th> <th>Mar.31</th> <th>Jun.30</th> <th>Sep.30</th> <th>Dec.31</th> <th>Full Year</th> </tr> <tr> <td>2011</td> <td>.124</td> <td>.124</td> <td>.124</td> <td>.132</td> <td>.50</td> </tr> <tr> <td>2012</td> <td>.132</td> <td>.132</td> <td>.132</td> <td>.14</td> <td>.54</td> </tr> <tr> <td>2013</td> <td>.14</td> <td>.14</td> <td>.152</td> <td>.152</td> <td>.58</td> </tr> <tr> <td>2014</td> <td>.152</td> <td>.152</td> <td>.165</td> <td>.165</td> <td>.63</td> </tr> <tr> <td>2015</td> <td>.165</td> <td>.165</td> <td>.178</td> <td></td> <td></td> </tr> </table>										Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year	2011	.124	.124	.124	.132	.50	2012	.132	.132	.132	.14	.54	2013	.14	.14	.152	.152	.58	2014	.152	.152	.165	.165	.63	2015	.165	.165	.178																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
2011	.124	.124	.124	.132	.50																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
2012	.132	.132	.132	.14	.54																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
2013	.14	.14	.152	.152	.58																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
2014	.152	.152	.165	.165	.63																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
2015	.165	.165	.178																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
BUSINESS: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately three million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and five other states. Has 1,617 employees. Acquired AquaSource, 7/03; Consumers Water, 4/99; and others. Water supply revenues '14: residential, 68%; commercial, 17%; industrial & other, 15%. Officers and directors own .8% of the common stock; Vangurad Group, 7.1%; Blackrock, Inc, 6.7%; Stale Street Capital Corp., 5.7% (3/15 Proxy). Chairman: Nicholas DeBenedictis. CEO: Christopher Franklin. Incorporated: Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Tel.: 610-525-1400. Internet: www.aquaamerica.com.				<p>Aqua America raised its dividend a hefty 8% in the last quarter. We had anticipated a 7% increase, but the latest hike further enhances the stock's reputation for having much better-than-average dividend growth prospects. Over the next three- to five-year period, we expect the rate to average a generous 9.0%.</p> <p>Earnings will probably be flat for the remainder of this year, than pick up in 2016. Aqua's bottom line benefited from a one-time \$0.11 a-share-gain in 2014, making the 2015 profit figure seem less favorable by comparison. Still, we think the company's share net will rise a decent 4%, to \$1.25. Next year, due to a combination of rate relief, cost saving from acquisitions (see below), and the ability to earn returns on capital expenditures without much regulatory lag, earnings per share may well climb a healthy 8%, to \$1.35.</p> <p>Aqua should continue to be very active in the M&A markets. As we have pointed out before, the domestic water market is fragmented among over 50,000 major-to-mid-sized water districts. With the nation's long-neglected water infrastructure in desperate need of modernization, large amounts of capital will be required to pay for the repairs. Since many small municipally run water authorities are in a financial bind, it makes sense for them to be purchased by a larger water company. Because there is a tremendous amount of redundancies in the water industry, companies such as Aqua are able to absorb smaller concerns and substantially reduce overhead. This strategy should help fuel profit growth for the foreseeable future.</p> <p>Long-term, conservative, income-oriented investors should take note of this stock. Though only ranked to perform in-line with the broader market averages in the coming year, WTR has many attractive attributes. For starters, the stock's yield is 2.7%, which is close to the industry average. This is unusual, as utilities with good dividend growth prospects often carry a much lower yield than a typical member of the group. Moreover, the stock has an A Financial Strength rating, and scores extremely high for both Earnings Predictability (100), and Stock Price Stability (95).</p> <p>James A. Flood October 16, 2015</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																
(A) Diluted eggs. Excl. nonrec. gains (losses): '99, (9¢); '00, 2¢; '01, 2¢; '02, 4¢; '03, 3¢; '12, 18¢. Excl. gain from disc. operations: '12, 7¢; '13, 9¢; '14, 11¢. May not sum due to rounding.				(B) Dividends historically paid in early March, June, Sept. & Dec. = Div'd. reinvestment plan available (5% discount).				(C) In millions, adjusted for stock splits.				<table border="1"> <tr> <td>Company's Financial Strength</td> <td>A</td> </tr> <tr> <td>Stock's Price Stability</td> <td>95</td> </tr> <tr> <td>Price Growth Persistence</td> <td>60</td> </tr> <tr> <td>Earnings Predictability</td> <td>100</td> </tr> </table>				Company's Financial Strength	A	Stock's Price Stability	95	Price Growth Persistence	60	Earnings Predictability	100																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													
Company's Financial Strength	A																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Stock's Price Stability	95																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Price Growth Persistence	60																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Earnings Predictability	100																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
<p>© 2015 Value Line, Inc. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				

CALIFORNIA WATER NYSE-CWT				RECENT PRICE	22.48	P/E RATIO	19.2	(Trailing: 19.1 Median: 20.0)	RELATIVE P/E RATIO	1.10	DIV'D YLD	3.1%	VALUE LINE						
TIMELINESS 4 Lowered 10/2/15	High: 19.0	21.1	22.9	22.7	23.3	24.1	19.8	19.4	19.3	23.4	26.4	26.0	Target Price Range 2018 2019 2020						
SAFETY 3 Lowered 7/27/07	Low: 13.0	15.6	16.4	17.1	13.8	16.7	16.9	16.7	16.8	18.4	20.3	19.5		64					
TECHNICAL 5 Lowered 10/2/15	LEGENDS 1-33 x Dividends p sh divided by Interest Rate --- Relative Price Strength 2-for-1 split 6/11 Options: Yes Shaded area indicates recession																		
BETA .75 (1.00 = Market)	2018-20 PROJECTIONS High Price 45 (+100%) Low Price 25 (+10%) Gain 22% Return 7%																		
Insider Decisions	N D J F M A M J J to Buy 0 0 0 0 0 0 0 0 0 0 0 0 0 Options 0 0 0 0 3 0 0 0 0 0 0 0 0 to Sell 3 2 0 0 2 0 1 0 0 0 0 0 0																		
Institutional Decisions	4Q2014 1Q2015 2Q2015 to Buy 81 79 82 to Sell 59 67 66 Mid's(000) 29654 29379 29659 Percent shares traded 18 12 6																		
1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016													© VALUE LINE PUB. LLC 18-20						
7.98	8.08	8.13	8.67	8.18	8.59	8.72	8.10	8.88	9.90	10.82	11.05	12.00	13.34	12.23	12.50	12.20	12.50	14.50	
1.37	1.26	1.10	1.32	1.26	1.42	1.52	1.36	1.56	1.86	1.93	1.93	2.07	2.32	2.21	2.47	2.50	2.80	3.25	
.77	.66	.47	.63	.61	.73	.74	.67	.75	.95	.98	.91	.86	1.02	1.02	1.19	1.15	1.35	1.55	
.54	.55	.56	.56	.56	.57	.57	.58	.58	.59	.60	.62	.63	.64	.65	.67	.70	.70	.97	
1.72	1.23	2.04	2.91	2.19	1.87	2.01	2.14	1.84	2.41	2.66	2.97	2.83	3.04	2.58	2.76	3.00	2.75	3.15	
6.71	6.45	6.48	6.56	7.22	7.83	7.90	9.07	9.25	9.72	10.13	10.45	10.76	11.28	12.54	13.11	13.55	14.15	16.00	
25.87	30.29	30.36	30.36	33.86	36.73	36.78	41.31	41.33	41.45	41.53	41.67	41.82	41.98	47.74	47.81	48.00	48.00	50.00	
17.8	19.6	27.1	19.8	22.1	20.1	24.9	29.2	26.1	19.8	19.7	20.3	21.3	17.9	20.1	19.7	19.7	19.7	23.0	
1.01	1.27	1.39	1.08	1.26	1.06	1.33	1.58	1.39	1.19	1.31	1.29	1.34	1.14	1.13	1.04	1.04	1.04	1.45	
4.0%	4.3%	4.4%	4.5%	4.2%	3.9%	3.1%	2.9%	3.0%	3.1%	3.1%	3.2%	3.4%	3.5%	3.1%	2.8%	2.8%	2.8%	3.0%	
CAPITAL STRUCTURE as of 6/30/16 Total Debt \$550.0 mill. Due in 5 Yrs \$165.8 mill. LT Debt \$416.8 mill. LT Interest \$23.0 mill. (40% of Cap'l)													Revenues per sh 14.50						
Pension Assets-12/14 \$306.3 mill. Oblig. \$390.6 mill.													"Cash Flow" per sh 3.25						
Pfd Stock None													Earnings per sh A 1.55						
Common Stock 47,878,659 shs. as of 7/22/16													Div'd Decl'd per sh B 0.97						
MARKET CAP: \$1.1 billion (Mid Cap)													Cap'l Spending per sh 3.15						
CURRENT POSITION 2013 2014 6/30/16 (\$MILL.)													Book Value per sh C 16.00						
Cash Assets	27.5	19.6	24.5	320.7	334.7	367.1	410.3	449.4	460.4	501.8	560.0	584.1	597.5	585	600	600	600	725	
Other	112.0	134.5	125.7	27.2	25.6	31.2	39.8	40.6	37.7	36.1	42.6	47.3	56.7	55.0	65.0	65.0	65.0	77.5	
Current Assets	139.5	154.1	150.2	42.4%	37.4%	39.9%	37.7%	40.3%	39.5%	40.5%	37.5%	30.3%	33.0%	28.0%	29.5%	28.0%	29.5%	36.0%	
Accts Payable	55.1	59.4	68.7	3.3%	10.6%	8.3%	8.6%	7.6%	4.2%	7.6%	8.0%	4.3%	2.7%	7.0%	5.5%	7.0%	5.5%	5.0%	
Debt Due	54.7	85.7	133.2	48.3%	43.5%	42.9%	41.8%	47.1%	52.4%	51.7%	47.8%	41.8%	40.1%	42.5%	43.5%	42.5%	43.5%	41.5%	
Other	56.8	72.6	68.5	51.1%	55.9%	56.6%	58.4%	52.9%	47.6%	48.3%	52.2%	58.4%	59.9%	57.5%	56.5%	57.5%	56.5%	58.5%	
Current Liab.	166.6	217.7	270.4	568.1	670.1	674.9	690.4	794.9	914.7	931.5	908.2	1024.9	1045.9	1135	1205	1205	1205	1370	
				862.7	941.5	1010.2	1112.4	1198.1	1294.3	1381.1	1457.1	1515.8	1590.4	1680	1760	1760	1760	1820	
				6.3%	5.2%	5.9%	7.1%	6.5%	5.5%	5.5%	6.3%	6.0%	6.3%	6.0%	6.0%	6.0%	6.0%	7.0%	
				9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	8.0%	9.0%	7.9%	9.1%	8.5%	9.5%	8.5%	9.5%	9.5%	
				9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	8.0%	9.0%	7.9%	9.1%	8.5%	9.5%	8.5%	9.5%	9.5%	
				2.1%	1.0%	1.8%	3.8%	3.8%	3.0%	2.3%	3.4%	3.4%	4.1%	3.5%	4.1%	3.5%	4.5%		
				78%	86%	77%	61%	60%	66%	71%	62%	56%	55%	58%	55%	58%	55%	63%	
ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '12-'14 of change (per sh)													Income Tax Rate 36.0%						
Revenues	4.0%	5.0%	4.0%	42.4%	37.4%	39.9%	37.7%	40.3%	39.5%	40.5%	37.5%	30.3%	33.0%	28.0%	29.5%	28.0%	29.5%	36.0%	
"Cash Flow"	6.0%	5.5%	5.5%	3.3%	10.6%	8.3%	8.6%	7.6%	4.2%	7.6%	8.0%	4.3%	2.7%	7.0%	5.5%	7.0%	5.5%	5.0%	
Earnings	5.0%	4.0%	6.5%	48.3%	43.5%	42.9%	41.8%	47.1%	52.4%	51.7%	47.8%	41.8%	40.1%	42.5%	43.5%	42.5%	43.5%	41.5%	
Dividends	1.5%	2.0%	7.0%	51.1%	55.9%	56.6%	58.4%	52.9%	47.6%	48.3%	52.2%	58.4%	59.9%	57.5%	56.5%	57.5%	56.5%	58.5%	
Book Value	5.5%	5.0%	4.5%	568.1	670.1	674.9	690.4	794.9	914.7	931.5	908.2	1024.9	1045.9	1135	1205	1205	1205	1370	
				862.7	941.5	1010.2	1112.4	1198.1	1294.3	1381.1	1457.1	1515.8	1590.4	1680	1760	1760	1760	1820	
				6.3%	5.2%	5.9%	7.1%	6.5%	5.5%	5.5%	6.3%	6.0%	6.3%	6.0%	6.0%	6.0%	6.0%	7.0%	
				9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	8.0%	9.0%	7.9%	9.1%	8.5%	9.5%	8.5%	9.5%	9.5%	
				9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	8.0%	9.0%	7.9%	9.1%	8.5%	9.5%	8.5%	9.5%	9.5%	
				2.1%	1.0%	1.8%	3.8%	3.8%	3.0%	2.3%	3.4%	3.4%	4.1%	3.5%	4.1%	3.5%	4.5%		
				78%	86%	77%	61%	60%	66%	71%	62%	56%	55%	58%	55%	58%	55%	63%	
Shares of California Water have done poorly for a water company. The equity of every other regulated water utility we follow recorded positive returns that averaged 5.1% since our July report. This is in sharp contrast to CWT, which has declined 5.1%, basically mirroring the performance of the broader market averages.													Return on Total Cap'l 7.0%						
Poor second-quarter earnings obviously put downward pressure on the stock. Share net came in at \$0.21, versus our \$0.35 estimate and last year's \$0.36 figure. Due to water restrictions implemented by the California Public Utility Commission (CPUC), demand for water was expected to decrease. However, because the CPUC altered the methodology utilities use to calculate earnings, the large drop in income took the market by surprise. Mechanisms were implemented, so water companies' profits would be derived more from fees and "decoupled" from the amount of water sold.													Return on Shr. Equity 9.5%						
Despite some confusion among investors, we believe most of the lost profits will eventually be recovered. When water sales drop, the company's accrued unbilled revenue increases. Thus, the tim-													Return on Com Equity 9.5%						
ing of California Water's share net is changed. To reflect this, we have lowered 2015's share-net estimate \$0.10, to \$1.15, while raising 2016's by \$0.10, to \$1.35.													All Div'ds to Net Prof 63%						
An important rate case was filed earlier this year. Water utilities are required to file petitions seeking rate relief triennially. California Water asked for \$140 million over the period, with the majority of the request front-loaded. Water utilities and the CPUC appear to have reached a balanced relationship, in which the utilities are allowed to earn a fair return on investment in modernizing the water infrastructure, as long as expenses are kept in check. As a result, we expect the CPUC's final decision to be reasonable.																			
The weak stock price may have prevented long-term investors with a nice entry point. Though ranked 4 (Below Average) for year-ahead relative price performance, the equity now has much higher total return potential than almost every other regulated water utility. In addition, CWT has gone from having one of the lowest dividend yields in the industry to one of the highest.																			
James A. Flood													October 16, 2015						
(A) Basic EPS. Excl. nonrecurring gain (loss): '00, (4c); '01, 2c; '02, 4c; '11, 4c. Next earnings report due mid-Nov.				(B) Dividends historically paid in late Feb., May, Aug., and Nov.				(C) Div reinvestment plan available. Incl. intangible assets. In '14: \$7.3 mill., \$0.15/sh.				(D) In millions, adjusted for splits.				(E) Excludes non-reg. rev.			
Company's Financial Strength B++																			
Stock's Price Stability 95																			
Price Growth Persistence 35																			
Earnings Predictability 85																			
To subscribe call 1-800-VALUELINE																			

© 2015 Value Line, Inc. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.

CONNECTICUT WATER NDQ-CTWS												RECENT PRICE	36.64	P/E RATIO	17.5	(Trailing: 18.0 Median: 21.0)	RELATIVE P/E RATIO	1.00	DIV YLD	2.9%	VALUE LINE									
TIMELINESS 3	Lowered 11/21/14		High: 29.8	28.2	27.7	25.6	29.0	26.4	27.9	29.1	32.8	36.4	37.5	38.6	Target Price 2018 2019 Range 2020															
SAFETY 3	New 1/18/13		Low: 23.8	21.9	20.3	22.4	19.3	17.3	20.0	23.3	26.2	27.8	31.0	33.2																
TECHNICAL 4	Lowered 10/9/15																													
BETA .65	(1.00 = Market)		LEGENDS 1.30 x Dividends p sh divided by Interest Rate Relative Price Strength Options: No Shaded area indicates recession																											
2018-20 PROJECTIONS												Price		50	Gain	(+35%)	Ann'l Total Return	10%												
High												35	(-5%)		2%															
Insider Decisions												N		D	J	F	M	A	M	J	J									
to Buy												0	0	0	0	0	0	0	0	0	0									
Options												0	0	0	0	0	0	0	0	0	0									
to Sell												0	0	0	0	0	0	0	0	0	0									
Institutional Decisions												4Q2014		1Q2015	2Q2015	Percent shares traded		12												
to Buy												36	37	54	8															
to Sell												46	40	37	4															
Hld's (000)												4296	4289	4391																
1999												2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	VALUE LINE PUB. LLC	18-20
5.87	5.70	5.93	5.77	5.91	6.04	5.81	5.68	7.05	7.24	6.93	7.65	7.93	9.47	8.29	8.45	8.65	9.00	Revenues per sh	12.90											
1.85	1.73	1.78	1.78	1.89	1.91	1.62	1.52	1.90	1.95	1.93	2.04	2.11	2.64	2.63	2.97	3.20	3.40	"Cash Flow" per sh	3.65											
1.03	1.09	1.13	1.12	1.15	1.16	.88	.81	1.05	1.11	1.19	1.13	1.13	1.53	1.66	1.92	2.05	2.10	Earnings per sh A	2.25											
.79	.79	.80	.81	.83	.84	.85	.86	.87	.88	.90	.92	.94	.96	.98	1.01	1.05	1.09	Div'd Decl'd per sh B	1.30											
1.42	1.43	1.86	1.98	1.49	1.58	1.96	1.96	2.24	2.44	3.28	3.06	2.61	2.79	3.02	4.11	4.60	4.75	Cap'l Spending per sh	3.00											
8.61	8.92	9.25	10.06	10.46	10.94	11.52	11.60	11.95	12.23	12.67	13.05	13.50	20.95	17.92	18.83	20.10	21.15	Book Value per sh D	23.35											
7.26	7.28	7.65	7.94	8.04	8.17	8.27	8.38	8.46	8.57	8.68	8.76	8.85	11.04	11.12	11.12	11.20	11.35	Common Shs Outst'g C	12.00											
18.2	18.2	21.5	24.3	23.5	22.9	28.6	29.0	23.0	22.2	18.4	20.7	23.0	19.4	18.4	17.5	Bold figures are Value Line estimates	19.0	Avg Ann'l P/E Ratio	1.20											
1.04	1.18	1.10	1.33	1.34	1.21	1.52	1.57	1.22	1.34	1.23	1.32	1.44	1.23	1.03	.92	3.0%	3.2%	Relative P/E Ratio	1.20											
4.2%	4.0%	3.3%	3.0%	3.0%	3.1%	3.4%	3.6%	3.6%	3.6%	4.1%	3.9%	3.6%	3.2%	3.2%	3.0%	3.0%	3.0%	Avg Ann'l Div'd Yield	3.1%											
CAPITAL STRUCTURE as of 6/30/15												47.5	46.9	59.0	61.3	59.4	66.4	83.8	91.5	94.0	97.0	102	Revenues (\$mill)	155						
Total Debt \$183.5 mill. Due in 5 Yrs \$19.3 mill.												7.2	6.7	8.8	9.4	10.2	9.8	9.9	13.6	18.3	21.3	23.0	23.5	27.0	Net Profit (\$mill)	27.0				
LT Debt \$177.3 mill. LT Interest \$7.0 mill. (45% of Cap'l)												--	23.5%	32.4%	27.2%	19.5%	35.2%	41.3%	32.0%	28.0%	14.4%	9.0%	20.0%	28.0%						
												--	--	--	1.7%	--	--	--	1.7%	2.0%	2.4%	2.0%	2.5%	2.0%						
Leases, Uncapitalized: Annual rentals \$.1 mill.												44.9%	44.4%	47.8%	46.9%	50.6%	49.5%	53.2%	49.0%	46.9%	45.7%	46.0%	46.8%	47.0%						
Pension Assets-12/14 \$61.6 mill.												54.6%	55.1%	51.8%	52.7%	49.1%	50.2%	46.5%	50.8%	52.9%	54.1%	54.0%	53.8%	53.0%						
Oblig. \$79.8 mill.												172.3	174.1	193.2	196.5	221.3	225.6	254.2	364.6	373.6	386.8	410	425	Total Capital (\$mill)	530					
Pfd Stock \$0.8 mill. Pfd Divd NMF												247.7	268.1	284.3	302.3	325.2	344.2	362.4	447.9	471.9	506.9	525	550	Net Plant (\$mill)	650					
												5.0%	4.9%	5.5%	5.9%	5.5%	5.4%	4.9%	4.8%	5.9%	6.4%	6.5%	6.5%	6.5%	Return on Total Cap'l	6.5%				
Common Stock 11,168,731 shs as of 7/31/15												7.5%	6.9%	8.7%	9.0%	9.3%	8.6%	8.3%	7.3%	9.2%	10.1%	10.5%	10.5%	10.5%	Return on Shr. Equity	9.5%				
MARKET CAP: \$400 million (Small Cap)												7.6%	7.0%	8.7%	9.1%	9.4%	8.7%	8.3%	7.3%	9.2%	10.2%	10.5%	10.5%	10.5%	Return on Com Equity	9.5%				
												3%	NMF	1.6%	1.9%	2.3%	1.6%	1.4%	2.8%	3.8%	4.8%	5.0%	5.0%	4.0%	Retained to Com Eq	4.0%				
CURRENT POSITION 2013 2014 6/30/15 (\$MILL.)												95%	105%	82%	79%	76%	81%	83%	62%	59%	53%	52%	52%	58%	All Div'ds to Net Prof	58%				
Cash Assets												18.4	2.5	3.1	BUSINESS: Connecticut Water Service, Inc. is a non-operating holding company, whose income is derived from earnings of its wholly-owned subsidiary companies (regulated water utilities). In 2014, 93% of net income was derived from these activities. Provides water services to 400,000 people in 77 municipalities throughout Connecticut and Maine. Acquired The Maine Water Company, January, 2012; Biddeford and Saco Water, December, 2012. Incorporated: Connecticut. Has 265 employees. Chairman/President/Chief Executive Officer: Eric W. Thornburg. Officers and directors own 2.3% of the common stock; BlackRock, Inc. 7.0%; (4/15 proxy). Address: 93 West Main Street, Clinton, CT 06413. Telephone: (860) 669-8636. Internet: www.ctwater.com.															
Accounts Receivable												12.3	12.0	11.5	Shares of Connecticut Water Service have been strong performers of late. Since our last report in July, the price of the equity has increased 5.0%, compared to the 4.9% decline posted by the S&P 500. Much of the gain is probably due to investors fleeing riskier sectors of the market for stocks, such as Connecticut Water, that carry low Betas, well-defined earnings streams, and higher yields. Also, The last dividend hike was a start of a new trend, in our opinion. The utility's annual payout growth has been 2% over the past five- and 10-year periods, several hundred basis points lower than that of the typical water utility. Through 2018-2020, we expect the rate to be 5%. There's a downside to the good news. For starters, most of the company's positive attributes now appear to be factored into the stock price. In the near term, CTWS is pegged to mirror the market averages. Too, the equity's total return potential to late decade is now subpar. Meanwhile, Connecticut Water's bottom line is poised for a solid showing this year. Second-quarter share net came in at \$0.77, versus 2014's \$0.67, and the															
Other												16.2	21.7	21.1	Wall Street consensus of \$0.66. A lower-than-expected tax rate and a strong showing by the Maine subsidiary were the primary reasons for the excellent results. In addition, the large gain came despite what we believe was a one-time spike in expenses. All told, earnings per share should rise 4%, despite last year's difficult comparison. We are sticking with our \$2.10-a-share estimate in 2016, even though it could prove conservative. Connecticut Water is expanding its customer base. The company purchased two decent-sized water utilities in the recent past and may add smaller districts in the future. Since there are many redundant expenses in this industry, expenses can be trimmed. Connecticut Water is also building out its existing pipelines infrastructure to serve the University of Connecticut's Storrs campus, as well as the greater Manfield area. This will result in higher capital outlays through 2016. The company currently has the financial wherewithal to handle the construction program, so there shouldn't be an appreciable decline in its financial metrics. <i>James A. Flood October 16, 2015</i>															
Current Assets												46.9	36.2	35.7	Warranties and other obligations are not reflected in the above figures.															
Accts Payable												10.8	10.0	9.2	The publisher is not responsible for any errors or omissions herein. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.															
Debt Due												4.1	4.4	6.2																
Other												7.8	9.2	9.5																
Current Liab.												22.7	23.6	24.9																
ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '12-'14 of change (per sh)												4.0%	4.5%	6.0%																
Revenues												4.0%	4.5%	6.0%																
"Cash Flow"												4.0%	7.5%	4.5%																
Earnings												4.0%	9.0%	4.5%																
Dividends												2.0%	2.0%	5.0%																
Book Value												6.5%	9.5%	4.0%																
QUARTERLY REVENUES (\$ mill.)												2012	2013	2014	2015	2016	Full Year													
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	2012	2013	2014	2015	2016	83.8	91.9	94.0	97.0	102																
2012	18.5	21.3	24.5	19.5	19.7	22.6	27.6	21.6	20.7	94.0	91.9	94.0	97.0	102																
2013	19.7	22.6	27.6	21.6	20.3	25.4	27.6	20.7	20.5	97.0	94.0	97.0	102																	
2014	20.3	25.4	27.6	20.7	20.0	26.6	28.9	21.5	22.5	97.0	94.0	97.0	102																	
2015	20.0	26.6	28.9	21.5	22.5	27.5	30.0	22.0		102																				
2016	22.5	27.5	30.0	22.0																										
EARNINGS PER SHARE A												2012	2013	2014	2015	2016	Full Year													
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	2012	2013	2014	2015	2016	1.53	1.66	1.92	2.05	2.10																
2012	.22	.47	.67	.17	.24	.39	.86	.17	.22	1.53	1.66	1.92	2.05	2.10																
2013	.24	.39	.86	.17	.27	.67	.76	.22	.32	1.66	1.92	2.05	2.10																	
2014	.27	.67	.76	.22	.28	.77	.77	.23	.32	1.92	2.05	2.10	2.10																	
2015	.28	.77	.77	.23	.32	.68	.85	.25	.32	2.05	2.10	2.10	2.10																	
2016	.32	.68	.85	.25						2.10																				
QUARTERLY DIVIDENDS PAID B												2011	2012	2013	2014	2015	Full Year													
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	2011	2012	2013	2014	2015	.942	.962	.98	1.01																	
2011	.233	.233	.238	.238	.238	.238	.2425	.2425	.2425	.942	.962	.98	1.01																	
2012	.238	.238	.2425	.2425	.2425	.2425	.2475	.2475	.2475	.962	.98	1.01																		
2013	.2425	.2425	.2475	.2475	.2475	.2475	.2575	.2575	.2575	1.01																				
2014	.2475	.2475	.2575	.2575	.2575	.2575	.2575	.2575	.2575																					
2015	.2575	.2575	.2575	.2575	.2575	.2575	.2575	.2575	.2575																					
(A) Diluted earnings. Next earnings report due June, September, and December. Div'd reinvestment plan available.																														
(B) Dividends historically paid in mid-March, June, September, and December. Div'd reinvestment plan available.																														
(C) In millions, adjusted for split.																														
(D) Includes intangibles. In 2014: \$31.7 mill.																														
(E) Value Line, Inc. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.																														
Company's Financial Strength												B+		Stock's Price Stability		85		Price Growth Persistence		50		Earnings Predictability		85						
To subscribe call 1-800-VALUELINE																														

MIDDLESEX WATER NDQ-MSEX												RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE						
2018-20 PROJECTIONS Price: 30 (+25%) / 25 (+5%) Gain: 9% / 4% Ann'l Total Return: 9% / 4% Insider Decisions N D J F M A M J J to Buy: 1 0 0 0 0 0 0 0 0 Options: 0 0 0 0 0 0 0 0 0 to Sell: 0 0 1 0 0 0 0 0 0 Institutional Decisions 4Q2014 1Q2015 2Q2015 to Buy: 39 40 43 to Sell: 37 38 36 Hi's (000): 6372 6413 6487 Percent shares traded: 12 / 8 / 4												24.24	20.0	1.14	3.2%	Target Price Range 2018-2020							
LEGENDS 1.20 x Dividends p sh divided by Interest Rate Relative Price Strength 3-for-2 split 1/02 4-for-3 split 11/03 Options: No Shaded area indicates recession % TOT. RETURN 9/15 THS STOCK VLARITHL INDEX 1 yr. 25.8 -4.0 3 yr. 38.8 -37.9 5 yr. 70.9 68.4												21.8	23.5	20.5	20.2	19.8	17.9	19.3	19.4	19.6	22.5	23.7	25.0
1999-2016 VALUE LINE PUB. LLC 18-20 Revenues per sh: 7.80 "Cash Flow" per sh: 2.25 Earnings per sh: 1.35 Div'd Decl'd per sh: .85 Cap'l Spending per sh: 2.00 Book Value per sh: 14.30 Common Shs Outst'g: 17.00 Avg Ann'l P/E Ratio: 20.5 Relative P/E Ratio: 1.30 Avg Ann'l Div'd Yield: 3.1% CAPITAL STRUCTURE as of 6/30/15 Total Debt \$159.8 mill. Due in 5 Yrs \$49.8 mill. LT Debt \$136.1 mill. LT Interest \$4.6 mill. (40% of Cap'l) Pension Assets-12/14 \$51.6 mill. Oblig. \$75.0 mill. Pfd Stock \$2.4 mill. Pfd Div'd: \$.1 mill. Common Stock 16,164,099 shs. as of 7/31/16 MARKET CAP: \$400 million (Small Cap) CURRENT POSITION (\$MILL.) Cash Assets: 4.8 / 2.7 / 5.8 Other: 21.0 / 20.2 / 17.1 Current Assets: 25.8 / 22.9 / 22.9 Accts Payable: 6.3 / 6.4 / 8.9 Debt Due: 33.8 / 24.9 / 23.7 Other: 12.6 / 12.6 / 18.8 Current Liab.: 52.7 / 43.9 / 49.4 ANNUAL RATES of change (per sh) Past 10 Yrs. Past 5 Yrs. Est'd '12-'14 to '18-'20 Revenues: 1.5% / 1.5% / 4.0% "Cash Flow": 3.5% / 3.0% / 4.5% Earnings: 4.0% / 4.5% / 5.0% Dividends: 1.5% / 1.5% / 2.0% Book Value: 4.5% / 3.0% / 3.0% QUARTERLY REVENUES (\$ mill.) Cal-endar Mar.31 Jun. 30 Sep. 30 Dec. 31 Full Year 2012: 23.5 / 27.4 / 32.4 / 27.1 / 110.4 2013: 27.0 / 29.1 / 31.3 / 27.4 / 114.8 2014: 27.1 / 29.2 / 32.7 / 28.1 / 117.1 2015: 28.8 / 31.7 / 34.0 / 29.5 / 124 2016: 29.5 / 32.0 / 35.0 / 30.5 / 127 EARNINGS PER SHARE Cal-endar Mar.31 Jun. 30 Sep. 30 Dec. 31 Full Year 2012: .11 / .24 / .38 / .17 / .90 2013: .20 / .28 / .36 / .19 / 1.03 2014: .20 / .29 / .42 / .22 / 1.13 2015: .22 / .31 / .44 / .23 / 1.20 2016: .23 / .33 / .46 / .23 / 1.25 QUARTERLY DIVIDENDS PAID Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2011: .183 / .183 / .183 / .185 / .73 2012: .185 / .185 / .185 / .1875 / .74 2013: .1875 / .1875 / .1875 / .19 / .75 2014: .19 / .19 / .19 / .1925 / .76 2015: .1925 / .1925 / .1925 / .1925 / .76												6.44	6.16	6.50	6.79	6.75	6.60	6.50	6.98	7.19	7.26	7.65	7.80
BUSINESS: Middlesex Water Company engages in the ownership and operation of regulated water utility systems in New Jersey, Delaware, and Pennsylvania. It also operates water and wastewater systems under contract on behalf of municipal and private clients in NJ and DE. Its Middlesex System provides water services to 60,000 retail customers, primarily in Middlesex County, New Jersey. In 2014, the Middlesex System accounted for 60% of operating revenues. At 12/31/14, the company had 282 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers & directors own 3.5% of the common stock; BlackRock Institutional Trust Co., 6.6% (4/15 proxy). Add.: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com. Shares of Middlesex Water have turned in an excellent performance over the past quarter. Since our mid-July report, the stock price increased 7.9%, compared to the average return of 5.1% posted by the typical regulated water utility (minus California Water), and the 4.9% loss recorded by the S&P 500. We are modestly raising our earnings estimates. Mostly due to carryover rate relief, Middlesex's second-quarter share earnings came in at a healthy \$0.31, versus 2014's \$0.29. As a result, we are bumping our full-year forecast \$0.05, to \$1.20. In 2016, we are also adding another \$0.05 a share to our estimate, raising it to \$1.25 a share. A major rate case is pending. In March, Middlesex filed a petition in New Jersey seeking to hike rates by \$9.5 million, or 13.5%. As is the case with the entire industry, Middlesex will have to invest heavily to upgrade an aging pipeline system. Because the repairs are needed, we expect the state regulator's final ruling to be reasonable. Also, the percentage increase isn't as onerous as it may sound. Should the full amount sought be granted and implemented, the average residential bill would only go up by about \$25 each quarter. A final ruling on the case could take more than a year. The company may not be big, but it has a strong balance sheet. As of June 30th, the debt-to-total-capital ratio was only 40%, the lowest in the industry. Beginning in 2016 and continuing through the decade, the capital budget will increase by a substantial figure as the water infrastructure is upgraded. Middlesex will not be able to cover all of the outlays with internally generated funds, so external financing will be required. This should result in the company's financial ratios sliding moderately. Nevertheless, finances will remain in good shape. Middlesex carries the highest yield in the water industry. Investors should not be impressed by this, however. That's because the stock's projected annual dividend growth rate through 2018-2020 is only expected to average a paltry 2%. Indeed, we don't think the current yield is sufficient to compensate shareholders for the below-average future cash flows. <i>James A. Flood October 16, 2015</i>												7.80	7.80	7.80	7.80	7.80	7.80	7.80	7.80	7.80	7.80	7.80	7.80
Company's Financial Strength B++ Stock's Price Stability 95 Price Growth Persistence 35 Earnings Predictability 80 To subscribe call 1-800-VALUELINE												7.80	7.80	7.80	7.80	7.80	7.80	7.80	7.80	7.80	7.80	7.80	7.80

© 2015 Value Line, Inc. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.

SJW CORP. NYSE: SJW				RECENT PRICE	31.07	P/E RATIO	21.6	(Trailing: 11.3 Median: 24.0)	RELATIVE P/E RATIO	1.23	DIV'D YLD	2.6%	VALUE LINE																																																													
TIMELINESS	4	Lowered 8/7/15	High: 19.6	27.8	45.3	43.0	35.1	30.4	28.2	26.8	26.9	30.1	33.7	35.7	27.5	Target Price Range	2018	2019	2020																																																							
SAFETY	3	New 4/22/11	Low: 14.6	16.1	21.2	27.7	20.0	18.2	21.6	20.9	22.6	24.5	25.5	27.5																																																												
TECHNICAL	5	Lowered 10/2/15	LEGENDS 1.50 x Dividends p/sh divided by Interest Rate Relative Price Strength 3-for-1 split 3/04 2-for-1 split 3/06 Options: No Shaded area indicates recession																																																																							
BETA	.75	(1.00 - Market)	2018-20 PROJECTIONS <table border="1"> <thead> <tr> <th>Price</th> <th>Gain</th> <th>Ann'l Total</th> </tr> <tr> <th>High</th> <th>Low</th> <th>Return</th> </tr> </thead> <tbody> <tr> <td>45</td> <td>30</td> <td>72%</td> </tr> <tr> <td></td> <td></td> <td>(-5%)</td> </tr> <tr> <td></td> <td></td> <td>2%</td> </tr> </tbody> </table>																Price	Gain	Ann'l Total	High	Low	Return	45	30	72%			(-5%)			2%																																									
Price	Gain	Ann'l Total																																																																								
High	Low	Return																																																																								
45	30	72%																																																																								
		(-5%)																																																																								
		2%																																																																								
Insider Decisions <table border="1"> <thead> <tr> <th></th> <th>N</th> <th>D</th> <th>J</th> <th>F</th> <th>M</th> <th>A</th> <th>M</th> <th>J</th> <th>J</th> </tr> </thead> <tbody> <tr> <td>to Buy</td> <td>0</td> <td>2</td> <td>0</td> <td>1</td> <td>3</td> <td>0</td> <td>0</td> <td>1</td> <td>0</td> </tr> <tr> <td>Options</td> <td>1</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>to Sell</td> <td>1</td> <td>0</td> <td>0</td> <td>1</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>1</td> </tr> </tbody> </table>				N	D	J	F	M	A	M	J	J	to Buy	0	2	0	1	3	0	0	1	0	Options	1	0	0	0	0	0	0	0	0	to Sell	1	0	0	1	0	0	0	0	1	Institutional Decisions <table border="1"> <thead> <tr> <th></th> <th>4Q2014</th> <th>1Q2015</th> <th>2Q2015</th> </tr> </thead> <tbody> <tr> <td>to Buy</td> <td>49</td> <td>61</td> <td>63</td> </tr> <tr> <td>to Sell</td> <td>47</td> <td>47</td> <td>49</td> </tr> <tr> <td>Hld's(000)</td> <td>10867</td> <td>10898</td> <td>10749</td> </tr> </tbody> </table>																	4Q2014	1Q2015	2Q2015	to Buy	49	61	63	to Sell	47	47	49	Hld's(000)	10867	10898	10749
	N	D	J	F	M	A	M	J	J																																																																	
to Buy	0	2	0	1	3	0	0	1	0																																																																	
Options	1	0	0	0	0	0	0	0	0																																																																	
to Sell	1	0	0	1	0	0	0	0	1																																																																	
	4Q2014	1Q2015	2Q2015																																																																							
to Buy	49	61	63																																																																							
to Sell	47	47	49																																																																							
Hld's(000)	10867	10898	10749																																																																							
MARKET CAP: \$625 million (Small Cap) CURRENT POSITION			<table border="1"> <thead> <tr> <th></th> <th>2013</th> <th>2014</th> <th>6/30/15</th> </tr> </thead> <tbody> <tr> <td>Cash Assets</td> <td>2.3</td> <td>2.4</td> <td>5.2</td> </tr> <tr> <td>Accts Receivable</td> <td>14.5</td> <td>15.0</td> <td>17.6</td> </tr> <tr> <td>Other</td> <td>22.9</td> <td>50.7</td> <td>47.2</td> </tr> <tr> <td>Current Assets</td> <td>39.7</td> <td>68.1</td> <td>70.0</td> </tr> <tr> <td>Accts Payable</td> <td>12.6</td> <td>7.0</td> <td>13.0</td> </tr> <tr> <td>Debt Due</td> <td>23.0</td> <td>13.8</td> <td>20.8</td> </tr> <tr> <td>Other</td> <td>23.6</td> <td>23.9</td> <td>25.2</td> </tr> <tr> <td>Current Liab.</td> <td>59.2</td> <td>44.7</td> <td>59.0</td> </tr> </tbody> </table>																	2013	2014	6/30/15	Cash Assets	2.3	2.4	5.2	Accts Receivable	14.5	15.0	17.6	Other	22.9	50.7	47.2	Current Assets	39.7	68.1	70.0	Accts Payable	12.6	7.0	13.0	Debt Due	23.0	13.8	20.8	Other	23.6	23.9	25.2	Current Liab.	59.2	44.7	59.0																				
	2013	2014	6/30/15																																																																							
Cash Assets	2.3	2.4	5.2																																																																							
Accts Receivable	14.5	15.0	17.6																																																																							
Other	22.9	50.7	47.2																																																																							
Current Assets	39.7	68.1	70.0																																																																							
Accts Payable	12.6	7.0	13.0																																																																							
Debt Due	23.0	13.8	20.8																																																																							
Other	23.6	23.9	25.2																																																																							
Current Liab.	59.2	44.7	59.0																																																																							
ANNUAL RATES			<table border="1"> <thead> <tr> <th></th> <th>Past 10 Yrs.</th> <th>Past 5 Yrs.</th> <th>Est'd '12-'14</th> </tr> </thead> <tbody> <tr> <td>of change (per sh)</td> <td></td> <td></td> <td>to '18-'20</td> </tr> <tr> <td>Revenues</td> <td>5.5%</td> <td>4.5%</td> <td>3.0%</td> </tr> <tr> <td>"Cash Flow"</td> <td>7.0%</td> <td>8.0%</td> <td>2.5%</td> </tr> <tr> <td>Earnings</td> <td>6.5%</td> <td>10.5%</td> <td>1.5%</td> </tr> <tr> <td>Dividends</td> <td>4.0%</td> <td>3.0%</td> <td>6.0%</td> </tr> <tr> <td>Book Value</td> <td>6.0%</td> <td>3.5%</td> <td>6.0%</td> </tr> </tbody> </table>																	Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14	of change (per sh)			to '18-'20	Revenues	5.5%	4.5%	3.0%	"Cash Flow"	7.0%	8.0%	2.5%	Earnings	6.5%	10.5%	1.5%	Dividends	4.0%	3.0%	6.0%	Book Value	6.0%	3.5%	6.0%																												
	Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14																																																																							
of change (per sh)			to '18-'20																																																																							
Revenues	5.5%	4.5%	3.0%																																																																							
"Cash Flow"	7.0%	8.0%	2.5%																																																																							
Earnings	6.5%	10.5%	1.5%																																																																							
Dividends	4.0%	3.0%	6.0%																																																																							
Book Value	6.0%	3.5%	6.0%																																																																							
QUARTERLY REVENUES (\$ mill.)			<table border="1"> <thead> <tr> <th>Cal-endar</th> <th>Mar.31</th> <th>Jun.30</th> <th>Sep.30</th> <th>Dec.31</th> <th>Full Year</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>51.1</td> <td>65.6</td> <td>82.4</td> <td>62.4</td> <td>261.5</td> </tr> <tr> <td>2013</td> <td>50.1</td> <td>74.2</td> <td>85.2</td> <td>67.4</td> <td>276.9</td> </tr> <tr> <td>2014</td> <td>54.6</td> <td>70.4</td> <td>125.4</td> <td>69.3</td> <td>319.7</td> </tr> <tr> <td>2015</td> <td>62.1</td> <td>72.4</td> <td>89.0</td> <td>71.5</td> <td>295</td> </tr> <tr> <td>2016</td> <td>60.0</td> <td>75.0</td> <td>80.0</td> <td>75.0</td> <td>300</td> </tr> </tbody> </table>																Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year	2012	51.1	65.6	82.4	62.4	261.5	2013	50.1	74.2	85.2	67.4	276.9	2014	54.6	70.4	125.4	69.3	319.7	2015	62.1	72.4	89.0	71.5	295	2016	60.0	75.0	80.0	75.0	300																				
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year																																																																					
2012	51.1	65.6	82.4	62.4	261.5																																																																					
2013	50.1	74.2	85.2	67.4	276.9																																																																					
2014	54.6	70.4	125.4	69.3	319.7																																																																					
2015	62.1	72.4	89.0	71.5	295																																																																					
2016	60.0	75.0	80.0	75.0	300																																																																					
QUARTERLY EARNINGS PER SHARE A			<table border="1"> <thead> <tr> <th>Cal-endar</th> <th>Mar.31</th> <th>Jun.30</th> <th>Sep.30</th> <th>Dec.31</th> <th>Full Year</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>.06</td> <td>.28</td> <td>.53</td> <td>.31</td> <td>1.18</td> </tr> <tr> <td>2013</td> <td>.07</td> <td>.37</td> <td>.44</td> <td>.24</td> <td>1.12</td> </tr> <tr> <td>2014</td> <td>.04</td> <td>.34</td> <td>1.88</td> <td>.28</td> <td>2.54</td> </tr> <tr> <td>2015</td> <td>.23</td> <td>.36</td> <td>.59</td> <td>.32</td> <td>1.50</td> </tr> <tr> <td>2016</td> <td>.17</td> <td>.42</td> <td>.67</td> <td>.34</td> <td>1.60</td> </tr> </tbody> </table>																Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year	2012	.06	.28	.53	.31	1.18	2013	.07	.37	.44	.24	1.12	2014	.04	.34	1.88	.28	2.54	2015	.23	.36	.59	.32	1.50	2016	.17	.42	.67	.34	1.60																				
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year																																																																					
2012	.06	.28	.53	.31	1.18																																																																					
2013	.07	.37	.44	.24	1.12																																																																					
2014	.04	.34	1.88	.28	2.54																																																																					
2015	.23	.36	.59	.32	1.50																																																																					
2016	.17	.42	.67	.34	1.60																																																																					
QUARTERLY DIVIDENDS PAID B			<table border="1"> <thead> <tr> <th>Cal-endar</th> <th>Mar.31</th> <th>Jun.30</th> <th>Sep.30</th> <th>Dec.31</th> <th>Full Year</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>.173</td> <td>.173</td> <td>.173</td> <td>.173</td> <td>.69</td> </tr> <tr> <td>2012</td> <td>.1775</td> <td>.1775</td> <td>.1775</td> <td>.1775</td> <td>.71</td> </tr> <tr> <td>2013</td> <td>.1825</td> <td>.1825</td> <td>.1825</td> <td>.1825</td> <td>.73</td> </tr> <tr> <td>2014</td> <td>.1875</td> <td>.1875</td> <td>.1875</td> <td>.1875</td> <td>.75</td> </tr> <tr> <td>2015</td> <td>.1950</td> <td>.1950</td> <td>.1950</td> <td></td> <td></td> </tr> </tbody> </table>																Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year	2011	.173	.173	.173	.173	.69	2012	.1775	.1775	.1775	.1775	.71	2013	.1825	.1825	.1825	.1825	.73	2014	.1875	.1875	.1875	.1875	.75	2015	.1950	.1950	.1950																						
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year																																																																					
2011	.173	.173	.173	.173	.69																																																																					
2012	.1775	.1775	.1775	.1775	.71																																																																					
2013	.1825	.1825	.1825	.1825	.73																																																																					
2014	.1875	.1875	.1875	.1875	.75																																																																					
2015	.1950	.1950	.1950																																																																							
CAPITAL STRUCTURE as of 6/30/15 Total Debt \$404.8 mill. Due in 5 Yrs \$21.2 mill. LT Debt \$384.0 mill. LT Interest \$21.0 mill. (51% of Cap'l)			Leases, Uncapitalized: Annual rentals \$5.5 mill. Pension Assets-12/14 \$91.4 mill. Pfd Stock None. Common Stock 20,363,574 shs. as of 7/22/15 MARKET CAP: \$625 million (Small Cap)																																																																							
BUSINESS: SJW Corporation engages in the production, purchase, storage, purification, distribution, and retail sale of water. It provides water service to approximately 229,000 connections that serve a population of roughly one million people in the San Jose area and 12,000 connections that serve about 36,000 residents in a service area in the region between San Antonio and Austin, Texas.			The company offers nonregulated water-related services. Also owns and operates commercial real estate investments. Has about 395 employees. Officers & directors (including Nancy O. Moss) own 27.9% of outstanding shares. Chairman: Charles J. Toeniskoetter. Incorporated: CA. Address: 110 West Taylor Street, San Jose, CA 95110. Telephone: (408) 279-7800. Int: www.sjwater.com.																																																																							
ANALYST COMMENTARY: The historic drought in California has not had an impact on SJW's main subsidiary. Thanks to a previous change in the methodology used to determine how water utilities' income is calculated, San Jose Water should be able to do well despite the severe water restrictions instituted by the California State Public Utility Commission. In the past, utilities profitability depended on the amount of water that was sold. Based on the new arrangement, utilities receive a fixed charge for their services.			large, but manageable. San Jose Water has been spending heavily on replacing old pipes and modernizing other facilities. Internally generated funds will not be sufficient to cover all of the capital outlays, so the company will have to depend to some extent on new debt and equity offerings. As a result, some of SJW's financial metrics may deteriorate to some degree, but should remain in an acceptable range.																																																																							
The company's earnings are much better than they appear. Last year's tally was inflated by a one-time gain as several years of accrued expenses were reimbursed in the third period. In the first half of 2015, SJW's share net was running well ahead of 2014's levels. While comparisons will be negative for the remainder of the year, we think that share net will come in at a healthy \$1.50. In 2016, we estimate that the bottom line will increase \$0.10 a share, to \$1.60. This solid increase will be due in part to a thriving service area, which includes Silicon Valley.			Shares of SJW have not done as well as other regulated water utilities. Since our July report, volatility in the markets increased and the S&P 500 declined 4.9%. Seeking a safe haven, funds poured into this sector as investors placed a premium on low-Beta equities, with good yields, that had well-defined sources of earnings. Thus, this group (excluding California Water) averaged a positive return of 5.1%, compared to the gain of only 81 basis points, recorded by SJW.																																																																							
The construction program will remain			These shares are untimely. But due to the recent poor showing relative to its peers, SJW's long-term appreciation potential is better than that of most other water utilities.																																																																							
Investment plan available.			Company's Financial Strength B+ Stock's Price Stability 85 Price Growth Persistence 20 Earnings Predictability 55																																																																							

(A) Diluted earnings. Excludes nonrecurring losses: '03, \$1.97; '04, \$3.78; '05, \$1.09; '06, \$16.36; '08, \$1.22; '10, \$0.46. GAAP accounting as of 2013. Next earnings report due mid-November. Quarterly earnings may not add due to rounding.
 (B) Dividends historically paid in early March, June, September, and December. ■ Div'd rein-vestment plan available.
 (C) In millions, adjusted for stock splits.
 © 2015 Value Line, Inc. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.
To subscribe call 1-800-VALUELINE

James A. Flood October 16, 2015

SUEZ Water Delaware Inc.
Summary of Risk Premium Models for
The Proxy Group of Eight Water Companies

	<u>The Proxy Group of Eight Water Companies</u>
Predictive Risk Premium Model™ (PRPM™) (1)	10.91 %
Risk Premium Using an Adjusted Total Market Approach (2)	<u>9.93 %</u>
Average	<u><u>10.42 %</u></u>

Notes:

- (1) From page 2 of this Workpaper.
- (2) From page 3 of this Workpaper.

The Proxy Group of Eight Water Companies
 Indicated ROE
 Derived by the Predictive Risk Premium Model (1)

	[1]	[2]	[3]	[4]	[5]	[6]	[7]
The Proxy Group of Eight Water Companies	LT Average Predicted Variance	Spot Predicted Variance	Average Predicted Variance	GARCH Coefficient	Predicted Risk Premium (2)	Risk-Free Rate (3)	Indicated ROE (4)
American States Water Co.	0.39%	0.36%	0.38%	1.70196	8.04%	3.70%	11.74%
American Water Works Company Inc	NM	NM	NM	NM	NM	NM	NM
Aqua America Inc	0.46%	0.31%	0.39%	2.26204	11.12%	3.70%	14.82%
California Water Service Group	0.31%	0.27%	0.29%	1.79781	6.44%	3.70%	10.14%
Connecticut Water Service Inc	0.28%	0.21%	0.24%	1.78351	5.26%	3.70%	8.96%
Middlesex Water Co.	0.27%	0.25%	0.26%	2.0801	6.69%	3.70%	10.39%
SJW Corp	0.42%	0.37%	0.39%	1.35536	6.53%	3.70%	10.23%
York Water Co.	0.44%	0.35%	0.40%	2.00136	10.04%	3.70%	13.74%
						Average	<u>11.43%</u>
						Median	<u>10.39%</u>
					Average of Mean and Median		<u>10.91%</u>

Notes:

- (1) The Predictive Risk Premium Model uses historical data to generate a predicted variance and a GARCH coefficient. The historical data used are the equity risk premiums for the first available trading month as reported by CRSP® Data® 1926 through November 2015. Center for Research in Security Prices, The University of Chicago Booth School of Business and Bloomberg Professional Service.
- (2) $1 + \{\text{Column [1]} * \text{Column [2]}\}^{1/2} - 1$.
- (3) From note 2 of Workpaper PMA-6.
- (4) Column [3] + Column [4].

SUEZ Water Delaware Inc.
 Indicated Common Equity Cost Rate
 Through Use of a Risk Premium Model
Using an Adjusted Total Market Approach

<u>Line No.</u>		<u>The Proxy Group of Eight Water Companies</u>
1.	Prospective Yield on Aaa Rated Corporate Bonds (1)	4.79 %
2.	Adjustment to Reflect Yield Spread Between Aaa Rated Corporate Bonds and A Rated Public Utility Bonds	<u>0.33</u> (2)
3.	Adjusted Prospective Yield on A Rated Public Utility Bonds	5.12 %
4.	Adjustment to Reflect Bond Rating Difference of Proxy Group	<u>0.19</u> (3)
5.	Adjusted Prospective Bond Yield	5.31 %
6.	Equity Risk Premium (4)	<u>4.62</u>
7.	Risk Premium Derived Common Equity Cost Rate	<u><u>9.93</u></u> %

- Notes:
- (1) Consensus forecast of Moody's Aaa Rated Corporate bonds from Blue Chip Financial Forecasts (see pages 9-10 of this Workpaper).
 - (2) The average yield spread of A rated public utility bonds over Aaa rated corporate bonds of 0.33% from page 4 of this Workpaper.
 - (3) Adjustment to reflect the A2 / A3 Moody's LT issuer rating of the proxy group of eight water companies as shown on page 5 of this Workpaper. The 0.19% upward adjustment is derived by taking 1/6 of the spread between A2 and A3 Public Utility Bonds ($1/6 * 1.13\% = 0.19\%$) as derived from page 4 of this Workpaper.
 - (4) From page 7 of this Workpaper.

SUEZ Water Delaware Inc.
 Interest Rates and Bond Spreads for
Moody's Corporate and Public Utility Bonds

Selected Bond Yields

	[1]	[2]	[3]
	<u>Aaa Rated Corporate Bond</u>	<u>A Rated Public Utility Bond</u>	<u>Baa Rated Public Utility Bond</u>
Nov-15	4.06 %	4.40 %	5.57 %
Oct-2015	3.95	4.29	5.47
Sep-2015	<u>4.07</u>	<u>4.39</u>	<u>5.42</u>
Average	<u>4.03 %</u>	<u>4.36 %</u>	<u>5.49 %</u>

Selected Bond Spreads

A Rated Public Utility Bonds Over Aaa Rated Corporate Bonds:	<u>0.33 % (1)</u>
Baa Rated Public Utility Bonds Over A Rated Public Utility Bonds:	<u>1.13 % (2)</u>

Notes:

- (1) Column [2] - Column [1].
- (2) Column [3] - Column [2].

Source of Information:

Bloomberg Professional Service

SUEZ Water Delaware Inc.
 Comparison of Long-Term Issuer Ratings for
The Proxy Group of Eight Water Companies

	<u>Moody's</u>		<u>Standard & Poor's</u>	
	<u>Long-Term Issuer Rating</u>	<u>November 2015</u>	<u>Long-Term Issuer Rating</u>	<u>November 2015</u>
<u>The Proxy Group of Eight Water Companies</u>	<u>Long-Term Issuer Rating</u>	<u>Numerical Weighting(1)</u>	<u>Long-Term Issuer Rating</u>	<u>Numerical Weighting(1)</u>
American States Water Co. (2)	A2	6.0	A+	5.0
American Water Works Company Inc. (3)	A3	7.0	A	6.0
Aqua America Inc (4)	NR	--	A+	5.0
California Water Service Group (4)	NR	--	A+	5.0
Connecticut Water Service Inc (5)	NR	--	A	6.0
Middlesex Water Co.	NR	--	A	6.0
SJW Corp (6)	NR	--	A	6.0
York Water Co.	NR	--	A-	7.0
Average	<u>A2/A3</u>	<u>6.5</u>	<u>A</u>	<u>5.8</u>

Notes:

- (1) From page 6 of this Workpaper.
- (2) Ratings that of Golden State Water Company.
- (3) Ratings that of New Jersey and Pennsylvania American Water Companies.
- (4) Ratings that of California Water Service Company.
- (5) Ratings that of Connecticut Water Company.
- (6) Ratings that of San Jose Water Company.

Source Information: Moody's Investors Service
 Standard & Poor's Global Utilities Rating Service

Numerical Assignment for
Moody's and Standard & Poor's Bond Ratings

<u>Moody's Bond Rating</u>	<u>Numerical Bond Weighting</u>	<u>Standard & Poor's Bond Rating</u>
Aaa	1	AAA
Aa1	2	AA+
Aa2	3	AA
Aa3	4	AA-
A1	5	A+
A2	6	A
A3	7	A-
Baa1	8	BBB+
Baa2	9	BBB
Baa3	10	BBB-
Ba1	11	BB+
Ba2	12	BB
Ba3	13	BB-
B	14	B+
B2	15	B
B3	16	B-

SUEZ Water Delaware Inc.
Judgment of Equity Risk Premium for
the Proxy Group of Eight Water Companies

<u>Line No.</u>		<u>The Proxy Group of Eight Water Companies</u>
1.	Calculated equity risk premium based on the total market using the beta approach (1)	5.26 %
2.	Mean equity risk premium based on a study using the holding period returns of public utilities with A rated bonds (2)	<u>3.97</u>
3.	Average equity risk premium	<u><u>4.62 %</u></u>

Notes: (1) From page 8 of this Workpaper.
(2) From page 11 of this Workpaper.

SUEZ Water Delaware Inc.
 Derivation of Equity Risk Premium Based on the Total Market Approach
 Using the Beta for
The Proxy Group of Eight Water Companies

<u>Line No.</u>	<u>Equity Risk Premium Measure</u>	<u>The Proxy Group of Eight Water Companies</u>
1.	Ibbotson Equity Risk Premium (1)	5.89 %
2.	Ibbotson Equity Risk Premium based on PRPM™ (2)	7.06
3.	Equity Risk Premium Based on <u>Value Line</u> Summary and Index (3)	7.60
4.	Equity Risk Premium Based on S&P 500 Companies(4)	<u>8.68</u>
5.	Conclusion of Equity Risk Premium (5)	7.31 %
6.	Adjusted Beta (6)	<u>0.72</u>
7.	Forecasted Equity Risk Premium	<u>5.26 %</u>

- Notes:
- (1) Based on the arithmetic mean historical monthly returns on large company common stocks from Ibbotson® S&BBI® 2015 Market Report minus the arithmetic mean monthly yield of Moody's Aaa and Aa corporate bonds from 2014). (12.07% - 6.18% = 5.89%).
 - (2) The Predictive Risk Premium Model (PRPM) is discussed in Ms. Ahern's accompanying direct testimony. The Ibbotson equity risk premium based on the PRPM is derived by applying the PRPM to the monthly risk premiums between Ibbotson large company common stock monthly returns minus the average Aaa and Aa corporate monthly bond yields, from January 1928 through October 2015.
 - (3) The equity risk premium based on the Value Line Summary and Index is derived from taking the projected 3-5 year total annual market return of 12.39% (described fully in note 1 of Workpaper PMA-6 and subtracting the average consensus forecast of Aaa corporate bonds of 4.79% (Shown on page 3 of this Workpaper). (12.39% - 4.79% = 7.60%).
 - (4) Using data from the Bloomberg Professional Service for the S&P 500, an expected total return of 13.47% was derived based upon expected dividend yields and long-term growth estimates as a proxy for capital appreciation.
 Subtracting the average consensus forecast of Aaa corporate bonds of 4.79% results in an expected equity risk premium of 8.68%. (13.47% - 4.79% = 8.68%).
 - (5) Average of Lines 1 through 4.
 - (6) Average of mean and median beta from Workpaper PMA-6.

Sources of Information:

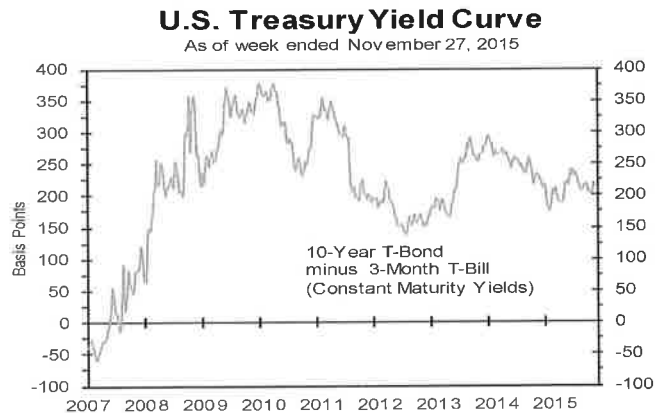
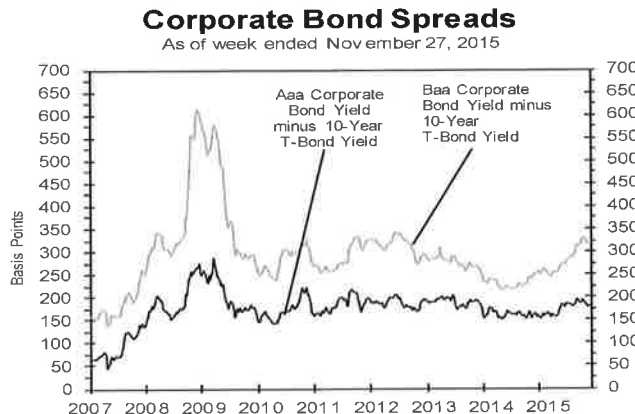
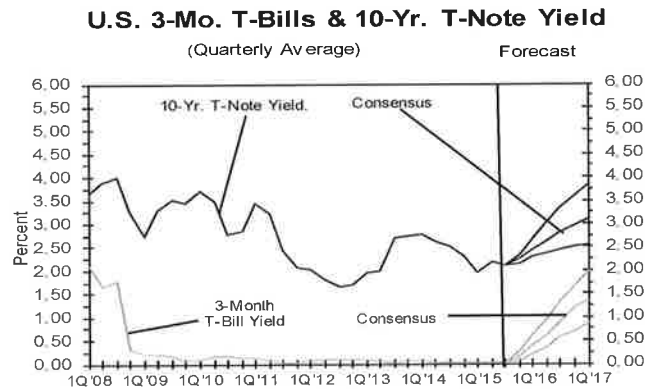
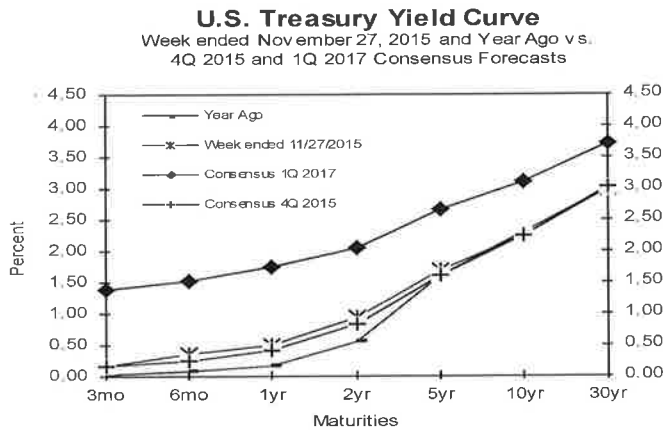
Stocks, Bonds, Bills, and Inflation - Ibbotson® S&BBI® 2015 Market Report,
 Morningstar, Inc., 2015 Chicago, IL.
 Industrial Manual and Mergent Bond Record Monthly Update.
Value Line Summary and Index
 Blue Chip Financial Forecasts, December 1, 2015
 Bloomberg Professional Services

Consensus Forecasts Of U.S. Interest Rates And Key Assumptions¹

Interest Rates	History								Consensus Forecasts-Quarterly Avg.						
	Average For Week Ending				Average For Month				Latest Q	4Q	1Q	2Q	3Q	4Q	1Q
	Nov. 27	Nov. 20	Nov. 13	Nov. 6	Oct.	Sep.	Aug.	3Q 2015	2015	2016	2016	2016	2016	2016	2017
Federal Funds Rate	0.12	0.12	0.12	0.10	0.12	0.14	0.14	0.13	0.2	0.5	0.7	0.9	1.2	1.4	
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.3	3.5	3.7	4.0	4.2	4.5	
LIBOR, 3-mo.	0.39	0.36	0.35	0.35	0.34	0.32	0.32	0.30	0.4	0.7	0.9	1.2	1.4	1.7	
Commercial Paper, 1-mo.	0.12	0.10	0.10	0.10	0.11	0.13	0.10	0.08	0.2	0.4	0.7	1.0	1.2	1.5	
Treasury bill, 3-mo.	0.14	0.13	0.14	0.06	0.02	0.02	0.07	0.02	0.1	0.4	0.6	0.9	1.1	1.4	
Treasury bill, 6-mo.	0.34	0.32	0.34	0.28	0.11	0.18	0.22	0.12	0.2	0.5	0.7	1.0	1.3	1.5	
Treasury bill, 1 yr.	0.50	0.49	0.50	0.41	0.26	0.37	0.38	0.29	0.4	0.7	1.0	1.3	1.5	1.7	
Treasury note, 2 yr.	0.93	0.90	0.88	0.83	0.64	0.71	0.70	0.63	0.8	1.1	1.3	1.6	1.8	2.0	
Treasury note, 5 yr.	1.68	1.68	1.72	1.64	1.39	1.49	1.54	1.47	1.6	1.9	2.0	2.3	2.4	2.6	
Treasury note, 10 yr.	2.24	2.26	2.32	2.26	2.07	2.17	2.17	2.11	2.2	2.4	2.6	2.8	3.0	3.1	
Treasury note, 30 yr.	3.00	3.03	3.09	3.01	2.89	2.95	2.86	2.84	3.0	3.2	3.3	3.5	3.6	3.7	
Corporate Aaa bond	4.03	4.07	4.11	4.05	3.95	4.07	4.04	3.86	4.0	4.2	4.4	4.6	4.8	4.9	
Corporate Baa bond	5.45	5.47	5.50	5.43	5.34	5.34	5.19	4.90	5.3	5.4	5.5	5.7	5.8	5.9	
State & Local bonds	3.65	3.65	3.74	3.69	3.67	3.78	3.74	3.68	3.7	3.9	4.1	4.3	4.4	4.5	
Home mortgage rate	3.95	3.97	3.98	3.87	3.80	3.89	3.91	3.80	4.0	4.2	4.4	4.6	4.7	4.9	

Key Assumptions	History								Consensus Forecasts-Quarterly					
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
	2013	2014	2014	2014	2014	2015	2015	2015	2015	2016	2016	2016	2016	2017
Major Currency Index	76.0	77.1	76.6	77.8	82.6	89.4	89.9	91.8	92.8	93.4	93.9	94.0	93.9	93.2
Real GDP	3.8	-0.9	4.6	4.3	2.1	0.6	3.9	2.1	2.5	2.5	2.7	2.6	2.6	2.5
GDP Price Index	1.8	1.5	2.2	1.6	0.1	0.1	2.1	1.3	1.3	1.8	2.0	2.0	2.0	2.1
Consumer Price Index	1.4	2.1	2.4	1.2	-0.9	-3.1	3.0	1.6	0.8	1.7	2.3	2.2	2.4	2.2

Forecasts for interest rates and the Federal Reserve's Major Currency Index represent averages for the quarter. Forecasts for Real GDP, GDP Price Index and Consumer Price Index are seasonally-adjusted annual rates of change (saar). Individual panel members' forecasts are on pages 4 through 9. Historical data for interest rates except LIBOR is from Federal Reserve Release (FRSR) H.15. LIBOR quotes available from *The Wall Street Journal*. Interest rate definitions are same as those in FRSR H.15. Treasury yields are reported on a constant maturity basis. Historical data for Fed's Major Currency Index is from FRSR H.10 and G.5. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS).



Long-Range Estimates:

The table below contains the results of our twice-annual long-range CONSENSUS survey. There are also Top 10 and Bottom 10 averages for each variable. Shown are consensus estimates for the years 2017 through 2021 and averages for the five-year periods 2017-2021 and 2022-2026. Apply these projections cautiously. Few if any economic, demographic and political forces can be evaluated accurately over such long time spans.

Interest Rates		-----Average For The Year-----					Five-Year Averages	
		2017	2018	2019	2020	2021	2017-2021	2022-2026
1. Federal Funds Rate	CONSENSUS	2.0	2.8	3.2	3.3	3.4	2.9	3.3
	Top 10 Average	2.7	3.6	4.0	4.0	4.0	3.7	3.8
	Bottom 10 Average	1.4	2.1	2.3	2.4	2.7	2.2	2.7
2. Prime Rate	CONSENSUS	5.0	5.8	6.2	6.4	6.4	6.0	6.3
	Top 10 Average	5.7	6.5	7.0	7.1	7.0	6.7	6.8
	Bottom 10 Average	4.4	5.2	5.5	5.7	5.8	5.3	5.7
3. LIBOR, 3-Mo.	CONSENSUS	2.3	3.1	3.3	3.4	3.6	3.1	3.5
	Top 10 Average	2.8	3.7	4.0	4.2	4.1	3.8	4.0
	Bottom 10 Average	1.8	2.4	2.6	2.7	3.0	2.5	3.0
4. Commercial Paper, 1-Mo.	CONSENSUS	2.2	3.0	3.4	3.5	3.4	3.1	3.4
	Top 10 Average	2.6	3.5	3.9	4.1	4.0	3.6	3.8
	Bottom 10 Average	1.7	2.4	2.9	2.9	2.9	2.6	2.9
5. Treasury Bill Yield, 3-Mo.	CONSENSUS	2.0	2.8	3.2	3.3	3.3	2.9	3.2
	Top 10 Average	2.8	3.5	3.9	4.0	3.9	3.6	3.7
	Bottom 10 Average	1.4	2.1	2.5	2.7	2.7	2.3	2.6
6. Treasury Bill Yield, 6-Mo.	CONSENSUS	2.1	2.9	3.3	3.4	3.4	3.0	3.3
	Top 10 Average	3.0	3.6	4.0	4.1	4.0	3.7	3.8
	Bottom 10 Average	1.5	2.2	2.6	2.8	2.8	2.4	2.7
7. Treasury Bill Yield, 1-Yr.	CONSENSUS	2.3	3.1	3.4	3.5	3.5	3.2	3.4
	Top 10 Average	3.2	3.8	4.1	4.2	4.2	3.9	4.0
	Bottom 10 Average	1.6	2.3	2.7	2.9	2.9	2.5	2.8
8. Treasury Note Yield, 2-Yr.	CONSENSUS	2.5	3.2	3.5	3.6	3.7	3.3	3.7
	Top 10 Average	3.4	4.0	4.4	4.4	4.4	4.1	4.3
	Bottom 10 Average	1.8	2.4	2.6	2.7	3.0	2.5	3.0
10. Treasury Note Yield, 5-Yr.	CONSENSUS	3.0	3.6	3.8	3.9	4.0	3.6	4.0
	Top 10 Average	3.8	4.4	4.7	4.8	4.8	4.5	4.7
	Bottom 10 Average	2.3	2.7	2.8	2.9	3.2	2.8	3.3
11. Treasury Note Yield, 10-Yr.	CONSENSUS	3.4	3.8	4.1	4.2	4.3	4.0	4.3
	Top 10 Average	4.2	4.7	5.0	5.2	5.2	4.9	5.1
	Bottom 10 Average	2.8	2.9	3.0	3.2	3.5	3.1	3.5
12. Treasury Bond Yield, 30-Yr.	CONSENSUS	4.0	4.4	4.6	4.8	4.9	4.5	4.8
	Top 10 Average	4.9	5.3	5.7	5.9	5.9	5.5	5.7
	Bottom 10 Average	3.3	3.6	3.5	3.7	3.9	3.6	3.9
13. Corporate Aaa Bond Yield	CONSENSUS	5.1	5.5	5.7	5.8	5.8	5.6	5.8
	Top 10 Average	5.7	6.2	6.5	6.6	6.6	6.3	6.5
	Bottom 10 Average	4.5	4.9	5.0	5.0	4.9	4.9	5.2
13. Corporate Baa Bond Yield	CONSENSUS	6.0	6.5	6.7	6.8	6.7	6.5	6.8
	Top 10 Average	6.8	7.2	7.6	7.7	7.6	7.4	7.5
	Bottom 10 Average	5.2	5.7	5.9	6.0	5.8	5.7	6.0
14. State & Local Bonds Yield	CONSENSUS	4.5	4.9	5.0	5.1	5.1	4.9	5.1
	Top 10 Average	5.0	5.5	5.7	5.8	5.8	5.6	5.8
	Bottom 10 Average	4.0	4.3	4.3	4.4	4.4	4.3	4.4
15. Home Mortgage Rate	CONSENSUS	5.1	5.6	5.8	5.9	6.0	5.7	6.0
	Top 10 Average	5.8	6.3	6.7	6.8	6.8	6.5	6.7
	Bottom 10 Average	4.4	4.8	4.9	5.0	5.1	4.9	5.2
A. FRB - Major Currency Index	CONSENSUS	92.8	91.7	91.2	90.8	91.1	91.5	90.1
	Top 10 Average	96.9	96.6	96.4	96.4	96.4	96.5	96.0
	Bottom 10 Average	88.4	86.6	85.7	85.1	85.7	86.3	84.2
		-----Year-Over-Year, % Change-----					Five-Year Averages	
		2017	2018	2019	2020	2021	2017-2021	2022-2026
B. Real GDP	CONSENSUS	2.5	2.4	2.2	2.2	2.3	2.3	2.2
	Top 10 Average	2.9	2.8	2.6	2.6	2.6	2.7	2.5
	Bottom 10 Average	2.2	1.8	1.8	1.9	1.9	1.9	2.0
C. GDP Chained Price Index	CONSENSUS	2.1	2.1	2.1	2.1	2.1	2.1	2.0
	Top 10 Average	2.3	2.5	2.4	2.3	2.2	2.3	2.2
	Bottom 10 Average	1.8	1.8	1.9	1.9	1.9	1.9	1.9
D. Consumer Price Index	CONSENSUS	2.3	2.4	2.3	2.3	2.3	2.3	2.2
	Top 10 Average	2.8	2.8	2.7	2.6	2.5	2.7	2.5
	Bottom 10 Average	2.0	2.0	2.0	2.0	2.1	2.0	2.0

SUEZ Water Delaware Inc.
 Derivation of Mean Equity Risk Premium Based on a Study
Using Holding Period Returns of Public Utilities

<u>Line No.</u>		<u>Over A Rated Moody's Public Utility Bonds (1)</u>
1.	Arithmetic Mean Holding Period Returns on the Standard & Poor's Utility Index 1928-2014 (2):	10.69 %
2.	Arithmetic Mean Yield on Moody's A Rated Public Utility Yields 1928-2014	<u>(6.67)</u>
3.	Historical Equity Risk Premium	4.02 %
4.	Forecasted Equity Risk Premium Based on PRPM™ (3)	4.01
5.	Forecasted Equity Risk Premium based on Projected Total Return on the S&P Utilities Index (4)	<u>3.89</u>
6.	Average of Historical and PRPM™ Equity Risk Premium	<u><u>3.97 %</u></u>

- Notes: (1) Based on S&P Public Utility Index monthly total returns and Moody's Public Utility Bond average monthly yields from 1928-2014.
- (2) Holding period returns are calculated based upon income received (dividends and interest) plus the relative change in the market value of a security over a one-year holding period.
- (3) The Predictive Risk Premium Model (PRPM) is applied to the risk premium of the monthly total returns of the S&P Utility Index and the monthly yields on Moody's A rated public utility bonds from January 1928 - October 2015.
- (4) Using data from Bloomberg Professional Service for the S&P Utilities Index, an expected return of 9.01% was derived based on expected dividend yields and long-term growth estimates as a proxy for market appreciation.
- Subtracting the expected A rated public utility bond yield of 5.12%, calculated on line 3 of page 3 of this Workpaper results in an equity risk premium of 3.89%.
 (9.01% - 5.12% = 3.89%)

SUEZ Water Delaware Inc.
Indicated Common Equity Cost Rate Through Use
of the Traditional Capital Asset Pricing Model (CAPM) and Empirical Capital Asset Pricing Model (ECAPM)

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
The Proxy Group of Eight Water Companies	Value Line Adjusted Beta	Bloomberg Adjusted Beta	Average Beta	Market Risk Premium [1]	Risk-Free Rate [2]	Traditional CAPM Cost Rate	ECAPM Cost Rate	Indicated Common Equity Cost Rate [3]
American States Water Co.	0.70	0.69	0.70	8.31 %	3.70 %	9.52 %	10.14 %	9.83 %
American Water Works Company Inc	0.70	0.52	0.61	8.31	3.70	8.77	9.58	9.17
Aqua America Inc	0.75	0.66	0.71	8.31	3.70	9.60	10.20	9.90
California Water Service Group	0.75	0.72	0.74	8.31	3.70	9.85	10.39	10.12
Connecticut Water Service Inc	0.65	0.70	0.68	8.31	3.70	9.35	10.02	9.68
Middlesex Water Co.	0.75	0.69	0.72	8.31	3.70	9.68	10.26	9.97
SJW Corp	0.75	0.79	0.77	8.31	3.70	10.10	10.58	10.34
York Water Co.	0.75	0.79	0.77	8.31	3.70	10.10	10.58	10.34
Average			0.71			9.62 %	10.22 %	9.92 %
Median			0.72			9.64 %	10.23 %	9.94 %
Average of Mean and Median			0.72			9.63	10.23	9.93 %

Notes:

(1) The market risk premium (MRP) is an average of four different measures. The first measure of the MRP derives the total return on the market by adding the thirteen-week average forecasted 3-5 year capital appreciation to the thirteen-week average expected dividend yield from Value Line Summary and Index. The projected risk-free rate (developed in Note 2) is then subtracted from the total return to arrive at the projected MRP. The second measure of MRP is based on the arithmetic mean of historical monthly return data of large company stocks less the income return on long-term government bonds from 1926-2014 as published by Morningstar, Inc. The third measure applies the PRPM to the Ibbotson historical data to derive a projected MRP. The fourth measure uses data from Bloomberg Professional Services to derive a total projected return on the S&P 500 by using expected dividend yields and long-term growth estimates as a proxy for capital appreciation. The projected risk-free rate is then subtracted from the projected total return to arrive at the projected MRP. The four measures of MRP are illustrated below:

Measure 1: Value Line Projected MRP (Thirteen weeks ending November 30, 2015)

Total projected return on the market 3 -5 years hence:	12.39 %
Projected Risk-Free Rate (described in Note 2):	3.70
MRP based on Value Line Summary & Index:	<u>8.69 %</u>

Measure 2: Ibbotson Arithmetic Mean MRP (1926-2014)

Arithmetic Mean Monthly Returns for Large Stocks 1926-2014:	12.07 %
Arithmetic Mean Income Returns on Long-Term Government Bonds:	5.23
MRP based on Ibbotson Historical Data:	<u>6.84 %</u>

Measure 3: Application of the PRPM to Ibbotson Historical Data:
(January 1926 - October 2015)

7.94 %

Measure 4: Bloomberg Projected MRP

Total return on the Market based on the S&P 500:	13.47 %
Projected Risk-Free Rate (described in Note 2):	3.70
MRP based on Bloomberg data	<u>9.77 %</u>

Average MRP: 8.31 %

(2) For reasons explained in the direct testimony, the appropriate risk-free rate for cost of capital purposes is the average forecast of 30 year Treasury Bonds per the consensus of nearly 50 economists reported in Blue Chip Financial Forecasts. (See pages 9 and 10 of Workpaper PMA-5). The projection of the risk-free rate is illustrated below:

Fourth Quarter 2015	3.00 %
First Quarter 2016	3.20
Second Quarter 2016	3.30
Third Quarter 2016	3.50
Fourth Quarter 2016	3.60
First Quarter 2017	3.70
2017-2021	4.50
2022-2026	4.80
	<u>3.70 %</u>

(3) Average of Column 6 and Column 7.

Sources of Information:

Value Line Summary and Index
Blue Chip Financial Forecasts, December 1, 2015
Stocks, Bonds, Bills, and Inflation - Ibbotson@S&P@2015 Market Report, Morningstar, Inc., 2015 Chicago, IL
Bloomberg Professional Services

SUEZ Water Delaware Inc.
Basis of Selection of the Group of Non-Price Regulated Companies
Comparable in Total Risk to the Proxy Group of Eight Water Companies

The criteria for selection of the proxy group of nineteen non-price regulated companies was that the non-price regulated companies be domestic and reported in Value Line Investment Survey (Standard Edition).

The proxy group of nineteen non-price regulated companies were then selected based upon the unadjusted beta range of 0.40 – 0.68 and residual standard error of the regression range of 2.0433 – 2.4369 of the water proxy group.

These ranges are based upon plus or minus two standard deviations of the unadjusted beta and standard error of the regression. Plus or minus two standard deviations captures 95.50% of the distribution of unadjusted betas and residual standard errors of the regression.

The standard deviation of the water industry's residual standard error of the regression is 0.0984. The standard deviation of the standard error of the regression is calculated as follows:

$$\text{Standard Deviation of the Std. Err. of the Regr.} = \frac{\text{Standard Error of the Regression}}{\sqrt{2N}}$$

where: N = number of observations. Since Value Line betas are derived from weekly price change observations over a period of five years, N = 259

$$\text{Thus, } 0.0984 = \frac{2.2401}{\sqrt{518}} = \frac{2.2401}{22.7596}$$

Source of Information: Value Line, Inc., September 2015
Value Line Investment Survey (Standard Edition)

SUEZ Water Delaware Inc.
 Basis of Selection of Comparable Risk
Domestic Non-Price Regulated Companies

	[1]	[2]	[3]	[4]
<u>The Proxy Group of Eight Water Companies</u>	<u>Value Line Adjusted Beta</u>	<u>Unadjusted Beta</u>	<u>Residual Standard Error of the Regression</u>	<u>Standard Deviation of Beta</u>
American States Water Co.	0.70	0.51	2.5371	0.0780
American Water Works Company Inc	0.70	0.52	1.7576	0.0540
Aqua America Inc	0.75	0.56	1.9618	0.0603
California Water Service Group	0.75	0.58	1.9789	0.0608
Connecticut Water Service Inc	0.65	0.44	2.5425	0.0781
Middlesex Water Co.	0.75	0.57	2.1433	0.0659
SJW Corp	0.75	0.58	2.4636	0.0757
York Water Co.	0.75	0.57	2.5356	0.0779
Average	<u>0.73</u>	<u>0.54</u>	<u>2.2401</u>	<u>0.0688</u>
Beta Range (+/- 2 std. Devs. of Beta) 2 std. Devs. of Beta	0.40 0.14	0.68		
Residual Std. Err. Range (+/- 2 std. Devs. of the Residual Std. Err.)	2.0433	2.4369		
Std. dev. of the Res. Std. Err.	0.0984			
2 std. devs. of the Res. Std. Err.	0.1968			

Source of Information: Valueline Proprietary Database September-2015

SUEZ Water Delaware Inc.
 Proxy Group of Non-Price Regulated Companies
 Comparable in Total Risk to
The Proxy Group of Eight Water Companies

	[1]	[2]	[3]	[4]
<u>The Proxy Group of Twenty Non-Price-Regulated Companies</u>	<u>VL Adjusted Beta</u>	<u>Unadjusted Beta</u>	<u>Residual Standard Error of the Regression</u>	<u>Standard Deviation of Beta</u>
AmerisourceBergen	0.80	0.66	2.0585	0.0633
AutoZone, Inc.	0.65	0.42	2.0941	0.0644
Bard (C.R.)	0.80	0.65	2.1971	0.0675
ConAgra Foods	0.65	0.46	2.3634	0.0726
The Chubb Corporation	0.80	0.65	2.1355	0.0656
Dr Pepper Snapple	0.70	0.47	2.1678	0.0666
Erie Indemnity	0.75	0.61	2.1003	0.0646
Kroger Co.	0.70	0.52	2.4031	0.0739
Laboratory Corp.	0.80	0.67	2.1403	0.0658
Lilly (Eli)	0.80	0.63	2.1421	0.0658
McKesson Corp.	0.80	0.68	2.0901	0.0642
Mercury General	0.70	0.48	2.4113	0.0741
Merck & Co.	0.75	0.56	2.1008	0.0646
Reynolds American	0.70	0.49	2.2573	0.0694
Sherwin-Williams	0.80	0.67	2.3261	0.0715
Silgan Holdings	0.75	0.61	2.4058	0.0739
Target Corp.	0.70	0.51	2.2186	0.0682
TJX Companies	0.75	0.62	2.1383	0.0657
Verisk Analytics	0.75	0.55	2.1122	0.0649
Weis Markets	0.70	0.51	2.4044	0.0739
Average	<u>0.74</u>	<u>0.57</u>	<u>2.2100</u>	<u>0.0700</u>
The Proxy Group of Eight Water Companies	<u>0.73</u>	<u>0.54</u>	<u>2.2401</u>	<u>0.0688</u>

SUEZ Water Delaware Inc.
 Summary of Cost of Equity Models Applied to
 The Proxy Group of Twenty Non-Price-Regulated Companies
 Comparable in Total Risk to
The Proxy Group of Eight Water Companies

<u>Principal Methods</u>	<u>The Proxy Group of Twenty Non- Price-Regulated Companies</u>
Discounted Cash Flow Model (DCF) (1)	11.99 %
Risk Premium Model (RPM) (2)	11.23
Capital Asset Pricing Model (CAPM) (3)	<u>10.36</u>
	Mean <u>11.19 %</u>
	Median <u>11.23 %</u>
	Average of Mean and Median <u>11.21 %</u>

Notes:

- (1) From page 2 of this Workpaper.
- (2) From page 3 of this Workpaper.
- (3) From page 6 of this Workpaper.

SUEZ Water Delaware Inc.

DCF Results for the Proxy Group of Non-Price-Regulated Companies Comparable in Total Risk to
The Proxy Group of Eight Water Companies

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	
The Proxy Group of Twenty Non-Price- Regulated Companies	Average Dividend Yield	Value Line Projected Five Year Growth in EPS	Reuters Mean Consensus Projected Five Year Growth Rate in EPS	Zack's Five Year Projected Growth Rate in EPS	Yahoo! Finance Projected Five Year Growth in EPS	Average Projected Five Year Growth Rate in EPS	Adjusted Dividend Yield	Indicated Common Equity Cost Rate
AmerisourceBergen	1.39 %	14.00 %	15.23 %	15.00 %	15.23 %	14.87 %	1.49 %	16.36 %
AutoZone, Inc.	0.00	13.00	12.06	13.20	12.06	12.58	-	NA
Bard (C.R.)	0.51	10.00	10.24	11.10	10.46	10.45	0.54	10.99
ConAgra Foods	2.43	6.00	6.87	6.60	6.87	6.59	2.51	9.10
The Chubb Corporation	1.81	5.50	4.24	9.70	5.43	6.22	1.87	8.09
Dr Pepper Snapple	2.29	9.00	7.23	7.70	7.23	7.79	2.38	10.17
Eric Indemnity	3.19	11.00	10.00	10.00	10.00	10.25	3.35	13.60
Kroger Co.	1.13	10.50	10.60	9.90	10.60	10.40	1.19	11.59
Laboratory Corp.	0.00	9.00	11.61	11.10	11.62	10.83	-	NA
Lilly (Eli)	2.43	4.50	13.83	12.70	13.83	11.22	2.57	13.79
McKesson Corp.	0.59	15.00	14.20	14.00	14.47	14.42	0.63	15.05
Mercury General	4.82	11.50	7.60	7.60	7.60	8.58	5.03	13.61
Merck & Co.	3.51	4.00	5.08	6.40	5.08	5.14	3.60	8.74
Reynolds American	3.18	12.50	14.20	12.80	14.20	13.43	3.39	16.82
Sherwin-Williams	1.06	13.00	18.30	19.90	18.30	17.38	1.15	18.53
Silgan Holdings	1.22	8.50	3.24	7.40	6.62	6.44	1.26	7.70
Target Corp.	2.94	9.50	10.47	10.00	10.47	10.11	3.09	13.20
TJX Companies	1.18	10.00	11.00	11.10	10.83	10.73	1.24	11.97
Verisk Analytics	0.00	12.50	12.18	12.60	12.74	12.51	-	NA
Weis Markets	2.84	2.00	NA	NA	NA	2.00	2.87	4.87
							Mean	12.01 %
							Median	11.97 %
							Average of Mean and Median	11.99 %

NA= Not Available
 NMF= Not Meaningful Figure

(1) Ms. Ahern's application of the DCF model to the domestic, non-price regulated comparable risk companies is identical to the application of the DCF to her proxy group of water companies. She uses the 60 day average price and the spot indicated dividend as of November 30, 2015 for her dividend yield and then adjusts that yield for 1/2 the average projected growth rate in EPS, which is calculated by averaging the 5 year projected growth in EPS provided by Value Line, www.reuters.com, www.zacks.com, and www.yahoo.com (excluding any negative growth rates) and then adding that growth rate to the adjusted dividend yield.

Source of Information: Value Line Investment Survey
 www.reuters.com Downloaded on 11/30/2015
 www.zacks.com Downloaded on 11/30/2015
 www.yahoo.com Downloaded on 11/30/2015

SUEZ Water Delaware Inc.
 Indicated Common Equity Cost Rate
 Through Use of a Risk Premium Model
Using an Adjusted Total Market Approach

<u>Line No.</u>		<u>The Proxy Group of Twenty Non-Price- Regulated Companies</u>
1.	Prospective Yield on Baa Rated Corporate Bonds (1)	5.86 %
2.	Adjustment to Reflect Bond rating Difference of Non-Price Regulated Companies (2)	<u>(0.33)</u>
3.	Adjusted Prospective Bond Yield	5.53
4.	Equity Risk Premium (3)	<u>5.70</u>
5.	Risk Premium Derived Common Equity Cost Rate	<u><u>11.23 %</u></u>

Notes: (1) Average forecast of Baa corporate bonds based upon the consensus of nearly 50 economists reported in Blue Chip Financial Forecasts dated December 1, 2015 (see pages 9-10 of Workpaper PMA-5). The estimates are detailed below.

Fourth Quarter 2015	5.30 %
First Quarter 2016	5.40
Second Quarter 2016	5.50
Third Quarter 2016	5.70
Fourth Quarter 2016	5.80
First Quarter 2017	5.90
2017-2021	6.50
2022-2026	<u>6.80</u>
Average	<u><u>5.86 %</u></u>

(2) To reflect the Baa1 average rating of the non-utility proxy group, the prospective yield on Baa corporate bonds must be adjusted downward by 1/3 of the spread between A and Baa corporate bond yields as shown below:

	A Corp. Bond Yield		Baa Corp. Bond Yield		Spread
Nov-15	4.43 %	%	5.46 %	%	1.03 %
Oct-2015	4.33		5.34		1.01
Sep-2015	4.43		5.34		<u>0.91</u>
	Average yield spread				<u>0.98 %</u>
	1/3 of spread				<u><u>0.33 %</u></u>

(3) From page 5 of this Workpaper.

SUEZ Water Delaware Inc.
 Comparison of Long-Term Issuer Ratings for the
 The Proxy Group of Twenty Non-Price-Regulated Companies of Comparable Risk to
The Proxy Group of Eight Water Companies

<u>Proxy Group of Twenty Non-Price-Regulated Companies</u>	<u>Moody's Long-Term Issuer Rating November 2015</u>		<u>Standard & Poor's Long-Term Issuer Rating November 2015</u>	
	<u>Long-Term Issuer Rating</u>	<u>Numerical Weighting (1)</u>	<u>Long-Term Issuer Rating</u>	<u>Numerical Weighting (1)</u>
AmerisourceBergen	Baa2	9.0	A-	7.0
AutoZone, Inc.	Baa1	8.0	BBB	9.0
Bard (C.R.)	Baa1	8.0	A	6.0
ConAgra Foods	Baa2	9.0	BBB-	10.0
The Chubb Corporation	A2	6.0	A	6.0
Dr Pepper Snapple	Baa1	8.0	BBB+	8.0
Erie Indemnity	NR	--	NR	--
Kroger Co.	Baa2	9.0	BBB	9.0
Laboratory Corp.	Baa2	9.0	BBB	9.0
Lilly (Eli)	A2	6.0	AA-	4.0
McKesson Corp.	Baa2	9.0	BBB+	8.0
Mercury General	WR	--	NR	--
Merck & Co.	A2	6.0	AA	3.0
Reynolds American	Baa3	10.0	BBB-	10.0
Sherwin-Williams	A2	6.0	A	6.0
Silgan Holdings	Ba2	12.0	BB+	11.0
Target Corp.	A2	6.0	A	6.0
TJX Companies	A2	6.0	A+	5.0
Verisk Analytics	Baa3	10.0	BBB-	10.0
Weis Markets	NR	--	NR	--
Average	Baa1	8.1	BBB+	7.5

Notes:

(1) From page 6 of Workpaper PMA-5.

Source of Information:

Bloomberg Professional Services

SUEZ Water Delaware Inc.
 Derivation of Equity Risk Premium Based on the Total Market Approach
 Using the Beta for
 The Proxy Group of Twenty Non-Price-Regulated Companies of Comparable Risk to
The Proxy Group of Eight Water Companies

<u>Line No.</u>	<u>Equity Risk Premium Measure</u>	<u>Proxy Group of Twenty Non-Price- Regulated Companies</u>
1.	Ibbotson Equity Risk Premium (1)	5.89 %
2.	Ibbotson Equity Risk Premium based on PRPM (2)	7.06
3.	Equity Risk Premium Based on <u>Value Line</u> Summary and Index (3)	7.60
4.	Equity Risk Premium Based on S&P 500 Companies (4)	<u>8.68</u>
5.	Conclusion of Equity Risk Premium (5)	7.31 %
6.	Adjusted Beta (6)	<u>0.78</u>
7.	Forecasted Equity Risk Premium	<u><u>5.70 %</u></u>

- Notes:
- (1) From note 1 of page 8 of Workpaper PMA-5.
 - (2) From note 2 of page 8 of Workpaper PMA-5.
 - (3) From note 3 of page 8 of Workpaper PMA-5.
 - (4) From note 4 of page 8 of Workpaper PMA-5.
 - (5) Average of Lines 1 through 4.
 - (6) Average of mean and median beta from page 6 of this Workpaper.

Sources of Information:

Stocks, Bonds, Bills, and Inflation - Ibbotson® SBBI® 2015 Market Report, Morningstar, Inc., 2015 Chicago, IL.

Value Line Summary and Index

Blue Chip Financial Forecasts, December 1, 2015

Bloomberg Professional Services

SUEZ Water Delaware Inc.
 Traditional CAPM and ECAPM Results for the Proxy Group of Non-Price-Regulated Companies Comparable in Total Risk to
The Proxy Group of Eight Water Companies

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Proxy Group of Twenty Non-Price-Regulated Companies	Value Line Adjusted Beta	Bloomberg Beta	Average Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate	ECAPM Cost Rate	Indicated Common Equity Cost Rate (3)
AmerisourceBergen	0.80	0.77	0.79	8.31 %	3.70 %	10.26 %	10.70 %	10.48 %
AutoZone, Inc.	0.65	0.77	0.71	8.31	3.70	9.60	10.20	9.90
Bard (C.R.)	0.80	0.79	0.80	8.31	3.70	10.35	10.76	10.56
ConAgra Foods	0.65	0.68	0.67	8.31	3.70	9.27	9.95	9.61
The Chubb Corporation	0.80	0.65	0.73	8.31	3.70	9.77	10.33	10.05
Dr Pepper Snapple	0.70	0.81	0.75	8.31	3.70	9.93	10.45	10.19
Eric Indemnity	0.75	0.72	0.73	8.31	3.70	9.77	10.33	10.05
Kroger Co.	0.70	0.88	0.79	8.31	3.70	10.26	10.70	10.48
Laboratory Corp.	0.80	0.84	0.82	8.31	3.70	10.51	10.89	10.70
Lilly (Eli)	0.80	0.73	0.77	8.31	3.70	10.10	10.58	10.34
McKesson Corp.	0.80	0.88	0.84	8.31	3.70	10.68	11.01	10.85
Mercury General	0.70	0.72	0.71	8.31	3.70	9.60	10.20	9.90
Merck & Co.	0.75	0.91	0.83	8.31	3.70	10.60	10.95	10.77
Reynolds American	0.70	0.73	0.72	8.31	3.70	9.68	10.26	9.97
Sherwin-Williams	0.80	0.93	0.87	8.31	3.70	10.93	11.20	11.06
Silgan Holdings	0.75	0.83	0.79	8.31	3.70	10.26	10.70	10.48
Target Corp.	0.70	0.78	0.74	8.31	3.70	9.85	10.39	10.12
TJX Companies	0.75	0.84	0.79	8.31	3.70	10.26	10.70	10.48
Verisk Analytics	0.75	0.80	0.78	8.31	3.70	10.18	10.64	10.41
Weis Markets	0.70	0.80	0.75	8.31	3.70	9.93	10.45	10.19
Mean			0.77			10.09 %	10.57 %	10.33 %
Median			0.78			10.14 %	10.61 %	10.38 %
Average of Mean and Median			0.78			10.12 %	10.59 %	10.36 %

Notes:
 (1) From Workpaper PMA-6, note 1.
 (2) From Workpaper PMA- 6, note 2.
 (3) Average of CAPM and ECAPM cost rates.

SUEZ Water Delaware Inc.
Derivation of Investment Risk Adjustment Based upon
Ibbotson Associates' Size Premia for the Decile Portfolios of the NYSE/AMEX/NASDAQ

<u>Line No.</u>	[1]	[2]	[3]	[4]
	Market Capitalization on December 31, 2014 (1) (millions) (times larger)	Applicable Decile of the NYSE/AMEX/ NASDAQ (2)	Applicable Size Premium (3)	Spread from Applicable Size Premium (4)
1.	<u>SUEZ Water Delaware Inc.</u> \$ 113.262	10	5.78%	
2.	<u>The Proxy Group of Eight Water Companies</u> \$ 2,496.434 22.0 x	6	1.74%	4.04%

	(A)	(B)	(C)	(D)	(E)
	Decile	Number of Companies (millions)	Recent Total Market Capitalization (millions)	Recent Average Market Capitalization (millions)	Premium (Return in Excess of CAPM) (2)
	1	191	\$14,808,784.27	\$77,532.90	-0.36%
	2	208	\$3,247,447.91	\$15,612.73	0.63%
	3	198	\$1,579,432.90	\$7,976.93	0.91%
	4	222	\$1,042,428.21	\$4,695.62	1.06%
	5	222	\$694,147.09	\$3,126.79	1.60%
	6	272	\$585,657.12	\$2,153.15	1.74%
	7	323	\$449,325.23	\$1,391.10	1.71%
	8	421	\$333,731.80	\$792.71	2.15%
	9	413	\$173,673.21	\$420.52	2.69%
Smallest	10	951	\$135,401.29	\$142.38	5.78%

*From Duff & Phelps 2015 Valuation Handbook Guide to Cost of Capital

Notes:

- (1) From Page 2 of this Workpaper.
- (2) Gleaned from Column (D) on the bottom of this page. The appropriate decile (Column (A)) corresponds to the market capitalization of the proxy group, which is found in Column 1.
- (3) Corresponding risk premium to the decile is provided on Column (E) on the bottom of this page.
- (4) Line No. 1a Column 3 – Line No. 2 Column 3 and Line No. 1b, Column 3 – Line No. 3 of Column 3 etc.. For example, the 4.04% in Column 4, Line No. 2 is derived as follows 4.04% = 2.69% - 1.74%.

SUEZ Water Delaware Inc.
Market Capitalization of SUEZ Water Delaware Inc. and
The Proxy Group of Eight Water Companies

Company	Exchange	[1] Common Stock Shares Outstanding at Fiscal Year End 2014 (millions)	[2] Book Value per Share at Fiscal Year End 2014 (1)	[3] Total Common Equity at Fiscal Year End 2014 (millions)	[4] Closing Stock Market Price on November 30, 2015	[5] Market-to- Book Ratio on November 30, 2015 (2)	[6] Market Capitalization on November 30, 2015 (3) (millions)
SUEZ Water Delaware Inc		NA (4)	NA	48.258 (4)	NA		
Based upon The Proxy Group of Eight Water Companies						234.7 (5)	\$ 113.262 (6)
<u>The Proxy Group of Eight Water Companies</u>							
American States Water Co.	NYSE	38.287	\$ 13.237	\$ 506.801	\$ 41.830	316.0 %	\$ 1,601.530
American Water Works Company Inc	NYSE	179.462	\$ 27.391	\$ 4,915.591	\$ 57.760	210.9 %	\$ 10,365.725
Aqua America Inc	NYSE	176.753	\$ 9.365	\$ 1,655.343	\$ 29.350	313.4 %	\$ 5,187.708
California Water Service Group	NYSE	47.806	\$ 13.108	\$ 626.626	\$ 22.530	171.9 %	\$ 1,077.069
Connecticut Water Service Inc	NASDAQ	11.125	\$ 18.897	\$ 210.223	\$ 36.310	192.1 %	\$ 403.935
Middlesex Water Co.	NASDAQ	16.124	\$ 12.236	\$ 197.291	\$ 25.630	209.5 %	\$ 413.258
SJW Corp	NYSE	20.287	\$ 17.753	\$ 360.155	\$ 30.370	171.1 %	\$ 616.111
York Water Co.	NASDAQ	12.831	\$ 8.150	\$ 104.563	\$ 23.860	292.8 %	\$ 306.136
Average		62.834	\$ 15.017	\$ 1,072.074	\$ 33.455	234.7 %	\$ 2,496.434

NA= Not Available

Notes: (1) Column 3 / Column 1.

(2) Column 4 / Column 2.

(3) Column 5 * Column 3.

(4) From SUEZ Water Delaware Inc.'s Annual Report to the Delaware Public Service Commission for the year ended December 31, 2014. The total common equity is derived by multiplying the total capitalization by the recommended common equity ratio.

(5) The market-to-book ratio of SUEZ Water Delaware Inc. on November 30, 2015 is assumed to be equal to the market-to-book ratio of The Proxy Group of Eight Water Companies on November 30, 2015.

(6) SUEZ Water Delaware Inc.'s common stock, if traded, would trade at a market-to-book ratio equal to the average market-to-book ratio at November 30, 2015 of The Proxy Group of Eight Water Companies, 234.7%, and SUEZ Water Delaware Inc.'s market capitalization on November 30, 2015 would therefore have been \$113.26 million.

Source of Information: 2014 Annual Forms 10K
yahoo.finance.com

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

COMMON EQUITY COST RATES

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Pauline Ahern

MFR

6.4 Embedded Cost of Preferred Stock

6.4.5 State what coverage requirements or capital structure

Response:

Not applicable.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

RATE OF RETURN

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Pauline Ahern

MFR

6.5 Parent-Subsidiary Relationship

6.5.1 Where applicant is a subsidiary of a parent corporation, the data provided for in Schedule 4A, B, C and D shall be provided for the parent company or on a consolidated basis as well as for applicant.

Response:

The information provided for the referenced schedules is that of SUEZ Resources, the parent of SUEZ Water Delaware. SUEZ Resources holds all of the equity in SUEZ Water Delaware, is responsible for all debt, and provides all financing. SUEZ Water Delaware, as a subsidiary of SUEZ Resources, has no debt of its own. As such, any schedule showing its capital structure would include 100%

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

RATE OF RETURN

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Pauline Ahern

MFR

6.5 Parent-Subsidiary Relationship

6.5.2 If applicant proposes to utilize the capital structure or capital costs of the parent company, or provide such data on a consolidated basis, the reasons for this claim must be fully stated and supported.

Response:

The Company is utilizing the capital structure and the costs of debt of SUEZ Resources, the parent company of SUEZ Water Delaware. SUEZ Resources holds all of the equity in SUEZ Water Delaware, is responsible for all debt, and provides all financing. SUEZ Water Delaware, as a subsidiary of SUEZ Resources, has no debt of its own. As such, any schedule showing its capital structure would include 100% equity.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

Schedule No. 5

COMPUTATION OF GROSS REVENUE FACTOR

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

Line No.	Description	Percent Incremental Gross Revenues
1	Gross Operating Revenues	
2	Operating Revenues	
3	Net Operating Revenues	1.00000
4	Uncollectible Rate	0.00459
5	State Gross Receipts Tax - PSC Assessment	0.00300
6	Income Before State Income Tax	0.99241
7	State Income Tax at 8.7%	0.08634
8	Income Before Federal Income Tax	0.90607
9	Federal Income Tax at 35%	0.31712
10	Income After Federal Income Tax	0.58895
11	Operating Income Percentage	0.58895
12	Gross Revenue Conversion Factor	1.69795
13	State Income Tax Rate	8.70%
13	Federal Income Tax Rate	35.00%

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

PROPOSED TARIFF SCHEDULES

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Chuck Loy

MFR

8.1 Proposed Tariff Schedules

8.1 Provide a copy of proposed Tariff Schedules

Response:

Please see the following proposed tariff pages.

SUEZ WATER DELAWARE, INC.
Tariff
for
Water Service
Applicable in
The Service Area in Brandywine Hundred,
New Castle County, Delaware
and in the Service Area of the former
New Castle County Water Company and the former Delaware
Water Corporation

ISSUED: February 5, 2016

EFFECTIVE: April 5, 2016

By: Larry Finnicum
Manager Operations
2000 First State Boulevard
Wilmington, Delaware 19804-0508

TABLE OF CONTENTS

<u>Description</u>	<u>Sheet No.</u>	<u>Revision</u>
Index	1	Twenty Fourth Revised
<u>Rules and Regulations</u>		
Definitions	2	Original
Request for Service	2	Original
Service Connection	3	Original
Cross Connections	4	Third Revised
Meters	4	Third Revised
Meter Setting	4	Third Revised
Meter Testing	5	Original
Bills	5	Original
Discontinuance of Service	6	Second Revised
Customers' Deposits	7	Second Revised
Miscellaneous	8	Second Revised
Fire Protection	9	Third Revised
Water Main Extensions	10 – 10E	First Revised
Installation of Facilities	10F-10H	Third Revised
Appendix A Charges	10I	First Revised
Distribution System Improvement Charge (DSIC)	11 – 11B	Original
<u>Schedule of Rates</u>		
Schedule A – General Metered Rates	12	Tenth Revised
Schedule A – Residential Service	12A	Tenth Revised
Schedule A – Commercial Service	12B	Ninth Revised
Schedule A – Industrial Service	12C	Ninth Revised
Schedule A – Public Authority Service	12D	Ninth Revised
Schedule A – Sales for Resale	12E	Ninth Revised
Schedule B – Rates for Public Fire Hydrant Service	13	Ninth Revised
Schedule C – Rates for Private Fire Hydrant Service	14	Ninth Revised
Schedule D – Rates for Private Unmetered Fire Service Line	15	Ninth Revised
Schedule E – Miscellaneous Fees and Charges	16 – 16A	Original
Schedule F – Distribution System Improvement Charge (DSIC)	17	Twenty First Revised

CROSS CONNECTIONS

1. A cross connection is any pipe, valve or other physical connection or other arrangement or device connecting the pipelines of the Company, or facilities directly or indirectly connected therewith, to and with pipes or fixtures by which any contamination might be admitted or drawn from lines other than the Company's into the distribution system of the Company, or into lines connected therewith.
2. No direct connection of pumping equipment for any purpose or cross-connection with any other piping system will be allowed unless approved in writing by the Company.
3. The Company reserves the right to require any customer, owner or tenant to install, at their expense, and as part of a service connection such equipment or material which it deems necessary and as may be acceptable or required from time to time by any regulatory agency or good engineering practices, to prevent backflow into the water supply and minimize or eliminate contamination of its water supply system.
4. Backflow preventors shall be required in all domestic, commercial, industrial, public and municipal services where water is used in any process which, in the opinion of the Company, could constitute a cross-connection and/or health hazard.

METERS

1. All domestic, commercial, industrial, private fire, and municipal water service will be rendered through meters only, except as provided for under schedule of rates.
2. Each customer's service shall have a separate meter to measure the amount of water consumed.
3. All meters will be furnished by, and shall remain the property of the Company. The Company reserves the right to establish the size and location of meter required by each customer.
4. Meters will be maintained by the Company. The customer shall be responsible to the Company for damage and/or loss of any meter caused by the customer's negligence or carelessness, or by the negligence of his servants, employees, members of his household, or any person upon his premises by his consent or sufferance as set forth on Schedule E – Miscellaneous Fees and Charges. The customer shall not permit anyone other than an agent of the Company to remove, inspect or repair the Company's meter or other property of the Company on his premises.
5. The customer shall advise the Company of any damage or any operational failure of the meter as soon as it comes to his attention.
6. All new private fire services will be metered by a meter approved by the Company. The Company reserves the right to determine the location of the meter/meter vault. All piping appurtenances and the vault will be the sole cost of the customer and be maintained by the customer. All new private fire services shall be equipped with a backflow preventer device. The Customer shall provide a Company specified meter installed in a Company specified meter vault with a Company specified back flow preventer for all private fire services. The cost of any piping modifications needed to accommodate the appropriate backflow preventer and or detector check will be at the customer's expense.

METER SETTING

1. All meters shall be set at locations as approved by the Company, accessible to the Company and subject to its control.

2. Bills for water service will be rendered monthly and are due and payable when rendered. If a bill is not paid within twenty (20) days from date of bill, the water may be shut off upon ten (10) days written shut-off notice, and service will not be restored until all arrears for water service and the Reconnection Charge as stated on Schedule E – Miscellaneous Fees and Charges have been paid.
3. The presentation or non-presentation of a bill shall not be held to be a waiver of any of the rules or regulations.
4. Each metered period of consumption shall stand by itself and there shall be no arranging of accounts per annum or otherwise.
5. In the case of bills rendered to the State of Delaware or any department or institution thereof, the period for payment of bills shall be thirty (30) days.

DISCONTINUANCE OF SERVICE

1. Whenever the customer desires to have his service contract terminated or his water service discontinued, he shall notify the Company to that effect in writing. The customer will be responsible for the payment of all service rendered by the Company until such written notice is received; and for a reasonable time thereafter, so that the Company may take the final reading of the meter or meters, and water service may be discontinued by the Company.
2. When premises will be temporarily unoccupied, the customer shall notify the Company in writing and the water will be turned off and all charges will cease from that date. When the property is again occupied the customer shall again notify the Company in writing and the water will be turned on. No refund will be allowed for property unoccupied for a period of time less than one month.
3. In cases of vacancy of a customer's property, the customer must notify the Company in writing of such vacancy and upon his failure so to do the customer will become responsible for all damage to Company property caused by freezing, water damage, third parties, or other causes.
4. Service to any customer may be discontinued for violation of any of these rules and regulations. However, before service may be discontinued for such violation, the Company will give written notice to the customer, stating the rule violated, the manner of violation, and a reasonable date after which service will be discontinued if the violation continues. After service is thus discontinued for violation of rules and regulations, service will not be resumed until reasonable assurance is given that the customer will comply with the rules and regulations and a Reconnection Charge, as stated on Schedule E – Miscellaneous Fees and Charges, is paid to the Company.

5. As necessity may arise because of a main break, or any other unavoidable cause, the Company shall have the right to temporarily cut off the water supply to make necessary repairs, connections, etc. The Company will use all reasonable and practicable measures to notify the customer in advance of such discontinuance of service. The Company shall not be liable for any damage or inconvenience suffered by the customer because of an interruption in service, inadequate supply, inadequate pressure, poor water quality, or for any other cause beyond its control. The Company may restrict or regulate the quantity of water used by customers in case of scarcity, or whenever the public welfare may require it.
6. No customer shall open or close any of the Company's curb stops or valves in any public or private line.
7. No agent or employee of the Company shall have the right or authority to bind the Company by any promise, agreement, or representation contrary to the letter or intent of these rules and regulations.
8. Underground lawn sprinklers and irrigation systems may be installed only under special approval by the Company. Customers must furnish schematic drawings of the proposed pipe layout, together with valves, sprinkler heads, approved backflow prevention device and appurtenances, including sizes and specifications.
9. For existing private fire services that are not metered, the customer must notify the Company three business days prior to any testing of the fire flow system. The Company will determine the acceptable rate of flow for testing purposes. The Company will assess a charge of \$250 per fire flow test. A penalty charge of \$1,000 will be assessed any fire flow test conducted without notifying the Company.
10. The Company reserves the right to alter or amend these rules and regulations in the manner provided by law.

FIRE PROTECTION

1. Fire hydrants are provided for the sole purpose of aiding in fighting fires and are to be opened and used only by the Company and Fire Department personnel, or by such other persons as may be specially authorized by the Company by written permit.
2. The Company shall not be considered an insurer of property or persons or to have undertaken to extinguish fire or to protect persons or property against loss by fire or otherwise. The Company does not guarantee any special service, pressure, capacity or facility other than what is provided by its ordinary and changing operating conditions as they exist from day to day. It is agreed by the parties receiving service that the Company shall be free and exempt from any and all claims for injury to persons or property by reason of fire, water, failure to supply water pressure or capacity.

Schedule A - General Metered Rates

Application:

This schedule is applicable to general, residential, commercial, industrial, public authority and sales for resale service throughout the entire territory served.

The rate schedules are shown on the following sheets:

Residential	Tenth Revised Sheet No. 12A
Commercial	Ninth Revised Sheet No. 12B
Industrial	Ninth Revised Sheet No. 12C
Public Authority	Ninth Revised Sheet No. 12D
Sales for Resale	Ninth Revised Sheet No. 12E

Terms of Payment:

All bills for service under the schedule will be rendered monthly in arrears. The bills at the rates shown are due and payable when rendered.

All customers within a Fire Hydrant District (where an incorporated town does not pay hydrant charges) are subject to a charge, as shown on Schedule B (Sheet No. 13) in addition to the above rates.

Residential Service

Rate:

Residential consumption reflects an inclining block rate as set forth below in compliance with House Bill 118, the Water Supply Self Sufficiency Act of 2003 (26 Del. C. 1401-1408.).

<u>Monthly Consumption In 1,000 Gallons</u>	<u>Rate per 1,000 Gallons</u>
0 – 2	\$4.3572
2 – 7	5.2604
Over 7	8.1591

Service Charges:

To be billed in addition to the consumption usage.
No allowance for water included in service charge.

<u>Meter Size</u>	<u>Per Month</u>
5/8"	\$15.46
3/4"	19.27
1"	24.99
1 1/4"	29.32
1 1/2"	37.22
2"	53.62
3"	110.00
4"	147.36
6"	236.22
8"	354.94
10"	498.93

Late Payment:

Bills rendered will show the bill due upon receipt. Payment received by the Company 20 days after the date of the bill will be charged a penalty of 1.5%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

Commercial Service

Rate:

All consumption at \$4.4673 per 1,000 gallons.

Service Charges:

To be billed in addition to the consumption usage.
No allowance for water included in service charge.

<u>Meter Size</u>	<u>Per Month</u>
5/8"	\$15.46
3/4"	19.27
1"	24.99
1 1/4"	29.32
1 1/2"	37.22
2"	53.62
3"	110.00
4"	147.36
6"	236.22
8"	354.94
10"	498.93

Late Payment:

Bills rendered will show the bill due upon receipt. Payment received by the Company 20 days after the date of the bill will be charged a penalty of 1.5%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

Industrial Service

Rate:

	<u>Monthly Consumption In 1,000 Gallons</u>	<u>Rate per 1,000 Gallons</u>
First	1,400	\$4.1645
All Over	1,400	3.1321

Service Charges:

To be billed in addition to the consumption usage.
No allowance for water included in service charge.

<u>Meter Size</u>	<u>Per Month</u>
5/8"	\$15.46
3/4"	19.27
1"	24.99
1 1/4"	29.32
1 1/2"	37.22
2"	53.62
3"	110.00
4"	147.36
6"	236.22
8"	354.94
10"	498.93

Late Payment:

Bills rendered will show the bill due upon receipt. Payment received by the Company 20 days after the date of the bill will be charged a penalty of 1.5%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

Public Authority Service

Rate:

All consumption at \$4.1102 per 1,000 gallons.

Service Charges:

To be billed in addition to the consumption usage.
No allowance for water included in service charge.

<u>Meter Size</u>	<u>Per Month</u>
5/8"	\$15.46
3/4"	19.27
1"	24.99
1 1/4"	29.32
1 1/2"	37.22
2"	53.62
3"	110.00
4"	147.36
6"	236.22
8"	354.94
10"	498.93

Late Payment:

Bills rendered will show the bill due upon receipt. Payment received by the Company 20 days after the date of the bill will be charged a penalty of 1.5%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

Sales for Resale

Rate:

All consumption at \$3.6666 per 1,000 gallons.

Late Payment:

Bills rendered will show the bill due upon receipt. Payment received by the Company 20 days after the date of the bill will be charged a penalty of 1.5%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

Schedule B - Rates for Public Fire Hydrant Service

Application:

To public fire hydrant service through the entire territory served.

Rates:

To Political Subdivision

Net
Per Month

For fire hydrant installed and maintained by
the Company at its expense

Each fire hydrant: \$120.25

For fire hydrant installed and maintained by
the political subdivision at its expense

Each fire hydrant: \$100.17

Individual Customers

To individuals in protected areas so designed
by the National Board of Fire Underwriters,
and when liability for service is not assumed
by a political subdivision

Each customer:

<u>Meter Size</u>	<u>Per Month</u>
5/8"	\$2.38
3/4"	3.55
1"	5.92
1 1/4"	8.90
1 1/2"	11.86
2"	19.00
3"	35.61
4"	59.36
6"	118.77
8"	190.02
10"	273.17

Conditions of Contract:

The monthly charge to individual customers shall be in addition to charges under any
schedule of rates.

Terms of Payment:

All bills for service under this schedule will be rendered monthly in arrears. The bills at the
above rates are due and payable when rendered.

Late Payment:

Bills rendered will show the bill due upon receipt. Payment received by the Company 20
days after the date of the bill will be charged a penalty of 1.5%, and such penalty will be
calculated monthly thereafter only on the overdue portion of the bill. In no event shall the
penalty charged exceed 18% annually.

Schedule C - Rates for Private Fire Hydrant Service

Application:

Applicable to all customers who have private fire hydrant installations on fire hydrant lateral connection to the company-owned mains.

Rates:

	<u>Net Per Month</u>
For fire hydrant installed and maintained by the Company at its expense	
Each Hydrant:	\$129.27
For fire hydrant installed and maintained by the customer at his expense	
Each Hydrant:	\$107.68

Conditions:

The Company reserves the right to meter any fire line where evidence indicates that water is being taken from the line for purposes other than fire service, and such metered service shall then be billed in accordance with the regular schedule of meter rates in addition to the above rates, with proper allowance for water consumed in fire fighting.

Terms of Payment:

Private fire hydrant service will be billed monthly in arrears.

Late Payment:

Bills rendered will show the bill due upon receipt. Payment received by the Company 20 days after the date of the bill will be charged a penalty of 1.5%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

Schedule D - Rates for Private Unmetered Fire Service Line

Application:

Applicable to all customers who have unmetered service line connection for fire protection.

Rates:

<u>Size</u>	<u>Net Per Month</u>
For each 1 ½" Service Line	\$6.48
For each 2" Service Line	26.95
For each 4" Service Line	43.10
For each 6" Service Line	107.68
For each 8" Service Line	193.74
For each 10" Service Line	301.47
For each 12" Service Line	430.65

Conditions of Contract:

The Company reserves the right to meter any fire line where evidence indicates that water is being taken from the line for purposes other than fire service, and such metered service shall then be billed in accordance with the regular schedule of meter rates in addition to the above rates, with proper allowance for water consumed in fire fighting.

Terms of Payment:

Private unmetered fire service will be billed monthly in arrears.

Late Payment:

Bills rendered will show the bill due upon receipt. Payment received by the Company 20 days after the date of the bill will be charged a penalty of 1.5%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

In addition to the net charges provided for in this Tariff, a charge of 0.00% will apply to all charges for bills rendered on or after April 5, 2016.

The above charge will be recomputed semi-annually, using the elements prescribed by Section 314 of Title 26 of the Delaware Code.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

CLASSIFICATION OF PROPOSED TARIFF CHANGES

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Chuck Loy/Larry Finnicum

MFR

8.2 Classification of Proposed Tariff Changes

8.2 By appropriate marginal designation, in the proposed Tariff Schedules, classify proposed changes in accordance with code shown below:

- C Changed Regulation
- D Discontinued Rate or Regulation
- I Increased Rate
- N New Rate or Regulation
- R Reduced Rate
- S Reissued Matter
- T Change in text without change in rate or regulation

Response:

Please see the following tariff pages classifying the proposed changes as described above.

SUEZ WATER DELAWARE, INC.
Tariff
for
Water Service
Applicable in
The Service Area in Brandywine Hundred,
New Castle County, Delaware
and in the Service Area of the former
New Castle County Water Company and the former Delaware
Water Corporation

ISSUED: February 5, 2016

EFFECTIVE: April 5, 2016

By: Larry Finnicum
Manager Operations
2000 First State Boulevard
Wilmington, Delaware 19804-0508

TABLE OF CONTENTS

<u>Description</u>	<u>Sheet No.</u>	<u>Revision</u>	
Index	1	Twenty Fourth Revised	T
<u>Rules and Regulations</u>			
Definitions	2	Original	
Request for Service	2	Original	
Service Connection	3	Original	
Cross Connections	4	Third Revised	T
Meters	4	Third Revised	T
Meter Setting	4	Third Revised	T
Meter Testing	5	Original	
Bills	5	Original	
Discontinuance of Service	6	Second Revised	T
Customers' Deposits	7	Second Revised	
Miscellaneous	8	Second Revised	
Fire Protection	9	Third Revised	T
Water Main Extensions	10 – 10E	First Revised	
Installation of Facilities	10F-10H	Third Revised	
Appendix A Charges	10I	First Revised	
Distribution System Improvement Charge (DSIC)	11 – 11B	Original	
<u>Schedule of Rates</u>			
Schedule A – General Metered Rates	12	Tenth Revised	T
Schedule A – Residential Service	12A	Tenth Revised	T
Schedule A – Commercial Service	12B	Ninth Revised	T
Schedule A – Industrial Service	12C	Ninth Revised	T
Schedule A – Public Authority Service	12D	Ninth Revised	T
Schedule A – Sales for Resale	12E	Ninth Revised	T
Schedule B – Rates for Public Fire Hydrant Service	13	Ninth Revised	T
Schedule C – Rates for Private Fire Hydrant Service	14	Ninth Revised	T
Schedule D – Rates for Private Unmetered Fire Service Line	15	Ninth Revised	T
Schedule E – Miscellaneous Fees and Charges	16 – 16A	Original	
Schedule F – Distribution System Improvement Charge (DSIC)	17	Twenty First Revised	T

CROSS CONNECTIONS

1. A cross connection is any pipe, valve or other physical connection or other arrangement or device connecting the pipelines of the Company, or facilities directly or indirectly connected therewith, to and with pipes or fixtures by which any contamination might be admitted or drawn from lines other than the Company's into the distribution system of the Company, or into lines connected therewith.
2. No direct connection of pumping equipment for any purpose or cross-connection with any other piping system will be allowed unless approved in writing by the Company.
3. The Company reserves the right to require any customer, owner or tenant to install, at their expense, and as part of a service connection such equipment or material which it deems necessary and as may be acceptable or required from time to time by any regulatory agency or good engineering practices, to prevent backflow into the water supply and minimize or eliminate contamination of its water supply system.
4. Backflow preventors shall be required in all domestic, commercial, industrial, public and municipal services where water is used in any process which, in the opinion of the Company, could constitute a cross-connection and/or health hazard.

METERS

1. All domestic, commercial, industrial, **private fire**, and municipal water service will be rendered through meters only, except as provided for under schedule of rates. T
2. Each customer's service shall have a separate meter to measure the amount of water consumed.
3. All meters will be furnished by, and shall remain the property of the Company. The Company reserves the right to establish the size and location of meter required by each customer.
4. Meters will be maintained by the Company. The customer shall be responsible to the Company for damage and/or loss of any meter caused by the customer's negligence or carelessness, or by the negligence of his servants, employees, members of his household, or any person upon his premises by his consent or sufferance as set forth on Schedule E – Miscellaneous Fees and Charges. The customer shall not permit anyone other than an agent of the Company to remove, inspect or repair the Company's meter or other property of the Company on his premises.
5. The customer shall advise the Company of any damage or any operational failure of the meter as soon as it comes to his attention.
6. **All new private fire services will be metered by a meter approved by the Company. The Company reserves the right to determine the location of the meter/meter vault. All piping appurtenances and the vault will be the sole cost of the customer and be maintained by the customer. All new private fire services shall be equipped with a backflow preventer device. The Customer shall provide a Company specified meter installed in a Company specified meter vault with a Company specified back flow preventer for all private fire services. The cost of any piping modifications needed to accommodate the appropriate backflow preventer and or detector check will be at the customer's expense.** T

METER SETTING

1. All meters shall be set at locations as approved by the Company, accessible to the Company and subject to its control.

2. Bills for water service will be rendered monthly and are due and payable when rendered. If a bill is not paid within **twenty (20)** days from date of bill, the water may be shut off upon ten (10) days written shut-off notice, and service will not be restored until all arrears for water service and the Reconnection Charge as stated on Schedule E – Miscellaneous Fees and Charges have been paid.
3. The presentation or non-presentation of a bill shall not be held to be a waiver of any of the rules or regulations.
4. Each metered period of consumption shall stand by itself and there shall be no arranging of accounts per annum or otherwise.
5. In the case of bills rendered to the State of Delaware or any department or institution thereof, the period for payment of bills shall be thirty (30) days.

DISCONTINUANCE OF SERVICE

1. Whenever the customer desires to have his service contract terminated or his water service discontinued, he shall notify the Company to that effect in writing. The customer will be responsible for the payment of all service rendered by the Company until such written notice is received; and for a reasonable time thereafter, so that the Company may take the final reading of the meter or meters, and water service may be discontinued by the Company.
2. When premises will be temporarily unoccupied, the customer shall notify the Company in writing and the water will be turned off and all charges will cease from that date. When the property is again occupied the customer shall again notify the Company in writing and the water will be turned on. No refund will be allowed for property unoccupied for a period of time less than one month.
3. In cases of vacancy of a customer's property, the customer must notify the Company in writing of such vacancy and upon his failure so to do the customer will become responsible for all damage to Company property caused by freezing, water damage, third parties, or other causes.
4. Service to any customer may be discontinued for violation of any of these rules and regulations. However, before service may be discontinued for such violation, the Company will give written notice to the customer, stating the rule violated, the manner of violation, and a reasonable date after which service will be discontinued if the violation continues. After service is thus discontinued for violation of rules and regulations, service will not be resumed until reasonable assurance is given that the customer will comply with the rules and regulations and a Reconnection Charge, as stated on Schedule E – Miscellaneous Fees and Charges, is paid to the Company.

5. As necessity may arise because of a main break, or any other unavoidable cause, the Company shall have the right to temporarily cut off the water supply to make necessary repairs, connections, etc. The Company will use all reasonable and practicable measures to notify the customer in advance of such discontinuance of service. The Company shall not be liable for any damage or inconvenience suffered by the customer because of an interruption in service, inadequate supply, inadequate pressure, poor water quality, or for any other cause beyond its control. The Company may restrict or regulate the quantity of water used by customers in case of scarcity, or whenever the public welfare may require it.
6. No customer shall open or close any of the Company's curb stops or valves in any public or private line.
7. No agent or employee of the Company shall have the right or authority to bind the Company by any promise, agreement, or representation contrary to the letter or intent of these rules and regulations.
8. Underground lawn sprinklers and irrigation systems may be installed only under special approval by the Company. Customers must furnish schematic drawings of the proposed pipe layout, together with valves, sprinkler heads, approved backflow prevention device and appurtenances, including sizes and specifications.
9. **For existing private fire services that are not metered, the customer must notify the Company three business days prior to any testing of the fire flow system. The Company will determine the acceptable rate of flow for testing purposes. The Company will assess a charge of \$250 per fire flow test. A penalty charge of \$1,000 will be assessed any fire flow test conducted without notifying the Company.** T
10. **The Company reserves the right to alter or amend these rules and regulations in the manner provided by law.** T

FIRE PROTECTION

1. Fire hydrants are provided for the sole purpose of aiding in fighting fires and are to be opened and used only by the Company and Fire Department personnel, or by such other persons as may be specially authorized by the Company by written permit.
2. The Company shall not be considered an insurer of property or persons or to have undertaken to extinguish fire or to protect persons or property against loss by fire or otherwise. The Company does not guarantee any special service, pressure, capacity or facility other than what is provided by its ordinary and changing operating conditions as they exist from day to day. It is agreed by the parties receiving service that the Company shall be free and exempt from any and all claims for injury to persons or property by reason of fire, water, failure to supply water pressure or capacity.

Schedule A - General Metered Rates

Application:

This schedule is applicable to general, residential, commercial, industrial, public authority and sales for resale service throughout the entire territory served.

The rate schedules are shown on the following sheets:

Residential	Tenth Revised Sheet No. 12A	T
Commercial	Ninth Revised Sheet No. 12B	T
Industrial	Ninth Revised Sheet No. 12C	T
Public Authority	Ninth Revised Sheet No. 12D	T
Sales for Resale	Ninth Revised Sheet No. 12E	T

Terms of Payment:

All bills for service under the schedule will be rendered **monthly** in arrears. The bills at the rates shown are due and payable when rendered. T

All customers within a Fire Hydrant District (where an incorporated town does not pay hydrant charges) are subject to a charge, as shown on Schedule B (Sheet No. 13) in addition to the above rates.

Residential Service

Rate:

Residential consumption reflects an inclining block rate as set forth below in compliance with House Bill 118, the Water Supply Self Sufficiency Act of 2003 (26 Del. C. 1401-1408.).

<u>Monthly Consumption In 1,000 Gallons</u>	<u>Rate per 1,000 Gallons</u>	
0 – 2	\$4.3572	D
2 – 7	5.2604	ID
Over 7	8.1591	ID

Service Charges:

To be billed in addition to the consumption usage.
No allowance for water included in service charge.

<u>Meter Size</u>	<u>Per Month</u>	
5/8"	\$15.46	D
3/4"	19.27	ID
1"	24.99	ID
1 1/4"	29.32	ID
1 1/2"	37.22	ID
2"	53.62	ID
3"	110.00	ID
4"	147.36	ID
6"	236.22	ID
8"	354.94	ID
10"	498.93	ID

Late Payment:

Bills rendered will show the bill due upon receipt. Payment received by the Company 20 days after the date of the bill will be charged a penalty of 1.5%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

T

Commercial Service

Rate:

All consumption at **\$4.4673** per 1,000 gallons.

Service Charges:

To be billed in addition to the consumption usage.
No allowance for water included in service charge.

<u>Meter Size</u>	<u>Per Month</u>	D
5/8"	\$15.46	ID
3/4"	19.27	ID
1"	24.99	ID
1 1/4"	29.32	ID
1 1/2"	37.22	ID
2"	53.62	ID
3"	110.00	ID
4"	147.36	ID
6"	236.22	ID
8"	354.94	ID
10"	498.93	ID

Late Payment:

Bills rendered will show the bill due upon receipt. Payment received by the Company **20** days after the date of the bill will be charged a penalty of 1.5%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

Industrial Service

Rate:

	<u>Monthly Consumption In 1,000 Gallons</u>	<u>Rate per 1,000 Gallons</u>	
First	1,400	\$4.1645	
All Over	1,400	3.1321	

Service Charges:

To be billed in addition to the consumption usage.
No allowance for water included in service charge.

<u>Meter Size</u>	<u>Per Month</u>	
5/8"	\$15.46	
3/4"	19.27	
1"	24.99	
1 1/4"	29.32	
1 1/2"	37.22	
2"	53.62	
3"	110.00	
4"	147.36	
6"	236.22	
8"	354.94	
10"	498.93	

Late Payment:

Bills rendered will show the bill due upon receipt. Payment received by the Company 20 days after the date of the bill will be charged a penalty of 1.5%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

T

Public Authority Service

Rate:

All consumption at **\$4.1102** per 1,000 gallons. I

Service Charges:

To be billed in addition to the consumption usage.
No allowance for water included in service charge.

<u>Meter Size</u>	<u>Per Month</u>	D
5/8"	\$15.46	ID
3/4"	19.27	ID
1"	24.99	ID
1 1/4"	29.32	ID
1 1/2"	37.22	ID
2"	53.62	ID
3"	110.00	ID
4"	147.36	ID
6"	236.22	ID
8"	354.94	ID
10"	498.93	ID

Late Payment:

Bills rendered will show the bill due upon receipt. Payment received by the Company **20** days after the date of the bill will be charged a penalty of 1.5%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually. T

Sales for Resale

Rate:

All consumption at **\$3.6666** per 1,000 gallons. I

Late Payment:

Bills rendered will show the bill due upon receipt. Payment received by the Company **20** T
days after the date of the bill will be charged a penalty of 1.5%, and such penalty will be
calculated monthly thereafter only on the overdue portion of the bill. In no event shall the
penalty charged exceed 18% annually.

Schedule B - Rates for Public Fire Hydrant Service

Application:

To public fire hydrant service through the entire territory served.

Rates:

<u>To Political Subdivision</u>	<u>Net Per Month</u>	D
For fire hydrant installed and maintained by the Company at its expense		D
Each fire hydrant:	\$120.25	
For fire hydrant installed and maintained by the political subdivision at its expense		D
Each fire hydrant:	\$100.17	

Individual Customers

To individuals in protected areas so designed by the National Board of Fire Underwriters, and when liability for service is not assumed by a political subdivision

Each customer:	<u>Meter Size</u>	<u>Per Month</u>	D
	5/8"	\$2.38	ID
	3/4"	3.55	ID
	1"	5.92	ID
	1 1/4"	8.90	ID
	1 1/2"	11.86	ID
	2"	19.00	ID
	3"	35.61	ID
	4"	59.36	ID
	6"	118.77	ID
	8"	190.02	ID
	10"	273.17	ID

Conditions of Contract:

The monthly charge to individual customers shall be in addition to charges under any schedule of rates.

T

Terms of Payment:

All bills for service under this schedule will be rendered **monthly** in arrears. The bills at the above rates are due and payable when rendered.

T

Late Payment:

Bills rendered will show the bill due upon receipt. Payment received by the Company **20** days after the date of the bill will be charged a penalty of 1.5%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

T

Schedule C - Rates for Private Fire Hydrant Service

Application:

Applicable to all customers who have private fire hydrant installations on fire hydrant lateral connection to the company-owned mains.

Rates:

	<u>Net Per Month</u>	
For fire hydrant installed and maintained by the Company at its expense		
Each Hydrant:	\$129.27	
For fire hydrant installed and maintained by the customer at his expense		
Each Hydrant:	\$107.68	

Conditions:

The Company reserves the right to meter any fire line where evidence indicates that water is being taken from the line for purposes other than fire service, and such metered service shall then be billed in accordance with the regular schedule of meter rates in addition to the above rates, with proper allowance for water consumed in fire fighting.

Terms of Payment:

Private fire hydrant service will be billed **monthly** in arrears.

Late Payment:

Bills rendered will show the bill due upon receipt. Payment received by the Company **20** days after the date of the bill will be charged a penalty of 1.5%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

Schedule D - Rates for Private Unmetered Fire Service Line

Application:

Applicable to all customers who have unmetered service line connection for fire protection.

Rates:

<u>Size</u>	<u>Net Per Month</u>	
For each 1 ½" Service Line	\$6.48	
For each 2" Service Line	26.95	
For each 4" Service Line	43.10	
For each 6" Service Line	107.68	
For each 8" Service Line	193.74	
For each 10" Service Line	301.47	
For each 12" Service Line	430.65	

Conditions of Contract:

The Company reserves the right to meter any fire line where evidence indicates that water is being taken from the line for purposes other than fire service, and such metered service shall then be billed in accordance with the regular schedule of meter rates in addition to the above rates, with proper allowance for water consumed in fire fighting.

Terms of Payment:

Private unmetered fire service will be billed monthly in arrears.

T

Late Payment:

Bills rendered will show the bill due upon receipt. Payment received by the Company 20 days after the date of the bill will be charged a penalty of 1.5%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

T

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

In addition to the net charges provided for in this Tariff, a charge of **0.00%** will apply to all charges for bills rendered on or after **April 5, 2016**.

T
D

The above charge will be recomputed semi-annually, using the elements prescribed by Section 314 of Title 26 of the Delaware Code.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

PROPOSED TARIFF SCHEDULES

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Chuck Loy/Larry Finnicum

MFR

8.3 Proposed Tariff Schedules

8.3 Provide rationale for proposed tariff changes (other than across the board increases).

Response:

Please refer to testimony of Larry Finnicum and Chuck Loy under the Tariff sub-heading.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

COST OF SERVICE STUDY

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Loy

MFR

8.4 Cost of Service Study

8.4 Provide a cost of service study, showing rates of return by customer class or type of service rendered for the test year and for the test period, if available, at present and proposed rates.

Response:

Please see Exhibit CEL-2 to the direct testimony of Charles E. Loy.

SUEZ Water Delaware
Class Cost of Service for the Test Year Ending September 30, 2015
PROPOSED RATE DESIGN

Line No.	Description	Total	Residential	Commercial	Industrial	Public Authority	Sales for Resale	Public Fire	Private Fire
Proposed Revenue Distribution									
1	Current Water Service Tariff Rate Revenue	\$22,791,709	\$11,662,844	\$4,240,447	\$4,486,766	\$120,824	\$174,559	\$1,181,156	\$925,114
2	DSIC Revenue	\$1,696,286	\$874,713	\$318,034	\$336,507	\$9,062	\$0	\$88,587	\$69,384
3	Test Period Revenues	\$24,487,995	\$12,537,557	\$4,558,481	\$4,823,273	\$129,886	\$174,559	\$1,269,743	\$994,497
4	Proposed Increase	20.19%	22.24%	22.24%	22.24%	22.24%	22.24%	0.00%	0.00%
5	Revenue Deficiency Distribution	\$4,943,665	\$2,788,974	\$1,014,032	\$1,072,935	\$28,893	\$38,831	0	0
6	Total Revenue to Recover Through Rates	\$29,431,660	\$15,326,531	\$5,572,513	\$5,896,208	\$158,779	\$213,390	\$1,269,743	\$994,497
7	Proposed Revenue Per Facilities Charge (See WP)	\$9,618,917	\$6,352,744	\$886,796	\$72,038	\$43,100	\$0	\$1,269,743	\$994,497
8	Revenue For Volumetric Rates	\$19,812,743	\$8,973,787	\$4,685,717	\$5,824,170	\$115,679	\$213,390	\$0	\$0
Normalized Volumes									
9	Block 1		638,459		285,442				
10	Block 2		883,660		1,479,994				
11	Block 3		189,174						
12	No Block			1,048,888		28,145	58,198		
Proposed Volumetric Rates									
13	Block 1	Block Ratios	\$4.3572	Block Ratios	\$4.1645				
14	Block 2	1.207	\$5.2604	0.752	\$3.1321				
15	Block 3	1.551	\$8.1591						
16	No Block			\$4.4673		\$4.1102	\$3.6666		
Total Proposed Revenues Proof									
17	Total Volumetric Revenues	\$19,812,760	\$8,973,783	\$4,685,696	\$5,824,213	\$115,680	\$213,389	\$0	\$0
18	Total Fixed Revenues	\$9,618,917	\$6,352,744	\$886,796	\$72,038	\$43,100	\$0	\$1,269,743	\$994,497
19	Total Revenues Per Proposed Rates	\$29,431,678	\$15,326,527	\$5,572,492	\$5,896,251	\$158,780	\$213,389	\$1,269,743	\$994,497
	<i>Difference -Proposed vs. Revenue Deficiency</i>	<i>18</i>	<i>(4)</i>	<i>(21)</i>	<i>43</i>	<i>1</i>	<i>(1)</i>	<i>0</i>	<i>0</i>
Tariff Rates + DSIC									
20	Block 1	Block Ratios	\$3.6355	Block Ratios	\$3.4074				
21	Block 2	1.191	\$4.3301	0.746	\$2.5433				
22	Block 3	1.410	\$6.1045						
23	No Block			\$3.6438		\$3.1972	\$2.9994 *		
* DSIC Not Applied									
Increase in Block Rates									
24	Block 1		19.85%		22.22%				
25	Block 2		21.48%		23.15%				
26	Block 3		33.66%						
27	No Block			22.60%		28.56%	22.24%		

SUEZ Water Delaware
Class Cost of Service for the Test Year Ending September 30, 2015
RATE DESIGN FACILITIES CHARGE- With AWWA Ratios

Meter Size	METER COSTS				SERVICE COSTS				CUSTOMER EXPENSE COSTS						
	Per Unit Cost (a)	Equip Meter	Annual Cost	Monthly Cost	Per Unit Cost (b)	Equip Service	Annual Cost	Monthly Cost	Per Unit Cost (b)	Equip Service	Annual Cost	Monthly Cost			
5/8"	\$46.0058	1	46.01	\$3.83	\$45.2739	1	45.27	\$3.77	\$94.2689	1	94.27	\$7.86			
3/4"	46.0058	1.5	69.01	\$5.75	45.2739	1.5	67.91	\$5.66	94.2689	1	94.27	\$7.86			
1"	46.0058	2.5	115.01	\$9.58	45.2739	2	90.55	\$7.55	94.2689	1	94.27	\$7.86			
1 1/4"	46.0058	2.5	115.01	\$9.58	45.2739	2	90.55	\$7.55	94.2689	1	94.27	\$7.86			
1.5"	46.0058	5	230.03	\$19.17	45.2739	2.7	122.24	\$10.19	94.2689	1	94.27	\$7.86			
2"	46.0058	8	368.05	\$30.67	45.2739	4	181.10	\$15.09	94.2689	1	94.27	\$7.86			
3"	46.0058	15	690.09	\$57.51	45.2739	4	181.10	\$15.09	94.2689	1	94.27	\$7.86			
4"	46.0058	25	1,150.15	\$95.85	45.2739	5.3	239.95	\$20.00	94.2689	1	94.27	\$7.86			
6"	46.0058	50	2,300.29	\$191.69	45.2739	8	362.19	\$30.18	94.2689	1	94.27	\$7.86			
8"	46.0058	80	3,680.47	\$306.71	45.2739	10.7	484.43	\$40.37	94.2689	1	94.27	\$7.86			
10"	46.0058	115	5,290.67	\$440.89	45.2739	13.3	602.14	\$50.18	94.2689	1	94.27	\$7.86			
	<i>(a)</i> Total Meter Expenses				\$1,279,682	<i>(b)</i> Total Service Expenses				\$836,086	<i>(c)</i> Total Customer Expenses				\$3,460,000
	Return on Meter Rate Base				\$453,103	Return on Service Rate Base				\$565,174	Return on Customer Rate Base				\$64,365
	Gross -Up on Meter Return				\$316,243	Gross -Up on Service Return				\$394,463	Gross -Up on Customer Return				\$44,924
	Total Meter Cost of Service				\$2,049,027	Total Service Cost of Service				\$1,795,723	Total Customer Cost of Service				\$3,569,289
	Total Meter Equivalents				44,538	Total Service Equivalents				39,663	Total Billed Customers				37,863
	Annual Cost Per Meter				\$46.01	Annual Cost Per Service				\$45.27	Annual Cost Per Bill				\$94.27

PROPOSED FACILITY CHARGES

All Classes Meter Size	COSS Rates	Tariff	Current Rates *	Proposed Rates	Increase	Percent Increase
5/8"	\$15.46	\$11.70	\$12.58	\$15.46	\$2.88	22.89%
3/4"	\$19.27	\$14.05	\$15.10	\$19.27	\$4.17	27.62%
1"	\$24.99	\$18.59	\$19.98	\$24.99	\$5.01	25.08%
1 1/4"	\$24.99	\$21.80	\$23.44	\$29.32	\$5.88	25.08%
1.5"	\$37.22	\$27.10	\$29.13	\$37.22	\$8.09	27.77%
2"	\$53.62	\$40.27	\$43.29	\$53.62	\$10.33	23.86%
3"	\$80.46	\$102.33	\$110.00	\$110.00	\$0.00	0.00%
4"	\$123.71	\$137.08	\$147.36	\$147.36	\$0.00	0.00%
6"	\$229.73	\$219.74	\$236.22	\$236.22	\$0.00	0.00%
8"	\$354.94	\$315.41	\$339.07	\$354.94	\$15.87	4.68%
10"	\$498.93	\$410.20	\$440.97	\$498.93	\$57.96	13.14%

* Includes 7.5% for DSIC Surcharge

SUEZ Water Delaware
Class Cost of Service for the Test Year Ending September 30, 2015
PROPOSED RATES FOR TARIFF

Residential Service

Volumetric Rates:

<u>Consumption</u>	<u>Tariff</u>	<u>Incl. DSIC</u>	<u>Proposed</u>
0 – 2000	\$3.3819	\$3.6355	\$4.3572
2000 – 7000	\$4.0880	\$4.3301	\$5.2604
Over 7000	\$5.7286	\$6.1045	\$8.1591

Facility Charges:

<u>Meter Size</u>	<u>Tariff</u>	<u>Incl. DSIC</u>	<u>Proposed</u>
5/8"	\$11.70	\$12.58	\$15.46
3/4"	\$14.05	\$15.10	\$19.27
1"	\$18.59	\$19.98	\$24.99
1 1/4"	\$21.80	\$23.44	\$29.32
1 1/2"	\$27.10	\$29.13	\$37.22
2"	\$40.27	\$43.29	\$53.62
3"	\$102.33	\$110.00	\$110.00
4"	\$137.08	\$147.36	\$147.36
6"	\$219.74	\$236.22	\$236.22
8"	\$315.41	\$339.07	\$354.94
10"	\$410.20	\$440.97	\$498.93

Commercial Service

Volumetric Rates:

<u>Consumption</u>	<u>Tariff</u>	<u>Incl.</u>	<u>Proposed</u>
All	\$3.3896	\$3.6438	\$4.4673

Facility Charges:

<u>Meter</u>	<u>Tariff</u>	<u>Incl.</u>	<u>Proposed</u>
5/8"	\$11.70	\$12.58	\$15.46
3/4"	\$14.05	\$15.10	\$19.27
1"	\$18.59	\$19.98	\$24.99
1 1/4"	\$21.80	\$23.44	\$29.32
1 1/2"	\$27.10	\$29.13	\$37.22
2"	\$40.27	\$43.29	\$53.62
3"	\$102.33	\$110.00	\$110.00
4"	\$137.08	\$147.36	\$147.36
6"	\$219.74	\$236.22	\$236.22
8"	\$315.41	\$339.07	\$354.94
10"	\$410.20	\$440.97	\$498.93

Industrial Service

Volumetric Rates:

<u>Consumption</u>	<u>Tariff</u>	<u>Incl.</u>	<u>Proposed</u>
0 – 1400	\$3.1697	\$3.4074	\$4.1645
Over 1400	\$2.3659	\$2.5433	\$3.1321

Facility Charges:

<u>Meter</u>	<u>Tariff</u>	<u>Incl.</u>	<u>Proposed</u>
5/8"	\$11.70	\$12.58	\$15.46
3/4"	\$14.05	\$15.10	\$19.27
1"	\$18.59	\$19.98	\$24.99
1 1/4"	\$21.80	\$23.44	\$29.32
1 1/2"	\$27.10	\$29.13	\$37.22
2"	\$40.27	\$43.29	\$53.62
3"	\$102.33	\$110.00	\$110.00
4"	\$137.08	\$147.36	\$147.36
6"	\$219.74	\$236.22	\$236.22
8"	\$315.41	\$339.07	\$354.94
10"	\$410.20	\$440.97	\$498.93

Public Authority Service

Volumetric Rates:

<u>Consumption</u>	<u>Tariff</u>	<u>Incl.</u>	<u>Proposed</u>
All	\$2.9741	\$3.1972	\$4.1102

Facility Charges:

<u>Meter</u>	<u>Tariff</u>	<u>Incl.</u>	<u>Proposed</u>
5/8"	\$11.70	\$12.58	\$15.46
3/4"	\$14.05	\$15.10	\$19.27
1"	\$18.59	\$19.98	\$24.99
1 1/4"	\$21.80	\$23.44	\$29.32
1 1/2"	\$27.10	\$29.13	\$37.22
2"	\$40.27	\$43.29	\$53.62
3"	\$102.33	\$110.00	\$110.00
4"	\$137.08	\$147.36	\$147.36
6"	\$219.74	\$236.22	\$236.22
8"	\$315.41	\$339.07	\$354.94
10"	\$410.20	\$440.97	\$498.93

SUEZ Water Delaware
 Class Cost of Service for the Test Year Ending September 30, 2015
 PROPOSED RATES FOR TARIFF

Sales for Resale - Volumetric Rate Only

Consumption	Tariff	No DSIC	Proposed
All	\$2.9994	\$2.9994	\$3.6666

Public Fire Hydrant Service

Consumption	Tariff	No DSIC	Proposed	Meter	Tariff	Incl.	Proposed
Public Fire Hydrant maintained by:				5/8"	\$2.21	\$2.38	\$2.38
Company	\$120.25	\$120.25	\$120.25	3/4"	\$3.30	\$3.55	\$3.55
Political Subc	\$100.17	\$100.17	\$100.17	1"	\$5.51	\$5.92	\$5.92
				1 1/4"	\$8.28	\$8.90	\$8.90
				1 1/2"	\$11.03	\$11.86	\$11.86
				2"	\$17.67	\$19.00	\$19.00
				3"	\$33.13	\$35.61	\$35.61
				4"	\$55.22	\$59.36	\$59.36
				6"	\$110.48	\$118.77	\$118.77
				8"	\$176.76	\$190.02	\$190.02
				10"	\$254.11	\$273.17	\$273.17

Private Fire Hydrant Service

Consumption	Tariff	Incl.	Proposed
Public Fire Hydrant maintained by:			
Company	\$120.25	\$129.27	\$129.27
Political Subc	\$100.17	\$107.68	\$107.68

Private Unmetered Fire Service Line

Each service line	Tariff	Incl.	Proposed
1 1/2"	\$6.03	\$6.48	\$6.48
2"	\$25.07	\$26.95	\$26.95
4"	\$40.09	\$43.10	\$43.10
6"	\$100.17	\$107.68	\$107.68
8"	\$180.22	\$193.74	\$193.74
10"	\$280.44	\$301.47	\$301.47
12"	\$400.60	\$430.65	\$430.65

Schedule E - Miscellaneous Fees and Charges

Bulk Rate Sales	- Billed at the highest residential metered consumption charge.	
Reconnection Service Charge		
Normal Bus Hours	Ea. Occurrence	\$40.00
Other than Norm Bus Hrs	Ea. Occurrence	\$95.00
Return Check Charge	Ea. Occurrence	\$30.00
Customer Requested Turn on/off Charge		
Normal Bus Hours	Ea. Occurrence	\$0.00
Other than Norm Bus Hrs	Ea. Occurrence	\$95.00
Damaged Meter Charge		
Normal Bus Hours	5/8" Meter	\$75.00
Other than Norm Bus Hrs	5/8" Meter	\$120.00
All meters larger than	5/8" Meter	Actual time and materials
Meter Testing Fee	Less than 1"	\$35.00
Meter Testing Fee	1" to 2"	\$50.00
Meter Testing Fee	Exceeding 2"	Actual time and materials
Distribution System		
Service Charge	Additional per Bill	7.50%

SUEZ Water Delaware
Class Cost of Service for the Test Year Ending September 30, 2015
TYPICAL MONTHLY BILLS

Residential

Meter Size	Usage Volume	Present Charges*	Proposed Charges	Difference	
				Amount	Percent
5/8"	0	\$12.58	\$15.46	\$2.88	22.92%
5/8"	4	\$28.51	\$34.70	\$6.19	21.70%
5/8"	9	\$50.16	\$61.00	\$10.84	21.61%
5/8"	16	\$92.89	\$118.11	\$25.22	27.15%
5/8"	26	\$153.94	\$199.70	\$45.77	29.73%
5/8"	30	\$178.35	\$232.34	\$53.98	30.27%
5/8"	42	\$251.61	\$330.25	\$78.64	31.25%
5/8"	84	\$508.00	\$672.93	\$164.93	32.47%

**Current bills reflect DSIC surcharge of 7.5% currently in effect.*

Commercial

Meter Size	Usage Volume	Present Charges*	Proposed Charges	Difference	
				Amount	Percent
5/8"	0	\$12.58	\$15.46	\$2.88	22.92%
5/8"	7	\$38.08	\$46.73	\$8.65	22.70%
5/8"	24	\$100.03	\$122.68	\$22.65	22.64%
5/8"	33	\$132.82	\$162.88	\$30.06	22.63%
5/8"	48	\$187.48	\$229.89	\$42.41	22.62%
1"	0	\$19.98	\$24.99	\$5.01	25.05%
1"	33	\$140.23	\$172.41	\$32.18	22.95%
1"	96	\$369.79	\$453.85	\$84.06	22.73%
1"	192	\$719.60	\$882.71	\$163.11	22.67%
1"	384	\$1,419.21	\$1,740.43	\$321.22	22.63%
1 1/2"	0	\$29.13	\$37.22	\$8.09	27.76%
1 1/2"	33	\$149.38	\$184.64	\$35.26	23.61%
1 1/2"	192	\$728.75	\$894.94	\$166.20	22.81%
1 1/2"	384	\$1,428.36	\$1,752.66	\$324.30	22.70%
1 1/2"	768	\$2,827.59	\$3,468.11	\$640.52	22.65%
2"	0	\$43.29	\$53.62	\$10.33	23.86%
2"	384	\$1,442.52	\$1,769.06	\$326.55	22.64%
2"	768	\$2,841.74	\$3,484.51	\$642.76	22.62%
2"	1,536	\$5,640.20	\$6,915.39	\$1,275.20	22.61%
2"	3,072	\$11,237.11	\$13,777.17	\$2,540.06	22.60%
2"	6,144	\$22,430.92	\$27,500.71	\$5,069.79	22.60%

**Current bills reflect DSIC surcharge of 7.5% currently in effect.*

SUEZ Water Delaware
 Class Cost of Service for the Test Year Ending September 30, 2015
 TYPICAL MONTHLY BILLS

Industrial

Meter Size	Usage Volume	Present Charges	Proposed Charges	Difference	
				Amount	Percent
5/8"	0	\$12.58	\$15.46	\$2.88	22.92%
5/8"	1,000	\$3,420.01	\$4,179.96	\$759.96	22.22%
5/8"	1,800	\$5,800.31	\$7,098.60	\$1,298.29	22.38%
5/8"	2,400	\$7,326.32	\$8,977.86	\$1,651.54	22.54%
5/8"	3,000	\$8,852.32	\$10,857.12	\$2,004.80	22.65%
2"	0	\$43.29	\$53.62	\$10.33	23.86%
2"	2,400	\$7,357.03	\$9,016.02	\$1,658.99	22.55%
2"	3,000	\$8,883.04	\$10,895.28	\$2,012.24	22.65%
2"	3,600	\$10,409.04	\$12,774.54	\$2,365.50	22.73%
2"	4,200	\$11,935.05	\$14,653.80	\$2,718.75	22.78%
6"	0	\$236.22	\$236.22	(\$0.00)	0.00%
6"	3,000	\$9,075.97	\$11,077.88	\$2,001.91	22.06%
6"	3,600	\$10,601.97	\$12,957.14	\$2,355.17	22.21%
6"	4,200	\$12,127.98	\$14,836.40	\$2,708.42	22.33%
6"	8,400	\$22,810.02	\$27,991.22	\$5,181.20	22.71%
10"	0	\$440.97	\$498.93	\$57.97	13.15%
10"	4,200	\$12,332.72	\$15,099.11	\$2,766.39	22.43%
10"	8,400	\$23,014.76	\$28,253.93	\$5,239.17	22.76%
10"	16,800	\$44,378.84	\$54,563.57	\$10,184.73	22.95%
10"	33,600	\$87,106.99	\$107,182.85	\$20,075.86	23.05%
10"	67,200	\$172,563.30	\$212,421.41	\$39,858.11	23.10%

*Current bills reflect DSIC surcharge of 7.5% currently in effect.

Public Authority

Meter Size	Usage Volume	Present Charges	Proposed Charges	Difference	
				Amount	Percent
5/8"	0	\$12.58	\$15.46	\$2.88	22.92%
5/8"	12	\$50.94	\$64.78	\$13.84	27.17%
5/8"	24	\$89.31	\$114.10	\$24.80	27.76%
5/8"	43	\$150.06	\$192.20	\$42.14	28.09%
5/8"	96	\$319.50	\$410.04	\$90.53	28.34%
1 1/2"	0	\$29.13	\$37.22	\$8.09	27.76%
1 1/2"	48	\$182.60	\$234.51	\$51.91	28.43%
1 1/2"	96	\$336.06	\$431.80	\$95.74	28.49%
1 1/2"	192	\$642.99	\$826.38	\$183.39	28.52%
1 1/2"	384	\$1,256.84	\$1,615.54	\$358.70	28.54%
2"	0	\$43.29	\$53.62	\$10.33	23.86%
2"	96	\$350.22	\$448.20	\$97.98	27.98%
2"	192	\$657.14	\$842.78	\$185.63	28.25%
2"	384	\$1,271.00	\$1,631.94	\$360.94	28.40%
2"	768	\$2,498.71	\$3,210.25	\$711.55	28.48%
4"	0	\$147.36	\$147.36	(\$0.00)	0.00%
4"	96	\$454.29	\$541.94	\$87.65	19.29%
4"	192	\$761.22	\$936.52	\$175.30	23.03%
4"	384	\$1,375.07	\$1,725.68	\$350.61	25.50%
4"	768	\$2,602.78	\$3,303.99	\$701.22	26.94%
4"	1,536	\$5,058.19	\$6,460.63	\$1,402.43	27.73%

*Current bills reflect DSIC surcharge of 7.5% currently in effect.

SUEZ Water Delaware
 Class Cost of Service for the Test Year Ending September 30, 2015
 REVENUE DEFICIENCY

Line No.s	Description	Total	Residential	Commercial	Industrial	Public Authority	Sales for Resale	Public Fire	Private Fire	Allocation Code
REVENUE DEFICIENCY										
<i>Revenue:</i>										
1	Revenue Water Service	\$22,791,709	\$11,662,844	\$4,240,447	\$4,486,766	\$120,824	\$174,559	\$1,181,156	\$925,114	Direct
2	Distribution Surcharge Revenues	\$1,696,286	\$874,713	\$318,034	\$336,507	\$9,062	\$0	\$88,587	\$69,384	Direct
3	Misc and Other Revenue	\$275,610	\$156,717	\$56,980	\$60,290	\$1,624	\$0	\$0	\$0	CRWC
4	Total Revenue	\$24,763,605	\$12,694,273	\$4,615,461	\$4,883,563	\$131,509	\$174,559	\$1,269,743	\$994,497	
<i>Less:</i>										
<i>O&M, Customer, A&G Expenses and Other Taxes:</i>										
5	Base Cost	\$7,836,329	\$2,907,713	\$1,782,199	\$2,999,710	\$47,821	\$98,886	\$0	\$0	CBCRB
6	Extra Cap Max Day	\$3,888,041	\$1,783,953	\$929,410	\$1,104,237	\$24,939	\$45,502	\$0	\$0	CMDRB
7	Extra Cap Max Hour	\$1,403,494	\$797,326	\$342,089	\$246,766	\$9,179	\$8,135	\$0	\$0	CMHRB
8	Customer Commercial	\$3,460,000	\$3,127,199	\$243,534	\$4,901	\$4,954	\$91	\$77,035	\$2,285	CB
9	Customer Meters	\$1,279,682	\$1,183,733	\$92,185	\$1,855	\$1,875	\$35	\$0	\$0	CM
10	Customer Services	\$836,086	\$722,041	\$104,942	\$5,192	\$3,911	\$0	\$0	\$0	CS
11	Fire Service	\$411,690	\$0	\$0	\$0	\$0	\$0	\$192,131	\$219,559	CFS
12	Total O&M, Customer, A&G and Other Taxes:	\$19,115,323	\$10,521,965	\$3,494,358	\$4,362,661	\$92,679	\$152,649	\$269,167	\$221,843	
13	Income Before Taxes	\$5,648,283	\$2,172,309	\$1,121,102	\$520,902	\$38,830	\$21,910	\$1,000,576	\$772,654	
14	Income Taxes	\$1,486,880	\$493,763	\$288,274	\$24,905	\$10,831	\$2,309	\$382,291	\$284,507	
15	Net Income After Tax	\$4,161,402	\$1,678,546	\$832,828	\$495,997	\$27,999	\$19,601	\$618,285	\$488,147	
16	Requested Return Rate	7.89%	7.89%	7.89%	7.89%	7.89%	7.89%	7.89%	7.89%	
17	Requested Return	\$7,072,953	\$3,402,561	\$1,463,735	\$1,632,889	\$43,299	\$57,657	\$214,025	\$258,786	
18	Earnings (Deficiency) Excess	(\$2,911,550)	(\$1,724,015)	(\$630,907)	(\$1,136,892)	(\$15,300)	(\$38,056)	\$404,259	\$229,361	
19	Gross- Up Factor	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	
20	Revenue (Deficiency) Excess	(\$4,943,665)	(\$2,927,290)	(\$1,071,248)	(\$1,930,385)	(\$25,979)	(\$64,618)	\$686,412	\$389,443	
21	COSS Total Increase (reduction) Indicated	19.96%	23.06%	23.21%	39.53%	19.75%	37.02%	-54.06%	-39.16%	
22	COSS Service Revenue Increase (reduction) Indicat	20.19%	23.35%	23.50%	31.95%	20.00%	37.02%	-54.06%	-39.16%	
RATE BASE										
23	Base Cost	\$27,442,698	\$10,182,762	\$6,241,233	\$10,504,936	\$167,470	\$346,298	\$0	\$0	CBCRB
24	Extra Cap Max Day	\$23,416,863	\$10,744,380	\$5,597,641	\$6,650,593	\$150,200	\$274,048	\$0	\$0	CMDRB
25	Extra Cap Max Hour	\$19,100,448	\$10,850,976	\$4,655,557	\$3,358,287	\$124,922	\$110,707	\$0	\$0	CMHRB
26	Customer Commercial	\$816,129	\$754,937	\$58,792	\$1,183	\$1,196	\$22	\$0	\$0	CBRB
27	Customer Meters	\$5,745,186	\$4,421,536	\$1,106,966	\$144,975	\$71,709	\$0	\$0	\$0	CD
28	Customer Services	\$7,166,212	\$6,188,715	\$899,474	\$44,503	\$33,521	\$0	\$0	\$0	CS
29	Fire Service	\$5,995,087	\$0	\$0	\$0	\$0	\$0	\$2,713,769	\$3,281,318	CFS
30	Total Rate Base	\$89,682,623	\$43,143,306	\$18,559,662	\$20,704,476	\$549,017	\$731,074	\$2,713,769	\$3,281,318	

SUEZ Water Delaware
 Class Cost of Service for the Test Year Ending September 30, 2015
 INCOME STATEMENT

Line No.s	Description	Adjusted Test Period	Base Cost	Extra Cap Max Day	Extra Cap Max Hour	Customer Commercial	Customer Meters	Customer Services	Fire Services	Allocation Code
<u>Source of Supply Expenses</u>										
<u>Operation</u>										
1	Operation Supervision and Engineering	\$ -	\$0	\$0	\$0	\$0	\$0	\$0	\$0	FBC
2	Operation Labor and Expenses	-	\$0	\$0	\$0	\$0	\$0	\$0	\$0	FBC
3	Purchased Water	1,443,281	\$732,220	\$711,061	\$0	\$0	\$0	\$0	\$0	FECMD
4	Miscellaneous Expenses	94,403	\$94,403	\$0	\$0	\$0	\$0	\$0	\$0	FBC
5	Total Operation	\$1,537,684	\$826,623	\$711,061	\$0	\$0	\$0	\$0	\$0	
<u>Maintenance</u>										
6	Maintenance of Structures and Improvements	\$ -	\$0	\$0	\$0	\$0	\$0	\$0	\$0	FECMD
7	Maintenance of Collecting and Impounding Res.	-	\$0	\$0	\$0	\$0	\$0	\$0	\$0	FECMD
8	Maintenance of Lake, River and Other Intakes	5,126	\$2,601	\$2,526	\$0	\$0	\$0	\$0	\$0	FECMD
9	Maintenance of Supply Mains	87	\$44	\$43	\$0	\$0	\$0	\$0	\$0	FECMD
10	Total Maintenance	\$5,213	\$2,645	\$2,569	\$0	\$0	\$0	\$0	\$0	
11	Total Source of Supply Expenses	\$1,542,897	\$829,268	\$713,629	\$0	\$0	\$0	\$0	\$0	
<u>Pumping Expenses</u>										
<u>Operation</u>										
12	Operation Supervision and Engineering	\$ -	\$0	\$0	\$0	\$0	\$0	\$0	\$0	FECMH
13	Fuel or Power Purchased for Production	1,170,614	\$270,565	\$275,140	\$520,465	\$0	\$0	\$0	\$104,444	FMHF
14	Pumping Labor and Expenses	4,279	\$989	\$1,006	\$1,903	\$0	\$0	\$0	\$382	FMHF
15	Miscellaneous Expenses	33,396	\$8,391	\$8,149	\$16,856	\$0	\$0	\$0	\$0	FECMH
16	Rents	5,558	\$1,397	\$1,356	\$2,805	\$0	\$0	\$0	\$0	FECMH
17	Total Operation	\$1,213,847	\$281,341	\$285,650	\$542,029	\$0	\$0	\$0	\$104,826	
<u>Maintenance</u>										
18	Maintenance Supervision and Engineering	\$ -	\$0	\$0	\$0	\$0	\$0	\$0	\$0	FECMH
19	Maintenance of Structures and Improvements	-	\$0	\$0	\$0	\$0	\$0	\$0	\$0	FECMH
20	Maintenance of Power Production Equipment	4,161	\$1,046	\$1,015	\$2,100	\$0	\$0	\$0	\$0	FECMH
21	Maintenance of Pumping Equipment	33,212	\$8,345	\$8,104	\$16,764	\$0	\$0	\$0	\$0	FECMH
22	Total Maintenance	\$37,373	\$9,390	\$9,119	\$18,864	\$0	\$0	\$0	\$0	
23	Total Pumping Expenses	\$1,251,220	\$290,732	\$294,769	\$560,893	\$0	\$0	\$0	\$104,826	
<u>Water Treatment Expenses</u>										
<u>Operation</u>										
24	Operation Supervision and Engineering	\$ 1,518,393	\$770,327	\$748,066	\$0	\$0	\$0	\$0	\$0	FECMD
25	Chemicals	894,404	\$894,404	\$0	\$0	\$0	\$0	\$0	\$0	FBC
26	Operation Labor and Expenses	297,498	\$150,930	\$146,568	\$0	\$0	\$0	\$0	\$0	FECMD
27	Miscellaneous Expenses	211,449	\$107,275	\$104,175	\$0	\$0	\$0	\$0	\$0	FECMD
28	Total Operation	\$2,921,743	\$1,922,934	\$998,809	\$0	\$0	\$0	\$0	\$0	
<u>Maintenance</u>										
29	Maintenance Supervision and Engineering	\$ 396,208	\$201,008	\$195,200	\$0	\$0	\$0	\$0	\$0	FECMD
30	Maintenance of Structures and Improvements	546,136	\$277,071	\$269,064	\$0	\$0	\$0	\$0	\$0	FECMD
31	Maintenance of Water Treatment Equipment	32,661	\$16,570	\$16,091	\$0	\$0	\$0	\$0	\$0	FECMD
32	Total Maintenance	\$975,004	\$494,649	\$480,355	\$0	\$0	\$0	\$0	\$0	
33	Total Water Treatment Expenses	\$3,896,748	\$2,417,584	\$1,479,164	\$0	\$0	\$0	\$0	\$0	

SUEZ Water Delaware
 Class Cost of Service for the Test Year Ending September 30, 2015
 INCOME STATEMENT

Line No.s	Description	Adjusted Test Period	Base Cost	Extra Cap Max Day	Extra Cap Max Hour	Customer Commercial	Customer Meters	Customer Services	Fire Services	Allocation Code
<u>Transmission and Distribution Expenses</u>										
<u>Operation</u>										
34	Operation Supervision and Engineering	\$ 47,663	\$11,016	\$11,203	\$21,191	\$0	\$0	\$0	\$4,253	FMHF
35	Storage Facilities Expenses	-	\$0	\$0	\$0	\$0	\$0	\$0	\$0	FDS
36	Transmission and Distribution Lines Expenses	720,774	\$166,593	\$169,410	\$320,463	\$0	\$0	\$0	\$64,309	FMHF
37	Meter Expenses	241,531	\$0	\$0	\$0	\$0	\$241,531	\$0	\$0	FCM
38	Customer Installations Expenses	8,033	\$0	\$0	\$0	\$0	\$0	\$7,865	\$168	FCS
39	Miscellaneous Expenses	104,344	\$29,903	\$25,789	\$21,134	\$0	\$9,264	\$10,831	\$7,424	FTDM
40	Rents	70,049	\$20,074	\$17,312	\$14,188	\$0	\$6,219	\$7,271	\$4,984	FTDM
41	Total Operation	\$1,192,393	\$227,586	\$223,714	\$376,975	\$0	\$257,013	\$25,967	\$81,137	
<u>Maintenance</u>										
42	Maintenance Supervision and Engineering	\$ 43,269	\$12,400	\$10,694	\$8,764	\$0	\$3,841	\$4,491	\$3,079	FTDM
43	Maintenance of Structures and Improvements	44,930	\$12,876	\$11,104	\$9,100	\$0	\$3,989	\$4,664	\$3,197	FTDM
44	Maintenance of Dist. Reservoirs & Standpipes	35,143	\$8,123	\$0	\$23,885	\$0	\$0	\$0	\$3,136	FMHFND
45	Maintenance of Trans. & Distribution Mains	139,501	\$32,243	\$32,788	\$62,023	\$0	\$0	\$0	\$12,446	FMHF
46	Maintenance of Services	362,974	\$0	\$0	\$0	\$0	\$0	\$355,403	\$7,570	FCS
47	Maintenance of Meters	-	\$0	\$0	\$0	\$0	\$0	\$0	\$0	FCM
48	Maintenance of Hydrants	23,104	\$0	\$0	\$0	\$0	\$0	\$0	\$23,104	FFH
49	Maintenance of Miscellaneous Plant	717	\$206	\$177	\$145	\$0	\$64	\$74	\$51	FTDM
50	Total Maintenance	\$649,637	\$65,847	\$54,764	\$103,917	\$0	\$7,894	\$364,633	\$52,583	
51	Transmission and Distribution Expenses	\$1,842,030	\$293,433	\$278,477	\$480,893	\$0	\$264,907	\$390,600	\$133,720	
<u>Customer Accounts Expenses</u>										
<u>Operation</u>										
52	Supervision	\$ 11,896	\$0	\$0	\$0	\$11,896	\$0	\$0	\$0	FCC
53	Meter Reading Salaries	105,233	\$0	\$0	\$0	\$0	\$105,233	\$0	\$0	FCM
54	Meter Reading Expenses	-	\$0	\$0	\$0	\$0	\$0	\$0	\$0	FCM
55	Meter Reading Transportation	-	\$0	\$0	\$0	\$0	\$0	\$0	\$0	FCM
56	Customer Records & Coll. Expenses-Labor	-	\$0	\$0	\$0	\$0	\$0	\$0	\$0	FCC
57	Customer Records & Coll. Expenses-Supplies	-	\$0	\$0	\$0	\$0	\$0	\$0	\$0	FCC
58	Customer Records & Coll. Expenses-Postage	-	\$0	\$0	\$0	\$0	\$0	\$0	\$0	FCC
59	Customer Records & Coll. Expenses-Computer	-	\$0	\$0	\$0	\$0	\$0	\$0	\$0	FCC
60	Customer Records & Coll. Expenses-Collection	\$ 1,233,268	\$0	\$0	\$0	\$1,233,268	\$0	\$0	\$0	FCC
61	Customer Records & Coll. Expenses	-	\$0	\$0	\$0	\$0	\$0	\$0	\$0	FCC
62	Uncollectible Accounts	100,631	\$0	\$0	\$0	\$100,631	\$0	\$0	\$0	FCC
63	Miscellaneous Customer Accounts Expense	21,220	\$0	\$0	\$0	\$21,220	\$0	\$0	\$0	FCC
64	Total Customer Accounts Expenses	\$1,472,247	\$0	\$0	\$0	\$1,367,014	\$105,233	\$0	\$0	

SUEZ Water Delaware
 Class Cost of Service for the Test Year Ending September 30, 2015
 INCOME STATEMENT

Line No.s	Description	Adjusted Test Period	Base Cost	Extra Cap Max Day	Extra Cap Max Hour	Customer Commercial	Customer Meters	Customer Services	Fire Services	Allocation Code
<u>Sales Expenses</u>										
<u>Operation</u>										
65	Sales Expenses	\$ -	\$0	\$0	\$0	\$0	\$0	\$0	\$0	FCC
66	Total Sales Expenses	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
67	Total O&M Excluding A&G	\$10,005,142	\$3,831,017	\$2,766,040	\$1,041,786	\$1,367,014	\$370,140	\$390,600	\$238,545	
<u>Allocation Factor FTOMW:</u>										
<u>Deduct:</u>										
68	Purchased Water	(\$1,443,281)	(\$732,220)	(\$711,061)	\$0	\$0	\$0	\$0	\$0	
69	Fuel or Power Purchased for Production	(\$1,170,614)	(\$270,565)	(\$275,140)	(\$520,465)	\$0	\$0	\$0	(\$104,444)	
70	Chemicals	(\$894,404)	(\$894,404)	\$0	\$0	\$0	\$0	\$0	\$0	
71	Total Deducts	<u>(\$3,508,299)</u>	<u>(\$1,897,189)</u>	<u>(\$986,201)</u>	<u>(\$520,465)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$104,444)</u>	
72	Total O&M w/oA&G Expenses	<u>\$6,496,844</u>	<u>\$1,933,828</u>	<u>\$1,779,839</u>	<u>\$521,321</u>	<u>\$1,367,014</u>	<u>\$370,140</u>	<u>\$390,600</u>	<u>\$134,102</u>	
<u>Administrative and General Expenses</u>										
<u>Operation</u>										
73	Administrative and General Salaries	\$ 1,779,704	\$1,056,699	\$0	\$0	\$723,005	\$0	\$0	\$0	FOE
74	Office Supplies and Other Expenses	75,859	\$45,041	\$0	\$0	\$30,818	\$0	\$0	\$0	FOE
75	Administrative Expenses Transferred	(1,101,637)	(\$489,396)	(\$226,657)	(\$83,653)	(\$217,150)	(\$31,848)	(\$33,608)	(\$19,324)	FTOM
76	Outside Services Employed	(74,084)	(\$32,911)	(\$15,242)	(\$5,626)	(\$14,603)	(\$2,142)	(\$2,260)	(\$1,300)	FTOM
77	Property Insurance	176,569	\$52,557	\$48,372	\$14,168	\$37,152	\$10,060	\$10,616	\$3,645	FTOMW
78	Injuries and Damages	109,994	\$85,340	\$0	\$0	\$24,654	\$0	\$0	\$0	FTE
79	Employee Pension and Benefits	1,609,558	\$1,248,795	\$0	\$0	\$360,763	\$0	\$0	\$0	FTE
80	Regulatory Commission Expenses	195,929	\$0	\$0	\$0	\$195,929	\$0	\$0	\$0	FCC
81	Miscellaneous General Expenses	825,556	\$245,732	\$226,165	\$66,244	\$173,707	\$47,034	\$49,634	\$17,040	FTOMW
82	Total Operation	<u>\$3,597,449</u>	<u>\$2,211,858</u>	<u>\$32,637</u>	<u>(\$8,866)</u>	<u>\$1,314,274</u>	<u>\$23,104</u>	<u>\$24,381</u>	<u>\$61</u>	
<u>Maintenance</u>										
83	Maintenance of General Plant	\$ -	\$0	\$0	\$0	\$0	\$0	\$0	\$0	FGPIS
84	Total Administrative and General Expenses	<u>\$3,597,449</u>	<u>\$2,211,858</u>	<u>\$32,637</u>	<u>(\$8,866)</u>	<u>\$1,314,274</u>	<u>\$23,104</u>	<u>\$24,381</u>	<u>\$61</u>	
85	Total Operation and Maintenance Expenses	<u>\$13,602,591</u>	<u>\$6,042,874</u>	<u>\$2,798,677</u>	<u>\$1,032,920</u>	<u>\$2,681,288</u>	<u>\$393,244</u>	<u>\$414,981</u>	<u>\$238,607</u>	
86	Depreciation Expense	\$3,656,792	\$1,241,023	\$580,920	\$221,650	\$388,199	\$780,701	\$309,524	\$134,775	
87	Taxes Other Than Income	\$ 1,855,940	\$552,433	\$508,443	\$148,925	\$390,512	\$105,737	\$111,582	\$38,309	FTOMW
88	Total Operating Expenses	<u>\$19,115,323</u>	<u>\$7,836,329</u>	<u>\$3,888,041</u>	<u>\$1,403,494</u>	<u>\$3,460,000</u>	<u>\$1,279,682</u>	<u>\$836,086</u>	<u>\$411,690</u>	
89	Total Labor	<u>\$4,098,908</u>	<u>\$2,203,369</u>	<u>\$1,112,736</u>	<u>\$31,857</u>	<u>\$734,900</u>	<u>\$3,841</u>	<u>\$4,491</u>	<u>\$7,713</u>	

SUEZ Water Delaware
Class Cost of Service for the Test Year Ending September 30, 2015
RATE BASE

Line No.s	Description	Test Period	Base Cost	Extra Cap Max Day	Extra Cap Max Hour	Customer Commercial	Customer Meters	Customer Services	Fire Services	Allocation Code
1	Total Net Plant	131,511,684	41,242,689	32,879,343	26,845,712	2,169,367	8,868,307	10,864,219	8,642,046	Direct
2	Intangible Assets - <i>Schedule No. 2-B</i>	31,321	9,622	7,229	5,924	831	2,597	3,036	2,081	FTGPIS
3	Net Contributions In Aid of Construction <i>(Schedule No. 2G Less Schedule No. 2H)</i>	(27,669,597)	(8,500,533)	(6,386,330)	(5,233,635)	(734,225)	(2,294,061)	(2,682,212)	(1,838,601)	FTGPIS
4	Accumulated Deferred Taxes - <i>Schedule No. 2-D1</i>	(14,157,831)	(4,439,963)	(3,539,611)	(2,890,063)	(233,542)	(954,714)	(1,169,583)	(930,356)	FNP
5	Materials and Supplies - <i>Schedule No. 2-I</i>	272,806	85,553	68,204	55,688	4,500	18,396	22,537	17,927	FNP
6	Investor Cash Working Capital - <i>Schedule No. 2-E</i>	881,133	276,328	220,293	179,867	14,535	59,418	72,791	57,902	FNP
7	Plus: Prepayments	670,909	210,400	167,735	136,954	11,067	45,242	55,424	44,088	FNP
8	OPEB Adjustment - <i>Schedule No. 2-K</i>	<u>(1,857,802)</u>	<u>(1,441,398)</u>	<u>-</u>	<u>-</u>	<u>(416,404)</u>	<u>-</u>	<u>-</u>	<u>-</u>	FTE
9	Total Rate Base	<u>\$89,682,623</u>	<u>\$27,442,698</u>	<u>\$23,416,863</u>	<u>\$19,100,448</u>	<u>\$816,129</u>	<u>\$5,745,186</u>	<u>\$7,166,212</u>	<u>\$5,995,087</u>	

SUEZ Water Delaware
 Class Cost of Service for the Test Year Ending September 30, 2015
 PLANT

Line No.s	Acct No.s	Description	Adjusted Test Period	Base Cost	Extra Cap Max Day	Extra Cap Max Hour	Customer Commercial	Customer Meters	Customer Services	Fire Service	Allocation Code
PLANT IN SERVICE											
<u>Source of Supply Plant</u>											
1	310	Land and Land Rights	\$ 404,525	\$404,525	\$0	\$0	\$0	\$0	\$0	\$0	FBC
2	311	Structures and Improvements	341,281	\$341,281	\$0	\$0	\$0	\$0	\$0	\$0	FBC
3	312	Collecting and Impounding Reservoirs	3,758,464	\$3,758,464	\$0	\$0	\$0	\$0	\$0	\$0	FBC
4	313	Lake, River and Other Intakes	1,177,313	\$597,287	\$580,027	\$0	\$0	\$0	\$0	\$0	FECMD
5	314	Wells and Springs	-	\$0	\$0	\$0	\$0	\$0	\$0	\$0	FECMD
6	316	Supply Mains	943,554	\$478,693	\$464,860	\$0	\$0	\$0	\$0	\$0	FECMD
7		Total Source of Supply Plant	\$6,625,137	\$5,580,250	\$1,044,887	\$0	\$0	\$0	\$0	\$0	
<u>Pumping Plant</u>											
8	320	Land and Land Rights	\$ 12,862	\$6,377	\$6,068	\$0	\$0	\$0	\$0	\$417	FMDF
9	321	Structures and Improvements	1,061,902	\$526,500	\$501,010	\$0	\$0	\$0	\$0	\$34,393	FMDF
10	323	Other Power Production Equipment	1,454,263	\$721,035	\$686,128	\$0	\$0	\$0	\$0	\$47,100	FMDF
11	325	Electric Pumping Equipment	5,589,405	\$2,771,272	\$2,637,105	\$0	\$0	\$0	\$0	\$181,028	FMDF
12	326	Diesel Pumping Equipment	63,043	\$31,257	\$29,744	\$0	\$0	\$0	\$0	\$2,042	FMDF
13		Total Pumping Plant	\$8,181,476	\$4,056,441	\$3,860,055	\$0	\$0	\$0	\$0	\$264,980	
<u>Water Treatment Plant</u>											
14	330	Land and Land Rights	\$ 27,723	\$14,065	\$13,658	\$0	\$0	\$0	\$0	\$0	FECMD
15	331	Structures and Improvements	\$ 20,918,673	\$10,612,677	\$10,305,996	\$0	\$0	\$0	\$0	\$0	FECMD
16	332	Water Treatment Equipment	\$ 16,641,661	\$8,442,819	\$8,198,842	\$0	\$0	\$0	\$0	\$0	FECMD
17		Total Water Treatment Plant	\$37,588,057	\$19,069,561	\$18,518,496	\$0	\$0	\$0	\$0	\$0	
<u>Transmission and Distribution Plant</u>											
18	340	Land and Land Rights	\$ 100,812	\$23,301	\$23,695	\$44,822	\$0	\$0	\$0	\$8,995	FMHF
19	342	Distribution Reservoirs and Standpipes	4,690,859	\$1,084,201	\$0	\$3,188,133	\$0	\$0	\$0	\$418,525	FMHFND
20	343	Transmission and Distribution Mains	63,422,826	\$14,658,960	\$14,906,838	\$28,198,350	\$0	\$0	\$0	\$5,658,678	FMHF
21	344	Fire Mains	390,951	\$0	\$0	\$0	\$0	\$0	\$0	\$390,951	FFH
22	345	Services	16,451,507	\$0	\$0	\$0	\$0	\$0	\$16,108,385	\$343,122	FCS
23	346	Meters	13,777,292	\$0	\$0	\$0	\$0	\$13,777,292	\$0	\$0	FCM
24	348	Hydrants	3,956,716	\$0	\$0	\$0	\$0	\$0	\$0	\$3,956,716	FFH
25		Total Transmission and Distribution Plant	\$102,790,963	\$15,766,462	\$14,930,533	\$31,431,305	\$0	\$13,777,292	\$16,108,385	\$10,776,987	
26		Gross Plant In Service	\$155,185,633	\$44,472,713	\$38,353,971	\$31,431,305	\$0	\$13,777,292	\$16,108,385	\$11,041,967	
<u>General Plant</u>											
27	390	Structures and Improvements	\$ 2,586,773	\$1,535,896	\$0	\$0	\$1,050,876	\$0	\$0	\$0	FOE
28	391	Office Furniture and Equipment	(1,546,235)	(\$918,077)	\$0	\$0	(\$628,158)	\$0	\$0	\$0	FOE
29	391-A	Computer Hardware/Software	6,123,829	\$3,636,024	\$0	\$0	\$2,487,806	\$0	\$0	\$0	FOE
30	392	Transportation Equipment	36,795	\$10,545	\$9,094	\$7,452	\$0	\$3,267	\$3,819	\$2,618	FGPIS
31	393	Stores Equipment	18,683	\$5,354	\$4,618	\$3,784	\$0	\$1,659	\$1,939	\$1,329	FGPIS
32	394	Tools, Shop and Garage Equipment	721,873	\$206,873	\$178,410	\$146,208	\$0	\$64,088	\$74,931	\$51,364	FGPIS
33	395	Laboratory Equipment	135,075	\$135,075	\$0	\$0	\$0	\$0	\$0	\$0	FBC
34	396	Power Operated Equipment	516,914	\$148,136	\$127,755	\$104,696	\$0	\$45,891	\$53,656	\$36,780	FGPIS
35	397	Communications Equipment	3,796,881	\$2,254,398	\$0	\$0	\$1,542,483	\$0	\$0	\$0	FOE
36	398.1	Miscellaneous Equipment	43,363	\$12,427	\$10,717	\$8,783	\$0	\$3,850	\$4,501	\$3,085	FGPIS
37	398.2	Office Equipment-SCADA System	\$ 194,020	\$55,602	\$47,952	\$39,297	\$0	\$17,225	\$20,139	\$13,805	FGPIS
38		Total General Plant	\$12,627,973	\$7,082,253	\$378,545	\$310,220	\$4,453,007	\$135,979	\$158,986	\$108,982	
39		Total Plant In Service	\$167,813,605	\$51,554,966	\$38,732,516	\$31,741,525	\$4,453,007	\$13,913,271	\$16,267,371	\$11,150,948	

SUEZ Water Delaware
 Class Cost of Service for the Test Year Ending September 30, 2015
 PLANT

ACCUMULATED DEPRECIATION AND AMORTIZATION											\$0
Line No.s	Acct No.s	Description	Adjusted Test Period	Base Cost	Extra Cap Max Day	Extra Cap Max Hour	Customer Commercial	Customer Meters	Customer Services	Fire Service	Allocation Code
Source of Supply Plant											FBC
40	311	Structures and Improvements	\$ 145,159	\$145,159	\$0	\$0	\$0	\$0	\$0	\$0	FBC
41	312	Collecting and Impounding Reservoirs	544,938	\$544,938	\$0	\$0	\$0	\$0	\$0	\$0	FECMD
42	313	Lake, River and Other Intakes	(484,292)	(\$245,696)	(\$238,596)	\$0	\$0	\$0	\$0	\$0	FECMD
43	314	Wells and Springs	-	\$0	\$0	\$0	\$0	\$0	\$0	\$0	FECMD
44	316	Supply Mains	125,648	\$63,745	\$61,903	\$0	\$0	\$0	\$0	\$0	
45		Total Source of Supply Plant	\$331,454	\$508,147	(\$176,693)	\$0	\$0	\$0	\$0	\$0	
Pumping Plant											FMDF
46	321	Structures and Improvements	\$ 51,221	\$25,396	\$24,166	\$0	\$0	\$0	\$0	\$1,659	FMDF
47	323	Other Power Production Equipment	836,798	\$414,891	\$394,805	\$0	\$0	\$0	\$0	\$27,102	FMDF
48	325	Electric Pumping Equipment	468,328	\$232,201	\$220,959	\$0	\$0	\$0	\$0	\$15,168	FMDF
49	326	Diesel Pumping Equipment	35,014	\$17,360	\$16,520	\$0	\$0	\$0	\$0	\$1,134	FMDF
50		Total Pumping Plant	\$1,391,361	\$689,848	\$656,450	\$0	\$0	\$0	\$0	\$45,063	
Water Treatment Plant											FECMD
51	331	Structures and Improvements	\$ 4,112,074	\$2,086,180	\$2,025,894	\$0	\$0	\$0	\$0	\$0	FECMD
52	332	Water Treatment Equipment	2,047,525	\$1,038,771	\$1,008,753	\$0	\$0	\$0	\$0	\$0	FECMD
53		Total Water Treatment Plant	\$6,159,599	\$3,124,951	\$3,034,648	\$0	\$0	\$0	\$0	\$0	
Transmission and Distribution Plant											FMHFND
54	342	Distribution Reservoirs and Standpipes	\$ 909,686	\$210,256	\$0	\$618,266	\$0	\$0	\$0	\$81,163	FMHF
55	343	Transmission and Distribution Mains	9,368,959	\$2,165,454	\$2,202,071	\$4,165,522	\$0	\$0	\$0	\$835,912	FFH
56	344	Fire Mains	183,601	\$0	\$0	\$0	\$0	\$0	\$0	\$183,601	FCS
57	345	Services	5,459,609	\$0	\$0	\$0	\$0	\$0	\$5,345,740	\$113,869	FCM
58	346	Meters	4,995,860	\$0	\$0	\$0	\$0	\$4,995,860	\$0	\$0	FFH
59	348	Hydrants	1,209,939	\$0	\$0	\$0	\$0	\$0	\$0	\$1,209,939	
60		Total Transmission and Distribution Plant	\$22,127,654	\$2,375,710	\$2,202,071	\$4,783,788	\$0	\$4,995,860	\$5,345,740	\$2,424,485	
General Plant											FOE
61	390	Structures and Improvements	\$ 740,359	\$439,588	\$0	\$0	\$300,771	\$0	\$0	\$0	FOE
62	391	Office Furniture and Equipment	(1,844,928)	(\$1,095,426)	\$0	\$0	(\$749,502)	\$0	\$0	\$0	FOE
63	391-A	Computer Hardware/Software	5,266,046	\$3,126,715	\$0	\$0	\$2,139,331	\$0	\$0	\$0	FGPIS
64	392	Transportation Equipment	37,523	\$10,753	\$9,274	\$7,600	\$0	\$3,331	\$3,895	\$2,670	FGPIS
65	393	Stores Equipment	7,719	\$2,212	\$1,908	\$1,563	\$0	\$685	\$801	\$549	FGPIS
66	394	Tools, Shop and Garage Equipment	87,387	\$25,043	\$21,598	\$17,699	\$0	\$7,758	\$9,071	\$6,218	FBC
67	395	Laboratory Equipment	117,488	\$117,488	\$0	\$0	\$0	\$0	\$0	\$0	FGPIS
68	396	Power Operated Equipment	140,206	\$40,180	\$34,652	\$28,397	\$0	\$12,447	\$14,553	\$9,976	FOE
69	397	Communications Equipment	1,459,791	\$866,751	\$0	\$0	\$593,040	\$0	\$0	\$0	FGPIS
70	398	Miscellaneous Equipment	25,873	\$7,415	\$6,395	\$5,240	\$0	\$2,297	\$2,686	\$1,841	FGPIS
71	398.2	Office Equipment-SCADA System	\$ 188,878	\$54,128	\$46,681	\$38,255	\$0	\$16,768	\$19,606	\$13,439	
72		Total General Plant	\$6,226,341	\$3,594,847	\$120,506	\$98,756	\$2,283,640	\$43,288	\$50,612	\$34,693	FGPIS
73		Retirement Work in Progress	\$ 65,513	\$18,774	\$16,191	\$13,269	\$0	\$5,816	\$6,800	\$4,661	
74		Total Accumulated Depreciation/Amortization	\$36,301,922	\$10,312,277	\$5,853,173	\$4,895,813	\$2,283,640	\$5,044,964	\$5,403,152	\$2,508,903	
75		Net Plant	\$131,511,684	\$41,242,689	\$32,879,343	\$26,845,712	\$2,169,367	\$8,868,307	\$10,864,219	\$8,642,046	

SUEZ Water Delaware
 Class Cost of Service for the Test Year Ending September 30, 2015
 DEPRECIATION EXPENCE

Line No.s	Acct No.s	Description	Test Period	Base Cost	Extra Cap Max Day	Extra Cap Max Hour	Customer Commercial	Customer Meters	Customer Services	Fire Services	Allocation Code
Source of Supply Plant											
1	310	Land and Land Rights	0	0	0	0	0	0	0	0	FBC
2	311	Structures and Improvements	18,054	18,054	0	0	0	0	0	0	FBC
3	312	Collecting and Impounding Reservoirs	37,960	37,960	0	0	0	0	0	0	FBC
4	313	Lake, River and Other Intakes	21,545	10,930	10,614	0	0	0	0	0	FECMD
5	314	Wells and Springs	0	0	0	0	0	0	0	0	FECMD
6	316	Supply Mains	8,303	4,213	4,091	0	0	0	0	0	FECMD
7		Total Source of Supply Plant	85,862	71,157	14,705	0	0	0	0	0	
Pumping Plant											
8	320	Land and Land Rights	0	0	0	0	0	0	0	0	FMDF
9	321	Structures and Improvements	14,760	7,318	6,964	0	0	0	0	478	FMDF
10	323	Other Power Production Equipment	55,407	27,471	26,141	0	0	0	0	1,795	FMDF
11	325	Electric Pumping Equipment	128,556	63,739	60,653	0	0	0	0	4,164	FMDF
12	326	Diesel Pumping Equipment	1,179	585	556	0	0	0	0	38	FMDF
13		Total Pumping Plant	199,903	99,114	94,315	0	0	0	0	6,474	
Water Treatment Plant											
14	330	Land and Land Rights	0	0	0	0	0	0	0	0	FECMD
15	331	Structures and Improvements	269,851	136,904	132,947	0	0	0	0	0	FECMD
16	332	Water Treatment Equipment	482,608	244,842	237,766	0	0	0	0	0	FECMD
17		Total Water Treatment Plant	752,459	381,745	370,714	0	0	0	0	0	
Transmission and Distribution Plant											
18	340	Land and Land Rights	0	0	0	0	0	0	0	0	FMHF
19	342	Distribution Reservoirs and Standpipes	48,785	11,276	0	33,157	0	0	0	4,353	FMHFND
20	343	Transmission and Distribution Mains	672,282	155,385	158,012	298,903	0	0	0	59,982	FMHF
21	344	Fire Mains	6,803	0	0	0	0	0	0	6,803	FFH
22	345	Services	345,482	0	0	0	0	0	338,276	7,206	FCS
23	346	Meters	775,662	0	0	0	0	775,662	0	0	FCM
24	348	Hydrants	101,292	0	0	0	0	0	0	101,292	FFH
25		Total Transmission and Distribution Plant	1,950,305	166,661	158,012	332,059	0	775,662	338,276	179,635	
General Plant											
26	390	Structures and Improvements	48,373	28,721	0	0	19,651	0	0	0	FOE
27	391	Office Furniture and Equipment	(212,298)	(126,052)	0	0	(86,246)	0	0	0	FOE
28	391-A	Computer Hardware/Software	840,802	499,226	0	0	341,576	0	0	0	FOE
29	392	Transportation Equipment	0	0	0	0	0	0	0	0	FGPIS
30	393	Stores Equipment	390	112	97	79	0	35	41	28	FGPIS
31	394	Tools, Shop and Garage Equipment	22,234	6,372	5,495	4,503	0	1,974	2,308	1,582	FGPIS
32	395	Laboratory Equipment	10,023	10,023	0	0	0	0	0	0	FBC
33	396	Power Operated Equipment	30,984	8,879	7,658	6,275	0	2,751	3,216	2,205	FGPIS
34	397	Communications Equipment	278,691	165,473	0	0	113,218	0	0	0	FOE
35	398	Miscellaneous Equipment	2,819	808	697	571	0	250	293	201	FGPIS
36	398.2	Office Equipment-SCADA System	12,611	3,614	3,117	2,554	0	1,120	1,309	897	FGPIS
37		Total General Plant	1,034,628	597,176	17,063	13,983	388,199	6,129	7,166	4,912	
Less: Depreciation on CIAC											
40	313	Lake, River and Other Intakes	(191)	(97)	(94)	0	0	0	0	0	FECMD
41	325	Electric Pumping Equipment	(16,084)	(7,975)	(7,589)	0	0	0	0	(521)	FMDF
42	332	Water Treatment Equipment	(4,851)	(2,461)	(2,390)	0	0	0	0	0	FECMD
43	342	Distribution Reservoirs and Standpipes	(6,300)	(1,456)	0	(4,282)	0	0	0	(562)	FMHFND
44	343	Transmission and Distribution Mains	(259,115)	(59,889)	(60,902)	(115,205)	0	0	0	(23,119)	FMHF
45	345	Services	(35,237)	0	0	0	0	0	(34,502)	(735)	FCS
46	346	Meters	(1,047)	0	0	0	0	(1,047)	0	0	FCM
47	348	Hydrants	(29,092)	0	0	0	0	0	0	(29,092)	FFH
48	UNC	Unclassified CIAC	(14,447)	(2,951)	(2,914)	(4,905)	0	(43)	(1,416)	(2,218)	CIAC Dist.
49		Total Depr. On CIAC	(366,365)	(74,829)	(73,889)	(124,392)	0	(1,090)	(35,919)	(56,247)	
50		Pro Forma Depreciation Expense	<u>\$3,656,792</u>	<u>\$1,241,023</u>	<u>\$580,920</u>	<u>\$221,650</u>	<u>\$388,199</u>	<u>\$780,701</u>	<u>\$309,524</u>	<u>\$134,775</u>	

SUEZ Water Delaware
Class Cost of Service for the Test Year Ending September 30, 2015
INCOME TAX CALCULATION

Line No.s	Description	Adjusted Test Period	Residential	Commercial	Industrial	Public Authority	Sales for Resale	Public Fire	Private Fire	Allocation Code
1	Income Before Tax	5,648,283	2,172,309	1,121,102	520,902	38,830	21,910	1,000,576	772,654	
	Less:									
2	Interest Expense	2,169,533	1,043,690	448,981	500,867	13,281	17,686	65,649	79,379	
3	Taxable Income	3,478,749	1,128,619	672,121	20,035	25,548	4,225	934,926	693,275	
4	State Income Tax	302,651	98,190	58,475	1,743	2,223	368	81,339	60,315	
5	Amortization of Flow Through Tax	18,127	8,720	3,751	4,185	111	148	549	663	CRB
6	Total State Income Tax	320,778	106,910	62,226	5,928	2,334	515	81,887	60,978	
7	Federal Taxable Income	3,176,098	1,030,429	613,647	18,292	23,326	3,857	853,588	632,960	
8	Federal Income Tax	1,111,634	360,650	214,776	6,402	8,164	1,350	298,756	221,536	
9	Net Federal Income Tax	(14,013)	(6,741)	(2,900)	(3,235)	(86)	(114)	(424)	(513)	CRB
10	Amortization of Flow Through Tax	68,481	32,944	14,172	15,810	419	558	2,072	2,506	CRB
11	Total Federal Income Tax	\$1,166,102	\$386,853	\$226,048	\$18,977	\$8,497	\$1,794	\$300,404	\$223,529	
12	Total Income Tax	\$1,486,880	\$493,763	\$288,274	\$24,905	\$10,831	\$2,309	\$382,291	\$284,507	

SUEZ Water Delaware
Class Cost of Service for the Test Year Ending September 30, 2015
FUNCTIONAL ALLOCATIONS

Allocation Code	Description	Total	Base Cost	Extra Cap Max Day	Extra Cap Max Hour	Customer Commercial	Customer Meters	Customer Services	Fire Services
FBC	Base Cost - Common	100.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FECMD	Max Day without Fire	100.00%	50.73%	49.27%	0.00%	0.00%	0.00%	0.00%	0.00%
FECMH	Max Hour without Fire	100.00%	25.13%	24.40%	50.47%	0.00%	0.00%	0.00%	0.00%
FMDF	Max Day with Fire	100.00%	49.58%	47.18%	0.00%	0.00%	0.00%	0.00%	3.24%
FMHF	Max Hour with Fire	100.00%	23.11%	23.50%	44.46%	0.00%	0.00%	0.00%	8.92%
FMHFND	Max Hour with Fire (No Max Day)	100.00%	23.11%	0.00%	67.96%	0.00%	0.00%	0.00%	8.92%
FCC	Customer Commercial	100.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%
FCM	Customer Meters	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%
FCS	Customer Services	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	97.91%	2.09%
FFH	Fire Hydrants	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
FNP	Net Plant	100.00%	31.36%	25.00%	20.41%	1.65%	6.74%	8.26%	6.57%
FTGPIS	Total Gross Plant In Service	100.00%	30.72%	23.08%	18.91%	2.65%	8.29%	9.69%	6.64%
FGPIS	Gross Plant In Service	100.00%	28.66%	24.71%	20.25%	0.00%	8.88%	10.38%	7.12%
FRB	Rate Base	100.00%	30.60%	26.11%	21.30%	0.91%	6.41%	7.99%	6.68%
FPP	Purchased Power	100.00%	85.00%	10.00%	5.00%	0.00%	0.00%	0.00%	0.00%
FTDM	T&D Mains	100.00%	28.66%	24.71%	20.25%	0.00%	8.88%	10.38%	7.12%
FDS	Distribution Plant	100.00%	15.34%	14.53%	30.58%	0.00%	13.40%	15.67%	10.48%
FTOM	Total O&M and A&G Expenses	100.00%	44.42%	20.57%	7.59%	19.71%	2.89%	3.05%	1.75%
FTOMW	Total O&M w/oA&G Expenses	100.00%	29.77%	27.40%	8.02%	21.04%	5.70%	6.01%	2.06%
FOE	Office Employee	100.00%	59.38%	0.00%	0.00%	40.63%	0.00%	0.00%	0.00%
FTE	Total Employee	100.00%	77.59%	0.00%	0.00%	22.41%	0.00%	0.00%	0.00%

SUEZ Water Delaware
Class Cost of Service for the Test Year Ending September 30, 2015
Calculation of Factors

Max Hour with Fire	Avg Day	Max Day	Max Hour	Fire Service
Base MGD	12.76			4.93
Extra Capacity over Base MGD	-	12.98	24.55	-
Max Capacity	55.21	55.21	55.21	55.21
Allocation Factors	23.11%	23.50%	44.46%	8.92%

Max Hour without Fire				
Base MGD	12.64			
Extra Capacity over Base MGD	-	12.27	25.38	
Max Capacity	50.29	50.29	50.29	
Allocation Factors	25.13%	24.40%	50.47%	

Max Day with Fire				
Base MGD	12.76			0.83
Extra Capacity over Base MGD	-	12.14		-
Max Capacity	25.74	25.74		25.74
Allocation Factors	49.58%	47.18%		3.24%

Max Day without Fire				
Base MGD	12.64			
Extra Capacity over Base MGD	-	12.27		
Max Capacity	24.91	24.91		
Allocation Factors	50.73%	49.27%		

Max Hour with Fire (excluding Max Day)				
Base MGD	12.76			4.93
Extra Capacity over Base MGD	-		37.53	-
Max Capacity	55.21		55.21	55.21
Allocation Factors	23.11%		67.96%	8.92%

SUEZ Water Delaware
 Class Cost of Service for the Test Year Ending September 30, 2015
 Calculation of Factors

OFFICE EMPLOYEES

Base Cost

Management/Operations	19	59.38%
-----------------------	----	--------

Commercial

Cust Service Rep	6	
Supervisor Field Services	1	
Supervisor Customer Service	1	
Field Service Representative	5	
Total Commercial	13	40.63%

Total Office Personnel	32	
------------------------	----	--

TOTAL EMPLOYEES

Base Cost

	45	77.59%
--	----	--------

Commercial

	13	22.41%
Total	58	

SUEZ Water Delaware
 Class Cost of Service for the Test Year Ending September 30, 2015
 CUSTOMER CLASS ALLOCATIONS

Classification Code	Description	Total	Residential	Commercial	Industrial	Public Authority	Sales for Resale	Public Fire	Private Fire
CBC	Base Cost	100.00%	36.7%	22.5%	37.9%	0.6%	1.2%	0.56%	0.43%
CBCRB	Base Cost Rate Base	100.00%	37.1%	22.7%	38.3%	0.6%	1.3%		
CMD	Maximum Day	100.00%	51.9%	23.7%	17.2%	0.6%	1.0%	3.06%	2.39%
CMDRB	Max Day RB	100.00%	45.9%	23.9%	28.4%	0.6%	1.2%		
CMH	Maximum Hour	100.00%	56.3%	22.1%	9.4%	0.6%	0.3%	6.34%	4.97%
CMHRB	Max HR RB	100.00%	56.8%	24.4%	17.6%	0.7%	0.6%		
CB	Bills	100.00%	90.38%	7.04%	0.14%	0.14%	0.00%	2.23%	0.07%
CBRB	Bills	100.00%	92.50%	7.20%	0.14%	0.15%	0.00%		
CM	Meters	100.00%	92.50%	7.20%	0.14%	0.15%	0.00%	0.00%	0.00%
CD	Demand	100.00%	76.96%	19.27%	2.52%	1.25%	0.00%	0.00%	0.00%
CS	Services	100.00%	86.36%	12.55%	0.62%	0.47%	0.00%	0.00%	
CRB	Rate Base	100.00%	48.11%	20.69%	23.09%	0.61%	0.82%	3.03%	3.66%
CFS	Fire Services	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	46.67%	53.33%
CRWC	Rev Water Svc	100.00%	56.86%	20.67%	21.88%	0.59%	0.00%	0.00%	0.00%

SUEZ Water Delaware
Class Cost of Service for the Test Year Ending September 30, 2015
Calculation of Factors

Inputs

Max Day Data	MGALS
2014-23.71 on 12/21/1	23.71
2013-20.94 on 6/1/201	20.94
2012-23.51 on 7/10/1	23.51
2011-28.27 on 7/25/1	28.27
2010-21.52 on 7/8/10	21.52
	23.59

Adj for NRW
24.91

From MFR V 2&3 - Test Period As Adjusted	
Residential	1,711,292
Commercial	1,048,888
Industrial	1,765,436
Public Authority	28,145
Resale	58,198
Total	4,611,959

DSIC Breakdown	
Res	\$1,013,329
Com	\$365,717
Ind	\$411,344
Pa	\$10,417
Private Fire	\$63,207
Public Fire	\$0

Total MGALS Produced	
2014	6,042,466
2013	5,715,965
2012	5,887,164
2011	6,144,118
2010	5,584,650
Total	5,874,872.60

2015

BASE COST (Annual Usage)			
Customer Class	Total	aver. use (mgd)	%
Residential	1,711,292	4.688	36.74%
Commercial	1,048,888	2.874	22.52%
Industrial	1,765,436	4.837	37.90%
Pub Authority	28,145	0.077	0.60%
Resale	58,198	0.159	1.25%
Subtotal	4,611,959	12.636	0.990

Fire Protection S: Fire Usage at **1.00%**

Public Fire	25,863	0.071	0.56%	56.08%
Private Fire	20,257	0.055	0.43%	43.92%
Fire Protection S	46,120	0.126	0.99%	
2015 Total	4,658,078.13	12.762	100.00%	

MAXIMUM DAY					
Test Year	Test Period	excess	%	Factor (1)	Factor (2)
mgd (1)	mgd (2)				
9.377	11.428	6.74	51.9%	500	
4.885	5.954	3.08	23.7%	350	
5.804	7.073	2.24	17.2%	150	
0.131	0.160	0.08	0.6%	350	
0.239	0.291	0.13	1.0%	150	
20.437	24.91	12.270	94.5%		1.22

MAXIMUM HOUR					
Test Year	Test Period	excess	%	Factor (1)	Factor (2)
mgd (1)	mgd (2)				
23.442	28.569	23.88	56.3%		
10.058	12.257	9.384	22.1%		
7.255	8.842	4.005	9.4%		
0.270	0.329	0.252	0.6%		
0.239	0.291	0.132	0.3%		
41.264	50.289	37.653	88.7%		1.22

Four Hours at 4000 GPM	0.96
Less: Base	0.13
	0.834

24 Hours at 4000 GPM	5.76
Less: Max Day	0.834
	4.926

BILLS		
2015	Annual	%
Residential	410,652	90.3815%
Commercial	31,980	7.0386%
Industrial	644	0.1416%
Pub Auth	651	0.1432%
Resale	12	0.0026%
Private Fire/Sprink	10,116	2.2265%
Public Fire	300	0.0660%
Total	454,354	100.00%

METER		
2015	Average	%
Residential	34,221	92.50%
Commercial	2,665	7.20%
Industrial	54	0.14%
Pub Auth	54	0.15%
Resale	1	0.00%
Private Fire/Sprinkle	0	0.00%
Total	36,995	100.00%

REVENUE ALLOCATION TO PUBLIC AND PRIVATE FIRE

Class	Sprinklers	Hydrants	Surcharge	Total	Allocation
Public Fire	\$ 30,051	\$ 1,151,105		\$1,181,156	56.08%
Private Fire	\$845,552	\$ 79,561		\$925,114	43.92%
Total Revenue				\$2,106,270	100.00%

HYDRANTS		
2015	Average	%
Public	25	31.25%
Private	55	68.75%
Total	80	100.00%

(1) Factor 1 is an industry standard ratio used for approximating maximum possible usage of water in a single day
(2) Factor 2 is a ratio that brings maximum day demand closer to an actual maximum demand experienced by SWD in the last 5 years. The NRW of 11.9% was applied to the production value.

SUEZ Water Delaware
Class Cost of Service for the Test Year Ending September 30, 2015
FIRE SERVICES ALLOCATION

Fire Services Allocations	Allocation Code	Fire Services	Public Fire	Private Fire
Fire Revenue	FSFR	100.00%	56.08%	43.92%
Fire Mains	FSFM	100.00%	0.00%	100.00%
Fire Services	FSFS	100.00%	0.00%	100.00%
Fire Hydrants	FSFH	100.00%	31.25%	68.75%
Fire Gross Plant	FSGP	100.00%	43.47%	56.53%
Fire Net Plant	FSNP	100.00%	45.27%	54.73%
Fire O&M incl A&G	FSOMAG	100.00%	51.89%	48.11%
Fire O&M Expenses	FSOME	100.00%	46.67%	53.33%
Fire Plant Depr Exp	FPDE	100.00%	38.33%	61.67%

SUEZ Water Delaware
Class Cost of Service for the Test Year Ending September 30, 2015
Calculation of Fire Service Customer Allocators for Rate Base (Plant, Accum Depr)

Rate Base Accounts	Fire Services	Public Fire	Private Fire
<i>Fire Services Revenue Allocation</i>	<i>100.00%</i>	<i>56.08%</i>	<i>43.92%</i>
Land and Land Rights	\$8,995	\$5,044	\$3,951
Pumping Plant	\$264,980	\$148,596	\$116,384
Accum Depr	(\$45,063)	(\$25,270)	(\$19,793)
Distribution Reservoirs and Standpipes	\$418,525	\$234,701	\$183,824
Accum Depr	(\$81,163)	(\$45,515)	(\$35,649)
Transmission and Distribution Mains	\$5,658,678	\$3,173,279	\$2,485,399
Accum Depr	(\$835,912)	(\$468,764)	(\$367,149)
Fire Mains	\$390,951		\$390,951
Accum Depr	(\$183,601)		(\$183,601)
Services	\$343,122		\$343,122
Accum Depr	(\$113,869)		(\$113,869)
Hydrants	\$3,956,716	\$1,236,474	\$2,720,242
Accum Depr	(\$1,209,939)	(\$378,106)	(\$831,833)
Total Net	\$8,572,419	\$3,880,438	\$4,691,981
<i>Percent of Pumping and T&D Plant</i>	<i>100%</i>	<i>45%</i>	<i>55%</i>
General Plant	\$108,982	\$49,332	\$59,650
Accum Depr	(\$39,355)	(\$17,815)	(\$21,540)
Gross Fire Service Plant	\$11,150,948	\$4,847,425	\$6,303,523
<i>Percent of Gross Fire Service Plant</i>	<i>100%</i>	<i>43%</i>	<i>57%</i>
Fire Accum Depr	(\$2,508,903)	(\$935,470)	(\$1,573,433)
Total Fire Service Plant	\$8,642,046	\$3,911,956	\$4,730,090
<i>Percent of Net Fire Service Plant</i>	<i>100%</i>	<i>45%</i>	<i>55%</i>
Intangible Assets	\$2,081	\$942	\$1,139
Net Contributions In Aid of Construction	(\$1,838,601)	(\$832,271)	(\$1,006,330)
Accumulated Deferred Taxes	(\$930,356)	(\$421,140)	(\$509,216)
Materials and Supplies	\$17,927	\$8,115	\$9,812
Investor Cash Working Capital	\$57,902	\$26,210	\$31,692
Plus: Prepayments	\$44,088	\$19,957	\$24,131
OPEB Adjustment	\$0	\$0	\$0
Total	(\$2,646,959)	(\$1,198,187)	(\$1,448,772)
Total Fire Service Rate Base	\$5,995,087	\$2,713,769	\$3,281,318
<i>Percent of Total Rate Base for Fire Service</i>	<i>100%</i>	<i>45%</i>	<i>55%</i>

SUEZ Water Delaware
Class Cost of Service for the Test Year Ending September 30, 2015
Calculation of Fire Service Customer Allocators (Income Statement)

Income Statement Accounts	Fire Services	Public Fire	Private Fire
<i>Fire Services Revenue Allocation</i>	<i>100.00%</i>	<i>56.08%</i>	<i>43.92%</i>
Pumping Expenses	\$104,826	\$58,784	\$46,041
Transmission and Distribution Expenses			
Operation	\$81,137	\$45,500	\$35,637
Maintenance			
Maintenance Supervision and Engineering	\$3,079	\$1,726	\$1,352
Maintenance of Structures and Improvements	\$3,197	\$1,793	\$1,404
Maintenance of Dist. Reservoirs & Standpipes	\$3,136	\$1,758	\$1,377
Maintenance of Trans. & Distribution Mains	\$12,446	\$6,980	\$5,467
Maintenance of Services	\$7,570	\$0	\$7,570
Maintenance of Hydrants	\$23,104	\$7,220	\$15,884
Maintenance of Miscellaneous Plant	\$51	\$29	\$22
Total Maintenance	\$52,583	\$19,506	\$33,077
Total Transmission and Distribution Expenses	\$133,720	\$65,006	\$68,714
Total O&M Excluding A&G	\$238,545	\$123,790	\$114,755
<i>Percent of Total O&M Excluding A&G</i>	<i>100%</i>	<i>51.89%</i>	<i>48.11%</i>
Administrative and General Expenses			
Administrative and General Salaries	\$0	\$0	\$0
Office Supplies and Other Expenses	\$0	\$0	\$0
Administrative Expenses Transferred	(\$19,324)	(\$10,028)	(\$9,296)
Outside Services Employed	(\$1,300)	(\$674)	(\$625)
Property Insurance	\$3,645	\$1,891	\$1,753
Injuries and Damages	\$0	\$0	\$0
Employee Pension and Benefits	\$0	\$0	\$0
Regulatory Commission Expenses	\$0	\$0	\$0
Miscellaneous General Expenses	\$17,040	\$8,843	\$8,197
Total Administrative and General Expenses	\$61	\$32	\$29
<i>Percent of Total O&M Including A&G</i>	<i>100%</i>	<i>51.89%</i>	<i>48.11%</i>
Total Operation and Maintenance Expenses	\$238,607	\$123,822	\$114,785
Depreciation Expense	\$134,775	\$51,656	\$83,119
Taxes Other Than Income	\$38,309	\$16,653	\$21,655
Total Operating Expenses	\$411,690	\$192,131	\$219,559
<i>Percent of Total O&M Expenses</i>	<i>100%</i>	<i>46.67%</i>	<i>53.33%</i>
Total Labor	\$7,713		

SUEZ Water Delaware
Class Cost of Service for the Test Year Ending September 30, 2015
Calculation of Fire Service Customer Allocators (Depreciation Exp)

Depreciation Exp Accounts	Fire Services	Public Fire	Private Fire
<i>Fire Services Revenue Allocation</i>	<i>100.00%</i>	<i>56.08%</i>	<i>43.92%</i>
Pumping Plant	\$ 6,474	\$ 3,631	\$ 2,844
Transmission and Distribution Plant			
Distribution Reservoirs and Standpipes	\$ 4,353	\$ 2,441	\$ 1,912
Transmission and Distribution Mains	\$ 59,982	\$ 33,637	\$ 26,345
Fire Mains	\$ 6,803		\$ 6,803
Services	\$ 7,206		\$ 7,206
Hydrants	\$ 101,292	\$31,654	\$ 69,638
Total Transmission and Distribution Plant	\$ 179,635	\$ 67,731	\$ 111,903
<i>Percent of Total Pumping and T&D Plant</i>	<i>100%</i>	<i>37.71%</i>	<i>62.29%</i>
General Plant	\$ 4,912	\$ 1,852	\$ 3,060
Gross Plant	\$ 191,021	\$ 73,214	\$ 117,807
<i>Percent of Total Gross Plant</i>	<i>100%</i>	<i>38.33%</i>	<i>61.67%</i>

SUEZ Water Delaware
Class Cost of Service for the Test Year Ending September 30, 2015
CUSTOMER CLASS ALLOCATIONS FOR DEMAND/SERVICE

Service Type	Meter Size	Meter Count	DEMAND			SERVICES		
			Meter Ratio	Equiv Meters	Class %	Service Ratio	Equiv Services	Class %
Residential	5/8"	34,191	1.0	34,191		1.0	34,191	
Residential	3/4"	2	1.5	3		1.3	3	
Residential	1"	23	2.5	57		2.0	45	
Residential	1.5"	5	5.0	26		2.7	14	
Total Residential		34,221		34,277	76.96%		34,253	86.36%
Commercial	5/8"	1,278	1.0	1,278		1.0	1,278	
Commercial	3/4"	6	1.5	9		1.3	8	
Commercial	1"	687	2.5	1,716		2.0	1,373	
Commercial	1.5"	430	5.0	2,151		2.7	1,162	
Commercial	2"	203	8.0	1,623		4.0	811	
Commercial	3"	28	15.0	424		4.0	113	
Commercial	4"	14	25.0	352		5.3	75	
Commercial	6"	16	50.0	808		8.0	129	
Commercial	8"	3	80.0	220		10.7	29	
Total Commercial		2,665		8,582	19.27%	39.0	4,978	12.55%
Industrial	5/8"	4	1.0	4		1.0	4	
Industrial	3/4"	1	1.5	2		1.3	2	
Industrial	1"	7	2.5	17		2.0	14	
Industrial	1.5"	6	5.0	31		2.7	17	
Industrial	2"	13	8.0	105		4.0	53	
Industrial	3"	4	15.0	63		4.0	17	
Industrial	4"	7	25.0	174		5.3	37	
Industrial	6"	8	50.0	418		8.0	67	
Industrial	8"	1	80.0	80		10.7	11	
Industrial	10"	2	115.0	230		13.3	27	
Total Industrial		54		1,124	2.52%	52.3	246	0.62%
Public Authority	5/8"	8	1.0	8		1.0	8	
Public Authority	1"	5	2.5	13		2.0	10	
Public Authority	1.5"	10	5.0	50		2.7	27	
Public Authority	2"	16	8.0	129		4.0	64	
Public Authority	3"	7	15.0	105		4.0	28	
Public Authority	4"	6	25.0	151		5.3	32	
Public Authority	6"	2	50.0	101		8.0	16	
Total Public Authority		54		556	1.25%		186	0.47%
Sales for Resale							-	
Total Resale				0	0.00%		0	0.00%
TOTAL *		36,994		44,538	100%		39,663	100%

CUSTOMER CLASS ALLOCATIONS FOR SERVICE TO PRIVATE FIRE CUSTOMERS

Service Type	Service Size	Service Count	Allocation
Private Unmetered Fire	1.5	166	
Private Unmetered Fire	2	167	
Private Unmetered Fire	4	30	
Private Unmetered Fire	6	199	
Private Unmetered Fire	8	205	
Private Unmetered Fire	10	13	
Private Unmetered Fire	12	9	
Total Private Fire		788	2.09%
Total Equiv Services for All Classes		37,782	

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

PROPOSED TARIFF SCHEDULES

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Chuck Loy

MFR

8.5 Proposed Tariff Schedules

8.5 For the test period only, provide schedule, by customer classification or category of service, showing present revenues, pro forma adjustments, proposed increases and percent of increases.

Response:

Please see MFR 2.3 and MFR 5.2.1.

SUEZ Water Delaware
Minimum Filing Requirements of the
Delaware Public Service Commission

PROPOSED TARIFF SCHEDULES

Delaware Public Service Commission
Company: SUEZ Water Delaware
Docket No. _____

Witness Responsible:
Chuck Loy

MFR

8.6 Proposed Tariff Schedules

8.6 Provide detailed calculation substantiating the adjustment for additional revenues from annualizing changes in customers and growth in use per customer during test year if applicable.

Response:

Please see MFR 5.2.1 and 5.2.5.

BEFORE THE
DELAWARE PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

LARRY FINNICUM
OPERATIONS MANAGER
SUEZ WATER DELAWARE INC.

Concerning
Operations & Capital Additions

February 2016

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF LARRY FINNICUM

I. Introduction

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

Q. What is your name and business address?

A. My name is Larry Finnicum. My business address is 2000 First State Boulevard, Wilmington, DE 19804-0508.

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

A. I am employed by SUEZ Water Delaware (“SWDE” or “the Company”) as the Operations Manager.

Q. Please describe your work experience.

A. I started with Aqua America Inc. in Bryn Mawr Pennsylvania in 2003 as a Continuing Property Records Analyst then in 2004 I was promoted to a Rates Analyst. In 2006 I was then promoted to the Supervisor of Analytics and Logistics. In 2010 I was promoted to the role of National Director of Field Services. In 2011 I took on the role of Area Manager for Aqua North Carolina in Denver, North Carolina.

In September 2012 I was hired by SUEZ Water Pennsylvania to become the Superintendent of the Bloomsburg and Dallas Operations. In 2014 I accepted the position of Operations Manager for SWDE .

Q. Have you previously testified before this or other regulatory commissions in regards to a rate filing?

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF LARRY FINNICUM

1 A. No.

2

3 **Q. Please describe your educational background.**

4 A. I have a Bachelor of Science Degree in Business Administration from
5 Drexel University in Philadelphia, Pennsylvania.

6

7 **Q. What is the subject of your testimony?**

8 A. In addition to a general overview of the Company's operations, I will
9 present testimony on the following:

- 10 • The Company's efforts to control costs and maintain rate stability;
- 11 • The Company's capital additions through the Test Period ("TP") for the
12 twelve months ending June 30, 2016 ;
- 13 • Organizational changes within the Company since the last base rate
14 case;
- 15 • The Company's customer service and customer satisfaction;
- 16 • The Company's educational efforts regarding conservation and the
17 value of water; and,
- 18 • The proposed changes to the Company's tariff Rules and Regulations.

19

20 **II. Description of the Company**

21 **Q. Please give a general description of SWDE**

22 A. SUEZ Water Delaware provides water service to approximately 38,000
23 customers in northern New Castle County, including portions of

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF LARRY FINNICUM

1 Wilmington, Newark, Bear, St. Georges and Delaware City. The
2 transmission and distribution system is made up of 536 miles of water
3 main, approximately 6,830 valves and 2,195 fire hydrants. The production
4 system consists of two surface water treatment plants. The main source
5 of supply is the Stanton Water Treatment Plant ("SWTP") which is rated at
6 30 MGD and it draws source water from the confluence of the Red and
7 White Clay Creeks in Wilmington. The Christiana Water Treatment Plant
8 ("CWTP") is rated at 6 MGD and it draws source water from Smalley's
9 Pond in Christiana, Delaware. The Company also has nine
10 interconnections with area water suppliers. The interconnection with
11 Chester Water Authority has a maximum capacity of 0.5 million gallons
12 per day. An interconnection with SUEZ Water Bethel averaged 0.64
13 million gallons per day in 2014. Seven interconnections with the City of
14 Wilmington with a combined capacity of 7.7 million gallons per day,
15 dependent upon system pressures. SWDE owns and maintains 10
16 elevated tanks, 3 standpipes, 4 ground level reservoirs and 1 covered in-
17 ground reservoir for a combined total storage capacity of nearly 30 million
18 gallons. Additionally, SWDE has 13 booster stations strategically located
19 throughout the system to maintain adequate pressures and serve these
20 various storage facilities. The Company also operates an Aquifer Storage
21 and Recovery facility (ASR) which allows 75 MG of water taken from
22 SWDE's distribution system to be stored in an underground aquifer. This

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF LARRY FINNICUM

1 water is then treated and pumped back to the distribution system to
2 augment water supply during periods of drought.

3

4

III. Impact of Rate Change

5 **Q. When was SWDE last general rate filing?**

6 A. SWDE last filed for a general rate case on December 6th 2010. The case
7 resulted in a 6.80% increase. The rates became effective September 20
8 2011.

9 **Q. How much does an average residential customer use per day and
10 what does that equate to on a cost per day under current rates?**

11 A. In 2015, a residential customer used approximately 133 gallons per day
12 which equated to eighty-four cents (\$0.84) per day.

13

14 **Q. How would the Company's proposed increase impact the residential
15 customer?**

16 A. The cost for 133 gallons per day for residential customer not including
17 existing surcharges would increase by approximately \$0.21 per day.
18 Considering the Company's last increase to base rates was in September
19 2011 and the proposed rates would not become effective until
20 approximately October 2016, SWDE's customers will have benefitted from
21 approximately five years of unchanged base rates.

22

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF LARRY FINNICUM

1 **Q. How does the SWDE's rate compare to the other Delaware class A**
2 **private water companies?**

3 A. Currently, SWDE's average residential customer bill based on 4,000
4 gallons per month is approximately 42% lower than the other Delaware
5 major private water companies.

6

7

IV. Reduction in Consumption

8 **Q. Has the company seen a decrease in residential customer usage?**

9 A. Yes, the Company has seen a steady decrease in residential
10 customers' usage over the past several years.

11

12 **Q. What reasons do you attribute to this decrease in consumption?**

13 A First it is important to understand that the decline in consumption is being
14 experienced across the water industry. Therefore a significant reason for
15 the decline can be attributed to new conservation appliances installed in
16 new homes as well as being replaced in existing homes. Another reason
17 is the Company's efforts to educate its customers about the benefits of
18 conservation. A third reason is the customer awareness that a reduction
19 in water usage translates to also a reduction in their wastewater cost.

20

21 **Q. Do you foresee further decreases in consumption?**

22 A. Yes. This is a trend that water utilities across the country is experiencing.
23 SWDE has experienced a consistent decrease of approximately 2% in

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF LARRY FINNICUM

1 residential usage for the last five years. . The trend will continue for the
2 following reasons: First there are many appliances in older homes that
3 still need to be replaced. Second as the Company continues to educate
4 customers on the value of conservation there will be further reductions.
5 And thirdly customers have more information available to them regarding
6 their usage so they can be more proactive in making decisions.

7

8 **Q. Has the Company seen a decrease in usage in other classifications?**

9 A. Yes, the Company has seen a decline in usage in Industrial and
10 Commercial classifications. Since its last general rate filing SWDE has
11 experienced a decline in consumption of 10% in Industrial and 13% in
12 Commercial. Most recently the Company was informed that a large
13 industrial customer, DuPont Edgemoor will be closing. This customer
14 represents 22% of the industrial classification consumption on an annual
15 basis in 2014.

16

17 **V. Prudent Management of Costs and Promotion of Efficiency**

18 **Q. Please describe how the Company has prudently managed its costs?**

19 A. The Company recognizes that overall costs are going to increase each
20 year. Labor, materials costs, health insurance, etc. are some examples of
21 annual cost increases that cannot be avoided or, even in some
22 circumstances, mitigated. The Company also understands its
23 responsibility to provide an excellent level of services to its customers.

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF LARRY FINNICUM

1 Cutting costs simply to keep rates low is not an option where the public is
2 dependent upon the quality and reliability of the services; therefore, the
3 Company must find ways to operate more efficiently. The Company
4 strives to continuously improve its service level by utilizing new
5 technology, changing business processes, and continuing to invest
6 prudently in its assets.

7

8 **Q. What does SWDE do to control and manage its chemical costs?**

9 A. SWDE has found that the process of competitively bidding chemicals where
10 possible and entering into annual supply contracts has been an effective
11 method to control chemical expenses and manage cost volatility. In addition
12 to focusing on costs, SWDE consistently reviews its treatment process to
13 identify areas where changing chemicals can potentially reduce cost and
14 improve or optimize the treatment process. As well, in 2015 SWDE began
15 utilizing Chemtracker. Chemtracker is an in-house created spreadsheet for
16 the Production department that, through tables and graphs, interprets the
17 chemical data collected from our SCADA system and eOps. Data can be
18 matched up against water quality parameters to show chemical usage
19 during storm events, facility upsets, and just everyday normal demands. The
20 tool can also be used for projecting yearly budget requests
21 (decrease/increases). The tool is also used as a secondary look into eOps
22 to make sure chemical level transducers are reporting properly and that the
23 chemical inventory is accurate.

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF LARRY FINNICUM

1

2 **Q. Please describe the steps that the Company is taking to control energy**
3 **costs.**

4 A. Two factors affect overall energy expenses, usage and price. Usage is
5 under management control while price is subject to market conditions. As
6 a result of its costs control measures, the Company has entered into
7 certain contracts for the purchase of energy utilized to provide water to
8 customers at favorable prices for kWh. In addition the Company has
9 installed VFDs (variable frequency drives) on process pumps as well as
10 booster pumps with in the distribution system. The VFDs assist in
11 controlling the energy usage for the pumps.

12

13 **Q. Please describe the Company's energy requirements and contracts.**

14 A. The Company has three primary sites which are the Stanton Water
15 Treatment Plant, the Christiana Booster Station, and the Bellevue Booster
16 Station and they comprise approximately 90% of the kWh used by SWDE.
17 All of these locations have contracts for their kWh energy usage through
18 December 2016.

19

20 **Q. Can you give a few examples of how the Company is utilizing new**
21 **technology to reduce costs, improve business efficiency, or meet**
22 **regulatory requirements?**

23 A. Yes, I will highlight the following four:

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF LARRY FINNICUM

1 **1. Irth One Call System** - The One Call “Irth” Software system was
2 implemented in SWDE operations in 2015. This handheld device
3 eliminated the paper process and is used in the field to clear and receive
4 One Call locates, saving time and effort on a daily basis. This new
5 software gives us the ability to take a picture before each dig and attach it
6 to the ticket, track completed locates with a picture, and add pictures of
7 damage to pipes if a hit occurs. Most important is the much-improved
8 accurate record management for the Company’s protection if questioned
9 on one of our One Call locates or if the Company needs to pursue damage
10 caused by another utility or outside contractor to our facilities.

11 **2. Radio Read Meter Program** – The Company has a goal of having
12 100% of its customers installed with meters with remote radio reads.
13 Currently about 82% of the Company’s customers are equipped with radio
14 read meters. This technology has multiple benefits. First it is a more
15 efficient way of reading meters. Second it promotes both a sustainable
16 and safety initiative by reducing the number of miles driven by employees.
17 Customers benefit from the technology as well as it provides them with
18 more information about their usage and leaks can be detected earlier.
19 Finally it gives the Company access to information such as tampering,
20 reverse flow, stopped meters etc.

21 **3. Water Shed Control Plan** - SUEZ Water Delaware selected and was
22 approved to use an innovative option offered by US EPA to attain
23 compliance with more stringent water quality regulations focused on levels

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF LARRY FINNICUM

1 of the water borne pathogen cryptosporidium. Called a Watershed Control
2 Plan (WCP), the five year plan focuses investments in projects upstream
3 from SWDE's water treatment facilities, to reduce the amounts of
4 cryptosporidium entering our source water. Preventing cryptosporidium
5 from entering source water is a far more sustainable approach, without
6 increasing our plant's carbon footprint, than treating for it when it reaches
7 our plant through the addition of expensive treatment processes, which
8 ultimately would increase customers' rates.

9 **4. Research and Innovation Alliance** -SUEZ has funded a research and
10 innovation project with the objective to assess the benefits of watershed
11 management programs and water safety plans. They have selected the
12 Stanton plant's Watershed Control Plan to be used as one of the case
13 studies in this research project. The company has committed to complete
14 this research in partnership with Stroud Water Research Center, Leigh
15 University, and Crockett Consulting.

16 The first phase of this research project included a literature review
17 of various reports and existing watershed management experiences to
18 provide an overview of the state-of-the-art in watershed management. The
19 goal of the second phase of this project is to determine if a suite of BMPs
20 has an effect on reducing pathogen loading to a stream from a specific
21 farm operation, in this case a concentrated animal feeding operation (or
22 CAFO).

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF LARRY FINNICUM

1 As part of a plan to meet new drinking water regulations, SWDE
2 developed and implemented a Watershed Control Plan that included the
3 application of BMPs at several dairy farms in the White Clay Creek (WCC)
4 and Red Clay Creek watersheds to reduce pathogen loadings upstream of
5 the Stanton plant intakes. One site in the WCC watershed has been
6 selected as part of the case study to quantify the impact of BMPs on
7 downstream water quality compared to a site without BMPs. This project is
8 anticipated to be completed by the end of calendar year 2016.

9

10 **VI. Customer Service Improvements**

11 **Q. Please describe the Company's ongoing efforts to measure and**
12 **provide continuous improvement in the services that it delivers to its**
13 **customers.**

14 A. First, the Company conducts surveys to learn not only how the Company
15 has performed but ways that it can improve customer satisfaction. In the
16 2015 survey, overall satisfaction with customer service averaged 94%.

17 In 2015, the Company completed over 415 hours of customer
18 service training for its customer representatives and field technicians.

19 Another measurement of customer satisfaction is the number of
20 informal and formal complaints the Company receives. In 2015, the
21 Company had 4 billing informal complaints, 6 service informal complaints
22 and there were no formal complaints.

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF LARRY FINNICUM

1 See Minimum Filing Requirement for more detail on formal
2 complaints since the last rate proceeding.

3

4 **Q. What other initiatives has the Company promoted to improve service**
5 **to its customers?**

6 A. The Company has, among other things, implemented the following
7 initiatives:

8 • **Monthly Billing** – The Company in 2015 successfully transitioned
9 its residential customers from quarterly to monthly billing as well the
10 Company transitioned the remaining Commercial accounts to
11 monthly. Previously all other service categories were billed monthly.
12 The transition was done over a three month period to ensure a
13 smooth transition.

14 **E-billing** -- The Company offers e-billing to its customers. As of
15 2015, 8,820 customers are utilizing e-billing to realize a “Green”
16 solution to routine billing. E-billing adds a customer convenience
17 and reduces the cost of bill presentation. The Company also offers
18 direct debit and, as of 2015, there were 3,347 customers enrolled.

19 • **Customer Inquiries** -- The Company, utilizing its call center
20 located in Wilmington has set a goal of answering all customer calls
21 in less than forty-five (45) seconds. This is monitored on a weekly
22 basis. In 2015, customer calls were answered locally on an
23 average of twenty (20) seconds.

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF LARRY FINNICUM

- 1 • **Abandoned Phone Call Rate** -- The Company has set a goal for
2 having an abandoned phone call rate of three percent. This is
3 monitored on a daily basis and, in 2015; the Company had a rate of
4 three percent.
- 5 • **Meter Reading**-- The Company has set a goal of obtaining 98% of
6 its customer meter reads on its first attempt. In 2015, the Company
7 had a 98% actual first read rate.
- 8 • **United Water Cares** -- The Company maintains United Water
9 Cares assistance for those genuinely impacted by hard economic
10 times. In 2015, the Company provided \$6,669 of financial
11 assistance to seventy (70) customers. In 2014 the Company
12 provided a total of \$6,124 to sixty-four (64) customers and in 2013
13 the Company provided a total of \$5,130 to fifty-four (54) customers.

14

15 Q. **Is the Company proposing something new to improve**
16 **customer service?**

17 A. Yes, currently when the customer pays their bill by credit card or
18 ACH, they incur a charge of \$1.99 which is paid directly to the
19 bank. In order to ease the burden on the customer, the Company is
20 proposing that these convenience fees be paid by the Company
21 and become part of its overall cost of services. The Company
22 believes that this will increase the number of credit card payments
23 by 25%. The impacts of this cost is discussed by Mr. Loy.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

VII. Customer Outreach and Education

Q. Please describe the Company’s outreach program to customers.

A. The SUEZ outreach program to customers is multifaceted. We provide communication channels both inside and outside of the bill envelope. We provide a robust website and use social media channels to deliver important information. We helped create and sponsor a major environmentally themed annual special event in White Clay Creek State Park at which we have a booth. We produce twice annual newsletters and partner with the Wilmington Blue Rocks to promote our ET Index lawn watering conservation program at Frawley stadium. Inside the bill envelope we use bill messages directly printed on the bill to convey important information to customers. We use bill inserts (pamphlets) on topics like conservation and how to avoid frozen pipes in winter. Our website is extremely robust with Frequently Asked Question (FAQs) on subjects ranging from handling emergencies to bill paying options. Facebook and Twitter is used to convey timely information on water service and other issues in these increasingly smart device oriented times.

VIII. Conservation Education

Q. Describe the Company’s efforts to educate the public in conservation and the value of water.

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF LARRY FINNICUM

1 A. Customer education and outreach on conservation is a focal point at
2 SUEZ Water Delaware. The SWDE website, online Conservation Guide,
3 the annual ET Index lawn watering conservation education program, Rain
4 Garden, EPA WaterSense partnership, conservation education billing
5 inserts, plant tours, conservation messaging on door hangers, information
6 dissemination through public event attendance, and residential
7 conservation rate structure are some of the ways that SUEZ Water
8 currently promotes conservation awareness in the communities that it
9 serves.

IX. Personnel Requirements

11 **Q. What organizational changes has the Company made to ensure that**
12 **its operations remain current?**

13 A. Since the last rate case, the Company has strengthened its operations in
14 two separate areas. First, two Maintenance Technicians were added.
15 Second, an Environmental, Health and Safety (“EHS”) Manager was
16 added.

17 The two Maintenance Technicians were added in 2014 to address
18 the Company’s maintenance needs in regards to assets and equipment.
19 Their primary responsibility is to service instrumentation, provide
20 maintenance to pumps and small motors, and to assist in maintenance of
21 electrical equipment and controls.

22 The new EHS Manager was hired in 2012 to lead the Company’s
23 safety and environmental programs. The Company has placed a high

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF LARRY FINNICUM

1 commitment on environmental compliance and with placing a high priority
2 on ensuring the safety of each employee.

3

4 **Q. Has the Company laid off any employees since the last base rate**
5 **filing?**

6 A. No. The Company has a trained and skilled workforce that it wants to
7 maintain.

8

9 **Q. Has the Company eliminated or reduced any positions since the last**
10 **rate filing?**

11 A. Yes, the Company has eliminated the following positions: Accounting
12 Manager, Meter Reader, and one Transmission & Distribution Utility
13 Worker. These positions were eliminated through attrition as the Company
14 realized that their resources would be better aligned elsewhere with in the
15 operation.

16

17 **Q. Is the Company planning on adding any new positions by the end of**
18 **the TP?**

19 A. Yes, we are in the process of interviewing for an Asset Management
20 Specialist which is necessary to improve the company's management of
21 its assets and to enhance the reliability and service provided to the
22 Company's 38,000 plus customers.

23

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF LARRY FINNICUM

1 **Q. Have this position been filled?**

2 A. No, the Asset Management Specialist is still being recruited.

3

4 **X. Quality and Reliability of Service**

5 **Q. Has the Company had any informal or formal PSC complaints**
6 **regarding water quality or service issues since its last rate**
7 **proceeding?**

8 A. No.

9

10 **Q. Has the Company had any Tier One or Tier Two violations since its**
11 **last rate case proceeding?**

12 A. Yes, the Company has had two Tier Two violations since its last rate case
13 proceeding. One was in 2012 for an MCL violation in regards to adding
14 fluoride to the Aquifer Storage Recovery System and the other was in
15 2013 for an MCL violation in regards to average iron on a sample taken by
16 ODW in the Arden service area.

17

18 **XI. Capital Additions**

19 **Q. Please discuss the Company's capital additions through the end of**
20 **the TP.**

21 A. SWDE Exhibit I is a list of capital improvement projects that were (1)
22 placed in service prior to the end of the historic test year, but still have
23 CWIP to be booked, (2) will be placed in service after the historic test year

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF LARRY FINNICUM

1 but prior to the end of the TP Associated plant retirements, advances and
2 contributions, and costs to remove related to these projects are also
3 included in this Exhibit.

4
5 **Q. Please describe the Company's project numbering system as**
6 **reflected in SWDE Exhibit I**

7 A. The projects are grouped by category. Each project is assigned an alpha-
8 numerical number. All projects start with the letter C; the next two digits
9 represent the year; the next letter signifies a specific category; and the last
10 three digits represent the project number. The various categories are "A"
11 for Source of Supply; "B" for Water Treatment; "C" for Pumping; "D" for
12 Transmission and Distribution; "E" for system storage; "G" for meters; "J"
13 for information technology; and "K" for general plant.

14

15 **Q. How many projects are there over \$500,000 in the TP.**

16 A. There are three (3) projects budgeted over \$500,000. They are as follow:

- 17 1. Filter Air Scour - \$1,634,000
18 2. Electrical Upgrades - \$695,000
19 3. Replacement Customer Meters - \$1,390,000

20 See Minimum Filing Requirements for details on each project.

21

22 **Q. Can you please provide an overview of each project that is over**
23 **\$500,000?**

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF LARRY FINNICUM

1 A. Yes, they are as followed:

2 1. The Filter Air Scour Project was identified as a project during a
3 Master Plan Study conducted in 2015. Our consultant suggested that the
4 existing surface sweep system for the filters does not do a thorough job
5 because it cannot reach the entire filter bed due to it having a fixed circular
6 motion in a square filter, and it does not fully penetrate the full depth of the
7 filter media. Our consultant projects that an air scour system may reduce
8 the Stanton Facility's backwash water usage by 10% to 40% and increase
9 filter run times by 10% to 25%. This project is in the spirit and intent to
10 optimize the treatment facility and minimize expenses while upgrading the
11 treatment process. By extending backwash cycles, operations can
12 minimize the amount of sludge produced and electric consumption. The
13 much larger issue that is partially addressed with this project is the amount
14 of backwash water used per cycle. Backwash water is drawn from the
15 finished water clearwell. Each backwash cycle uses approximately 1 foot
16 of a 5 to 6 foot operating range. This is particularly challenging because it
17 limits the number of filters that can be washed in the event of an
18 emergency as well as in daily production since the stored volume for
19 distribution management is low. Reducing the volume of water needed for
20 backwash should also be realized in chemical usage since it is treated
21 water that is being used.

22 2. The Electrical Upgrades project will deal directly with the electrical
23 needs with in the operations. These needs will center mostly on Arc Flash

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF LARRY FINNICUM

1 mitigation at various sites. The mitigation will to reduce the Arc Flash
2 hazard at these sites to ensure the health and safety of our employees
3 and contractors.

4 3. The Customer Meter Project will increase of ERT (Encoder
5 Receiver Transmitter) Technology deployment from 75% to 100%
6 saturation. This will involve changing out approximately 8,300 customer
7 meters and installing ERT devices. The technology is used to transmit
8 data from the water meters over a short range so that a utility worker can
9 collect meter data without a worker physically inspecting each meter. This
10 project has and will allow SWDE to read meters more accurately and
11 efficiently. As well the project has supported the transition to monthly
12 billing for the Company.

13

14 **XII. Changes to Treatment of Antenna Revenue**

15 **Q. Please discuss the Company's stance on the management of their**
16 **antenna lease contracts.**

17 **A.** The Company has multiple antenna lease contracts with various cellular
18 phone companies to lease space on elevated water storage tanks
19 throughout our service territory. The Company is seeking to have the
20 revenue from these contracts shared between the shareholders and the
21 customers. The Company is seeking a 75 percent to 25 percent ratio
22 respectively. While allowing these antennas on our tanks helps
23 communities avoid construction of typically controversial cell towers in

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF LARRY FINNICUM

1 their neighborhoods, these leases do come with the administrative issues
2 and burdens to our Company's operations.

3

4 **Q. Please discuss the administrative issues the Company encounters in**
5 **the management of these contracts.**

6 A. The Company does experience from time to time issues centering around
7 security and reliability due to cellular phone company contractors and sub-
8 contractors working at and around our elevated tank facilities. As well
9 when the Company needs to perform elevated tank maintenance and
10 cleaning there is extra effort and coordination due to the fact that the
11 cellular antenna facilities in most cases need to be removed or relocated.

12

13 **XIII. Changes to Tariff Rules and Regulations**

14 **Q. Please discuss the proposed changes to the Company's tariff Rules**
15 **and Regulations.**

16 A. The Company is proposing three significant changes to its tariff. The
17 three significant changes are as follows:

18 1. The Company is proposing to meter all new services
19 including private fire services. The current tariff does not require private
20 fire services to be metered. This change is necessary to ensure a
21 hundred percent of the water is metered.

22 2. The Company is proposing to change the due date on its
23 bills rendered to 20 days from the mailing date. Payments received after 5

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF LARRY FINNICUM

1 days of the due date will be charged a penalty and subject to shut off
2 pursuant to Del Title 26 Section 6.5.4.2.1

3 3. The Company is proposing existing private fire services that
4 are not metered; the customer must notify the Company three business
5 days prior to any testing of the fire flow system. The Company will
6 determine the acceptable rate of flow for testing purposes. The Company
7 will assess a charge of \$250 per fire flow test. A penalty charge of \$1,000
8 will be assessed for any fire flow test conducted without notifying the
9 Company.

10

11 **XIV. Customer Notification of New Rates**

12 **Q. How will you inform customers of the rate case filing and the need to**
13 **increase rates?**

14 A. The Company will inform customers of our rate filing and subsequent
15 hearings by publishing the required notices in the local newspaper and will
16 also send each of its customers a notice by mail. This mailing will include
17 the key facts and a link to Frequently Asked Questions (FAQs). We will
18 also provide a bill (insert or message) to every customer. Additionally, we
19 will provide informational letters to key stakeholders, including elected
20 officials who represent districts that include areas that we serve, as well as
21 our ten largest industrial customers. Internally, and in addition to our call
22 center staff, all Company employees will be briefed on the rate filing and
23 the drivers for the increase and provided with FAQ information. They will

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF LARRY FINNICUM

1 also be provided with the name of a SUEZ Water Delaware contact in
2 order to elevate any customer questions in the event that there are any
3 customer inquiries that they are unable to answer. Finally, a news
4 release, describing the rate request and the reasons for the request will be
5 distributed to the news media to ensure that the facts of the case are
6 accurately described. This news release will be posted on SWDE's
7 website, with Facebook and Twitter being used to enhance customer
8 awareness.

9

10 **Q. Does this conclude your direct testimony?**

11 **A.** Yes it does, thank you.

Project ID	Project Name	CWIP Balance as of 09/30/15	Plant Additions Oct 1 to Dec 31	Plant Additions Jan 01 to Jun 30	Total Cost without AFUDC	AFUDC	Total Cost	Month In-Service	Plant Account(s)	Retire Amount	Cost to Remove
C10K106	Generator Gas Conversion	31.9			31.9	0.0	31.9	Feb-16	32300		
C13D651	Piendak Construction-Transmission Bypass	0.3			0.3	0.0	0.3	Oct-14	34300		
C13J504	SCADA Network	25.0	106.8		131.8	0.0	131.8	Sep-15	39700		
C14B001	Traveling Screen Dechlorination- Total Project 223.4							Dec-15			
	62.5% Traveling Screen Dechlorination	50.4	139.6				139.6	Dec-15	33100		
	37.5% Traveling Screen Dechlorination	30.3	83.8				83.8	Dec-15	33200		
C14B002	Stanton Stage 2 Acid		0.2		0.2	0.0	0.2	Jan-15	33200		
C14J003	Asset Management	92.5	11.9		104.4	1.5	105.9	Feb-16	391AH		
C15A501	Traveling Screen Replacement		99.3		99.3	0.0	99.3	Dec-15	31300	102.5	3.0
C15B003	Plant Water Cross Connection Control		22.4		22.4	0.0	22.4	Nov-15	33100		
C15B004	Densadeg Valve Actuators			106.0	106.0	0.0	106.0	Feb-16	33200		
C15B006	Lagoon Sludge Line Valve		3.0		3.0	0.0	3.0	Jan-16	33200		
C15B107_027_001	Air Scour One Filter	48.5		350.0	398.5	20.0	418.5	Apr-16	33200	5.0	0.2
C15B107_027_002	Air Scour- 11 Filters	145.4		1,040.0	1,185.4	30.0	1,215.4	Jun-16	33200	32.6	1.6
C15B501	Instrument Replacements		16.8		16.8	0.0	16.8	Apr-15	33200	5.0	
C15B502	Plug Valve Replacement		19.9		19.9	0.0	19.9	Dec-15	33100	15.0	3.5
C15B503	Stanton RW Flow Meter		121.3		121.3	0.0	121.3	Oct-15	33200	9.0	100.0
C15B509	Belt Press Bull Gear		0.6		0.6	0.0	0.6	Jul-15	33100		
C15B512	Production Meters		13.0		13.0	0.0	13.0	Dec-15	33100	4.4	
C15B518	Flash Mix#4 Gearbox Repl.	0.3	50.0	7.7	58.0	0.0	58.0	Jan-16	33200	41.0	2.0
C15B520	Hydrogritter Overhaul #2		10.0		10.0	0.0	10.0	Dec-15	33200	6.6	0.8
C15B521	Plant 2-Service Lines Repl		2.3		2.3	0.0	2.3	Dec-15	33200	1.2	
C15B522	Stanton Hypo Pump Replace Parts	2.6	2.5		5.1	0.0	5.1	Dec-15	33200	3.6	
C15B523	#2 Belt Press Bull Gear Spare		4.1		4.1	0.0	4.1	Dec-15	33200		
C15B524	Belt Press 2 Conveyor		3.5		3.5	0.0	3.5	Nov-15	33200	1.5	
C15B526	Belt Press Polymer System Replacement	1.2	62.8		64.0	0.0	64.0	Dec-15	33200	28.1	5.0
C15C501	H.S. #5 Replacement In kind	6.6	18.6		25.2	0.0	25.2	Sep-15	32500		
C15C502	Booster Pump Replacements	1.8	10.9		12.7	0.0	12.7	Jul-15	32500	5.0	1.0
C15C505	L.S. Pump Bowl Repl.		62.0		62.0	0.0	62.0	May-15	32500	40.0	2.5
C15C508	River Rd #2 Bstr Motor	7.0	1.1		8.1	0.0	8.1	Nov-15	32500	5.5	1.8
C15D001	New Fire Hydrants -	0.4	6.6		7.0	0.0	7.0	Blanket	34800		
C15D002	New Short Mains & Valves -	3.2	108.3		111.5	0.0	111.5	Blanket	34300		
C15D102	Bell Joint Clamps		27.6		27.6	0.0	27.6	Ongoing	34300		
C15D300	Extensions, Gross Roll Up		223.6		223.6	0.0	223.6	Ongoing	34300		
C15D501	Replacement Fire Hydrants	0.6	18.4		19.0	0.0	19.0	Blanket	34800	5.0	
C15D502	Replace Short Mains & Valves	3.3	30.9		34.2	0.0	34.2	Blanket	34300	7.5	
C15D601	Emory Road	24.2	435.8		460.0	0.0	460.0	Oct-15	34300	9.4	2.3
C15D602	Deepwood Drive	22.3	277.5		299.8	0.0	299.8	Oct-15	34300	8.6	1.0
C15D603	Hull Ave		325.0		325.0	0.0	325.0	Aug-15	34300		
C15D652	Koppers Site Trans Main Leaks	76.3	246.0		322.3	1.0	323.3	Dec-15	34300		
C15D653	Newport-20" Trans Valve Repl	1.0	3.0	18.6	22.6	0.0	22.6	Jun-16	34300	2.0	0.5
C15D654	White Clay Creek 20" Main Break	5.7	0.8		6.5	0.0	6.5	Aug-15	34300		
C15E501	Tank Safety Upgrades		12.2		12.2	0.0	12.2	Dec-15	34200	1.0	0.8
C15E503	Newport and Graylyn Tank Upgrades		34.8		34.8	0.0	34.8	Nov-15	34200	2.0	1.6
C15F001	New Domestic Services, Gross	0.3	12.5		12.8	0.0	12.8	Blanket	34500		
C15F003	New Fire Services, Gross	0.2	31.8		32.0	0.0	32.0	Blanket	34500		
C15F501	Replacement Domestic Services	9.1	60.3		69.4	0.0	69.4	Blanket	34500	5.0	
C15G001	New Customer Meters	0.7	5.4		6.1	0.0	6.1	Blanket	34600		
C15G501	Replacement Customer Meters	44.8	788.7		833.5	0.0	833.5	Blanket	34600	25.0	25.0
C15J001	State Line Remote Control	11.5	67.5		79.0	0.0	79.0	Dec-15	39700		

C15J002	Windows 7 for SCADA Computers	0.9	6.0		6.9	0.0	6.9	Dec-15	39700		
C15J502	SCADA & VFD Boards	1.9	20.4		22.3	0.0	22.3	Aug-15	39700	5.0	
C15J503	IT Infrastructure Improvements		1.2		1.2	0.0	1.2	Mar-15	39700		
C15J504	Phone System IVR	74.1	0.9		75.0	0.0	75.0	Jan-16	39700		
C15J505	PLC Replacements	0.4	49.6		50.0	0.0	50.0	Nov-15	39700	6.0	
C15J506	Itron MC3 RF Meter Reading		34.6		34.6	0.0	34.6	Dec-15	391A0	22.4	
C15K101	EH&S Audit Findings		29.3		29.3	0.0	29.3	Jun-15	32100		
C15K102	EH&S Audit Findings - 2	9.7	2.3		12.0	0.0	12.0	Nov-15	32500	2.5	1.5
C15K106_027_001	Arc Flash Labeling		8.8		8.8	0.0	8.8	Dec-15	39800		
C15K503	Newport Tank Generator Repl		0.3		0.3	0.0	0.3	Jul-15	32300		
C15K504	Pump House #1 Electric-	6.6	1.0		7.6	0.0	7.6	Nov-15	32500	4.1	0.5
C15K505	2000 Amp Breaker Replacement	1.8	7.3		9.1	0.0	9.1	Sep-15	33200		
C15K506	MCC#5 Main Feed Insulator Repl		1.7		1.7	0.0	1.7	Aug-15	33200		
C15K507	HS#3 Switchboard Shutter Repl		0.1		0.1	0.0	0.1	Sep-15	33200		
C15K508	Bellevue Electric Replacement	55.6	359.4		415.0	5.0	420.0	Dec-15	32100	60.0	7.3
C15K509	Safety	0.2	1.7		1.9	0.0	1.9	May-15	39000		
C15K510	Small Tools and Equipment		9.5		9.5	0.0	9.5	Apr-15	39400		
C15K511	Electrical Panel PP-F Repl		10.0		10.0	0.0	10.0	Dec-15	33200	3.0	1.0
C15K512	Pump House #2 Electric Panel		187.0		187.0	0.0	187.0	Dec-15	31300	1.0	1.0
C15K513	Stanton Train Rm Rooftop HVAC		10.0		10.0	0.0	10.0	Dec-15	39000	5.9	1.5
	Office Furn/Comp hardware and software						0.0	Dec-15	39100	1.971.7	
C15K703	Building Equipment	0.2	3.4		3.6	0.0	3.6	Jun-15	33100		
C.D350	Category 2 Collections	(1,036.9)	(55.4)		(1,092.3)		(1,092.3)	Jun-16	33200		
	Total	(238.1)	4,272.2	1,522.3	5,252.3	57.5	5,533.2			2,453.1	165.4

United Water Delaware
 Test Period Capital Additions Forecast
 Additions for projects started after end of Test Year (September 30, 2015)

Exhibit 1
 Schedule 1
 Witness: Finnicum

Project ID	Project Description	CWIP Balance as of 09/30/15	Plant Additions Jan 01 to Jun 30	2016 Plan	Test Year CAPEX	AFUDC	Final Cost	Month In-Service	Plant Account(s)	Retire Amount	Cost to Remove
	Solids Handling		448.2	448.2	448.2	15.0	463.2	Jun-16	33100		
	Lagoon Pump Upgrade	24.0	165.0	112.1	189.0	0.0	189.0	Jun-16	32500	10.0	1.0
	Flash Mix Sluice Gates		268.9	268.9	268.9	0.0	268.9	May-16	33200	100.0	30.0
	Electrical Equipment Updates	130.0	560.0	560.3	690.0	5.0	695.0	Mar-16	33200	350.0	20.0
	Stanton Building Upgrades		140.1	140.1	140.1	0.0	140.1	Feb-16	39000	50.0	5.0
	Chemical Analyzer Replacements		117.7	117.7	117.7	0.0	117.7	Mar-16	33200	50.0	
	Flash Mix Gearbox Repl.		168.1	168.1	168.1	0.0	168.1	Apr-16	33200	125.0	6.0
	Treatment Needs		168.1	336.2	168.1	0.0	168.1	Mar-16	33200	40.0	5.0
	Pumping Improvements- Replacements		56.0	112.1	56.0	0.0	56.0	Mar-16	32500	30.0	2.0
	Replacement Mains Highway-DOT		336.3	448.2	336.3	10.0	346.3	Jun-16	34300	10.0	1.0
	Replacement Distribution Mains		450.0	1,176.6	450.0	5.0	455.0	Jun-16	34300	15.0	1.5
	New Fire Hydrants -		2.8	5.6	2.8	0.0	2.8	Blanket	34800		
	New Short Mains & Valves -		224.1	448.2	224.1	0.0	224.1	Blanket	34300		
	Replacement Fire Hydrants		28.0	56.0	28.0	0.0	28.0	Blanket	34800	5.0	
	Replacement Short Mains & Valves		168.1	336.2	168.1	0.0	168.1	Blanket	34300	5.0	
	Extensions		372.1	744.2	372.1	0.0	372.1	ongoing	34300		
	New Domestic Services		41.7	83.4	41.7	0.0	41.7	Blanket	34500		
	New Fire Services		38.9	77.8	38.9	0.0	38.9	Blanket	34500		
	Replacement Fire Services		2.8	5.6	2.8	0.0	2.8	Blanket	34500		
	Replacement Domestic Services		112.1	224.1	112.1	0.0	112.1	Blanket	34500	5.0	
	New Customer Meters		16.8	33.6	16.8	0.0	16.8	Blanket	34600		
	Replacement Customer Meters		556.0	672.3	556.0	0.0	556.0	Blanket	34600	225.0	36.0
	Office Furn/Comp hardware and software						0.0		39100	1,971.7	
	OT Optimization		56.0	112.1	56.0	0.0	56.0	Mar-16	391A0		
	Electrical Equipment Recurring		112.1	112.1	112.1	0.0	112.1	Mar-16	33200	50.0	3.0
	NRW (Equip/DMA/Prod Meters)		112.1	112.1	112.1	0.0	112.1	Mar-16	39400		
	Safety & Security		110.9	168.1	110.9	0.0	110.9	Mar-16	39000		
	General Plant & Facilities		112.1	224.1	112.1	0.0	112.1	Mar-16	39000	60.0	5.0
	Equipment		56.0	112.1	56.0	0.0	56.0	Mar-16	39400	25.0	2.0
	Hydro Excavator		392.2	392.2	392.2	0.0	392.2	Mar-16	39600		
C..D350	Category 2 Collections		(103.7)		(103.7)		(103.7)	Mar-16	33200		
	Total	154.0			5,443.5	35.0	5,478.5			3,126.7	117.5

BEFORE THE
DELAWARE PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

GARY S. PRETTMAN
SR. DIRECTOR REGULATORY BUSINESS
SUEZ

February 2016

BACKGROUND

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

Q. Please state your name, occupation and business address.

A. My name is Gary S. Prettyman and I am Senior Director Regulatory Business at SUEZ Water Management & Services Inc. ("M&S"), and I am authorized to testify on behalf of SUEZ Water Delaware Inc. ("SWDE" or the "Company") in this case. My business address is SUEZ Water Management & Services, 461 From Road, Suite 400, Paramus, NJ 07652.

Q. Please summarize your educational background and professional experience.

A. I have over thirty-seven year's experience in water and wastewater utility management and regulatory practice including all aspects of rate increase applications. I have testified before regulatory commissions on accounting issues, tariff design, and company policy in numerous proceedings. Since 2012, I have been employed by SUEZ Water to provide assistance and supervision in the preparation and filing of various types of regulatory applications, including base rate proceedings. The details of my professional experience and educational background are shown in Appendix A supplementing this testimony.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support the request of SWDE for an increase in its base rates for water service. Specifically, I am supporting the

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF GARY S. PRETTYMAN

1 Company's position regarding SUEZ Water Management and Services fees
2 and the new methodology being utilized to allocate those fees.

3
4 **Q. Have you prepared an exhibit which supports the Company's request?**

5 A. Yes, I have.

6
7 **Q. Please explain how the M&S fees were previously charged to SWDE.**

8 A. The basis of M&S charged to SWDE is a contract between the two companies
9 dated 1974. This contract was adopted in 1995 when General Water Works
10 merged with United Water. These contracts are attached to M.F.R. 5.3.14.

11 M&S provides certain services including administration, communication,
12 customer service, finance, human resources, information systems, legal,
13 procurement, technical services and other general services necessary in the
14 proper conduct of business.

15 Based upon the contract, labor charges are either charged directly to a
16 project or company or allocated based upon certain formulas. The formulas
17 have a multitude of combinations which makes it very difficult to analyze.

18
19 **Q. Is M&S proposing a change in the methodology it charges time and**
20 **allocations to the operating companies and other subsidiaries?**

21 A. Yes.

22
23 **Q. Please explain.**

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF GARY S. PRETTYMAN

1 A. The goal was to make allocations simpler and more transparent. The new
2 formula will be based upon a three factor formula based upon revenues, assets
3 and customers. All employees time will be based upon this formula and
4 therefore allocated appropriately. The exception to this would be engineers and
5 IT personnel who typically work specifically on a certain project.

6 The first allocation reflects each departments function. For example if a
7 department works solely for regulated companies like SWDE, then 100% of that
8 departments time and expenses would go to the regulated segment. The
9 opposite is also true, if a department works 100% for non-regulated business
10 then 100% of that departments time and expenses would be charged 100% to
11 the non-regulated segment. All other departments that work for the benefit of all
12 businesses would be allocated according to the three factor formula.

13
14 **Q. Will reporting be improved in order to explain charges to the operating**
15 **companies?**

16 A. Yes, currently because of the complexities it is extremely difficult to provide
17 exact details of expenses. New reports are anticipated to be developed in order
18 to provide the necessary details.

19
20 **Q. Are there any other changes in addition to labor charges?**

21 A. Yes. Previously there were many expenses that were paid by M&S and either
22 allocated or charged directly based upon certain formulas. These expenses
23 include general liability and property insurance, outside IT support, audit fees

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF GARY S. PRETTYMAN

1 and actuarial fees. These are called corporate assumptions and were previously
2 not included in M&S fees. With the new allocations, these expenses will be
3 included in M&S fees.

4 Additionally, capital expenditures, generally related to IT issues such as
5 the PeopleSoft accounting software upgrade and Powerplan asset management
6 software, for example, previously would have been allocated to each operating
7 company and reflected on that company's balance sheet. As such, it would
8 have increased the operating company's rate base and recovered in rates
9 through depreciation expense and rate of return. With the new methodology, the
10 asset will be maintained on M&S balance sheet and allocated to the operating
11 companies and recovered through depreciation and return. As a result the
12 revenue requirement is the same for these assets under the new method or the
13 old method.

14
15 **Q. Have you reflected the new methodology in the current rate case?**

16 A. Yes, attached is Exhibit GSP-1 which compares the Test Year amounts to the
17 new Test Period charges. A summary of the costs are as follows:

	Test Year	Test Period	Savings
18 Corporate assumptions	\$554,027		
19 M&S Fees	\$1,792,440		
20 Total	\$2,346,467	\$2,110,385	(\$236,082)
21 2016 salary increase		45,130	
22 Shared assets		<u>217,128</u>	

APPENDIX A

PROFESSIONAL QUALIFICATIONS
OF
GARY S. PRETTYMAN
UNITED WATER

GARY S. PRETTYMAN

Has over thirty-seven years' experience in water and wastewater utility management and regulatory practices. This includes preparation of all aspects of rate increase application, review of testimony of all witnesses participating in the case, interface with regulatory commission staff and Public Advocate, budgeting, acquisition analysis, bill analysis, legislative review, and compliance with regulatory requirements. Has testified on accounting issues, tariff design, and company policy in numerous regulatory proceedings.

PROFESSIONAL EXPERIENCE

2012 to present

United Water, Paramus, New Jersey. Senior Director Regulatory Business. Responsible for preparation of rate increase application for the subsidiary companies and filing with state regulatory commissions. This includes 16 water and wastewater companies in 6 states. Also involved in other company issues including management planning, accounting, special tariff contracts, various petitions filed with Commissions and acquisitions.

2008 to July 2011

AUS Consultants, Mt. Laurel, New Jersey. Principal and Vice President. Has offered testimony as an expert witness on the subjects of revenue requirements, bill analysis, proof of revenues and tariff design, rate base, accounting, and lead/lag studies. Has also prepared original cost studies and acquisition analysis.

2004 to 2008

Prettyman Consulting, Mt Laurel, New Jersey. President and principal consultant providing rate case and other regulatory services to clients.

2001 to 2004

Elizabethtown Water Company, Westfield, New Jersey. Vice President – Rates and Regulation of Elizabethtown Water Company. Was responsible for all regulatory matters for the subsidiary companies. This includes preparation and filing of rate increase applications with the state regulatory commission, other matters filed with the commission and was liaison with regulatory organizations.

1996 to 2001

AUS Consultants, Mt. Laurel, New Jersey. Vice President responsible primarily for water and wastewater regulatory matters pertaining to rate cases. This includes: preparing all accounting exhibits and supporting testimony, preparing the petition for filing, conducting and/or assisting in settlement negotiations, bill analysis, proof of revenues and tariff design, lead/lag studies and various regulatory and financial matters.

1979 to 1996

American Water Works Company, Inc./New Jersey-American Water Company. Was employed as Director of Rates and Revenue responsible for the preparation of rate increase applications for the subsidiary water companies. Responsible for development of the company's budget function, participated in acquisition of water and/or sewer companies and prepared special projects as required. Was also Assistant Treasurer of subsidiary companies for six years.

Assistant Director of Rates and Revenue. In addition to preparing financial and economic aspects of the rate increase applications, assisted Director in the management, supervision, development, and daily operations of the department and related staff.

Business Manager for local operating office responsible for the supervision and management of all daily business-related operations of the company.

Revenue Requirement Specialist for American Water Works Service Company. Prepared and supported in testimony financial and economic aspects of the rate increase applications for operating water companies in several states.

Rate Analyst I and II. Prepared financial and economic aspects of rate increase applications for the appropriate witness in the case.

1977 to 1979

Computer Sciences Corporation. Was employed as a Staff Accountant in the Defense System Division. Developed and implemented controls for the division property system and conducted capital budget analysis, property system reconciliation, depreciation schedule, and participated in special projects.

TESTIMONY

I presented testimony to and have been cross-examined before the following regulatory authorities:

Connecticut Department of Public Utility Control
Delaware Public Service Commission
Florida Public Service Commission
Indiana Utility Regulatory Commission
New Jersey Board of Public Utilities
New York Public Service Commission
North Carolina Utilities Commission (submitted only)
Pennsylvania Public Utility Commission (Submitted only)
State of Rhode Island and Providence Plantations Public Utilities
Commission
State Corporation Commission of Virginia
Public Service Commission of West Virginia (submitted only)

LIST OF CLIENTS SERVED

Adelphia Sewer Company	Papetti Hygrade (Michael Foods, Inc)
Adelphia Water Company	Public Water Supply Company
American Anglian	Rolling Hills Sewer Company
Andover Utility Company	Borough of South River
Applied Wastewater Management, Inc.	Sussex Shores Water Company
Aqua Utilities Florida	Thames Water Holdings, Inc.
Aqua New Jersey	Trenton Water Works
Aqua North Carolina	Tidewater Utilities, Inc.
Bridgeport Hydraulic Company	United Water Arlington Hills Sewerage Co.
Connecticut Natural Gas Company	United Water Delaware
Consumers New Jersey Water Company	United Water Great George
Delaware Assoc. of Alternative Energy Providers	United Water Indiana
Elizabethtown Water Company	United Water Mid-Atlantic Utilities
Equitable Gas Company	United Water New Jersey
Gulf & Southern Resources, LLC	United Water New Rochelle
Borough of Hamburg	United Water Owego
Kansas City Power and Light	United Water Pennsylvania
KH Beacon Hill Sewer, Inc.	United Water Princeton Meadows
Long Neck Water Company	United Water Rhode Island
Mount Holly Water Company	United Water Toms River
Mountaineer Gas Company	United Water Virginia
New Jersey-American Water Company	United Water West Chester
	United Water West Milford
	Wildwood Water Utility

While employed with American Water Works Company, I participated in over 75 rate proceedings in New Jersey, New York and Connecticut.

PERSONAL

Education:

1976 - Rowan University - B.A. Business Administration/Accounting

Professional Affiliations:

National Association of Water Companies –
Associate Member National Regulatory Committee
Current Secretary New Jersey Chapter
Past Chairman New Jersey Chapter
Past Chairman Scholarship Committee New Jersey Chapter
Past Member of Regulatory Committee New Jersey Chapter
Past Member National
Past Member of Small Water Companies Committee – National
New Jersey Utilities Association - Past Chairman Rates and Regulation Committee
Current Member Rates and Regulation Committee

SUEZ Water Management and Services
Corporate Assumptions rolled into Shared Services

Exhibit GSP-1

			Delaware	
			Test Year	New M&S Allocation
			10/01/2014 - 09/30/2015	Methodology
	SubAccount	Description	<u>Actuals</u>	<u>Pro Forma 2016</u>
CCB IT Support	50405	CC&B support costs - Not including CCB Printing Costs	\$47,788	0
Other IT Corporate Assumptions	91250	Outside Services - IS (includes IT_HRIS from 91350 \$5,659)	171,798	0
	91350	Outside service - other		
R+I Alliance	91310	Outside Serv - Mgt Fees Other	48,920	0
Audit Fees	91100	Outside service - acctg & audg	32,347	0
WorkCare	91350	Outside service - other	1,614	0
In Subcontractors Costs			302,466	0
General Casualty	91450	General corporate insurance	184,081	0
Property	91400	Property insurance	14,252	0
WIKTI	92150	Staff mtgs, conf's & seminars	5,023	0
AWWARF	90500	Club and professional dues	11,308	0
Training & Recruiting	92150	Staff mtgs, conf's & seminars	14,003	0
Actuarial Services	91350	Outside service - other	19,909	0
Vanguard Admin Fees			0	0
PureSafety	92150	Staff mtgs, conf's & seminars	2,984	0
In Other Costs			251,560	0
		Total corporate allocations	<u>554,027</u>	<u>0</u>
M&S expenses	90850		1,399,200	
	90851		393,240	
	90852		0	
			<u>1,792,440</u>	
		Total M&S and Corporate assumptions	<u>\$2,346,467</u>	\$2,110,385
			2016 salary increase	45,140
			Shared assets	217,128
			Total	<u>2,372,653</u>

Decrease
Compared to
Test Year
(\$236,082)

BEFORE THE
DELAWARE PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

DAVID J. WATHEN

February 2016

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF DAVID J. WATHEN

1 **Introduction**

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

3 A. My name is David J. Wathen. My business address is 3500 Lenox Road,
4 Suite 900, Atlanta, GA 30326.

5

6 **Q. By who are you employed?**

7 A. I have been employed by Willis Towers Watson since 1996 and my
8 position is Director, Southeast Talent & Rewards Practice Leader. I also
9 currently serve as the leader of the firm's utility industry compensation
10 practice. Willis Towers Watson has 39,000 employees in more than 120
11 countries. We design and deliver solutions that manage risk, optimize
12 benefits, cultivate talent and expand the power of capital to protect and
13 strengthen institutions and individuals.

14

15 **Q. Please explain the business of Willis Towers Watson in providing**
16 **compensation services.**

17 A. Willis Towers Watson advises organizations throughout the globe on all
18 aspects of their compensation programs with the goal of paying people
19 appropriately and enabling organizations to attract, retain and motivate
20 employees efficiently and cost-effectively. Typical areas of compensation
21 consulting assistance include pay philosophy development, variable or at-
22 risk compensation plan design, total compensation benchmarking, pay
23 structure development, etc.

24 **Q. Why do companies such as SUEZ Water Delaware ("SWDE") retain**
25 **consulting firms such as Willis Towers Watson for compensation**
26 **services?**

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF DAVID J. WATHEN

1 A. Companies retain the services of independent compensation consultants
2 such as Willis Towers Watson because they need access to the expertise
3 and resources that independent firms have to offer regarding current, and
4 emerging market practices, compensation program design and market
5 competitiveness. Willis Towers Watson has extensive experience serving
6 clients in the utility industry, having served more than 100 utilities just in
7 2015. Because we invest heavily in our utility and energy services
8 industry capabilities, we have rich competitive industry information that
9 enables SWDE to benchmark against utility companies in the U.S. Given
10 Willis Towers Watson's breadth and depth of resources, we are frequently
11 engaged by companies to conduct competitive assessments of their total
12 compensation programs including compensation levels by position, at-risk
13 compensation plan design, pay structures and other compensation
14 consulting services.

15

16 **Q. SWDE has offered you as an expert witness on utility compensation**
17 **programs. What qualifications do you have to testify as an expert on**
18 **utility compensation programs?**

19 A. In my 19 year career with Willis Towers Watson, I have assisted
20 management and Boards of Directors at numerous utility companies in
21 designing and assessing all aspects of their compensation programs.
22 Since joining the firm in 1996, I have consulted with numerous utilities
23 across the U.S. and currently serve as the leader of the firm's utility
24 industry compensation practice. I have conducted competitive
25 assessments of total compensation levels and at-risk compensation plans

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF DAVID J. WATHEN

1 for numerous utilities and currently provide compensation consulting
2 services to several utility clients located across the U.S.

3
4 In addition, I have filed testimony in other regulatory proceedings in
5 several jurisdictions, including: Florida, Illinois, Indiana, Kentucky, New
6 Jersey and Wisconsin on the subject of utility compensation. See Exhibit
7 1 for listing of regulatory proceedings where testimony has been filed.

8
9 **Q. What are your current responsibilities at Willis Towers Watson?**

10 **A.** As the leader of the utility industry compensation practice I oversee a
11 team of 10 professionals, consisting of analysts and consultants. My key
12 areas of responsibility include:

- 13 • Managing, supporting and executing compensation projects for
14 utility clients, projects entail assisting management and/or Boards
15 of Directors in managing all aspects of their compensation
16 programs regarding all employee levels,
- 17 • Oversee intellectual capital development focused on utility industry
18 compensation trends and market best practices, and
- 19 • Facilitate forums and roundtables for utility clients that enable the
20 sharing and discussion of key issues and topics.

21 I also manage Willis Towers Watson's compensation, talent management,
22 change management and communications consulting practices in the
23 Southeast, which includes over 40 professional and administrative staff.
24 My key areas of responsibility include:

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF DAVID J. WATHEN

- 1 • Managing, supporting and executing compensation projects and
2 business development initiatives to work with current clients and
3 expand existing relationships,
4 • Integrating and building our consulting team resources into a more
5 effective client service delivery team,
6 • Overseeing all aspects of local delivery of Willis Towers Watson
7 products and services for the Southeast Talent & Rewards practice.

8 In addition to my leadership and consulting responsibilities, I have been a
9 guest speaker on compensation to professional and academic
10 organizations including the Atlanta Area Compensation Association,
11 Emory University, National Association of Stock Plan Professionals,
12 Society of Corporate Secretaries and Governance Professionals, and
13 Vanderbilt University.

14
15 **Q. Please share your educational background.**

16 A. I graduated from Vanderbilt University in 1990 with a B.A. in Economics
17 and earned an M.B.A. with an emphasis in Human Resources from The
18 Owen Graduate School of Management at Vanderbilt University in 1996.

19
20 **Purpose of Testimony**

21 **Q. What is the purpose of your testimony in this proceeding?**

22 A. The purpose of my testimony is to demonstrate that the target total cash
23 compensation provided to SWDE employees is reasonable and
24 competitive relative to the Company's markets for talent for similar
25 positions. The competitive markets for talent and subsequently
26 competitive compensation, reflected both general and utility industry

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF DAVID J. WATHEN

1 companies depending on the specific SWDE position. From a short-term
2 at-risk compensation plan design perspective, the competitive market for
3 comparison was defined as regulated utilities. Willis Towers Watson
4 specifically focused on the following aspects of SWDE's compensation
5 program:

- 6 • Competitive market positioning of target total cash compensation
7 (defined as base salary plus target short-term at-risk compensation
8 opportunity); and
- 9 • Competitiveness of SWDE's short-term at risk compensation plan
10 design (variable, annual compensation plan that supports SWDE's
11 business objectives; provides cash awards to employees that
12 deliver outstanding achievement against defined qualitative and
13 quantitative performance goals).

14
15 **Q. Have Willis Towers Watson and you performed similar analyses in**
16 **the past?**

17 **A.** Yes. Willis Towers Watson and I have conducted similar competitive
18 compensation studies for many other utility clients.

19
20 **Willis Towers Watson Analysis Findings**

21 **Q. What are the conclusions of your analysis?**

22 **A.** Overall, our analysis indicates that SWDE's target total cash
23 compensation levels, on average, fall below the market median (50th
24 percentile) and that short-term at-risk compensation design, as part of its
25 total compensation package, is generally competitive with peer market
26 practices. The ability of SWDE or any company to provide market

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF DAVID J. WATHEN

1 competitive compensation is critical in order to attract, retain and motivate
2 the talent needed to successfully run the company and deliver high
3 quality, cost effective services to customers.

4 Target Total Cash Compensation Competitive Market Positioning

5 Willis Towers Watson assessed the competitiveness of target total cash
6 compensation levels relative to the market 50th percentile of the applicable
7 market for talent. To conduct this analysis we reviewed data provided to
8 us by SWDE and examined published general and utility/energy services
9 industry compensation surveys available to Willis Towers Watson,
10 including our proprietary 2015 Energy Services (includes over 65 utility
11 participants) and General Industry Compensation surveys, reflecting over
12 110 and 460 survey participants, respectively. Willis Towers Watson or its
13 predecessors have been conducting these surveys for over 20 years.

14
15 In conducting our competitive assessment of target total cash
16 compensation, Willis Towers Watson examined 27 positions, covering 45
17 employees or approximately 66% of the SWDE workforce. The 27
18 positions selected for the analysis reflected positions that are common
19 across comparable organizations and for which compensation data are
20 readily available from published compensation surveys. When
21 determining the competitiveness of pay relative to the market, Willis
22 Towers Watson defines a position as being competitive or "at market" if it
23 is within +/-10% variance of the market for non-executive positions and +/-
24 15% variance for executive positions. Variances within this range are
25 often explained by different experience levels and tenure of the
26 incumbents.

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF DAVID J. WATHEN

1 Overall, our analysis indicates that SWDE's compensation falls below the
2 competitive market range for base salary and target total cash
3 compensation for most employee groups that were reviewed (See Table
4 1). When the competitive position of SWDE pay is examined across all
5 employee groups, covering the 27 positions included in our analysis, on
6 average, base salaries are 18.5% below the market median and target
7 total cash compensation is 20.3% below the market median. See the
8 table below for a summary of the variance of SWDE compensation versus
9 the market median (50th percentile). Details of the competitive market
10 analysis are included in **Attachment 1**.

11
12 **Table 1: Competitive Target Total Cash Compensation Market**
13 **Position by SWDE Employee Group**

SWDE Representative Sample			Variance: SWDE Employees vs. Market Median	
Employee Group	Benchmark Employees	% of Sample	Base Salary Market Median	Target Total Cash Compensation Market Median
Executive	10	22%	-11.7%	-18.4%
Management	8	18%	-16.5%	-16.0%
Professional	2	4%	-2.6%	0.5%
Support	25	56%	-23.1%	-24.4%
Total	45		-18.5%	-20.3%

14
15 We would also note that when the short-term at-risk component of
16 SWDE's compensation program is eliminated with no adjustment to base
17 salary to make up for the lost at-risk compensation, the competitive target

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF DAVID J. WATHEN

1 total cash compensation market positioning for all employee groups falls
2 well below the competitive market range (See Table 2).

3
4
5
6
7 **Table 2: Competitive Target Total Cash Compensation Market**
8 **Position by SWDE Employee Group – SWDE Short-Term At-Risk**
9 **Compensation Component Excluded**

SWDE Representative Sample			Variance: SWDE Employees vs. Market Median	
Employee Group	Benchmark Employees	% of Sample	Base Salary Market Median	Target Total Cash Compensation Market Median
Executive	10	22%	-11.7%	-34.9%
Management	8	18%	-16.5%	-23.3%
Professional	2	4%	-2.6%	-10.6%
Support	25	56%	-23.1%	-25.6%
Total	45		-18.5%	-26.7%

10
11 Short-Term At-Risk Compensation Program Design

12 Willis Towers Watson reviewed the competitiveness of SUEZ North
13 America's short-term at-risk compensation program design, which is the
14 same plan design that applies to SWDE. To assess the competitiveness
15 of SWDE's plan design relative to market practice, our primary market
16 data source was current proxy disclosures for a Large Utility Peer Group
17 and Small Utility Peer Group, as plan design data is available in public
18 filings for these peer companies. The Large Utility Peer Group consisted

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF DAVID J. WATHEN

1 of 11 publicly-traded, regulated utilities with revenues comparable in size
2 to SUEZ North America. Given comparably-sized subsidiary utilities like
3 SWDE do not typically disclose their short-term at-risk compensation
4 program data, we examined a peer group of 7 publicly-traded, regulated
5 utilities with revenues below \$125 million.

6
7 Like SWDE, all of the Large Utility Peer Group and all but 2 of the Small
8 Utility Peer Group have short-term at-risk compensation programs as part
9 of their competitive pay mix. Overall, our analysis indicates SWDE's
10 short-term at-risk compensation program is comparable to and competitive
11 with designs of utility peers with one exception. We note that SWDE's
12 plan design applies a greater performance weighting (typically 50%
13 weighting) to the individual or personal performance objective component
14 of the plan design. This plan design difference is intentional as SWDE
15 wants to emphasize the individual goals to place greater focus on
16 performance measures that employees have the greatest "line of sight" to
17 (i.e., more direct ability to influence). These individual or personal
18 objectives for many plan participants include operational or customer
19 focused measures. Details of the competitive analysis of SWDE's short-
20 term at-risk compensation program are presented in **Attachment 1**.

21
22 **Conclusions**

23 **Q. What are the conclusions of your analysis?**

24 A. Overall, our analysis indicates that SWDE's pay vehicles, reflecting base
25 salary and short-term at-risk compensation, are comparable to utility
26 peers. In turn, the design of the short-term at-risk compensation plan is

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF DAVID J. WATHEN

1 comparable to designs of utility peers, but target total cash compensation
2 levels generally fall below the market 50th percentile. Given the markets
3 where SWDE competes for talent, it is essential for the company to
4 provide competitive target total cash compensation in order to attract,
5 motivate and retain the critical talent needed to successfully run the
6 company. In my experience working with other utilities and general
7 industry companies, the target total cash compensation levels at SWDE
8 fall below competitive levels, while the short-term at-risk compensation
9 plan design is reasonable and well within competitive market norms.

10
11 **Q. Why is the “Pay at Risk” concept appropriate for a utility company?**

12 A. First, as our competitive analysis shows the inclusion of a pay at risk
13 program or in SWDE’s case, a short-term at-risk compensation plan is an
14 essential part of a market competitive pay mix. As noted earlier in my
15 testimony, almost all of the utility peers we examined have a short-term at-
16 risk compensation plan in place. In order to attract, retain and motivate
17 talent needed to successfully run the company, SWDE needs to provide a
18 market competitive compensation program, which includes a short-term
19 at-risk compensation program.

20
21 Second, utilities like SWDE maintain short-term at-risk compensation
22 plans in order to award plan participants for achievement of short-term
23 business goals. Like the SWDE plan, short-term at-risk plans typically
24 provide a variable reward tied to achievement of pre-defined performance
25 goals. Pay is “at-risk” in that no award will be paid if the defined threshold

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF DAVID J. WATHEN

1 levels of performance are not achieved, but awards can also be earned for
2 achieving outstanding performance.

3

4 **Q. Describe the benefits of the Company's program in comparison to a**
5 **salary/wage only method.**

6 A. A key benefit of SWDE's current target total cash compensation program
7 is that short-term at-risk compensation plans are a common component in
8 most utility compensation programs and essential for providing market
9 competitive pay levels.

10 A shift to an all base salary program for SWDE could have unintended
11 consequences. If all or part of the short-term at-risk compensation at
12 SWDE were eliminated, the Company could look to increase fixed pay
13 (i.e., base salary) to above market competitive levels in order to attract
14 and retain talent. This would be counter to the pay-for-performance
15 approach SWDE currently employs, which is to put short-term
16 compensation "at-risk". A short-term at-risk compensation plan allows
17 SWDE to differentiate pay based on performance and allocate
18 compensation to those employees that are most deserving.

19

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

21 A. Yes.

22

23

24

25

26

SUEZ WATER DELAWARE INC.
DIRECT TESTIMONY OF DAVID J. WATHEN

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19

Docket No.
SUEZ WATER DELAWARE
Witness: David J. Wathen
Exhibit No. 1
Schedule 1
Page 1 of 1

David J. Wathen Filed Testimony in Regulatory Proceedings

Utility	Docket Number	State
Gulf Power Company	1101238-EI	Florida
Commonwealth Edison Company	14-0312	Illinois
Citizens Energy Group	44462	Indiana
Wisconsin Public Service Corporation	6690-UR-123	Wisconsin
Louisville Gas & Electric	2014-00372	Kentucky
Kentucky Utilities	2014-00371	Kentucky
SUEZ Water New Jersey	WR15101177	New Jersey

20

2016 General Rate Case Target Total Cash Compensation Study
Suez Water Delaware

February 2016

Suez Water Delaware – 2016 General Rate Case Target Total Cash Compensation Study

Table of Contents

Introduction	2
Key Findings	2
Competitive Market Positioning	3
Short-Term At-Risk Compensation Program.....	5
Short-Term At-Risk Compensation Program Elements.....	6
Conclusion	7
Appendices	
Appendix A – Large Utility Peer Group.....	A-1
Appendix B – Small Utility Peer Group	B-1
Appendix C – Glossary of Terms.....	C-1

Suez Water Delaware – 2016 General Rate Case Target Total Cash Compensation Study

INTRODUCTION

Suez Water Delaware (Suez Water Delaware or SWDE) asked Willis Towers Watson to review the competitiveness of target total cash compensation levels and the short-term at-risk compensation plan design relative to market practices. Specifically, SWDE wants to ensure current pay levels, pay mix and the Short Term Incentive Plan design are competitive with market and enable the company the ability to attract, retain and motivate employees to successfully run the company to deliver high quality, cost effective services to customers.

SWDE's target total cash compensation program consists of base salary and a short-term at-risk compensation program, which is consistent with the programs used by a majority of investor owned utilities and publicly-traded general industry companies in the marketplace.

In performing this review, Willis Towers Watson analyzed the following for SWDE:

- Competitive market positioning of target total cash compensation (base salary and target short-term at-risk compensation) across a broad sample of SWDE employee positions
- Parent company's (Suez North America's) short-term at-risk compensation program design, which applies to SWDE

Key Findings

Based on our review, we find:

- Competitiveness of target total cash compensation: SWDE's use of base salary and short-term at-risk compensation as its primary pay vehicles for employees is consistent and aligned with market pay vehicles used by utility peers. When compared to available published survey data, SWDE's compensation levels are positioned below the competitive range of the market 50th percentile for base salary and target total cash compensation (Target TCC = base salary + target short-term at-risk compensation)
- Short-term at-risk compensation program design: SWDE's strategy to provide short-term at-risk compensation is consistent with the majority of the publicly-traded utility peers examined. While the specific design elements of at-risk compensation programs may differ among utility peers, we find the Company's short-term at-risk compensation program design to be comparable to the designs of utility peers. The only major design difference is the SWDE plan design places greater emphasis or weighting on individual or personal objectives. This design difference is intentional as the Company wants to emphasize measures that employees have greater "line of sight" to (i.e., more direct ability to influence), such as operational or customer focused measures

Summary Conclusion: Based upon our review, we find SWDE's overall compensation levels are positioned below market while the short-term at-risk compensation design is comparable to and competitive with the multiple market perspectives we examined.

Competitive Market Positioning

Overview: Willis Towers Watson assessed the competitiveness of target total cash compensation provided by SWDE to a broad sample of the employee population based on a selection of SWDE jobs (“benchmark jobs”). Benchmark jobs are those positions that are common across comparable organizations and for which compensation data are available from published surveys.

SWDE’s current compensation levels were compared to the market 50th percentile (median) to determine the competitiveness of pay.

To conduct this analysis, we utilized the following Willis Towers Watson compensation surveys:

- 2015 Willis Towers Watson General Industry Executive Compensation Survey (465 participants)
- 2015 Willis Towers Watson General Industry Middle Management, Professional and Support Compensation Survey (560 participants)
- 2015 Willis Towers Watson Energy Services Executive Compensation Survey (113 participants)
- 2015 Willis Towers Watson Energy Services Middle Management, Professional and Support Compensation Survey (129 participants)

Willis Towers Watson has been conducting each survey for over 20 years, demonstrating the reliability and credibility of each survey source. Willis Towers Watson’s Energy Services surveys are an industry leading data source for competitive utility industry market data.

To determine the competitive market position, target total cash compensation levels for SWDE benchmark jobs were compared to target total cash compensation levels for similar positions at comparable employers, reflective of the applicable markets for talent. Willis Towers Watson included all energy services and general industry participants for each survey perspective examined.

Target total cash compensation is defined as base salary plus target short-term at-risk compensation. The target total cash compensation values and comparisons in the study were based on the following components of SWDE pay:

- Salary (reflects current base salaries for positions included in the study)
- Target short-term at-risk opportunity (2016 target opportunity defined as a percentage of base salary), as provided by SWDE.

Suez Water Delaware – 2016 General Rate Case Target Total Cash Compensation Study

Competitive Market Positioning Findings (Employee Weighted)

When determining the competitiveness of pay relative to the market 50th percentile (median), Willis Towers Watson typically defines a position as being competitive or “at market” if it is within +/- 10% of the market for non-executive positions and +/-15% for executive positions. Based on these parameters and our competitive assessment, Willis Towers Watson concludes for Executive, Management, and Support employee groups, SWDE’s pay is below the competitive market range for base salary and target total cash compensation. The only employee group falling within the competitive market range of both pay elements is Professional, which is 2.6% below the market median base salary and approximates market median target total cash compensation. When the competitive position of SWDE pay is examined across all employee groups, covering the 45 employees included in our analysis, on average, base salaries are 18.5% below the market median and target total cash compensation is 20.3% below the market median. Table 1 below shows SWDE’s variance from the market median for base salary and target total cash compensation. All comparisons to market are employee weighted (i.e., each SWDE employee sampled is equally-weighted when compared to market).

Table 1: Competitive Target Total Cash Compensation Market Position by SWDE Employee Group

SWDE Representative Sample ¹			Variance: SWDE Employees vs. Market Median	
Employee Group	Benchmark Employees	% of Sample	Base Salary Market Median	Target Total Cash Compensation Market Median ²
Executive	10	22%	-11.7%	-18.4%
Management	8	18%	-16.5%	-16.0%
Professional	2	4%	-2.6%	0.5%
Support	25	56%	-23.1%	-24.4%
Total³	45		-18.5%	-20.3%

¹Includes broad sampling of Suez Water Delaware positions selected as benchmark jobs for inclusion in the study.

²Refer to Appendix C for definitions.

³Total variance calculations reflect a weighted average of Suez Water Delaware incumbents within each salary level and benchmark position.

We also examined the impact on SWDE’s competitive position to market if the short-term at-risk component was eliminated and no make up for the lost at-risk compensation was provided in base salary. This analysis entails comparing SWDE’s current base salaries to the market median target total cash compensation. Based on this comparison, we find that SWDE’s pay falls further below the market competitive range for target total cash compensation for all employee groups. (See Table 2 below for details).

Suez Water Delaware – 2016 General Rate Case Target Total Cash Compensation Study

Table 2: Competitive Target Total Cash Compensation Market Position by SWDE Employee Group – SWDE Short-Term At-Risk Compensation Component Excluded

SWDE Representative Sample ¹			Variance: SWDE Employees vs. Market Median	
Employee Group	Benchmark Employees	% of Sample	Base Salary Market Median	Target Total Cash Compensation Market Median ²
Executive	10	22%	-11.7%	-34.9%
Management	8	18%	-16.5%	-23.3%
Professional	2	4%	-2.6%	-10.6%
Support	25	56%	-23.1%	-25.6%
Total³	45		-18.5%	-26.7%

¹Includes broad sampling of Suez Water Delaware positions selected as benchmark jobs for inclusion in the study.

²Refer to Appendix C for definitions.

³Total variance calculations reflect a weighted average of Suez Water Delaware incumbents within each salary level and benchmark position.

Study Coverage of Suez Water Delaware Population

This benchmarking study assesses the competitiveness of target total cash compensation levels for a robust sample of SWDE's employee population. We benchmarked ~66% of relevant incumbents. Based on our experience with similar projects, we consider coverage of greater than 60% of the population to represent a robust sample of incumbents against which to draw conclusions.

Short-Term At-Risk Compensation Program

Overview: Willis Towers Watson reviewed SWDE's short-term at-risk compensation program and compared its various design elements to market practice.

To assess how SWDE's short-term at risk compensation plan design compares to market practice, Willis Towers Watson reviewed current proxy disclosures for companies that fall within the two market perspectives outlined below. Proxy data was used as the primary source for assessing the competitiveness of SWDE's short-term at-risk compensation plan design as comparative market data is readily available.

- **Large Utility Peer Group** – 11 publicly-traded, regulated, comparably-sized utilities with revenues in a range of approximately ½ to 2 times the revenue of Suez North America, as provided by management (see Appendix A for the list of Large Utility Peer companies)
- **Small Utility Peer Group** – Since comparably-sized subsidiary utilities like SWDE do not generally disclose compensation program data, a peer group of 7 publicly-traded, regulated, comparably-sized utilities with revenues below \$125 million were used for comparison (see Appendix B for the list of Small Utility Peer companies)

Suez Water Delaware – 2016 General Rate Case Target Total Cash Compensation Study

Short-term at-risk compensation programs are used by most investor owned utilities and publicly-traded general industry companies to help attract, motivate and retain critically skilled employees needed to successfully run the business. These programs focus employees primarily on short-term goals. Therefore, SWDE's strategy to provide short-term at-risk compensation is consistent with the market perspectives examined.

Below are the findings of Willis Tower Watson's assessment of SWDE's short-term at-risk compensation program design against the Large Utility Peer Group and Small Utility Peer Group. Companies design their short-term at-risk compensation programs to align with their business strategies and unique circumstances, so there tend to be a range of practices regarding how the programs are designed. SWDE's short-term program design is within the range of market practice for utility companies that we examined.

Short-Term At-Risk Compensation Program Elements

Overall, our review indicates SWDE's short-term at-risk compensation program is comparable to and competitive with designs of utility peers. Key design aspects are noted below:

- **Prevalence of Short-Term At-Risk Compensation Program** – Practically every company in each peer group, like SWDE, has a short-term at-risk compensation program as these programs are considered a critical component for focusing employees on defined short-term (i.e., annual) performance goals. Among peer companies, all Large Utility Peers provide a short-term at-risk compensation program while only 2 Small Utility Peers do not.
- **Eligibility** – At SWDE, all active employees are eligible to participate in the short-term at-risk compensation plan, which is consistent with typical utility market practice. By providing broad plan eligibility, SWDE ensures all employees are focused on achieving defined short-term performance goals.
- **Performance Measures** – SWDE's short-term at risk program assesses performance using multiple measures, incorporating both financial and personal objectives to determine the short-term at-risk compensation earned. The use of multiple performance measures reflecting financial, operational and individual measures is a common practice across both peer groups examined.
 - **Prevalence of Operational Metrics** – The majority of companies (93% of Large Utility Peers and 100% of Small Utility Peers) with short-term at-risk compensation programs use various forms of operational goals such as safety, customer satisfaction, reliability, regulatory compliance, etc. in their short-term at-risk compensation plans. The SWDE plan incorporates operational measures into personal objectives for some plan participants.
 - **Prevalence of Earnings Measures** – Like SWDE's use of EBITDA, earnings based measures (i.e., EPS, EBITDA, etc.) are the most prevalent financial measures used at both the Large Utility Peer Group (45% of peers with a short-term at-risk program) and the Small Utility Peer Group (100% of peers with a short-term at-risk program that disclosed specific financial measures).

Suez Water Delaware – 2016 General Rate Case Target Total Cash Compensation Study

- **Payout Ranges** – A short-term at-risk compensation program eligible participant at SWDE is able to receive a plan payout that ranges from 0-200% of the target opportunity. This payout range is generally consistent with the majority of the peers in both peer groups with maximum payouts typically ranging from 150% to 200% of target. By providing a range of payout outcomes, SWDE is focused on rewarding exceptional performance, but also not providing any payout if defined threshold performance goals are not achieved.
- **Performance Measure Weightings** – SWDE assigns performance measure weightings as follows: 50% individual measures, 30% financial measures and 20% budget measures (combined financial measure weighting of 50%). These weightings place greater emphasis on individual measures as compared to utility industry peers (no other company with a short-term at-risk program in either peer group place a 50% weighting on individual measures), as the utility peers tend to apply a majority weighting on financial measures. This difference of the SWDE plan design is intentional as the Company wants to emphasize the individual goals to place greater focus on performance measures that employees have the greatest "line of sight" to (i.e., more direct ability to influence). In turn, for many plan participants, these individual or personal objectives are focused on operational or customer focused measures and subsequently have more of their at-risk pay tied to these performance measures.

Short-term At-Risk Compensation Program Findings

Overall, we find SWDE's short-term at-risk compensation program to be comparable to and competitive with plan designs of other similarly sized utilities. SWDE's short-term at-risk compensation plan offers employees the opportunity to earn more at-risk compensation based on performance achievement against defined goals and emphasizes alignment with customer oriented measures such as cost control (i.e., budget) and/or personal/individual goals (i.e., operational goals).

Conclusion

In summary, we find SWDE's target total cash compensation program consisting of base salary and short-term at-risk compensation to be comparable to utility peers. In turn, the design of the short-term at-risk compensation plan is comparable to utility peer designs, but overall compensation levels fall below the market 50th percentile. It is critical for SWDE to maintain a market competitive target total cash compensation program in order to compete for talent necessary to successfully deliver high quality, cost effective services to its customers.

**APPENDIX A —
Large Utility Peer Group**

Appendix A – Large Utility Peer Group

Company	Ticker	Revenue (in \$MM) ¹	Market Cap (in \$MM) (as of 12/31/2015) ¹
Avista Corp.	AVA	\$1,509	\$2,204
PNM Resources, Inc.	PNM	\$1,450	\$2,435
Allete, Inc.	ALE	\$1,397	\$2,474
Piedmont Natural Gas Co., Inc.	PNY	\$1,372	\$4,618
Northwestern Corp.	NEW	\$1,202	\$2,613
Questar Corporation	STR	\$1,143	\$3,406
El Paso Electric	EE	\$870	\$1,556
Otter Tail Corp.	OTTR	\$784	\$1,005
Northwest Natural Gas Company	NWN	\$733	\$1,385
Empire District Electric Company	EDE	\$620	\$1,229
MGE Energy, Inc.	MGEE	\$579	\$1,609
25th Percentile		\$759	\$1,471
Median		\$1,143	\$2,204
75th Percentile		\$1,384	\$2,543
Suez North America	Private	\$960	N/A

¹Data source: Standard & Poor's Capital IQ. Company revenue reflects most recent fiscal year-end data.

**APPENDIX B —
Small Utility Peer Group**

Company	Ticker	Revenue (in \$MM)¹	Market Cap (in \$MM) (as of 12/31/2015)¹
Middlesex Water Company	MSEX	\$123	\$430
Gas Natural, Inc.	EGAS	\$120	\$78
Connecticut Water Service	CTWS	\$96	\$425
Delta Natural Gas Company	DGAS	\$83	\$148
Artesian Resources Corporation	ARTNA	\$76	\$246
RGC Resources, Inc.	RGCO	\$68	\$101
The York Water Company	YORW	\$47	\$319
25th Percentile		\$72	\$125
Median		\$83	\$246
75th Percentile		\$108	\$372
Suez North America	Private	\$960	N/A
Suez Water Delaware		\$27	N/A

¹Data source: Standard & Poor's Capital IQ. Company revenue reflects most recent fiscal year-end data

**APPENDIX C —
Glossary of Terms**

Glossary of Terms

At-Risk Compensation – Compensation that is not fixed but is dependent on company and/or individual performance. The degree of performance attainment generally impacts how much compensation is provided

Base Salary – Represents the fixed and recurring part of an individual's compensation

50th Percentile (median) – The figure above and below which 50% of all reported data fall

Target Total Cash Compensation (TCC) – The sum of base salary plus target short-term at-risk compensation opportunity

SUEZ Water Delaware Inc.
PSC Docket No. _____
Witness: Pauline M. Ahern

BEFORE THE
DELAWARE PUBLIC SERVICE COMMISSION

PREPARED TESTIMONY
OF
PAULINE M. AHERN, CRRA
PARTNER
SUSSEX ECONOMIC ADVISORS, LLC

ON BEHALF OF
SUEZ WATER DELAWARE INC.

FEBRUARY 5, 2016

TABLE OF CONTENTS

<u>No.</u>	<u>Page</u>
INTRODUCTION	1
PURPOSE	2
SUMMARY	3
GENERAL COMMENTS ON CAPITAL MARKET CONDITIONS	5
GENERAL PRINCIPLES	11
BUSINESS RISK	12
FINANCIAL RISK	19
SUEZ WATER DELAWARE INC.	20
PROXY GROUP	20
COMMON EQUITY COST RATE MODELS	22
DISCOUNTED CASH FLOW MODEL (“DCF”).....	22
THE RISK PREMIUM MODEL (“RPM”).....	25
THE CAPITAL ASSET PRICING MODEL (“CAPM”).....	36
COMMON EQUITY COST RATES FOR THE PROXY GROUP OF DOMESTIC, NON- PRICE REGULATED COMPANIES BASED UPON THE DCF, RPM AND CAPM	41
CONCLUSION OF COMMON EQUITY COST RATE	45
BUSINESS RISK ADJUSTMENT	46

Appendix A – Resume of Pauline M. Ahern, CRRA

1 **INTRODUCTION**

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

3 A. My name is Pauline M. Ahern. I am a Partner with Sussex Economic Advisors,
4 LLC. My business address is 1900 West Park Road, Suite 250, Westborough,
5 MA 01581. My mailing address is 3000 Atrium Way, Suite 241, Mount Laurel, NJ
6 08054.

7 **Q. PLEASE SUMMARIZE YOUR PROFESSIONAL EXPERIENCE AND**
8 **EDUCATIONAL BACKGROUND.**

9 A. I have offered expert testimony on behalf of investor-owned utilities before
10 twenty-nine state regulatory commissions in the United States as well as one
11 provincial regulatory commission in Canada on rate of return issues, including
12 but not limited to common equity cost rate, fair rate of return, capital structure
13 issues, relative investment risk and credit quality issues. I am a graduate of
14 Clark University where I was awarded a Bachelor of Arts degree with honors in
15 Economics. I was also awarded a Master of Business Administration with high
16 honors and a concentration in finance by Rutgers University.

17 On behalf of the American Gas Association (“A.G.A.”), I calculate the
18 A.G.A. Gas Index, which serves as the benchmark against which the
19 performance of the American Gas Index Fund (“AGIF”) is measured monthly.
20 The A.G.A. Gas Index and AGIF are a market capitalization weighted index and
21 mutual fund, respectively, comprised of the common stocks of the publicly traded
22 corporate members of the A.G.A.

23 I am a member of the Society of Utility and Regulatory Financial Analysts

1 ("SURFA") where I serve on its Board of Directors, having served two terms as
2 President, from 2006 – 2008 and 2008 – 2010. Previously, I held the position of
3 Secretary/Treasurer from 2004 – 2006. In 1992, I was awarded the professional
4 designation "Certified Rate of Return Analyst" ("CRRA") by SURFA, which is
5 based upon education, experience and the successful completion of a
6 comprehensive written examination.

7 I am also an associate member of the National Association of Water
8 Companies, serving on its Finance/Accounting/Taxation and Rates and
9 Regulation Committees; a member of the Advisory Council of the Financial
10 Research Institute – University of Missouri – Robert J. Trulaske, Sr. College of
11 Business; a member of the American Finance and Financial Management
12 Associations; and, a member of A.G.A.'s State Affairs Committee.

13 **PURPOSE**

14 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

15 A. The purpose of my direct testimony is to provide testimony on behalf of SUEZ
16 Water Delaware Inc. ("SWDE" or "the Company") relative to the appropriate
17 overall rate of return, including capital structure ratios, long-term debt cost rate
18 and the investor-required common equity cost rate which SWDE should be
19 afforded the opportunity to earn on its jurisdictional rate base.

20 **Q. HAVE YOU PREPARED AN EXHIBIT WHICH SUPPORTS YOUR**
21 **RECOMMENDED COMMON EQUITY COST RATE?**

22 A. Yes. It has been marked for identification as MFR 6.4.4 and consists of Exhibit
23 PMA-1 and Workpapers PMA-1 through PMA-9.

1 **Q. WHAT IS YOUR RECOMMENDED OVERALL RATE OF RETURN?**

2 A. I recommend that the Delaware Public Service Commission (“DPSC” or “the
3 Commission”) authorize the Company the opportunity to earn an overall rate of
4 return of 7.97%. The recommended overall rate of return is based upon the
5 consolidated capital structure at December 31, 2015 of SUEZ Water Resources
6 Inc. (“SWR”) the parent of SWDE, consisting of 46.66% long-term debt at a cost
7 rate of 5.19%, and 53.34% common equity at my recommended common equity
8 cost rate of 10.40%, as shown below on Table 1 and Exhibit PMA-1. In addition
9 my recommended market-based common equity cost rate of 10.40%
10 demonstrates that SWDE’s request for a return on common equity of 10.25% is
11 both reasonable and conservative.

12 Table 1: Summary of the Overall Rate of Return for SWDE

<u>Type of Capital</u>	<u>Ratios</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Long-Term Debt	46.66%	5.19%	2.42%
Common Equity	<u>53.34</u>	10.40	<u>5.55</u>
Totals	<u>100.00%</u>		<u>7.97%</u>

13

14 **SUMMARY**

15 **Q. PLEASE SUMMARIZE YOUR RECOMMENDED COMMON EQUITY COST**
16 **RATE.**

17 A. My recommended common equity cost rate of 10.40% is summarized on of
18 Workpaper PMA-1. As a wholly-owned subsidiary of SWR, SWDE’s common
19 stock is not publicly traded. Hence a market-based common equity cost rate
20 cannot be determined directly for SWDE. Consequently, I have assessed the

1 market-based common equity cost rates of companies of relatively similar, but
2 not necessarily identical risk, i.e., a proxy group, for insight into a recommended
3 common equity cost rate applicable to SWDE. Using companies of relatively
4 similar risk as proxies is consistent with the principle of fair rate of return
5 established in the *Hope*¹ and *Bluefield*² cases, adding reliability to the informed
6 expert judgment necessary to arrive at a recommended common equity cost
7 rate. However, no proxy group can be selected to be identical in risk to SWDE.
8 Therefore, the proxy group's results must be adjusted, if necessary, to reflect the
9 unique relative investment (financial and / or business) risk of the Company.

10 My recommendation results from the application of market-based cost of
11 common equity models, the Discounted Cash Flow ("DCF") approach, the Risk
12 Premium Model ("RPM") and the Capital Asset Pricing Model ("CAPM"), to the
13 market data of a proxy group of eight water companies whose selection will be
14 discussed below. In addition, I also applied the DCF, RPM and CAPM to the
15 market data of domestic, non-price regulated companies comparable in total risk
16 to the eight water companies.

17 The results derived from each are as follows:

¹ *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 (1944).

² *Bluefield Water Works Improvement Co. v. Public Serv. Comm'n*, 262 U.S. 679 (1922).

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34

Table 2

Proxy Group
of Eight
Water
Companies

Discounted Cash Flow Model	8.51%
Risk Premium Model	10.42
Capital Asset Pricing Model	9.93
Cost of Equity Models Applied to Comparable Risk, Non-Price Regulated Companies	<u>11.21%</u>
Indicated Common Equity Cost Rate	10.10%
Business Risk Adjustment	<u>0.50%</u>
Indicated Common Equity Cost Rate	10.40%
Recommended Common Equity Cost Rate	<u>10.40%</u>

After reviewing the cost rates based upon these models, I conclude that a common equity cost rate of 10.10% is indicated before any adjustment for SWDE's greater business risk relative to the proxy group of eight water companies as I discuss in more detail below. Thus, the indicated common equity cost rate based upon the eight water companies needs to be adjusted upward by 0.50% to reflect SWDE's greater business risk due to its smaller size relative to the proxy group. After adjustment, the common equity cost rate is 10.40% which is my recommended common equity cost rate and in my opinion, reasonable, if not conservative.

GENERAL COMMENTS ON CAPITAL MARKET CONDITIONS

Q. PLEASE DESCRIBE CURRENT CAPITAL MARKET CONDITIONS.

1 A. The U.S. economy is slowly recovering from the Great Recession of 2008 –
2 2009. The Federal Reserve Bank’s (“Fed”) Federal Open Market Committee
3 (“FOMC”) tapered off and concluded its quantitative easing in October 2014,³
4 while maintaining the Federal Funds (“Fed Funds”) rate and discount rate at
5 record lows since December 2008. On December 16, 2015, as highly
6 anticipated, the FOMC raised the target range for its federal funds rate from
7 0.00% - 0.25% to 0.25% - 0.50%, beginning an expected gradual process toward
8 interest rate normalization. As a result of the FOMC’s accommodative monetary
9 policy to maintain interest rates lower than historical norms over the last seven
10 years, the U.S. stock market has recovered remarkably, with the Dow Jones
11 Industrial Average (“DJI”) approximately 160% from its low of early March 2009,
12 notwithstanding the market’s recent extreme volatility in response to the turmoil
13 in China’s economy / markets, the global economy, falling oil prices, and the
14 uncertainty and direction of the FOMC’s interest rate decisions.

15 It remains to be seen how the capital markets will react as this process
16 continues over the next couple of years. Although global capital markets are
17 currently extremely volatile, bouncing into and out of correction territory almost
18 daily, there is no consensus on whether the stock market is entering a long
19 bullish period or will recover its losses and regain stability in the near future. One
20 measure of the volatility, or risk, of the U.S. market is the Chicago Board Options
21 Exchange (“CBOE”) Volatility Index (“VIX[®]”) which measures market
22 expectations of near-term volatility of Standard & Poor’s (“S&P”) 500 stock index
23 option prices. The VIX[®] is “considered to be the world’s premier barometer of

³ Purchase of mortgage backed securities.

1 investor sentiment and market volatility”,⁴ otherwise known as the “fear index”.
2 The VIX[®] is currently close to 19. A further measure of volatility is the actual
3 volatility of the VIX^{®5}, is measured by its standard deviation, which for the three
4 months of October 1, through December 21, 2015 was 2.386, in contrast to its
5 standard deviation of 1.637 for the three months ended March 2009, the bottom
6 of the post-Great Recession market. Such volatility indicates that, although
7 interest rates are still near historical lows in the U.S. capital markets, there
8 remains significant, if not greater, risk to common equity investment in today’s
9 markets, with investors requiring great returns to bear that risk, consistent with
10 the basic financial principle of risk and return⁶.

11 Clearly, capital markets have been and continue to reflect both the recent
12 historically low interest rate environment engineered by the Fed and an
13 expectation of rising interest rates. This engineering of interest rates impacts the
14 measurement of the cost of capital, specifically the investor required return on
15 common equity.

16 **Q. WHAT IS YOUR OPINION ON THE FED’S ENGINEERING OF INTEREST**
17 **RATES AND ITS EFFECT ON THE TRADITIONAL COST OF COMMON**
18 **EQUITY MODELS?**

19 A. In my opinion, the results of traditional cost of common equity models⁷ should be
20 viewed with even greater scrutiny under current economic and capital market
21 conditions. The current low interest rate environment, coupled with the FOMC’s

4 www.cboe.com/micro/vix/vixintro.aspx

5 I was unable to obtain the historical data to calculate a similar comparative volatility of the VIXC[®].

6 The risk and return principle states that the greater the perceived risk of an investment, the greater the return required by the investor.

1 engineering of interest rates, means that the traditional cost of common equity
2 models (DCF, RPM and CAPM) will have a greater tendency to understate the
3 investor required cost of common equity. Consequently, the results of these
4 cost of common equity models, including those presented in this analysis, are
5 currently particularly conservative estimates (i.e. on the low side) of the investor
6 required rate of return on common equity.

7 As noted by Michael Ivanovitch of CNBC,⁸ "Through its direct and indirect
8 control of American interest rates, the Fed exercises a decisive influence on
9 dollar-denominated asset valuation models." The fact that such low interest
10 rates are below the long-run "norm" is corroborated by the FOMC's own
11 statements in the press release it issued following its latest meeting on
12 December 15 - 16, 2015⁹. In the press release, the FOMC stated that "The
13 Committee expects that economic conditions will evolve in a manner that will
14 warrant only gradual increases in the federal funds rate; the federal funds rate is
15 likely to remain, for some time, below levels that are expected to prevail in the
16 longer run." After the FOMC decision, MarketWatch¹⁰ noted that "[t]he Fed's
17 short-term rate had [been] kept near zero for seven years, marking an
18 unprecedented era in the history of U.S. monetary policy triggered by the worst
19 financial crisis and economic downturn since the 1930s." MarketWatch further
20 notes that the Fed's language would soften the blow of the end to easy money

7 Discounted Cash Flow, Risk Premium and Capital Asset Pricing Models.

8 "Only the Fed can crash Wall Street," finance.yahoo.com/news/only-fed-crash-wall-street-011223751.htm.

9 Board of Governors of the Federal Reserve System, Press Release, December 16, 2015.

10 "Federal Reserve embarks on historic new era of higher interest rates,"
www.marketwatch.com/story/fed-enters-new-era-of-higher-rates-2015-12-16/print.

1 and that the Fed stressed that the pace of future interest rate hikes would be
2 gradual, with interest rates expected to rise more gradually in 2017 and 2018
3 than the Fed had previously predicted, making it clear that interest rates will not
4 be rising quickly. Thus, although the Fed has begun with an initial increase in
5 the fed funds target range, by no means will there be a return to historically
6 normal interest rate levels in the foreseeable future.

7 These artificially low interest rates have led some analysts to the faulty
8 conclusion that current capital costs are low and will continue to be so. These
9 analysts are mistaken. Their conclusion only holds true under the hypothesis of
10 Perfectly Competitive Capital Markets ("PCCM") and the classical valuation
11 framework which, under normal economic and capital market conditions,
12 underpins the traditional cost of common equity models. PCCM are capital
13 markets where no single trader, known as a "market-mover", would have the
14 power to change the prices of goods or services, including bond and common
15 stock securities. In other words, under the PCCM hypothesis, no single trader
16 would have a significant impact on market prices. Classic valuation theory
17 means that investors trade securities rationally with prices reflecting their
18 perceptions of value. However, although central banks have always had the
19 ability to set the benchmark interest rates, they have been maintaining below
20 normal rates to stimulate continued economic and capital market recovery. Thus,
21 it is logical to conclude that the Fed and other central banks are acting as
22 market-movers, which has a significant impact on the market prices of both
23 bonds and stocks in all markets where a central bank is maintaining historically

1 low interest rates. The presence of a market-mover like the Fed in current
2 capital markets invalidates the PCCM, which is the foundation of the traditional
3 cost of common equity models. This is corroborated by Michael K. Farr of CNBC,
4 who stated¹¹:

5 It seems like an eternity since the markets have behaved
6 'normally.' For at least the past 6 – 7 years, there has been a
7 wholly different driver of supply and demand in the stock market.
8 Market peaks and valleys have been clearly and unambiguously
9 correlated to the various pronouncements of monetary support by
10 the Federal Reserve. The financial market distortions created by
11 the Fed will have a lasting impact on the economy for years to
12 come." (emphasis added)

13
14 In addition, relative to an April 15, 2015 interview with CNBC's "Squawk
15 Box", former U.S. Treasury Secretary Hank Paulson, noted¹²:

16 ... that stocks and other assets need to start to trade again on "real
17 economic[s]," arguing the Federal Reserve should hike interest
18 rates sooner rather than later.

19 * * *

20 He acknowledged the "disortational [sic] effects" of the Fed's easy
21 money policies, which have benefited investors by pumping up
22 assets, while hurting savers and Americans on fixed incomes.

23
24 More recently, John DeClue, chief investment officer at U.S. Bank Wealth
25 Management corroborated the fact that the Fed is acting like a market mover
26 when he stated that "We can still expect to see some significant drops in the
27 market until we get some direction from the Fed regarding a rate increase."¹³

28 In such a capital market, it is more important than ever to not only view

11 Michael K. Farr, President, Farr, Miller & Washington, LLC, "Goldilocks lives! Time for Fed to stand down", www.cnbc.com/id/101888234 August 5, 2015. (See Appendix C, Citation XX)

12 "I worry about Fed-induced asset bubbles: Paulson," www.cnbc.com/id/102588168. (See Appendix C, Citation XX)

13 "Wall Street falls as investors fret about rate-hike timing," August 31, 2015, finance.yahoo.com/news/futures-fall-september-rate-hike-113415619.html. (See Appendix C, Citation XX)

1 the application of multiple cost of common equity models, including their inputs,
2 with greater scrutiny, it is imperative to use projected data, including interest
3 rates, growth rates and equity risk premiums, to estimate the cost of common
4 equity. Doing so can only enhance the exercise of the informed expert judgment
5 required of a rate of return analyst.

6 **GENERAL PRINCIPLES**

7 **Q. WHAT GENERAL PRINCIPLES HAVE YOU CONSIDERED IN ARRIVING AT** 8 **YOUR RECOMMENDED COMMON EQUITY COST RATE OF 10.40%?**

9 A. In unregulated industries, the competition of the marketplace is the principal
10 determinant of the price of products or services. For regulated public utilities,
11 regulation must act as a substitute for marketplace competition. Assuring that
12 the utility can fulfill its obligations to the public while providing safe and reliable
13 service at all times requires a level of earnings sufficient to maintain the integrity
14 of presently invested capital as well as permitting the attraction of needed new
15 capital at a reasonable cost in competition with other firms of comparable risk.
16 This is consistent with the fair rate of return standards established by the
17 U.S. Supreme Court in the *Hope* and *Bluefield* cases. Consequently,
18 marketplace data must be relied upon in assessing a common equity cost rate
19 appropriate for ratemaking purposes. Therefore, my recommended common
20 equity cost rate is based upon the marketplace data of a proxy group of utilities
21 as similar in risk as possible to SWDE, based upon selection criteria that will be
22 discussed subsequently. The use of the market data of a proxy group adds
23 reliability to the necessary use of informed expert judgment in arriving at a

1 recommended common equity cost rate. Likewise, the use of multiple common
2 equity cost rate models adds reliability when arriving at a recommended common
3 equity cost rate.

4 **BUSINESS RISK**

5 **Q. PLEASE DEFINE BUSINESS RISK AND EXPLAIN WHY IT IS IMPORTANT TO**
6 **THE DETERMINATION OF A FAIR RATE OF RETURN.**

7 A. Business risk is important to the determination of a fair rate of return because the
8 greater the level of risk, the greater the rate of return investors demand,
9 consistent with the basic financial principle of risk and return. Business risk is the
10 riskiness of a company's common stock, without the Company's use of debt
11 and/or preferred financing. Examples of the general business risks faced by all
12 utilities, i.e., electric, natural gas distribution and water utilities, include, but are
13 not limited to, the regulatory environment, customer mix and concentration of
14 customers, service territory economic growth, market demand, supply,
15 operations, capital intensity, size, and the degree of operating leverage, all of
16 which have a direct bearing on earnings. An individual utility may face different
17 levels of one or more particular risks.

18 **Q. WHAT BUSINESS RISKS DOES THE WATER UTILITY INDUSTRY IN**
19 **GENERAL FACE TODAY?**

20 A. Water is essential to life as it is the only utility product which is intended for
21 customers to ingest. Water quality is of paramount importance to the health and
22 well-being of customers and is therefore subject to additional and increasingly
23 strict health and safety regulations. Beyond health and safety concerns, water

1 utility customers also have significant aesthetic concerns regarding the water
2 delivered to them with regulators paying close attention to these concerns
3 because of the strong feelings they arouse in consumers. Also, water utilities
4 serve a production function in addition to a delivery function.

5 Water utilities obtain supply from wells, aquifers, surface water reservoirs
6 or streams and rivers. Throughout the years, well supplies and aquifers have
7 been environmentally threatened, with historically minor purification treatment
8 giving way to major well rehabilitation, extensive treatment or replacement.
9 Simultaneously, safe drinking water quality standards have tightened
10 considerably, requiring multiple treatments prior to water delivery. Supply
11 availability is also limited by drought, water source overuse, runoff, threatened
12 species and habitat protection, and other operational, political and environmental
13 factors. In addition, the United States Environmental Protection Agency (“EPA”),
14 as well as individual state and local environmental agencies, are continually
15 monitoring potential contaminants in the water supply and promulgating or
16 expanding regulations when necessary. Increasingly stringent environmental
17 standards necessitate additional capital investment in the distribution and
18 treatment of water, exacerbating the pressure on water utilities’ free cash flows
19 through increased capital expenditures for infrastructure, repair and replacement.
20 In the course of procuring water supplies and treating water so that it complies
21 with Safe Drinking Water Act (“SDWA”) standards, water utilities have an ever-
22 increasing responsibility to be stewards of the environment from which supplies
23 are drawn, in order to preserve and protect essential natural resources of the

1 United States.

2 Hence, water utilities require significant capital investment not only in
3 distribution and transmission systems but also in sources of supply (wells),
4 production (treatment facilities), and storage. Significant capital investment is
5 necessary both to serve additional customers and to replace aging systems,
6 creating a major risk facing the water utility industry.

7 *Value Line*¹⁴ observes the following about the water utility industry:

8
9 Following yeas of underinvestment in the nation's water
10 infrastructure, utilities are now spending heavily to replace old
11 pipes, valves, and wastewater systems. This means that capital
12 expenditures should be substantial through late decade.

13 * * * *

14
15
16 The United States' pipeline infrastructure is in terrible condition.
17 Over the past five to 10 years, water utilities have, with the
18 assistance of state regulators, begun large construction projects to
19 replace old pipes, valves, and refurbish wastewater systems. In
20 older cities and states, the same pipes laid over 100 years ago are
21 still in use today.

22 * * * *

23
24
25 Regulators and water companies seemed to be in a balanced
26 relationship. State commissions have to protect homeowners from
27 paying for unnecessary expenditures and unneeded expenses. On
28 the other hand, they have to let utilities earn a competitive return on
29 their money, or there will be no incentive for companies to invest
30 the funds needed to maintain their operations.

31
32 The water utility industry is capital-intensive, meaning the investment in
33 capital required to produce a dollar of revenue is larger than for other industries,
34 including electric and natural gas utilities. For example, as shown on page 1 of

¹⁴ *Value Line Investment Survey*, October 16, 2015, 1780.

1 Workpaper PMA-2, it took \$3.95 of net utility plant on average to produce \$1.00
2 in operating revenues in 2014 for the water utility industry as a whole. For
3 SWDE specifically, it took a greater \$4.53 of net utility plant to produce \$1.00 in
4 operating revenues in 2014. In contrast, for the electric, combination electric and
5 gas and natural gas utility industries, on average it took only \$2.65, \$2.18 and
6 \$1.69, respectively, to produce \$1.00 in operating revenues in 2014. As
7 financing needs have increased and will continue to increase, the competition for
8 capital from traditional sources has increased and continues to increase, making
9 the need to maintain financial integrity and the ability to attract needed new
10 capital increasingly important.

11 **Q. WHY IS THERE AN INCREASED NEED FOR FINANCING?**

12 A. As discussed previously, there are a number of challenges facing the water utility
13 industry. The National Association of Regulatory Commissioners (“NARUC”)
14 reiterated the challenges facing the water utility industry stemming from its
15 capital intensity. NARUC’s Board of Directors adopted the following resolution in
16 July 2013.¹⁵

17 **WHEREAS**, There is both a constitutional basis and judicial
18 precedent allowing investor owned public water and wastewater
19 utilities the opportunity to earn a rate of return that is reasonably
20 sufficient to assure confidence in the financial soundness of the
21 utility and its ability to provide quality service; *and*

22
23 **WHEREAS**, Through the *Resolution Supporting Consideration of*
24 *Regulatory Policies Deemed as “Best Practices”* (2005), the
25 National Association of Regulatory Utility Commissioners
26 (NARUC) has previously recognized the role of innovative
27 regulatory policies and mechanisms in the ability for public water

¹⁵ “Resolution Supporting Consideration of Regulatory Policies Deemed as ‘Best Practices’”,
Sponsored by the Committee on Water. Adopted by the NARUC Board of Directors, July 2013.

1 and wastewater utilities to address significant infrastructure
2 investment challenges facing water and wastewater system
3 operators; *and*

4 * * *

5
6
7 **WHEREAS**, Recent analysis shows that as compared to other
8 regulated utility sectors, significant and widespread discrepancies
9 continue to be observed between commission authorized returns
10 on equity and observed actual returns on equity among regulated
11 water and wastewater utilities; *and*

12
13 **WHEREAS**, The extent of such discrepancies suggests the
14 existence of challenges unique to the regulation of water and
15 wastewater utilities; *and*

16 * * *

17
18
19 **WHEREAS**, Deficient returns present a clear challenge to the
20 ability of the water and wastewater industry to attract the capital
21 necessary to address future infrastructure investment
22 requirements necessary to provide safe and reliable service, which
23 could exceed one trillion dollars over a 20-year period; *and*

24
25 **WHEREAS**, The NARUC Committee on Water recognizes the
26 critical role of the implementation and the effective use of sound
27 regulatory practice [sic] and the innovative regulatory policies
28 identified in the *Resolution Supporting Consideration of Regulatory*
29 *Policies Deemed as "Best Practices"*; and

30 * * *

31
32
33 **RESOLVED**, That the Board of Directors of the National
34 Association of Regulatory Utility Commissioners, convened at its
35 2013 Summer Meeting in Denver, Colorado, identifies the
36 implementation and effective use of sound regulatory practice [sic]
37 and the innovative regulatory policies identified in the *Resolution*
38 *Supporting Consideration of Regulatory Policies Deemed as "Best*
39 *Practices"* (2005) as a critical component of a water and/or
40 wastewater utility's reasonable ability to earn its authorized return;
41 *and be it further*

42
43 **RESOLVED**, That NARUC recommends that economic regulators
44 carefully consider and implement appropriate ratemaking
45 measures as needed so that water and wastewater utilities have a
46 reasonable opportunity to earn their authorized returns within their

1 jurisdictions...

2
3 SWDE itself is facing significant capital expenditures as it projects net
4 capital expenditures of \$88.9M for 2016 – 2020, representing an increase of
5 more than 72% over 2014 net plant of \$123.8M.

6 Not only is the water utility industry historically capital intensive, it is
7 expected to incur significant capital expenditure needs over the next 15 years.

8 In 2011, the EPA stated the following:¹⁶

9 The survey estimated a total national infrastructure need of \$384.2
10 billion for the 20-year period from January 2011 through December
11 2030.

12 * * *

13
14
15 The large magnitude of the national need reflects the challenges
16 confronting water systems as they deal with an infrastructure
17 network that has aged considerably since these systems were
18 constructed, in many cases, 50 to 100 years ago.

19 * * *

20
21
22 With \$247.5 billion in needs over the next 20 years, transmission
23 and distribution projects represent the largest category of need.
24 This result is consistent with the fact that transmission and
25 distribution mains account for most of the nation's water
26 infrastructure. The other categories, in descending order of need
27 are: treatment, storage, source and a miscellaneous category of
28 needs called "other".

29
30 **Q. FROM WHERE WILL THE NECESSARY CAPITAL TO FUND THIS LEVEL OF**
31 **INFRASTRUCTURE REPLACEMENT BE RAISED?**

32 A. The question highlights the importance of capital attraction. Water utility capital
33 expenditures as large as those projected by the EPA will require significant

¹⁶ "Fact Sheet: "EPA's 2011 Drinking Water Infrastructure Needs Survey and Assessment," United States Environmental Protection Agency, Office of Water, April 2013.

1 financing. The three sources typically used for financing are debt, equity
2 (common and preferred) and cash flow. All three are intricately linked to the
3 opportunity to earn a sufficient rate of return as well as the ability to actually
4 achieve that return. Consistent with *Hope* and *Bluefield*, the return must be
5 sufficient enough to maintain credit quality as well as enable the attraction of
6 necessary new capital, be it debt or equity capital. If unable to raise debt or
7 equity capital, the utility must turn to either retained earnings or free cash flow
8 [operating cash flow (funds from operations) minus capital expenditures], both of
9 which are directly linked to earning a sufficient rate of return. The level of free
10 cash flows represents the financial flexibility of a company or a company's ability
11 to meet the needs of its debt and equity holders. If either retained earnings or
12 free cash flows are inadequate, it will be nearly impossible for the utility to attract
13 the necessary new capital, on reasonable terms, to invest in needed new
14 infrastructure. It is thus clear that an insufficient rate of return can be financially
15 devastating for utilities and for their customers.

16 In view of the foregoing, the water utility industry's high degree of capital
17 intensity and low depreciation rates, coupled with the need for substantial
18 infrastructure capital spending, makes the need to maintain financial integrity
19 and the ability to attract needed new capital, through the allowance of a sufficient
20 rate of return, increasingly important in order for water utilities to be able to
21 successfully meet the challenges they face.

22 **Q. PLEASE CONTINUE YOUR DISCUSSION OF BUSINESS RISKS.**

23 A. Coupled with its capital-intensive nature, the water utility industry also

1 experiences lower relative depreciation rates as well. Given that depreciation is
2 one of the principal sources of internal cash flows for all utilities, lower
3 depreciation rates mean that water utility depreciation as a source of internally-
4 generated cash. Since water utility assets have longer lives and, hence, longer
5 capital recovery periods than other types of utilities, water utilities face greater
6 risk due to inflation which results in a higher replacement cost per dollar of net
7 plant than for other types of utilities. As shown on page 2 of Workpaper PMA-2,
8 water utilities experienced an average depreciation rate of 3.0% for 2014, with
9 SWDE experiencing a lower rate of 2.5%. In contrast, in 2014, the electric,
10 combination electric and gas and natural gas utilities experienced average
11 depreciation rates of 3.3%, 3.4% and 3.7%, respectively. Low depreciation rates
12 signify that the pressure on cash flows remains significantly greater for water
13 utilities than for other types of utilities.

14 **FINANCIAL RISK**

15 **Q. PLEASE DEFINE FINANCIAL RISK AND EXPLAIN WHY IT IS IMPORTANT**
16 **TO THE DETERMINATION OF A FAIR RATE OF RETURN.**

17 A. Financial risk is the additional risk created by the introduction of senior capital,
18 i.e., debt and preferred stock, into the capital structure. The higher the
19 proportion of senior capital in the capital structure, the higher the financial risk
20 which must be factored into the common equity cost rate, consistent with the
21 previously mentioned basic financial principle of risk and return, i.e., investors
22 demand a higher common equity return as compensation for bearing higher
23 investment risk.

1 **Q. CAN THE COMBINED BUSINESS RISKS, I.E., INVESTMENT RISK OF AN**
2 **ENTERPRISE, BE PROXIED BY BOND AND CREDIT RATINGS?**

3 A. Yes, similar bond/issuer credit (bond/credit) ratings reflect and are representative
4 of similar combined business and financial risks, i.e., total risk faced by bond
5 investors. Although specific business or financial risks may differ between
6 companies, the same bond/credit rating indicates that the combined risks are
7 similar, albeit not necessarily equal, as the purpose of the bond/credit rating
8 process is to assess credit quality or credit risk and not common equity risk.
9 Risk distinctions within Standard & Poor's ("S&P") bond/issuer rating categories
10 are recognized by a plus or minus, i.e., within the A category, an S&P rating can
11 be at A+, A, or A-. Similarly, risk distinctions for Moody's ratings are
12 distinguished by numerical rating gradations, i.e., within the A category, a
13 Moody's rating can be A1, A2 and A3.

14 **SUEZ WATER DELAWARE INC.**

15 **Q. PLEASE DESCRIBE SWDE.**

16 A. SWDE provides water service to approximately 38,000 customers throughout
17 Wilmington, Bellefonte, Arden, Newport, Christiana and Claymont in New Castle
18 County, Delaware. As a wholly-owned subsidiary of SWR, SWDE's common
19 stock is not publicly traded.

20 **PROXY GROUP**

21 **Q. PLEASE EXPLAIN HOW YOU CHOSE THE PROXY GROUP OF EIGHT**
22 **WATER COMPANIES.**

23 A. I chose the proxy group by selecting those companies which meet the following

1 criteria: 1) they are included in the *Value Line's* standard edition (October 16,
2 2015; 2) they have 70% or greater of 2014 total operating income derived from
3 and 70% or greater of 2014 total assets devoted to regulated water operations;
4 3) at the time of the preparation of this testimony, they had not publicly
5 announced that they were involved in any major merger or acquisition activity,
6 i.e., one publicly-traded utility merging with or acquiring another; 4) they have not
7 cut or omitted their common dividends during the five years ending 2014 or
8 through the time of the preparation of this testimony; 5) they have *Value Line*
9 and Bloomberg adjusted betas; and 6) they have *Value Line*, Reuters, Zacks or
10 Yahoo! Finance, consensus five-year earnings per share ("EPS") growth rate
11 projections. The following eight companies met these criteria: American States
12 Water Co., American Water Works Co., Inc., Aqua America, Inc., California
13 Water Service Corp., Connecticut Water Service, Inc., Middlesex Water Co.,
14 SJW Corp. and York Water Co.

15 **Q. HAVE YOU REVIEWED FINANCIAL DATA FOR THE PROXY GROUP?**

16 A. Yes. Page 1 of Workpaper PMA-3 contains comparative capitalization and
17 financial statistics for the eight proxy group water companies for the years 2010-
18 2014.

19 As shown on page 1, during the five-year period ending 2014, the
20 historically achieved average earnings rate on book common equity for the group
21 averaged 10.03%. The average common equity ratio based upon permanent
22 capital (excluding short-term debt) was 51.24%, and the average dividend payout
23 ratio was 60.38%.

1 Total debt outstanding as a percent of EBITDA for the years 2010-2014
2 ranged between 3.40 and 4.55 times, averaging 3.95 times, while funds from
3 operations relative to total debt range between 17.60% and 25.99%, averaging
4 21.34%.

5 **COMMON EQUITY COST RATE MODELS**

6 **Q. ARE THE COST OF COMMON EQUITY MODELS YOU USE MARKET-BASED**
7 **MODELS?**

8 A. Yes. It is important to use market-based models because the cost of common
9 equity is a function of investors' perception of risk, which is embodied in the
10 market prices they pay. The DCF model is market-based in that market prices
11 are utilized in developing the dividend yield component of the model. The RPM
12 is market-based in that the bond/issuer ratings and expected bond yields used in
13 the application of the RPM reflect the market's assessment of bond/credit risk.
14 Also, market prices are used in the development of the returns and equity risk
15 premiums used in the Predictive Risk Premium Model ("PRPM"). In addition, the
16 use of betas to determine the equity risk premium also reflects the market's
17 assessment of market/systematic risk as betas are derived from regression
18 analyses of market prices. The CAPM is market-based for many of the same
19 reasons that the RPM is market-based i.e., the use of expected bond (U.S.
20 Treasury bond) yields and betas.

21 **DISCOUNTED CASH FLOW MODEL ("DCF")**

22 **Q. WHAT IS THE THEORETICAL BASIS OF THE DCF MODEL?**

23 A. The theoretical basis of the DCF model is that the present value of an expected

1 future stream of net cash flows during the investment holding period can be
2 estimated by discounting those cash flows at the cost of capital, or the investors'
3 capitalization rate. DCF theory indicates that an investor buys a stock for an
4 expected total return rate, which is derived from cash flows received in the form
5 of dividends plus appreciation in market price (the expected growth rate).
6 Mathematically, the dividend yield on market price plus a growth rate equals the
7 capitalization rate, i.e., the total common equity return rate expected by
8 investors.

9 **Q. WHICH VERSION OF THE DCF MODEL DO YOU USE?**

10 A. I utilize the single-stage constant growth DCF model because, in my experience,
11 it is the most widely utilized version of the DCF in public utility rate regulation. In
12 my opinion, it is widely utilized because utilities are generally in the mature stage
13 of their lifecycles and not transitioning from one growth stage to another.

14 **Q. PLEASE DESCRIBE THE DIVIDEND YIELD YOU USED IN YOUR**
15 **APPLICATION OF THE DCF MODEL.**

16 A. The unadjusted dividend yields are based upon a recent (November 30, 2015)
17 indicated dividend divided by the average of closing market prices for the 60
18 days ending November 30, 2015 as shown in Column [1] on page 1 of
19 Workpaper PMA-4.

20 **Q. PLEASE EXPLAIN THE ADJUSTED DIVIDEND YIELD SHOWN ON PAGE 1**
21 **OF WORKPAPER PMA-4, COLUMN [7].**

22 A. Because dividends are paid periodically (quarterly), as opposed to continuously
23 (daily), an adjustment must be made to the dividend yield. This is often referred

1 to as the discrete, or the Gordon Periodic, version of the DCF model.

2 DCF theory calls for the use of the full growth rate, or D_1 , in calculating the
3 dividend yield component of the model. However, since the various companies
4 in the proxy group increase their quarterly dividend at various times during the
5 year, a reasonable assumption is to reflect one-half the annual dividend growth
6 rate in the dividend yield component, or $D_{1/2}$. This is a conservative approach,
7 which does not overstate the dividend yield that should be representative of the
8 next twelve-month period. Therefore, the actual average dividend yields in
9 Column [1] on page 1 of Workpaper PMA-4 have been adjusted upward to
10 reflect one-half the average projected growth rate shown in Column [6].

11 **Q. PLEASE EXPLAIN THE BASIS OF THE GROWTH RATES OF THE PROXY**
12 **GROUP THAT YOU USE IN YOUR APPLICATION OF THE DCF MODEL.**

13 A. Individual investors are more likely to place great significance on the opinions
14 expressed by financial information services, such as *Value Line*, Reuters, Zacks
15 and Yahoo! Finance. Investors recognize that such analysts have significant
16 insight into the dynamics of the industries and individual companies they
17 analyze, as well as an entity's historical and future abilities to effectively manage
18 the effects of changing laws and regulations and ever changing economic and
19 market conditions.

20 In addition, over the long run, there can be no growth in dividends per
21 share ("DPS") without growth in EPS. Security analysts' earnings expectations
22 have a more significant influence on market prices than dividend expectations.
23 Thus, the use of earnings growth rates in a DCF analysis provides a better

1 matching between investors' market price appreciation expectations and the
2 growth rate component of the DCF. Therefore, I use analysts' five-year forecasts
3 of EPS growth in my DCF analysis.

4 Security analysts' earnings expectations have a significant, but not sole,
5 influence on market prices and are therefore reasonable indicators of investor
6 expectations.¹⁷ As noted by Morin¹⁸:

7 Because of the dominance of institutional investors and their
8 influence on individual investors, analysts' forecasts of long-run
9 growth rates provide a sound basis for estimating required returns.
10 Financial analysts exert a strong influence on the expectations of
11 many investors who do not possess the resources to make their
12 own forecasts, that is, they are a cause of g.

13
14 Thus, the use of earnings growth rates in a DCF analysis provides a better
15 matching between investors' market price appreciation expectations and the
16 growth rate component of the DCF than other proxies for growth, e.g., historical
17 EPS or DPS growth rates.

18 **Q. PLEASE SUMMARIZE YOUR DCF MODEL RESULTS.**

19 A. As shown on page 1 of Workpaper PMA-4, the mean result of the single-stage
20 DCF model is 8.50%, while the median result is 8.51%. I have averaged these
21 two results in arriving at a conclusion of a DCF-indicated common equity cost
22 rate of 8.51% for the proxy group. By doing so, I have not only considered the
23 DCF results for each company, but have not given undue weight to outliers on
24 either the high or the low side.

25 **THE RISK PREMIUM MODEL ("RPM")**

¹⁷ Roger A. Morin, New Regulatory Finance (Public Utility Reports, Inc., 2006) 298-303.

¹⁸ Morin 298.

1 **Q. PLEASE DESCRIBE THE THEORETICAL BASIS OF THE RPM.**

2 A. The RPM is based upon the basic financial principle of risk and return, i.e., that
3 investors require greater returns for bearing greater risk. The RPM recognizes
4 that common equity capital has greater investment risk than debt capital,
5 as common equity shareholders are last in line in any claim on an entity's assets
6 and earnings, with debt holders being first in line. Therefore, investors require
7 higher returns from investment in common stocks than from investment in bonds
8 to compensate them for bearing the additional risk.

9 While the investor required common equity return cannot be directly
10 determined or observed, it is possible to directly observe bond returns and
11 yields. According to RPM theory, one can assess a common equity risk premium
12 over bonds, either historically or prospectively, and then use that premium to
13 derive a cost rate of common equity. In summary, according to RPM theory, the
14 cost of common equity equals the expected cost rate for long-term debt capital
15 plus a risk premium over that cost rate to compensate common shareholders for
16 the added risk of being unsecured and last-in-line for any claim on a
17 corporation's assets and earnings.

18 **Q. PLEASE EXPLAIN HOW YOU DERIVED YOUR INDICATED COST OF**
19 **COMMON EQUITY BASED UPON THE RPM.**

20 A. I relied upon the results of the application of two risk premium methods. The first
21 method is the Predictive Risk Premium Model ("PRPM"), while the second
22 method is a risk premium model using an adjusted total market approach.

23 **Q. PLEASE EXPLAIN THE PRPM.**

1 A. The PRPM, published in the *Journal of Regulatory Economics ("JRE")*¹⁹ and
2 *The Electricity Journal ("TEJ")*,²⁰ was developed from the work of Robert F. Engle
3 who shared the Nobel Prize in Economics in 2003 "for methods of analyzing
4 economic time series with time-varying volatility ("ARCH")"²¹ with "ARCH"
5 standing for autoregressive conditional heteroskedasticity. In other words, the
6 volatility of stock returns and equity risk premiums changes over time and is
7 related from one period to the next. Engle discovered that the volatility in market
8 prices, returns, and equity risk premiums also clusters over time, making them
9 highly predictable and available to predict future levels of risk and risk premiums.
10 In other words, the predicted equity risk premium is generated by the prediction
11 of volatility (risk). The PRPM estimates the risk / return relationship directly by
12 analyzing the actual results of investor behavior rather than using subjective
13 judgment as to the inputs required for the application of other cost of common
14 equity models. Thus, the PRPM is not based upon an estimate of investor
15 behavior, but rather upon the evaluation of the actual results of that behavior,
16 i.e., the variance of historical equity risk premiums.

17 The inputs to the model are the historical returns on the common shares
18 of each utility in the proxy group minus the historical monthly yield on long-term
19 U.S. Treasury securities through November 2015. Using a generalized form of

¹⁹ "A New Approach for Estimating the Equity Risk Premium for Public Utilities", Pauline M. Ahern, Frank J. Hanley and Richard A. Michelfelder, Ph.D. *The Journal of Regulatory Economics* (December 2011), 40:261-278.

²⁰ "Comparative Evaluation of the Predictive Risk Premium ModelTM, the Discounted Cash Flow Model and the Capital Asset Pricing Model", Pauline M. Ahern, Richard A. Michelfelder, Ph.D., Rutgers University, Dylan W. D'Ascendis, and Frank J. Hanley, *The Electricity Journal* (May, 2013).

²¹ www.nobelprize.org

1 ARCH, known as GARCH, each water utility's projected equity risk premium was
2 determined using Eviews[®] statistical software. The forecasted 30-year U.S.
3 Treasury Bond (Note) yield of 3.70% is based upon the consensus forecast for
4 the six quarters ending with the first quarter 2017 derived from the December 1,
5 2015 Blue Chip Financial Forecasts ("Blue Chip") averaged with the long-range
6 forecasts for 2017-2021 and 2022-2026 also from the December 1, 2015 Blue
7 Chip (shown on pages 9 and 10 of Workpaper PMA-5) as discussed below. The
8 risk-free rate of 3.70% was then added to each company's PRPM-derived equity
9 risk premium to arrive at a PRPM-derived cost of common equity as shown on
10 page 2 of Workpaper PMA-5 which presents the average and median results for
11 each proxy company. As shown on page 2, the average PRPM indicated
12 common equity cost rate is 11.43%, while the median is 10.39% for the eight
13 water companies. Consistent with my use of the average of the average and
14 median DCF results, I rely upon the average of the average and median PRPM
15 results of 10.91%²² as my conclusion of PRPM cost rate.

16 **Q. PLEASE EXPLAIN THE ADJUSTED TOTAL MARKET APPROACH RPM.**

17 A. The adjusted total market approach RPM adds a prospective public utility bond
18 yield to an equity risk premium which is derived from a beta-adjusted total market
19 equity risk premium and an equity risk premium based upon the S&P Utilities
20 Index.

21 **Q. PLEASE EXPLAIN THE BASIS OF THE ADJUSTED PROSPECTIVE BOND**
22 **YIELD OF 5.31% APPLICABLE TO THE EIGHT WATER COMPANIES SHOWN**

²² (10.91% = (11.43% + 10.39%) / 2).

1 **ON PAGE 3 OF WORKPAPER PMA-5.**

2 A. The first step in the adjusted total market approach RPM analysis is to determine
3 the expected bond yield. Because both ratemaking and the cost of capital,
4 including common equity cost rate, are prospective in nature, a prospective yield
5 on long-term debt, similarly rated to the proxy group, is essential. Hence, I rely
6 upon the consensus forecast of about 50 economists of the expected yield on
7 Aaa rated corporate bonds for the six calendar quarters ending with the first
8 calendar quarter of 2017 as derived from the December 1, 2015 *Blue Chip*
9 averaged with the long-range forecasts for 2017-2021 and 2022-2026 also from
10 the December 1, 2015 *Blue Chip* (shown on pages 9 and 10 of Workpaper PMA-
11 5). As shown on Line No. 1 of page 3, the average expected yield on Moody's
12 Aaa rated corporate bonds is 4.79%. An adjustment of 0.33% is necessary to
13 adjust that average Aaa corporate bond yield to be equivalent to a Moody's A
14 rated public utility bond, as shown on Line No. 2 and explained in Note 2
15 resulting in an expected bond yield applicable to a Moody's A rated public utility
16 bond of 5.12% as shown on Line No. 3.

17 Since the eight water companies' average Moody's issuer rating is A2/A3,
18 an adjustment of 0.19% is necessary to make the prospective bond yield
19 applicable to the proxy group's average A2/A3 long-term issuer rating, as
20 detailed in Note 3 on page 3 of Workpaper PMA-5. Therefore, the adjusted
21 prospective bond yield is 5.31% for the eight water companies as shown on Line
22 No. 5.

23 **Q. PLEASE EXPLAIN THE METHOD OF ESTIMATING THE EQUITY RISK**

1 **PREMIUM IN THE ADJUSTED TOTAL MARKET APPROACH.**

2 A. I evaluated the results of market equity risk premium studies based upon
3 Ibbotson Associates' data, *Value Line's* forecasted total annual market return
4 plus a projected total return on the S&P 500 in excess of the prospective yield on
5 Moody's Aaa corporate bonds, as well as three different studies of the equity risk
6 premium for public utilities with Moody's A rated bonds as detailed on pages 8
7 and 11 of Workpaper PMA-5. As shown on Line No. 3, page 7 of Workpaper
8 PMA-5, the average equity risk premium is 4.62% applicable to the eight water
9 companies. This estimate is the result of a beta-derived equity risk premium
10 averaged with the average public utility equity risk premium based upon holding
11 period returns relative to bonds rated A by Moody's.

12 **Q. PLEASE EXPLAIN THE BASIS OF THE BETA-DERIVED EQUITY RISK**
13 **PREMIUM.**

14 A. The basis of the beta-derived equity risk premium applicable to the proxy group
15 is shown on page 8 of Workpaper PMA-5. The beta-determined equity risk
16 premium is relevant because betas are derived from the market prices of
17 common stocks over a recent five-year period. Beta is a measure of relative risk
18 to the market as a whole and a logical means by which to allocate an
19 entity's/proxy group's share of the total market's equity risk premium relative to
20 corporate bond yields.

21 The total market equity risk premium utilized is 5.26%, based upon an
22 average of the long-term arithmetic mean historical market equity risk premium;
23 a predicted market equity risk premium based upon the PRPM; a forecasted

1 market equity risk premium based upon *Value Line's* projected market
2 appreciation and dividend yield; and, a forecasted market equity risk premium
3 based upon the S&P 500's projected market appreciation and dividend yield as
4 detailed below and in Notes 1 through 4 on page 8 of Workpaper PMA-5.

5 **Q. HOW DID YOU DERIVE THE LONG-TERM HISTORICAL MARKET EQUITY**
6 **RISK PREMIUM?**

7 A. To derive the historical (expectational) market equity risk premium, I used the
8 most recent Morningstar data on holding period returns for the large company
9 common stocks from the Stocks, Bonds, Bill and Inflation Ibbotson® SBBI® 2015
10 Market Report ("SBBI – 2015 Market Report")²³ and the average historical yield
11 on Moody's Aaa and Aa rated corporate bonds for the period 1926-2014.
12 Moreover, the use of holding period returns over a very long period of time is
13 useful because it is consistent with the long-term investment horizon presumed
14 by the DCF model.

15 Consequently, as explained in Note 1 on page 8 of Workpaper PMA-5,
16 the long-term arithmetic mean monthly total return rate on large company
17 common stocks of 12.07% and the long-term arithmetic mean monthly yield on
18 Moody's Aaa and Aa rated corporate bonds of 6.18% were used. As shown on
19 Line No. 1, the resultant long-term historical equity risk premium on the market
20 as a whole is 5.89%.

21 I used arithmetic mean monthly total return rates for the large company
22 stocks and yields (income returns) for Moody's Aaa/Aa corporate bonds,

²³ Stocks, Bonds, Bills and Inflation Ibbotson® SBBI® 2015 Market Report, Morningstar, Inc., 2015.

1 because they are appropriate for cost of capital purposes as noted in the
2 Ibbotson® SBBI® 2015 Classic Yearbook – Market Results for Stocks, Bonds, Bill
3 and Inflation 1926 – 2015 (“SBBI – 2015”)²⁴. Arithmetic mean return rates and
4 yields are appropriate because ex-post (historical) total returns and equity risk
5 premiums differ in size and direction over time, providing insight into the variance
6 and standard deviation of returns. Because the arithmetic mean captures the
7 prospect for variance in returns and equity risk premiums, it provides the
8 valuable insight needed by investors in estimating future risk when making a
9 current investment. Absent such valuable insight into the potential variance of
10 returns, investors cannot meaningfully evaluate prospective risk. If investors
11 alternatively relied upon the geometric mean of ex-post equity risk premiums,
12 they would have no insight into the potential variance of future returns because
13 the geometric mean relates the change over many periods of time to a constant
14 rate of change, thereby obviating the period-to-period fluctuations, or variance,
15 *critical to risk analysis.*

16 Only the arithmetic mean takes into account all of the returns / premiums,
17 hence, providing meaningful insight into the variance and standard deviation of
18 those returns / premiums.

19 **Q. PLEASE EXPLAIN THE DERIVATION OF PRPM MARKET EQUITY RISK**
20 **PREMIUM.**

21 A. The inputs to the model are the historical monthly returns on large company
22 common stocks from the SBBI – 2015 Market Report minus the monthly yields on

²⁴ Ibbotson® SBBI® 2015 Classic Yearbook – Market Results for Stocks, Bonds, Bills and Inflation 1926 – 2014, Morningstar, Inc., 2015 153.

1 Aaa and Aa corporate bonds during the period from January 1926 through
2 October 2015 (the latest available at the time of the preparation of this testimony),
3 consistent with the rationale for using of the long-term historical arithmetic market
4 equity risk premium discussed above. Using the previously discussed generalized
5 form of ARCH, known as GARCH, the market's projected equity risk premium was
6 determined using Eviews[®] statistical software. The resulting predicted market
7 equity risk premium based upon the PRPM of 7.06%.

8 **Q. PLEASE EXPLAIN THE DERIVATION OF A MARKET EQUITY RISK**
9 **PREMIUM BASED UPON VALUE LINE'S 3-5 YEAR ESTIMATED MEDIAN**
10 **TOTAL ANNUAL MARKET RETURN MINUS THE PROSPECTIVE YIELD ON**
11 **AAA RATED CORPORATE BONDS IN YOUR DEVELOPMENT OF A MARKET**
12 **EQUITY RISK PREMIUM FOR YOUR RPM ANALYSIS.**

13 A. Because both ratemaking and the cost of capital, including the cost rate of
14 common equity, are prospective, a prospective market equity risk premium is
15 essential. The derivation of the *Value Line* based forecasted or prospective
16 market equity risk premium of 7.60% can be found in Note 3 on page 8 of
17 Workpaper PMA-5. Consistent with the development of the dividend yield
18 component of my DCF analysis, it is derived from an average of the most recent
19 thirteen weeks ending December 4, 2015 3-5 year estimated median market
20 price appreciation potential by *Value Line* plus an average of the median
21 estimated dividend yield for the common stocks of the approximately 1,700 firms
22 covered in *Value Line's* Standard Edition.

23 The average median expected price appreciation is 47%, which translates

1 to a 10.11% annual appreciation and, when added to the average (similarly
2 calculated) median dividend yield of 2.28% equates to a forecasted annual total
3 return rate on the market as a whole of 12.39%. The forecasted total market
4 equity risk premium of 7.60%, shown on Line No. 3, page 8 of Workpaper PMA-
5 5, is derived by deducting the 4.79% prospective yield on Moody's Aaa rated
6 corporate bonds discussed previously from the *Value Line*-derived projected
7 market return of 12.39%²⁵.

8 **Q. PLEASE EXPLAIN THE DERIVATION OF THE MARKET EQUITY RISK**
9 **PREMIUM BASED UPON THE S&P 500.**

10 A. Using data from Bloomberg Professional Services, an expected total return for
11 the S&P 500 can be derived by adding the expected dividend yield for the S&P
12 500 to long-term growth in earnings per share as a proxy for capital appreciation.
13 The expected total return for the S&P 500 is 13.47%. Subtracting the
14 prospective yield on Moody's Aaa rated corporate bonds of 4.79% results in a
15 8.68%²⁶ projected market equity risk premium.

16 In arriving at my conclusion of market equity risk premium of 7.31%²⁷ on
17 Line No. 4 on page 8, I averaged the historical market equity risk premium of
18 5.89%; the PRPM based market equity risk premium of 7.06%; the *Value Line*-
19 based forecasted market equity risk premium of 7.60%; and, the S&P 500
20 projected market equity risk premium of 8.68% shown on Line Nos. 1 through 4.

21 **Q. WHAT IS YOUR CONCLUSION OF A BETA-DERIVED EQUITY RISK**
22 **PREMIUM FOR USE IN YOUR RPM ANALYSIS?**

²⁵ (7.60% = 12.39% - 4.79%).

1 A. As shown on page 1 of Workpaper PMA-6, the most current mean and median
2 *Value Line* betas for the eight water companies average 0.72. Applying a beta of
3 0.72 to the market equity risk premium of 7.31%, on Line No. 4 of page 8 of
4 Workpaper PMA-5, results in a beta adjusted equity risk premium of 5.26% for
5 the eight water companies.

6 **Q. HOW DID YOU DERIVE THE 3.97% EQUITY RISK PREMIUM BASED UPON**
7 **THE S&P UTILITY INDEX AND MOODY'S A RATED PUBLIC UTILITY**
8 **BONDS?**

9 A. First, I derived the long-term monthly arithmetic mean equity risk premium
10 between the S&P Utility Index total returns of 10.69% and monthly A rated public
11 utility bond yields of 6.67% from 1928-2014 to arrive at an equity risk premium of
12 4.02% as shown on Line No. 3 on page 11 of Workpaper PMA-5. I then
13 performed the PRPM using historical monthly equity risk premiums from January
14 1928 through October 2015 to arrive at the PRPM derived equity risk premium of
15 4.01% for the S&P Utility Index shown on Line No. 4, on page 11. Finally, I
16 derived the projected total return on the S&P Utilities Index using data from
17 Bloomberg Professional Services of 9.01%, identically to the projected total
18 return on the S&P 500 discussed above, and subtracting the prospective
19 Moody's A rated public utility bond yield of 5.12% from Line No. 3 on page 3 of
20 Workpaper PMA-5. The resulting equity risk premium is 3.89%

21 I rely upon the average of the historical (4.02%); the PRPM (4.01%) and

²⁶ (8.68% = 13.47% - 4.79%).

²⁷ (7.31% = ((5.89% + 7.06% + 7.60% + 8.68%) / 4).

1 S&P Utilities Index (3.89%) derived equity risk premiums, which is 3.97%²⁸.

2 **Q. WHAT IS YOUR CONCLUSION OF AN EQUITY RISK PREMIUM FOR USE IN**
3 **YOUR ADJUSTED TOTAL MARKET APPROACH RPM ANALYSIS?**

4 A. The equity risk premium applicable to the proxy group of eight water companies
5 is 4.62²⁹, derived by averaging the beta-derived premium of 5.26% with the
6 equity risk premium of 3.97% based upon the holding period returns of public
7 utilities with Moody's A rated bonds, as summarized on Line No. 3 on Workpaper
8 PMA-5, page 7.

9 **Q. WHAT IS THE INDICATED RPM COMMON EQUITY COST RATE BASED**
10 **UPON THE ADJUSTED TOTAL MARKET APPROACH?**

11 A. It is 9.93% for the eight water companies as shown on Line No. 7 on Workpaper
12 PMA-5 page 3.

13 **Q. WHAT ARE THE RESULTS OF YOUR APPLICATION OF THE PRPM AND**
14 **THE ADJUSTED TOTAL MARKET APPROACH RPM?**

15 A. As shown on page 1 of Workpaper PMA-5, the indicated RPM-derived common
16 equity cost rate is 10.42%³⁰, derived by averaging the PRPM results of 10.91%
17 with those of 9.93% based upon the adjusted total market approach.

18 **THE CAPITAL ASSET PRICING MODEL ("CAPM")**

19 **Q. PLEASE EXPLAIN THE THEORETICAL BASIS OF THE CAPM.**

20 A. CAPM theory defines risk as the covariability of a security's returns with the
21 market's returns as measured by beta (β). A beta less than 1.0 indicates lower
22 variability while a beta greater than 1.0 indicates greater variability than the

²⁸ (3.97% = ((4.02% + 4.01% + 3.89%) / 3).

1 market.

2 The CAPM assumes that all other risk, i.e., all non-market or unsystematic
3 risk, can be eliminated through diversification. The risk that cannot be eliminated
4 through diversification is called market or systematic risk. In addition, the CAPM
5 presumes that investors require compensation only for these systematic risks
6 that are the result of macroeconomic and other events that affect the returns on
7 all assets. The model is applied by adding a risk-free rate of return to a market
8 risk premium, which is adjusted proportionately to reflect the systematic risk of
9 the individual security relative to the total market as measured by beta. The
10 traditional CAPM model is expressed as:

11 $R_s = R_f + \beta(R_m - R_f)$

12
13 Where: R_s = Return rate on the common stock

14
15 R_f = Risk-free rate of return

16
17 R_m = Return rate on the market as a whole

18
19 β = Adjusted beta (volatility of the security
20 relative to the market as a whole)

21
22 Numerous tests of the CAPM have measured the extent to which
23 security returns and betas are related as predicted by the CAPM confirming its
24 validity. The empirical CAPM ("ECAPM") reflects the reality that while the results
25 of these tests support the notion that beta is related to security returns, the
26 empirical Security Market Line ("SML") described by the CAPM formula is not as
27 steeply sloped as the predicted SML.³¹ Morin³² states:

29 (4.62% = (5.26% + 3.97%) / 2).

30 (10.42% = ((10.91% + 9.93%) / 2).

31 Morin 175.

1 With few exceptions, the empirical studies agree that ... low-beta
2 securities earn returns somewhat higher than the CAPM would
3 predict, and high-beta securities earn less than predicted.

4 * * *

5
6
7 Therefore, the empirical evidence suggests that the expected
8 return on a security is related to its risk by the following
9 approximation:

$$10 \quad K = R_F + x \beta(R_M - R_F) + (1-x) \beta(R_M - R_F)$$

11
12 where x is a fraction to be determined empirically. The value of x
13 that best explains the observed relationship $\text{Return} = 0.0829 +$
14 0.0520β is between 0.25 and 0.30. If $x = 0.25$, the equation
15 becomes:
16

$$17 \quad K = R_F + 0.25(R_M - R_F) + 0.75 \beta(R_M - R_F)^{33}$$

18
19
20 In view of theory and practical research, I have applied both the traditional
21 CAPM and the ECAPM to the companies in the proxy group and averaged the
22 results.

23 **Q. PLEASE DESCRIBE YOUR SELECTION OF THE BETA COEFFICIENT FOR**
24 **YOUR CAPM ANALYSIS?**

25 A. I relied upon an average of the adjusted betas published by the *Value Line* and
26 provided by Bloomberg Professional Services.

27 **Q. PLEASE DESCRIBE YOUR SELECTION OF A RISK-FREE RATE OF RETURN**
28 **FOR YOUR CAPM ANALYSIS.**

29 A. As shown in column [3] Workpaper PMA-6, the risk-free rate adopted for both
30 applications of the CAPM is 3.70%. The risk-free rate for my CAPM analysis is

32 Morin 175.

33 Morin 190.

1 based upon the average of the consensus forecast for the six quarters ending
2 with the first calendar quarter of 2017 from the December 1, 2015 *Blue Chip*
3 averaged with the long-range forecasts for 2017-2021 and 2022-2026 also from
4 the December 1, 2015 *Blue Chip*, as shown in Note 2.

5 **Q. WHY IS THE YIELD ON LONG-TERM U.S. TREASURY BONDS**
6 **APPROPRIATE FOR USE AS THE RISK-FREE RATE?**

7 A. The yield on long-term U.S. Treasury T-Bonds is almost risk-free and its term is
8 consistent with the long-term cost of capital to public utilities measured by the
9 yields on A rated public utility bonds, the long-term investment horizon inherent
10 in utilities' common stocks, the long-term investment horizon presumed in the
11 standard DCF model employed in regulatory ratemaking, and the long-term life
12 of the jurisdictional rate base to which the allowed fair rate of return (i.e., cost of
13 capital) will be applied. In contrast, short-term U.S. Treasury yields are more
14 volatile and largely a function of Federal Reserve monetary policy.

15 **Q. PLEASE EXPLAIN THE ESTIMATION OF THE EXPECTED EQUITY RISK**
16 **PREMIUM FOR THE MARKET.**

17 A. The basis of the market equity risk premium is explained in detail in Note 1 of
18 Workpaper PMA-6. It is derived from *Value Line's* 3-5 year median total market
19 price appreciation projections averaged over the most recent thirteen weeks
20 ending December 4, 2015; the arithmetic mean monthly equity risk premiums of
21 large company common stocks relative to long-term U.S. Treasury bond income
22 yields from SBBI – 2015 Market Report from 1926-2014; the PRPM predicted
23 market equity risk premium using monthly equity risk premiums for large

1 company common stocks relative to long-term U.S. Treasury securities from
2 January 1926 through October 2015 (the latest available at the time of the
3 preparation of this testimony); and, the projected total return on the S&P 500
4 less the projected risk free rate as detailed below and in Note 1 on of Workpaper
5 PMA-6.

6 The *Value Line*-derived forecasted total market equity risk premium is
7 derived by deducting the 3.70% risk-free rate discussed above from the *Value*
8 *Line* projected total annual market return of 12.39%, also discussed above,
9 resulting in a forecasted total market equity risk premium of 8.69%³⁴.

10 The long-term income return on U.S. Government Securities of 5.23%
11 was deducted from the SBBI – 2015 Market Report monthly historical total
12 market return of 12.07% resulting in an historical market equity risk premium of
13 6.84%.³⁵

14 The PRPM market equity risk premium is 7.94%, derived using the PRPM,
15 discussed above, relative to the yields on long-term U.S. Treasury securities
16 from January 1926 through October 2015 (the latest available at the time of the
17 preparation of this testimony).

18 The S&P 500 projected market equity risk premium of 9.77% is derived by
19 subtracting the 3.70% projected risk-free rate, discussed above, from the
20 projected total return of 13.47%, also discussed above.³⁶

21 These four market equity risk premiums result in an average total market

³⁴ (8.69% = 12.39% - 3.70%).

³⁵ (6.84% = 12.07% - 5.23%).

³⁶ (9.77% = 13.47% - 3.70%),

1 equity risk premium of 8.31%.³⁷

2 **Q. WHAT ARE THE RESULTS OF YOUR APPLICATION OF THE TRADITIONAL**
3 **AND EMPIRICAL CAPM TO THE PROXY GROUP?**

4 A. As shown on Workpaper PMA-6, page 1, the mean traditional CAPM cost rate is
5 9.62% while the mean ECAPM result is 10.22%. The median traditional CAPM
6 cost rate is 9.64% while the median ECAPM cost rate is 10.23%. Consistent
7 with my reliance upon the average of the mean and median results of the DCF
8 discussed above, I rely upon the average of the mean and median results of the
9 traditional CAPM and ECAPM for the proxy group, 9.92% and 9.94%,
10 respectively, or 9.93% as shown on column [6] on page 1 of Workpaper PMA-
11 6.³⁸

12 **COMMON EQUITY COST RATES FOR THE PROXY GROUP OF DOMESTIC, NON-**
13 **PRICE REGULATED COMPANIES BASED UPON THE DCF, RPM AND CAPM**

14 **Q. PLEASE DESCRIBE THE BASIS OF APPLYING COST OF COMMON EQUITY**
15 **MODELS TO COMPARABLE RISK, NON-PRICE REGULATED COMPANIES.**

16 A. Applying cost of common equity models to non-price regulated companies,
17 comparable in total risk, is derived from the “*corresponding risk*” standard of the
18 landmark cases of the U.S. Supreme Court, i.e., *Hope* and *Bluefield*, previously
19 discussed. Therefore, it is consistent with the *Hope* doctrine that the return to
20 the equity investor should be commensurate with returns on investments in other
21 firms having corresponding risks based upon the fundamental economic concept
22 of opportunity cost which maintains that the true cost of an investment is equal to

³⁷ (8.31% = ((8.69% + 6.84% + 7.94% + 9.77%) / 4).

1 the cost of the best available alternative use of the funds to be invested. The
2 opportunity cost principle is also consistent with one of the fundamental
3 principles upon which regulation rests: that regulation is intended to act as a
4 surrogate for competition and to provide a fair rate of return to investors.

5 The first step in determining such an opportunity cost of common equity
6 based upon a group of non-price regulated companies comparable in total risk to
7 the eight water companies is to choose an appropriate broad-based proxy group
8 of non-price regulated firms comparable in total risk to the proxy group of eight
9 water companies which excludes utilities to avoid circularity.

10 The selection criteria for the non-price regulated firms of comparable risk
11 are based upon statistics derived from the market prices paid by investors. *Value*
12 *Line* betas were used as a measure of systematic risk. The standard error of the
13 regression was used as a measure of each firm's unsystematic or specific risk
14 with the standard error of the regression reflecting the extent to which events
15 specific to a company's operations affect its stock price. In essence, companies
16 which have similar betas and standard errors of the regression, have similar total
17 investment risk. Using a *Value Line* proprietary database dated June 2015, the
18 application of these criteria based upon the eight water companies results in a
19 proxy group of non-price regulated firms comparable in total risk to the average
20 water company in the proxy group of eight water companies as explained on
21 page 1 and derived on page 2 of Workpaper PMA-7. Page 3 provides the
22 identities of the companies in the proxy group of non-price regulated companies.

³⁸ (9.93% = (9.92% + 9.94%) / 2).

1 **Q. DID YOU CALCULATE COMMON EQUITY COST RATES USING THE DCF,**
2 **RPM AND CAPM FOR THE PROXY GROUP OF DOMESTIC, NON-PRICE**
3 **REGULATED COMPANIES THAT ARE COMPARABLE IN TOTAL RISK TO**
4 **THE UTILITY PROXY GROUP?**

5 A. Yes. Because the DCF, RPM and CAPM have been applied in an identical
6 manner as described above relative to the market data of the eight water
7 companies, I will not repeat the details of the rationale and application of each
8 model shown on page 1 of Workpaper PMA-8. An exception is that, in the
9 application of the RPM, I did not use public utility-specific equity risk premiums
10 nor apply the PRPM to the individual companies.

11 Page 2 of Workpaper PMA-8 contains the derivation of the DCF cost rates.
12 As shown, the average of the mean and median DCF cost rates for the proxy
13 group of twenty non-price regulated companies comparable in total risk to the
14 eight water companies, is 11.99%.

15 Pages 3 through 5 of Workpaper PMA-8 contain information relating to the
16 11.23% RPM cost rate for the proxy group of twenty non-price regulated
17 companies summarized on page 3. As shown on Line No. 1 of page 3, the
18 consensus prospective yield on Moody's Baa rated corporate bonds of 5.86% is
19 based upon the forecasted yields for the six quarters ending with the first quarter
20 of 2017 from the December 1, 2015 *Blue Chip*, averaged with the long-range
21 forecasted yields for 2017-2021 and 2022-2026 also from the December 1, 2015
22 *Blue Chip*. Since the twenty non-price regulated companies comparable in total
23 risk to the eight water companies have an average Moody's long-term issuer

1 rating of Baa1 as shown on page 4 of Workpaper PMA-8, a downward adjustment
2 of 0.33% is necessary to make the prospective bond yield applicable to the Baa1
3 corporate bond yield. Thus, the expected specific bond yield is 5.53% for the
4 twenty non-price regulated companies as shown on Line No. 3 on page 3 of
5 Workpaper PMA-8. When the beta-adjusted risk premium of 5.70% relative to the
6 proxy group of non-price regulated companies, as derived on page 5, is added to
7 the prospective Baa rated corporate bond yields of 5.53%, the indicated RPM cost
8 rate is 11.23%.

9 Page 6 of Workpaper PMA-8 contains the details of the application of the
10 traditional CAPM and ECAPM to the proxy group of twenty non-price regulated
11 companies comparable in total risk to the eight water companies. As shown, the
12 mean and median traditional CAPM and ECAPM results are 10.33% and 10.38%,
13 for the twenty non-price regulated companies which, when averaged, result in an
14 indicated CAPM cost rate of 10.36%³⁹.

15 **Q. WHAT IS YOUR CONCLUSION OF THE COST RATE OF COMMON EQUITY**
16 **BASED UPON THE PROXY GROUP OF NON-PRICE REGULATED**
17 **COMPANIES COMPARABLE IN TOTAL RISK TO THE EIGHT WATER**
18 **COMPANIES?**

19 A. As shown on page 1 of Workpaper PMA-8, the results of the DCF, RPM and
20 CAPM applied to the non-price regulated group comparable in total risk to the
21 eight water companies are 11.99%, 11.23% and 10.36%, respectively. Based
22 upon these results, I will rely upon the average of the mean and median results

³⁹ (10.36% = (10.33% + 10.38%) / 2).

1 of the three models, which is 11.21% for the proxy group of non-price regulated
2 companies as summarized on page 1 of Workpaper PMA-8.

3 **CONCLUSION OF COMMON EQUITY COST RATE**

4 **Q. WHAT IS YOUR RECOMMENDED COMMON EQUITY COST RATE?**

5 A. It is 10.40% based upon the indicated common equity cost rate resulting from
6 the application of multiple cost of common equity models to the eight water
7 companies adjusted for SWDE's business risk.

8 As discussed above, I employ multiple cost of common equity models as
9 primary tools in arriving at my recommended common equity cost rate because:

10 1) no single model is so inherently precise that it can be relied upon solely to the
11 exclusion of other theoretically sound models; 2) all of the models are market-
12 based; 3) the use of multiple models adds reliability to the estimation of the
13 common equity cost rate; and 4) the prudence of using multiple cost of common
14 equity models is supported in both the financial literature and regulatory
15 precedent. Therefore, no single model should be relied upon exclusively to
16 estimate the investor required rate of return on common equity.

17 The results of the cost of common equity models applied to the eight
18 water companies are shown on Workpaper PMA-1, and summarized below:

1 Table 3

	Proxy Group of Eight Water Companies
2	
3	
4	
5	
6	
7	8.51%
8	10.42
9	9.93
10	
11	
12	
13	<u>11.21%</u>
14	
15	
16	10.10%
17	
18	<u>0.50%</u>
19	
20	10.40%
21	
22	<u>10.40%</u>

23 **BUSINESS RISK ADJUSTMENT**

24 **Q. DOES SWDE FACE ANY UNIQUE BUSINESS RISK RELATIVE TO THE**
 25 **PROXY GROUP?**

26 A. Yes. SWDE is smaller than the average company in the proxy group of eight
 27 water companies based upon estimated market capitalization. As shown on
 28 Workpaper PMA-9, page 1, SWDE's estimated market capitalization of \$113.262
 29 billion is lower than the average market capitalization of the proxy water group,
 30 \$2.496 billion at November 30, 2015.

31 Consequently, SWDE has greater relative business risk because, all else
 32 being equal, size has a bearing on risk. Since investors demand a higher return
 33 in compensation for assuming greater risk, SWDE's greater relative business risk

1 must be reflected in the cost of common equity derived from the market data of
2 the less business risky proxy companies in the proxy group.

3 **Q. HOW DOES A COMPANY'S SIZE HAVE A BEARING ON BUSINESS RISK?**

4 A. Size has a bearing in business risk and thus, the investor required common
5 equity cost rate because smaller companies are simply less able to cope with
6 significant events that affect sales, revenues and earnings. For example, smaller
7 companies face more risk exposure to business cycles and economic conditions,
8 both nationally and locally. Additionally, the loss of revenues from a few larger
9 customers would have a greater effect on a small company than on a much
10 bigger company with a larger, more diverse, customer base.

11 Further evidence that smaller firms are more risky is the fact that investors
12 demand greater returns to compensate for the lack of marketability and liquidity
13 of the securities of smaller firms. The fact that it is the use of funds invested,
14 and not the source of those funds, which gives rise to the risk of any investment
15 is a basic financial principle.⁴⁰

16 Brigham⁴¹ states:

17 A number of researchers have observed that portfolios of small-
18 firms have earned consistently higher average returns than those
19 of large-firms stocks; this is called "small-firm effect." On the
20 surface, it would seem to be advantageous to the small firms to
21 provide average returns in a stock market that are higher than
22 those of larger firms. In reality, it is bad news for the small firm;
23 what *the small-firm effect means is that the capital market demands*
24 *higher returns on stocks of small firms than on otherwise similar*
25 *stocks of the large firms.* (italics added)
26

⁴⁰ Brealey, Richard A. and Myers, Stewart C., Principles of Corporate Finance (McGraw-Hill Book Company, 1996) 204-205, 229.

⁴¹ Brigham, Eugene F., Fundamentals of Financial Management, Fifth Edition (The Dryden Press, 1989) 623.

1 Consistent with the financial principle of risk and return discussed above,
2 such increased risk due to small size must be taken into account in the allowed
3 rate of return on common equity. Therefore, the Commission should authorize a
4 cost of equity in this proceeding that appropriately reflects SWDE's relevant
5 unique risks, including the impact of its small size.

6 **Q. IS THERE A WAY TO QUANTIFY A BUSINESS RISK ADJUSTMENT DUE TO**
7 **SWDE'S SMALL SIZE RELATIVE TO THE PROXY GROUP?**

8 A. Yes. As discussed above, increased risk due to small size must be taken into
9 account in the derivation of the cost of common equity consistent with the
10 financial principle of risk and return. Since the Company is smaller in size
11 relative to the proxy group, measured by the estimated market capitalization of
12 common equity for SWDE, whose common stock is not traded, it has greater
13 business risk than the average company in the proxy group.

14 Table 4

	<u>Market</u> <u>Capitalization(1)</u> (\$ Millions)	<u>Times</u> <u>Greater than</u> <u>the Company</u>
21 SUEZ Water 22 Delaware Inc.	\$113.262	
24 Proxy Group of Eight 25 Water Companies	\$2,496.434	22.0x

26
27 (1) From page 1 of Workpaper PMA-9.
28

29 As derived on page 2 of Workpaper PMA-9, SWDE's estimated market
30 capitalization based upon the proxy group's November 30, 2015 market-to-book

1 ratio was \$113.262 billion. In contrast, the market capitalization of the average
2 water company was \$2.496 billion on November 30, 2015, or 22.0 times the size
3 of SWDE's market capitalization.

4 Therefore, it is necessary to upwardly adjust the indicated common equity
5 cost rate of 10.10% based upon the eight water companies to reflect SWDE's
6 greater risk due to its smaller relative size. The determination is based upon the
7 size premiums for decile portfolios of New York Stock Exchange (NYSE),
8 American Stock Exchange (AMEX) and NASDAQ listed companies for the 1926-
9 2014 period and related data from Duff & Phelps 2015 Valuation Handbook
10 Guide to Cost of Capital – Market Results through 2014 (D&P – 2015). The size
11 premium for the 6th decile (1.74%) in which the eight water companies fall has
12 been compared with the size premium for the 10th decile (5.78%) in which the
13 estimated market capitalization of SWDE falls. As shown on page 1, the size
14 premium spread between the 10th and 6th deciles is 4.04%. In view of the
15 foregoing, I am recommending a business risk adjustment of 0.50% to reflect
16 SWDE's smaller size relative to the proxy. In my opinion, a business risk
17 adjustment of 0.50% is both reasonable and conservative.

18 After adjustment, the indicated common equity cost rate is 10.40%, which
19 when rounded to 10.40% is my recommended common equity cost rate
20 applicable to SWDE which demonstrates that SWDE's request for a return on
21 common equity of 10.25% is both reasonable and conservative and should be
22 authorized by this Commission.

23 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

1 A. Yes.

Pauline M. Ahern, CRRA
Partner
Sussex Economic Advisors, LLC

Ms. Ahern has served as a consultant for investor-owned and municipal utilities and authorities for 27 years. As a Certified Rate of Return Analyst (CRRA), she has extensive experience in rate of return analyses, including the development of ratemaking capital structure ratios, senior capital cost rates, and the cost rate of common equity for regulated public utilities. She has testified as an expert witness before 29 regulatory commissions and one Canadian province.

She also maintains the benchmark index against which the American Gas Association's (AGA) Mutual Fund performance is measured. Ms. Ahern has also served as President of the Society of Utility Regulatory and Financial Analysts (SURFA) from 2006-2010 and now sits on its Board of Directors. SURFA is a non-profit organization founded to promote the education and understanding of rate of return analysis which represents utility financial analysts in government, the financial community, industry and academia. She also serves on the Finance/Accounting/Taxation Committees of the National Association of Water Companies. Ms. Ahern is also a member of the Advisory Council, Financial Research Institute, University of Missouri - Robert J. Trulaske, Sr. School of Business. She is also a member of Edison Electric Institute's Cost of Capital Working Group.

PROFESSIONAL HISTORY

Sussex Economic Advisors, LLC (2015 – Present)

Partner

AUS Consultants (1988 – 2015)

Principal

- Offered testimony as an expert witness on the subjects of fair rate of return, cost of capital and related issues before state public utility commissions.
- Provided assistance and support to clients throughout the entire ratemaking litigation process; supervision of the financial analyst and administrative staff in the preparation of fair rate of return and cost of capital testimonies and exhibits which are filed along with expert testimony before various state and federal public utility regulatory bodies as well as the preparation of interrogatory responses, as well as rebuttal exhibits.
- Responsible for the production, publishing, and distribution of the AUS Utility Reports (formerly C. A. Turner Utility Reports), which has provided financial data and related ratios for about 80 public utilities (*i.e.*, electric, combination gas and electric, natural gas distribution, natural gas transmission, telephone, and water utilities, on a monthly, quarterly and annual basis) since 1930. Subscribers include utilities, many state regulatory commissions, federal agencies, individuals, brokerage firms, attorneys, as well as public and academic libraries.
- Responsible for maintaining and calculating the performance of the AGA Index, a market capitalization weighted index of the common stocks of the approximately 70 corporate members of the AGA, which serves as the benchmark for the AGA Gas Utility Index Fund.

Assistant Vice President

- Prepared fair rate of return and cost of capital exhibits which were filed along with expert testimony before various state and federal public utility regulatory bodies; supporting exhibits include the determination of an appropriate ratemaking capital structure and the development of embedded cost rates of senior capital and also support the determination of a recommended return on common equity through the use of various market models, such as, but not limited to, Discounted Cash Flow analysis, Capital Asset Pricing Model and Risk

Premium Methodology, as well as an assessment of the risk characteristics of the client utility.

- Assisted in the preparation of responses to any interrogatories received regarding such testimonies filed on behalf of client utilities. Following the filing of fair rate of return testimonies, assisted in the evaluation of opposition testimony in order to prepare interrogatory questions, areas of cross-examination, and rebuttal testimony and evaluated and assisted in the preparation of briefs and exceptions following the hearing process.
- Submitted testimony before state public utility commissions regarding appropriate capital structure ratios and fixed capital cost rates.

Senior Financial Analyst

- Supervised two analysts and assisted in the preparation of fair rate of return and cost of capital exhibits which are filed along with expert testimony before various state and federal public utility regulatory bodies; the team also assisted in the preparation of interrogatory responses.
- Evaluated the final orders and decisions of various commissions to determine whether further actions were warranted and to gain insight which assisted in the preparation of future rate of return studies.
- Assisted in the preparation of an article authored by Frank J. Hanley and A. Gerald Harris entitled "Does Diversification Increase the Cost of Equity Capital?" published in the July 15, 1991 issue of Public Utilities Fortnightly.

Administrator of Financial Analysis for AUS Utility Reports

- Oversaw the preparation of this monthly publication, as well as the accompanying annual publication, Financial Statistics - Public Utilities.

Financial Analyst

- Assisted in the preparation of fair rate of return studies including capital structure determination, development of senior capital cost rates, determination of an appropriate rate of return on equity, preparation of interrogatory responses, interrogatory questions of the opposition, areas of cross-examination and rebuttal testimony, as well as preparation of the annual publication C. A. Turner Utility Reports - Financial Statistics - Public Utilities.

Research Dept. of the Regional Economics Division of the Federal Reserve Bank of Boston (1973 – 1975)

Research Assistant

- Involved in the development and maintenance of econometric models to simulate regional economic conditions in New England in order to study the effects of, among other things, the energy crisis of the early 1970's and property tax revaluations on the economy of New England. I was also involved in the statistical analysis and preparation of articles for the New England Economic Review. Also, I was Assistant Editor of New England Business Indicators.

Office of the Assistant Secretary for International Affairs, U.S. Treasury Department, Washington, D.C. (1972)

Research Assistant

- Developed and maintained econometric models which simulated the economy of the United States in order to study the results of various alternate foreign trade policies so that national trade policy could be formulated and recommended.

EDUCATION

M.B.A., Rutgers University, High Honors, 1991
B.A., Clark University, Honors, 1973

DESIGNATIONS AND PROFESSIONAL AFFILIATIONS

Advisory Council

Financial Research Institute
University of Missouri's Trulaske School of Business

Edison Electric Institute

Cost of Capital Working Group

National Association of Water Companies

Member of the Finance/Accounting/Taxation and Rates and Regulation Committees

Society of Utility and Regulatory Financial Analysts

Member, Board of Directors – 2010-2014 President – 2006-2008 and 2008-2010

Secretary/Treasurer – 2004-2006

American Finance Association

Financial Management Association

SPEAKING ENGAGEMENTS

"Leadership in the Financial Services Sector", Guest Professor – Cost of Capital, Business Leader Development Program, Rutgers University School of Business, February 20, 2015, Camden, NJ.

"ROE: Trends & Analysis", American Gas Association, AGA Mini-Forum for the Financial Analysts Community & Finance Committee Meeting, September 11, 2014, The Princeton Club, New York, NY.

Guest Professor, "Measuring Risk", Asset Supervision and Administration Commission of the State Council of the Peoples' Republic of China, Rutgers School of Business, July 21, 2014, New Brunswick, NJ.

Instructor, "Cost of Capital 101", EPCOR Water America, Inc., Regulatory Management Team, June 9, 2014, Phoenix, AZ.

Moderator: Society of Utility Financial Analysts: 46th Financial Forum – "The Rating Agencies' Perspectives: Regulatory Mechanisms and the Regulatory Compact", April 22-25, 2014, Indianapolis, IN.

"The Return on Equity Debate: Its Impact on Budgeting and Investment and Wall Street's View of Risk", National Association of Water Companies – 2014 Indiana Chapter Water Summit, March 13, 2014, Indianapolis, IN.

"Regulatory Training in Financing, Planning, Strategies and Accounting Issues for Publicly- and Privately-Owned Water and Wastewater Utilities", New Mexico State University Center for Public Utilities, October 13-18, 2013, Instructor (Cost of Capital).

"Regulated Utilities – Access to Capital", (panelist) - Innovation: Changing the Future of Energy, 2013 Deloitte Energy Conference, Deloitte Center for Energy Solutions, May 22, 2013, Washington, DC.

"Comparative Evaluation of the Predictive Risk Premium Model, the Discounted Cash Flow Model and the Capital Asset Pricing Model for Estimating the Cost of Common Equity", (co-presenter with Richard A. Michelfelder, Ph.D., Rutgers University) – Advanced Workshop in Regulation and Competition, 32nd Annual Eastern Conference of the Center for Research in Regulated Industries (CRRI), May 17, 2013, Rutgers University, Shawnee on the Delaware, PA.

“Decoupling: Impact on the Risk and Cost of Common Equity of Public Utility Stocks”, before the Society of Utility and Regulatory Financial Analysts: 45th Financial Forum, April 17-18, 2013, Indianapolis, IN.

“Issues Surrounding the Determination of the Allowed Rate of Return”, before the Staff Subcommittee on Electricity of the National Association of Regulatory Utility Commissioners, Winter 2013 Committee Meetings, February 3, 2013, Washington, DC.

“Leadership in the Financial Services Sector”, Guest Professor – Cost of Capital, Business Leader Development Program, Rutgers University School of Business, February 1, 2013, Camden, NJ.

“Analyst Training in the Power and Gas Sectors”, SNL Center for Financial Education, Downtown Conference Center at Pace University, New York City, December 12, 2012, Instructor (Financial Statement Analysis).

“Regulatory Training in Financing Planning, Strategies and Accounting Issues for Publicly and Privately Owned Water and Wastewater Utilities”, New Mexico State University Center for Public Utilities, October 14-19, 2012, Instructor (Cost of Financial Capital).

“Application of a New Risk Premium Model for Estimating the Cost of Common Equity”, Co-Presenter with Dylan W. D’Ascendis, CRRA, AUS Consultants, Edison Electric Institute Cost of Capital Working Group, October 3, 2012, Webinar.

“Application of a New Risk Premium Model for Estimating the Cost of Common Equity”, Co-Presenter with Dylan W. D’Ascendis, CRRA, AUS Consultants, Staff Subcommittee on Accounting and Finance of the National Association of Regulatory Commissioners, September 10, 2012, St. Paul, MN.

“Analyst Training in the Power and Gas Sectors”, SNL Center for Financial Education, Downtown Conference Center at Pace University, New York City, August 7, 2012, Instructor (Financial Statement Analysis).

“Advanced Regulatory Training in Financing Planning, Strategies and Accounting Issues for Publicly and Privately Owned Water and Wastewater Utilities”, New Mexico State University Center for Public Utilities, May 13-17, 2012, Instructor (Cost of Financial Capital).

“A New Approach for Estimating the Equity Risk Premium Applied to Public Utilities”, before the Finance and Regulatory Committees of the National Association of Water Companies, March 29, 2012, Telephonic Conference.

“A New Approach for Estimating the Equity Risk Premium Applied to Public Utilities”, (co-presenter with Frank J. Hanley, Principal and Director, AUS Consultants) before the Water Committee of the National Association of Regulatory Utility Commissioners’ Winter Committee Meetings, February 7, 2012, Washington, DC.

“A New Approach for Estimating the Equity Risk Premium Applied to Public Utilities”, (co-presenter with Richard A. Michelfelder, Ph.D., Rutgers University and Frank J. Hanley, Principal and Director, AUS Consultants) before the Wall Street Utility Group, December 19, 2011, New York City, NY.

“Advanced Cost and Finance Issues for Water”, (co-presenter with Gary D. Shambaugh, Principal & Director, AUS Consultants), 2011 Advanced Regulatory Studies Program – Ratemaking, Accounting and Economics, September 29, 2011, Kellogg Center at Michigan State University – Institute for Public Utilities, East Lansing, MI.

“Public Utility Betas and the Cost of Capital”, (co-presenter with Richard A. Michelfelder, Ph.D., Rutgers University) – Advanced Workshop in Regulation and Competition, 30th Annual Eastern Conference of the Center for Research in Regulated Industries (CRRRI), May 20, 2011, Rutgers University, Skytop, PA.

Moderator: Society of Utility and Regulatory Financial Analysts: 43rd Financial Forum – “Impact of Cost Recovery Mechanisms on the Perception of Public Utility Risk”, April 14-15, 2011, Washington, DC.

“A New Approach for Estimating the Equity Risk Premium for Public Utilities”, (co-presenter with Richard A. Michelfelder, Ph.D., Rutgers University) – Hot Topic Hotline Webinar, December 3, 2010, Financial Research Institute of the University of Missouri.

“A New Approach for Estimating the Equity Risk Premium for Public Utilities”, (co-presenter with Richard A. Michelfelder, Ph.D., Rutgers University) before the Indiana Utility Regulatory Commission Cost of Capital Task Force, September 28, 2010, Indianapolis, IN.

Tomorrow’s Cost of Capital: Cost of Capital Issues 2010, Deloitte Center for Energy Solutions, 2010 Deloitte Energy Conference, “Changing the Great Game: Climate, Customers and Capital”, June 7-8, 2010, Washington, DC.

“A New Approach for Estimating the Equity Risk Premium for Public Utilities”, (co-presenter with Richard A. Michelfelder, Ph.D., Rutgers University) – Advanced Workshop in Regulation and Competition, 29th Annual Eastern Conference of the Center for Research in Regulated Industries (CRRI), May 20, 2010, Rutgers University, Skytop, PA.

Moderator: Society of Utility and Regulatory Financial Analysts: 42nd Financial Forum – “The Changing Economic and Capital Market Environment and the Utility Industry”, April 29-30, 2010, Washington, DC.

“A New Model for Estimating the Equity Risk Premium for Public Utilities” (co-presenter with Richard A. Michelfelder, Ph.D., Rutgers University) – Spring 2010 Meeting of the Staff Subcommittee on Accounting and Finance of the National Association of Regulatory Utility Commissioners, March 17, 2010, Charleston, SC.

“New Approach to Estimating the Cost of Common Equity Capital for Public Utilities” (co-presenter with Richard A. Michelfelder, Ph.D., Rutgers University) - Advanced Workshop in Regulation and Competition, 28th Annual Eastern Conference of the Center for Research in Regulated Industries (CRRI), May 14, 2009, Rutgers University, Skytop, PA.

Moderator: Society of Utility and Regulatory Financial Analysts: 41st Financial Forum – “Estimating the Cost of Capital in Today’s Economic and Capital Market Environment”, April 16-17, 2009, Washington, DC.

“Water Utility Financing: Where Does All That Cash Come From?”, AWWA Pre-Conference Workshop: Water Utility Ratemaking, March 25, 2008, Atlantic City, NJ.

PAPERS

“Comparative Evaluation of the Predictive Risk Premium Model™, the Discounted Cash Flow Model and the Capital Asset Pricing Model”, co-authored with Richard A. Michelfelder, Ph.D., Rutgers University, Dylan W. D’Ascendis, and Frank J. Hanley, *The Electricity Journal*, May, 2013 (forthcoming).

“A New Approach for Estimating the Equity Risk Premium for Public Utilities”, co-authored with Frank J. Hanley and Richard A. Michelfelder, Ph.D., Rutgers University, *The Journal of Regulatory Economics* (December 2011), 40:261-278.

“Comparable Earnings: New Life for Old Precept” co-authored with Frank J. Hanley, *Financial Quarterly Review*, (American Gas Association), Summer 1994.

SPONSOR	DATE	CASE/APPLICANT	DOCKET No.	SUBJECT
Arizona Corporation Commission				
Arizona Water Company	08/15	Arizona Water Company	W-01445A-15-0277	Return on Equity
EPCOR Water Arizona, Inc.	03/14	EPCOR Water Arizona, Inc.	WS-01303A-14-0010	Return on Equity
Arizona Water Company	04/12	Arizona Water Company - Eastern Group	W-01445A-11-0310	DSIC Mechanism - Credit Quality; Return on Equity
Chaparral City Water Company	04/13	Chaparral City Water Company	W-02113A-13-118	Return on Equity
Arizona Water Company	08/12	Arizona Water Company - Northern Group	W-01445A-12-0348	Return on Equity
Bermuda Water Co.	09/11	Bermuda Water Co.	W-01812A-10-0521	Return on Equity
Arkansas Public Service Commission				
United Water Arkansas, Inc.	03/10	United Water Arkansas, Inc.	09-130-U	Fair Rate of Return
United Water Arkansas, Inc.	12/06	United Water Arkansas, Inc.	06-160-U	Fair Rate of Return
United Water Arkansas, Inc.	09/03	United Water Arkansas, Inc.	03-161-U	Return on Equity
Arkansas Western Gas Company d/b/a Associated Natural Gas Company	02/97	Associated Natural Gas Company	97-019-U	Capital Structure
Arkansas Western Gas Company	02/97	ANG Division – Arkansas	97-019-I	Capital Structure
Arkansas Western Gas Company	02/96	ANG Division – Arkansas	GR-97-272	Return on Equity
Arkansas Eastern Gas Company	02/96	Arkansas Western Gas Company	96-030-U	Capital Structure
British Columbia Utilities Commission				
Corix Utilities, Inc.	07/13	Corix Utilities, Inc.	Generic Cost of Capital Proceeding- Phase II	Return on Equity
Corix Utilities, Inc.	08/12	Corix Utilities, Inc.	Generic Cost of Capital Proceeding – Phase I	Return on Equity
California Public Utilities Commission				
San Gabriel Valley Water Company	05/12	San Gabriel Valley Water Company	12-05-002	Return on Equity
San Jose Water Company	05/09	San Jose Water Company	U-168-W	Return on Equity
San Jose Water Company	05/11	San Jose Water Company	U-168-W	Return on Equity
Thames RWE re: California-American Water Co.	05/02	Thames RWE re: California-American Water Co.	02-01-036	Return on Equity
Connecticut Department of Public Utility Control				
Aquarion Water Co. of Connecticut	03/13	Aquarion Water Co. of Connecticut	13-02-30	Return on Equity
Connecticut Water Company	01/10	Connecticut Water Company	09-12-11	Return on Equity
Aquarion Water Company	03/10	Aquarion Water Company	10-02-13	Return on Equity

United Water Connecticut	09/10	United Water Connecticut	10-09-08	Fair Rate of Return
United Water Connecticut	05/07	United Water Connecticut	07-05-44	Fair Rate of Return
Delaware Public Service Commission				
Artesian Water Company	04/08	Artesian Water Company	08-96	Fair Rate of Return
Artesian Water Company	04/14	Artesian Water Company	14-132	Fair Rate of Return
Tidewater Utilities, Inc.	11/13	Tidewater Utilities, Inc.	13-466	Return on Equity
Tidewater Utilities, Inc.	09/11	Tidewater Utilities, Inc.	11-397	Fair Rate of Return
Artesian Water Company	04/11	Artesian Water Company	11-207	Fair Rate of Return
United Water Delaware, Inc.	12/10	United Water Delaware, Inc.	10-421	Fair Rate of Return
United Water Delaware, Inc.	02/09	United Water Delaware, Inc.	09-60	Fair Rate of Return
Tidewater Utilities, Inc.	01/09	Tidewater Utilities, Inc.	09-29	Fair Rate of Return
Sussex Shores Water Company	10/07	Sussex Shores Water Company	07-278	Fair Rate of Return
United Water Delaware, Inc.	05/06	United Water Delaware, Inc.	06-174	Fair Rate of Return
Tidewater Utilities, Inc.	04/06	Tidewater Utilities, Inc.	06-145	Fair Rate of Return
Tidewater Utilities, Inc.	04/04	Tidewater Utilities, Inc.	04-152	Fair Rate of Return
Tidewater Utilities, Inc.	01/02	Tidewater Utilities, Inc.	02-28	Fair Rate of Return
Sussex Shores Water Company	11/99	Sussex Shores Water Company	99-576	Fair Rate of Return
Tidewater Utilities, Inc.	9/99	Tidewater Utilities, Inc.	99-446	Fair Rate of Return
Long Neck Water Company	01/99	Long Neck Water Company	99-31	Overall Rate of Return
United Water Delaware, Inc.	03/98	United Water Delaware	98-98	Return on Equity
United Water Delaware, Inc.	08/96	United Water Delaware, Inc.	96-164	Capital Structure and Fixed Capital Cost Rates
Florida Public Service Commission				
Utilities Inc.	08/08	Utilities Inc.	080006-WS	Fair Rate of Return
Utilities, Inc. of Florida	06/03	Utilities, Inc. of Florida	020071-WS	Fair Rate of Return
Hawaiian Public Utilities Commission				
GTE Hawaiian Telephone	10/96	GTE Hawaiian Telephone	95-0054	Common Equity Cost, Capital Structure and Storm Damage Cost Recovery
GTE Hawaiian Telephone	06/96	GTE Hawaiian Telephone	95-0051/94-0298	Self-Insurance Property Damage Reserve-Ratepayer Responsibility
Idaho Public Utility Commission				
United Water Idaho, Inc.	05/15	United Water Idaho, Inc.	UWI-W-15-01	State Property Tax Study
United Water Idaho, Inc.	08/11	United Water Idaho, Inc.	UWI-W-11-02	Fair Rate of Return

United Water Idaho, Inc.	11/04	United Water Idaho, Inc.	UWI-W-04-04	Fair Rate of Return
Illinois Commerce Commission				
Illinois-American Water Company	10/11	Illinois-American Water Company	11-0767	Return on Equity
Apple Canyon Utility Co. / Lake Wildwood Utilities Corp.	04/10	Apple Canyon Utility Co. / Lake Wildwood Utilities Corp.	09-0548/0549	Fair Rate of Return
Illinois American Water Company	05/09	Illinois American Water Company	09-0319	Return on Equity
Illinois-American Water Company	08/07	Illinois-American Water Company	07-0507	Return on Equity
Aqua Illinois, Inc.	02/06	Aqua Illinois, Inc. - Kankakee Water Division	06-0285	Return on Equity
Aqua Illinois	12/04	Aqua Illinois - Woodhaven Water & Sewer Divisions	05-0071	Return on Equity
Aqua Illinois	12/04	Aqua Illinois - Oak Run Water & Sewer Divisions	05-0072	Return on Equity
United Water Idaho, Inc.	11/04	United Water Idaho, Inc.	UWI-W-04-04	Fair Rate of Return
Aqua Illinois	05/04	Aqua Illinois - Vermillion Water Division	04-0442	Return on Equity
Aqua Illinois (formerly Consumers Ill. Water Co.)	05/03	Aqua Illinois (formerly Consumers Ill. Water Co.)	03-0403	Fair Rate of Return
Aqua Illinois (formerly Consumers Ill. Water Co.)	04/00	Aqua Illinois (formerly Consumers Ill. Water Co.)	00-0337, 00-0338, 00-0339	Return on Equity
Indiana Utility Regulatory Commission				
Indiana-American Water Company	01/14	Indiana-American Water Company	44450	Return on Equity
Pioneer Water LLC	10/13	Pioneer Water LLC	4434	Return on Equity
Utility Center, Inc.	03/10	Utility Center, Inc.	43874	Fair Rate of Return
Twin Lakes Utilities, Inc.	11/06	Twin Lakes Utilities, Inc.	43128	Fair Rate of Return
Utility Center, Inc.	08/07	Utility Center, Inc.	43331	Fair Rate of Return
Twin Lakes Utilities, Inc.	09/03	Twin Lakes Utilities, Inc.	42488	Fair Rate of Return
United Water West Lafayette, Inc.	01/97	United Water West Lafayette, Inc.	41046	Return on Equity
United Water Indiana, Inc.	01/97	United Water Indiana, Inc.	41047	Return on Equity
Iowa Utilities Board				
Iowa-American Water Company	04/11	Iowa-American Water Company	RPU-2011-0001	Return on Equity
Iowa-American Water Company	04/09	Iowa-American Water Company	RPU-2009-0004	Return on Equity
Iowa-American Water Company	08/07	Iowa-American Water Company	RPU-2007-0003	Return on Equity
Kentucky Public Service Commission				
Water Service Corp. of Kentucky	01/09	Water Service Corp. of Kentucky	2008-00563	Fair Rate of Return
Water Service Corp. of Kentucky	08/05	Water Service Corp. of Kentucky	2005-00325	Fair Rate of Return

Louisiana Public Service Commission				
Louisiana Water Service, Inc.	03/08	Louisiana Water Service, Inc.	U-30553	Fair Rate of Return
Maine Public Service Commission				
Maine Water Company	12/13	Maine Water Company – Camden & Rockland Division	2013-00362	Return on Equity
Consumers Maine Water Company	05/00	Consumers Maine Water Company	2000-96 & 2000-175	Return on Equity
Maryland Public Service Commission				
Greenridge Utilities, Inc.	05/03	Greenridge Utilities, Inc.	8962	Fair Rate of Return
Michigan Public Service Commission				
Alpena Power Company	05/09	Alpena Power Company	U-15935	Fair Rate of Return
Alpena Power Company	04/07	Alpena Power Company	U-15250	Fair Rate of Return
Alpena Power Company	07/99	Alpena Power Company	U-12000	Return on Equity
Missouri Public Service Commission				
Missouri Gas Energy	09/13	Missouri Gas Energy	GR-2014-0007	Return on Equity
Missouri-American Water Company	06/11	Missouri-American Water Company	WR-2011-0337 / SR-2011-0338	Fair Rate of Return
Missouri-American Water Company	10/09	Missouri-American Water Company	WR-2010-0131	Return on Equity
Missouri American Water Company	03/08	Missouri American Water Company	WR-2008-0311 / SR-2008-0312	Return on Equity
Missouri American Water Company	12/06	Missouri American Water Company	WR-2007-0216 / WR-2007-0217	Return on Equity
Missouri-American Water Company	05/03	Missouri-American Water Company	WR-2003-0500 & WC-2004-0168	Fair Rate of Return
Arkansas Western Gas Company	02/97	ANG Division – Missouri	GR-97-272	Capital Structure
New Hampshire Public Utilities Commission				
Aquarion Water Co. of New Hampshire, Inc.	03/13	Aquarion Water Co. of New Hampshire, Inc.	DW 12-085	Return on Equity
New Jersey Board of Public Utilities				
United Water New Jersey, Inc.	10/15	United Water New Jersey, Inc.	WR-15101177	Return on Equity
United Water Toms River, Inc.	02/15	United Water Toms River, Inc.	W-01303A-14-0010	Return on Equity
Atlantic City Sewerage Company	10/14	Atlantic City Sewerage Company	WR-14101263	Return on Equity
Aqua New Jersey, Inc.	01/14	Aqua New Jersey, Inc.	WR-14010019	Fair Rate of Return
Middlesex Water Company	11/13	Middlesex Water Company	WR-13111059	Return on Equity
United Water New Jersey, Inc.	03/13	United Water New Jersey, Inc.	WR-13030210	Fair Rate of Return
Jersey Central Power & Light Company	11/12	Jersey Central Power & Light Company	ER-12111052	Return on Equity

ATTACHMENT A
TESTIMONY LISTING OF PAULINE AHERN

United Water Toms River, Inc.	09/12	United Water Toms River, Inc.	WR-12090830	Fair Rate of Return
Pinelands Water Company	08/12	Pinelands Water Company	WR-12080735	Return on Equity
Pinelands Wastewater Company	08/12	Pinelands Wastewater Company	WR-12080734	Return on Equity
Middlesex Water Company	01/12	Middlesex Water Company	WR-12010027 / PUC 1653-2012	Fair Rate of Return
Aqua New Jersey, Inc.	12/11	Aqua New Jersey, Inc.	WR 11120859	Fair Rate of Return
The New Jersey Utilities Association	10/11	The New Jersey Utilities Association	PUC 07146-09 (OAL) / WO-090148 (BPU)	Return on Equity
United Water New Jersey, Inc.	07/11	United Water New Jersey, Inc.	WR-11070428	Fair Rate of Return
The Atlantic City Sewerage Company	04/11	The Atlantic City Sewerage Company	WR-11040247	Fair Rate of Return
United Water Great Gorge, Inc./United Water Vernon Sewerage, Inc.	10/10	United Water Great Gorge, Inc./United Water Vernon Sewerage, Inc.	WR-10100785	Fair Rate of Return
United Water New Jersey, Inc.	12/09	United Water New Jersey, Inc.	WR-09120987	Fair Rate of Return
Aqua New Jersey, Inc.	12/09	Aqua New Jersey, Inc.	WR-09121005	Fair Rate of Return
The Atlantic City Sewerage Company	11/09	The Atlantic City Sewerage Company	WR-09110940	Fair Rate of Return
United Water Toms River, Inc.	11/09	United Water Toms River, Inc.	WR-09110934	Fair Rate of Return
Middlesex Water Company	08/09	Middlesex Water Company	WR-0908066	Fair Rate of Return
United Water New Jersey, Inc.	09/08	United Water New Jersey, Inc.	WR-08090710	Fair Rate of Return
United Water West Milford, Inc.	09/08	United Water West Milford, Inc.	WR-08100928	Fair Rate of Return
United Water Arlington Hills, Inc.	09/08	United Water Arlington Hills, Inc.	WR-08100929	Fair Rate of Return
Applied Wastewater Management	08/08	Applied Wastewater Management	WR-08080550	Fair Rate of Return
Middlesex Water Company	04/08	Pinelands Water Company	WR-08040282	Return on Equity
United Water Toms River, Inc.	03/08	United Water Toms River, Inc.	R-WR-08030139	Fair Rate of Return
Aqua New Jersey, Inc.	12/07	Aqua New Jersey, Inc.	WR-07120955	Fair Rate of Return
The Atlantic City Sewerage Company	11/07	The Atlantic City Sewerage Company	WR-0007110866	Fair Rate of Return
Middlesex Water Company	04/07	Middlesex Water Company	PUCRL 05663-2007N	Fair Rate of Return
United Water New Jersey, Inc.	02/07	United Water New Jersey, Inc.	WR-07020135	Fair Rate of Return
Aqua New Jersey, Inc.	12/05	Aqua New Jersey, Inc.	WR-05121022	Fair Rate of Return
Pinelands Water Company	08/05	Pinelands Water Company	WR-05080681	Return on Equity
Pinelands Wastewater Company	08/05	Pinelands Wastewater Company	WR-05080680	Return on Equity
Middlesex Water Company	05/05	Middlesex Water Company	WR-05050451	Fair Rate of Return
Pinelands Wastewater Company	12/03	Pinelands Wastewater Company	WR-031201017	Return on Equity

ATTACHMENT A
TESTIMONY LISTING OF PAULINE AHERN

Pinelands Water Company	12/03	Pinelands Water Company	WR-031201016	Return on Equity
Aqua New Jersey, Inc. (formerly Consumers New Jersey Water Co.)	12/03	Aqua New Jersey, Inc. (formerly Consumers New Jersey Water Co.)	WR-03120974	Return on Equity
Middlesex Water Company	11/03	Middlesex Water Company	WR-03110900	Fair Rate of Return
Mount Holly Water Company	07/03	Mount Holly Water Company	WR-03070509 & OAL PUCRL 07280-2003N	Fair Rate of Return
Elizabethtown Water Company	07/03	Elizabethtown Water Company	WR-03070510 & OAL PUCRL 07281-2003N	Return on Equity
New Jersey-American Water Company	04/03	New Jersey-American Water Company	WR-03070511 & OAL PUCRL 07279-2003N	Fair Rate of Return
Thames RWE re: New Jersey-American Water Co.	08/02	Thames RWE re: New Jersey-American Water Co.	WM-01120833	Return on Equity
Aqua New Jersey, Inc. (formerly Consumers New Jersey Water Co.)	03/02	Aqua New Jersey, Inc. (formerly Consumers New Jersey Water Co.)	WR-02030133	Return on Equity
Elizabethtown Water Company	04/01	Elizabethtown Water Company	WR-01040205	Overall Fair Rate of Return
Middlesex Water Company	06/00	Middlesex Water Company	WR-00060362	Fair Rate of Return
Aqua New Jersey, Inc. (formerly Consumers New Jersey Water Co.)	03/00	Aqua New Jersey, Inc. (formerly Consumers New Jersey Water Co.)	WR-00030174 & OAL PUCRS04524-00S	Return on Equity
Middlesex Water Company	09/98	Middlesex Water Company	98-090795	Fair Rate of Return
Middlesex Water Company	11/96	Middlesex Water Company	96-110818	Return on Equity
New York State Public Service Commission				
United Water New Rochelle, Inc. / United Water West Chester, Inc.	11/13	United Water New Rochelle, Inc. / United Water West Chester, Inc.	13-W-0539/13-W-564	Return on Equity
United Water New York, Inc.	07/13	United Water New York, Inc.	13-W-0295	Fair Rate of Return
Long Island American Water Company d/b/a Long Island American Water for Water Service	05/11	Long Island American Water Company	11-W-0200	Return on Equity
United Water Owego-Nichols, Inc.	02/11	United Water Owego-Nichols, Inc.	11-W-0082	Fair Rate of Return
United Water Westchester, Inc.	11/09	United Water Westchester, Inc.	09-W-0828	Fair Rate of Return
United Water New Rochelle Inc.	11/09	United Water New Rochelle Inc.	09-W-0824	Fair Rate of Return
United Water New York, Inc.	09/09	United Water New York, Inc.	09-W-0731	Fair Rate of Return
United Water Owego/Nichols, Inc.	05/07	United Water Owego/Nichols, Inc.	07-W-0639 / 07-W0872	Fair Rate of Return
United Water New York, Inc. / South County	01/06	United Water New York, Inc.	Cases 06-W-0131 and 06-W-0244	Fair Rate of Return
United Water New Rochelle, Inc.	09/04	United Water New Rochelle, Inc.	04-W-1221	Fair Rate of Return
North Carolina Utility Commission				
Carolina Water Service of North	08/15	Carolina Water Company of North	W-354, Sub 344	Return on Equity

Carolina		Carolina		
Aqua North Carolina, Inc.	12/13	Aqua North Carolina, Inc.	W-218, Sub 363	Fair Rate of Return
Carolina Water Service, Inc. of NC.	10/13	Carolina Water Service, Inc. of NC.	W-354 Sub 336	Fair Rate of Return
Pluris, LLC	08/12	Pluris, LLC	W-1282, Sub 8	Return on Equity
Aqua North Carolina, Inc.	05/11	Aqua North Carolina, Inc.	W-218, Sub 319	Fair Rate of Return
Carolina Water Service, Inc. of NC	10/10	Carolina Water Service, Inc. of NC	W-354. Sub 324	Fair Rate of Return
Carolina Water Service, Inc. of NC	10/10	Carolina Water Service, Inc. of NC - Ops. in Currituck Co.	W-354. Sub 327	Fair Rate of Return
Transylvania Utilities, Inc.	05/06	Transylvania Utilities, Inc.	W-1012, Sub 7	Fair Rate of Return
Carolina Pines Utilities, Inc.	04/04	Carolina Pines Utilities, Inc.	W-1151	Return on Equity
Transylvania Utilities, Inc.	04/04	Transylvania Utilities, Inc.	W-1012, Sub 5	Return on Equity
Nero Utilities, Inc.	04/04	Nero Utilities, Inc.	W-1152	Return on Equity
Pennsylvania Public Utility Commission				
United Water Pennsylvania Inc.	01/15	United Water Pennsylvania Inc.	R-2015-2462523	Return on Equity
Penn Estates Utilities, Inc.	12/11	Penn Estates Utilities, Inc.	R-2011-2255159	Return on Equity
United Water Pennsylvania, Inc.	05/11	United Water Pennsylvania, Inc.	R-2011-2232985	Fair Rate of Return
United Water Pennsylvania, Inc.	09/09	United Water Pennsylvania, Inc.	R-2009-2122887	Fair Rate of Return
Penn Estates Utilities, Inc. (Water) / (Sewer)	09/09	Penn Estates Utilities, Inc. (Water) / (Sewer)	R-2009-2117532 / R- 2009-2117400	Fair Rate of Return
Utilities, Inc. - Westgate	09/09	Utilities, Inc. - Westgate	R-2009-2117389	Fair Rate of Return
Utilities, Inc. of Pennsylvania	09/09	Utilities, Inc. of Pennsylvania	R-2009-2117402	Fair Rate of Return
Trigen-Philadelphia Energy Corp.	06/09	Trigen-Philadelphia Energy Corp.	R-2009-2111011	Fair Rate of Return
The Columbia Water Company	12/08	The Columbia Water Company	R-2008-2045157	Return on Equity
The Newtown Artesian Water Company	11/08	The Newtown Artesian Water Company	R-2008-2042293	Fair Rate of Return
NRG Energy Center Harrisburg	03/08	NRG Energy Center Harrisburg	R-2008-2028395	Fair Rate of Return
Total Environmental Solutions, Inc. - Treasure Lake Water Division	02/08	Total Environmental Solutions, Inc. - Treasure Lake Water Division	R-00072493	Fair Rate of Return
Total Environmental Solutions, Inc. - Treasure Lake Sewer Division	02/08	Total Environmental Solutions, Inc. - Treasure Lake Sewer Division	R-00072495	Fair Rate of Return
Emporium Water Company	06/06	Emporium Water Company	R-00061297	Fair Rate of Return
NRG Energy Center Pittsburgh	06/06	NRG Energy Center Pittsburgh	R-00061435	Fair Rate of Return
City of DuBois, PA	04/06	City of DuBois, PA	R-00050671	Fair Rate of Return
United Water Pennsylvania, Inc.	01/06	United Water Pennsylvania, Inc.	R-00051186	Fair Rate of Return
Valley Energy, Inc.	10/04	Valley Energy, Inc.	R-00049345	Fair Rate of Return
Borough of Hanover	08/02	Borough of Hanover	R-00027522	Fair Rate of Return

ATTACHMENT A
TESTIMONY LISTING OF PAULINE AHERN

Audubon Water Company	04/02	Audubon Water Company	R-00027104	Fair Rate of Return
Wellsboro Electric Company	10/01	Wellsboro Electric Company	R-00016356	Fair Rate of Return
Emporium Water Company	09/00	Emporium Water Company	R-00005050	Fair Rate of Return
Penn Estates Utilities, Inc.	01/00	Penn Estates Utilities, Inc.	R-00005031 & R-00005032	Fair Rate of Return
Pittsburgh Thermal, L.P.	11/99	Pittsburgh Thermal, L.P.	R-00994641	Fair Rate of Return
PG Energy	03/98	PG Energy	R-009880	Capital Structure and Embedded Fixed Capital Cost Rates
Western Utilities, Inc.	08/97	Western Utilities, Inc.	R-00963856	Fair Rate of Return
PG Energy	05/96	PG Energy	R-0096312	Capital Structure and Embedded Fixed Capital Cost Rates
Public Service Commission of Nevada				
Utilities Inc. of Central Nevada	12/09	Utilities Inc. of Central Nevada	09-12017	Fair Rate of Return
Utilities Inc., of Nevada	06/09	Utilities Inc., of Nevada	09-06037	Fair Rate of Return
Spring Creek Utilities, Inc.	06/08	Spring Creek Utilities, Inc.	08-06036	Fair Rate of Return
Utilities, Inc. of Central Nevada	12/06	Utilities, Inc. of Central Nevada	06-12023	Fair Rate of Return
Spring Creek Utilities, Inc.	04/06	Spring Creek Utilities, Inc.	06-01002	Fair Rate of Return
Public Service Commission of South Carolina				
United Utility Companies, Inc.	09/13	United Utility Companies, Inc.	2013-199-WS	Capital Structure
Utilities Services of South Carolina	09/13	Utilities Services of South Carolina	2013-201-WS	Capital Structure
Tega Cay Water Services Inc.	12/12	Tega Cay Water Services Inc.	2012-177-WS	Fair Rate of Return
Carolina Water Service, Inc.	08/11	Carolina Water Service, Inc.	2011-47-WS	Fair Rate of Return
Tega Cay Water Service, Inc.	04/10	Tega Cay Water Service, Inc.	2009-473-WS	Fair Rate of Return
United Utility Companies, Inc.	02/10	United Utility Companies, Inc.	2009-479-W/S	Fair Rate of Return
Utilities Services of South Carolina	11/07	Utilities Services of South Carolina	2007-286-WS	Fair Rate of Return
Southland Utilities, Inc.	09/07	Southland Utilities, Inc.	2007-244-W	Fair Rate of Return
Tega Cay Water Service, Inc.	07/06	Tega Cay Water Service, Inc.	2006-97-WS	Return on Equity
United Utility Companies, Inc.	07/06	United Utility Companies, Inc.	2006-107-W/S	Fair Rate of Return
Carolina Water Service, Inc.	06/06	Carolina Water Service, Inc.	2006-92-W/S	Fair Rate of Return
Utilities Services of South Carolina	11/05	Utilities Services of South Carolina	2005-217-WS	Fair Rate of Return
Carolina Water Service of South Carolina	04/05	Carolina Water Service of South Carolina	2004-357-W/S	Fair Rate of Return
United Utility Companies	01/02	United Utility Companies	2000-0210-W/S	Fair Rate of Return
Carolina Water Service of South	06/01	Carolina Water Service of South	2000-0207-W/S	Fair Rate of Return

Carolina		Carolina		
Public Utility Commission of Ohio				
Aqua Ohio, Inc.	12/13	Aqua Ohio, Inc.	13-2124-WW-AIR	Return on Equity
Ohio American Water Company	8/12	Ohio American Water Company	11-4161-WS-AIR	Fair Rate of Return
Ohio American Water Company	6/09	Ohio American Water Company	09-391-WS-AIR	Fair Rate of Return
Ohio American Water Company	10/06	Ohio American Water Company	06-433-WS-AIR	Fair Rate of Return
Ohio-American Water Company	11/04	Ohio-American Water Company	03-2390-WS-AIR	Return on Equity
Regulatory Commission of Alaska				
Fairbanks Natural Gas, LLC	6/14	Fairbanks Natural Gas, LLC	U-14-102	Fair Rate of Return
Rhode Island Public Utilities Commission				
United Water Rhode Island, Inc.	8/13	United Water Rhode Island, Inc.	4434	Fair Rate of Return
United Water Rhode Island, Inc.	6/11	United Water Rhode Island, Inc.	4255	Fair Rate of Return
Virginia State Corporation Commission				
Aqua Virginia, Inc.	8/14	Aqua Virginia, Inc.	PUE-2014-00045	Return on Equity
Massanutten Public Service Corporation	9/09	Massanutten Public Service Corporation	PUE-2009-00041	Return on Equity
Land'Or Utility Company	12/06	Land'Or Utility Company	PUE-2006-00128	Return on Equity
Massanutten Public Service Corporation	12/06	Massanutten Public Service Corporation	PUE-2006-00126	Return on Equity
Reston Lake Anne Air Conditioning Corp.	5/12	Reston Lake Anne Air Conditioning Corp.	PUE-2011-00130	Return on Equity
Aqua Virginia, Inc.	10/11	Aqua Virginia, Inc. (Monticello)	PUE-2005-00080	Return on Equity
Aqua Virginia, Inc.	10/11	Aqua Virginia, Inc. - Sydnor Hydrodynamics, Inc.	PUE-2011-00099	Return on Equity
United Water Virginia, Inc.	10/97	United Water Virginia, Inc.	PUE-2097-0544	Fair Rate of Return
Washington Utilities & Transportation Commission				
Washington Natural Gas Company	03/95	Washington Natural Gas Company	UG-950278	Capital Structure Ratios - Fixed Capital Cost Rates

SUEZ Water Delaware, Inc.
PSC Docket No. _____
Witness: Charles E. Loy

BEFORE THE
DELAWARE PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

CHARLES E. LOY
SUEZ WATER DELAWARE, INC.

JANUARY 2016

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

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

2 **A.** My name is Charles Loy. I am a Principal with GDS Associates, Inc.
3 (“GDS”). GDS Associates, Inc. (“GDS”) is a utility consulting and engineering
4 firm with its principal offices in Marietta, GA. My business address is 919
5 Congress, Suite 800 Austin Texas 78701.

6

7 **Q. Please summarize your educational background.**

8 **A.** I received the degree of Bachelor of Business Administration in Accounting
9 from the University of Texas at Austin. I am a Certified Public Accountant in
10 Texas.

11

12 **Q. Please summarize your professional experience.**

13 **A.** Before joining GDS in June of 2001, I was General Manager of Rates and
14 Regulatory Affairs of AquaSource Inc., a wholly-owned water and wastewater
15 subsidiary of DQE, a publicly traded electric utility located in Pittsburgh,
16 Pennsylvania. My responsibilities at AquaSource included the organization,
17 preparation and management of various rate filings and testimony in
18 connection with rate requests and other regulatory matters in the twelve states
19 in which AquaSource owned and operated utility properties. Before joining
20 AquaSource, I was a Manager of Regulatory Affairs for Citizens Utilities
21 Company - Public Services Sector. I was responsible for various regulatory
22 matters, including rate cases, for water/wastewater, gas, and electric services
23 in eight states. Before joining Citizens, I was a Rate Manager with Southern

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 Union Gas where I prepared rate filings, cost-of-service studies, and testimony
2 for the various jurisdictions in Texas and Oklahoma. My utility regulation
3 experience began with Diversified Utility Consultants as a Senior Analyst. I
4 assisted in the review and analysis of various gas, electric, and water
5 company rate filings.

6
7 **Q. Have you previously presented testimony before regulatory**
8 **commissions and/or other agencies?**

9 A. Yes, A list of regulatory proceedings in which I have been involved and
10 presented expert testimony is attached to my direct testimony as Appendix A.

11
12 **Q. What is the purpose of your testimony?**

13 A. The purpose of my testimony is to sponsor the Minimum Filing Requirements
14 (MFRs) which presents the calculation of SUEZ Water Delaware's ("Company,
15 Company's or SWDE") proposed test year and Test Period revenue
16 requirements which include: rate base, revenues, O&M expense, depreciation
17 expense, income taxes and other taxes. In addition, I will be providing
18 testimony regarding the Company's customer class cost of service and
19 proposed rate design. My work is based on a 12-month Test Year ending
20 September 30, 2015 and a 12 month Test Period ending June 30, 2016.

21
22 **Q. What was the scope of your work?**

23 A. I reviewed the Company's general accounting records, and other selected
24 records and exhibits. I also reviewed monthly financial information, supporting

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 documentation, operational statistics and participated in conversations and
2 meetings with management personnel regarding accounting, financial,
3 regulatory rate issues and operating matters. The information gathered from
4 these activities was used to develop the proposed revenue requirements and
5 the cost of service by customer class.

6
7 **Q. Please identify the Exhibits and filing schedules you will be sponsoring**
8 **and supporting in your testimony.**

9 A. I am sponsoring the MFR schedules listed on the Index of Filing designated
10 with my name.

11
12 **Q. Were these schedules prepared by you or under your supervision?**

13 A. Yes they were.
14

15 **OVERVIEW OF RATE INCREASE APPLICATION**

16 **Q. Please discuss MFR 2.1.4 which provides an overview of SUEZ**
17 **Delaware's requested increase.**

18 **A.** As shown on MFR 2.1.4, the Company is requesting an overall increase of
19 \$4.94 million or 19.96%. This increase represents the additional revenue over
20 the existing DSIC (or Distribution System Improvement Charge) currently
21 being billed the customers. Per the DSIC tariff requirements, a "new base rate
22 filing" resets the DSIC charges to 0 since the costs that the DSIC is based are
23 reflected in this base rate filing and rolls these costs into the proposed tariffed
24 water service rates along with the additional revenue increase requested in

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 this filing.

2
3 **Q. What is driving the requested increase?**

4 **A.** Generally, water utility rate increases are driven by cost increases brought
5 about by inflationary and market pressure on operating costs and the need for
6 plant replacement and upgrades in order to meet regulatory standards for safe
7 drinking water, maintaining service reliability and providing adequate service
8 for customer's day to day needs. The breakdown of the different components
9 driving the increase is presented on MFR 2.1.4.1. The largest single driver of
10 this increase relates to the loss a major industrial customer that has given
11 notice that it will be discontinuing operations in the near future. This particular
12 customer represents about 4.5% of SWDE's Test Period revenues. The other
13 major driver of this increase relates to the investment in facilities since the last
14 case. Mr. Larry Finnicum will go into more detail of the cost drivers impacting
15 this increase as well as the loss of the major industrial customer.

16
17 **Q. What is the revenue impact on each of class of customers the Company**
18 **is proposing?**

19 **A.** Table 1 presented below provides the proposed revenue increases to each of
20 the classes. As required by the DSIC tariff, "The DSIC Rate shall be reset to
21 zero as of the effective date of new base rates that provide for the prospective
22 recovery of the annual costs..." To be exact, the Company's proposed
23 revenue requirement includes costs recovered through the DSIC revenues

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 and the tariff requires the related revenues to be moved from the surcharge to
2 the new base rates proposed in this case. The DSIC charge will be set to zero.
3 Table 1 demonstrates that the increase delineated between the DSIC portion
4 and the incremental result from this application, which has been approved and
5 is currently being charged customers, and the additional portion the Company
6 is requesting as a result of this proposed rate filing.

TABLE 1

	Total	Residential	Commercial	Industrial	Public Authority	Sales for Resale	Public Fire	Private Fire
Current Revenue	\$22,791,709	\$11,662,844	\$4,240,447	\$4,486,766	\$120,824	\$174,559	\$1,181,156	\$925,114
DSIC Revenue	\$1,696,286	\$874,713	\$318,034	\$336,507	\$9,062	\$0	\$88,587	\$69,384
Misc Revenue	\$275,610	\$156,717	\$56,980	\$60,290	\$1,624	\$0	\$0	\$0
Test Year Revenue	\$24,763,605	\$12,694,273	\$4,615,461	\$4,883,563	\$131,509	\$174,559	\$1,269,743	\$994,497
Proposed Increase	\$4,943,665	\$2,788,974	\$1,014,032	\$1,072,935	\$28,893	\$38,831	\$0	\$0
Percent Increase	19.96%	21.97%	21.97%	21.97%	21.97%	22.24%	0.00%	0.00%

8
9 I will discuss the rationale behind the proposed revenue increase allocation
10 and bill impacts later in the Rate Design section of my testimony.

11
12 **Q. How is the remainder your testimony organized?**

13 **A.** My testimony addresses the Company's revenue requirements, customer
14 class cost of service study (COSS) and rate design. The revenue
15 requirements section is broken down by rate base, cash working capital
16 (CWC), revenues and O&M expenses which includes depreciation, income
17 taxes and other than income taxes.

18
19 **REVENUE REQUIREMENTS**

20 **Overview**

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 **Q. Please describe MFR 2.1.4 and MFR 3.1.**

2 A. MFR 2.1.4.1, Summary of the General Increase in Rate Filing, is a brief outline
3 of the key elements of the filing included in the requested increase as well as
4 the main drivers of the request. MFR 3.1, Statement of Operating Income and
5 Proposed Revenue Requirements, shows the Company's adjusted revenue
6 requirement for the Test Period and the calculation of the revenue deficiency.
7 MFR 3.1.2 shows the income tax calculation for the Adjusted Test Period and
8 at proposed rates. MFR 3.1.3 summarizes each of adjustments to Operation
9 and Maintenance Expenses.

10

11 **Q. How is your revenue requirement testimony organized?**

12 A. I will address rate base and its various components first, then Cash Working
13 Capital (CWC), revenues and O&M expenses including depreciation and other
14 taxes.

15

16 **Rate Base**

17 **Q. Please describe the exhibits you are presenting in support of the**
18 **Company's Rate Base.**

19 A. I address and list each of the MFRs related specifically to the calculation of
20 rate base in this section of my testimony. The components of Rate Base are
21 detailed in 26 Del.C. § 102(3), which dictates that Rate Base is comprised of:

22 a) The original cost of all used and useful utility plant and intangible assets
23 either to the first person who committed said plant or assets to public

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

- 1 use or, at the option of the Commission, the first recorded book cost of
2 said plant or assets; less;
- 3 b) Related accumulated depreciation and amortization; less;
- 4 c) The actual amount received and unrefunded as customer advances or
5 contributions in aid of construction of utility plant, and less;
- 6 d) Any accumulated and deferred and unamortized income taxes and
7 investment credits related to plant included in paragraph a. above, plus;
- 8 e) Accumulated depreciation of customer advances and contributions in
9 and of construction related to plant included in paragraph a. above and
10 plus;
- 11 f) Materials and supplies necessary to the conduct of the business and
12 investor supplied cash working capital, and plus;
- 13 g) Any other element of property which, in the judgement of the
14 Commission, is necessary to the effective operation of the utility.

15 A summary of the rate base components can be found in MFR 4.2,
16 Jurisdictional Rate Base Summary. Line 11 of this schedule shows a proposed
17 Test Period rate base amount of \$89.68 million. MFR 4.2 also shows the
18 letter reference designating the section of 26 Del.C. § 102(3) applicable to the
19 MFR.

20

21 **Q. Please address the rate base calculation of the Test Year and Test**
22 **Period.**

23 **A.** The list and descriptions for each rate base component or MFR requirement

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 for the Test Year and Test Period are:

2
3 MFR 4.3.1, Used and Useful Utility Plant in Service, shows total plant,
4 excluding intangible plant, itemized by NARUC account. These amounts
5 represent SWDE investment in equipment, land, tools, transportation and
6 other utility plant. The adjustments needed for plant that will be completed and
7 retired during the Test Period can be found in MFR 4.3.4, Used and Useful
8 Utility Plant in Service – Test Period Adjustments. These additions and
9 retirements are derived from the Company's budgeted capital expenditures
10 and retirements. Mr. Finnicum discusses the capital program in his testimony. I
11 will discuss the planned capital additions later in my testimony. Additional
12 support for Test Period adjustments can be found in the workpapers.

13
14 Non-depreciable amounts of intangible assets that are included in rate base
15 can be found in MFR 4.4, Intangible Assets Claimed in Rate Base.

16
17 MFR 4.5, Accumulated Depreciation and Amortization shows the per book
18 accumulated depreciation by account at the end of the Test Year. This amount
19 represents the recovery through depreciation expense of investments made by
20 SWDE to provide utility service to its customers. Nine months of additional
21 depreciation expense, representing the amount of depreciation expense that
22 takes place during the Test Period is added to the Test Period amounts. The
23 support for these additions have been provided in the workpapers.

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

Reimbursements for the costs of certain Company assets can be found in MFR 4.6, Contributions in Aid of Construction (CIAC). This schedule shows the Test Year balance as well as CIAC that will be added through the end of the Test Period.

MFR 4.7.1, Accumulated Deferred Income Taxes – Federal and State (“ADIT”) shows the per book balances, as of the end of the Test Year, of ADIT items relating to rate base. The adjustment made to the Test Year balance is the projected change in the difference between the pro forma book depreciation expense and projected income tax depreciation expense times the Company’s composite marginal income tax rate of 40.655% (8.7% State and 35% Federal). The marginal income tax rate is used as an estimate of the rate at which the ADIT will reverse over time. A change in the income tax rates utilized or affected in the filing would also change the ADIT amount.

MFR 4.8, Amortization of Contributions in Aid of Construction represents the Company’s accumulated amortization of contributions and advances as of the end of the Test Year. This amortization was discontinued as of October 31, 1993 per DPSC Order No. 3683, Docket No. 93-28.

MFR 4.9, Materials and Supplies shows the calculation of the 13-month average of materials and supplies balances.

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

MFR 4.10, Investor Supplied Cash Working Capital is based on the results of the lead-lag study which will be discussed later in my testimony.

MFR 4.11 Page 2, Prepayments is a calculation of the 13-month average of prepayments included in rate base. MFR 4.11 Page 3, OPEB Funding shows the calculation of the tax affected Unfunded OPEB Liability as of the end of the Test Year and Test Period.

The calculation of Pro Forma Depreciation Expense can be found in MFR 5.3.6. The Company's approved depreciation rates are applied to the forecasted utility plant by primary account from MFR 4.3.1 to calculate the pro forma depreciation expense.

Q. Does this complete your rate base testimony?

A. Yes. There are available supplemental supporting workpapers that provide additional details associated with the rate base components discussed above.

Cash Working Capital (CWC) and the Lead-Lag Study

Q. What is Cash Working Capital ("CWC") ?

A. CWC is a component of a utility's rate base that represents the average amount of capital, or in this case cash, needed from investors to bridge the gap between the time when expenditures are paid and the time when revenue

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 is collected for the service. Said another way, it is the working capital needed
2 to fund the daily operations of the utility given the differences between the time
3 when the utility must pay for goods and services and the time when the utility
4 receives payment for the services it provides. A common methodology used
5 to measure or estimate CWC is known as the lead-lag methodology or lead-
6 lag study.

7
8 **Q. Provide a brief explanation of the Lead-Lag approach reflected in the**
9 **Company's CWC calculation.**

10 **A.** A lead-lag study measures the difference between the time services are
11 rendered until cash for services is collected in rates (the revenue lag) and
12 compares it to the time that operating services are incurred until they are paid
13 (the expense lead). Thus, the terms "revenue lag" and "expense lead" can be
14 defined as follows:

15 1. Revenue Lag – the number of days (or lag time) between the
16 delivery of water service to transmission customers and the later receipt of
17 payments for the service; and

18 2. Expense Lead – the number of days (or lead time) between the
19 delivery of materials and supplies or service period of services used by SWDE
20 to provide water service and the subsequent payments to vendors for those
21 goods and services.

22
23 The difference between these two periods is expressed in days. The net lead-

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 lag days (revenue lag – expense lead) is then multiplied by the average daily
2 operating expenses to estimate the amount of CWC required for the
3 Company's operations.

4
5 **Q. How should the Revenue Lag be determined?**

6 **A.** The SWDE Revenue Lag consists of three components: (1) the service period,
7 which measures the time lag from the middle of the period for which service is
8 billed; (2) the billing period, which measures the time lag needed to process
9 and record bills; and (3) the collection period, which measures the time lag
10 between the recording of bills and the receipt of the billed revenues. The days
11 for each segment are totaled to produce the amount of time between the
12 delivery of service to customers and the receipt of the related revenues for
13 such service, otherwise known as the revenue lag.

14
15 **Q. How should the O&M Expense Leads be determined?**

16 **A.** The SWDE Expense Leads are determined by separate groups or types of
17 expenses. The study measured the lead days for each of these groups
18 independently. Generally the expense leads have two components, either a
19 service period, which measures the time lag from the middle of the period for
20 which the service was provided or the actual day the service was provided.
21 The second component is the time in between the end of the service period
22 until actual payment is made.

23

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 **Q. What is the Company proposing regarding the Lead-Lag study in this**
2 **filing?**

3 **A.** The Company is proposing to employ the Lead-Lag study developed in the
4 last case updated with the Test Period expense values. In addition, the
5 revenue lag days have been updated to reflect the Test Year billing conversion
6 of the quarterly billed customers to monthly. Thus, the revenue lag reflects a
7 30 day service period rather than a 90 day service period. This shortens the
8 revenue lag by almost 20 days. The Company's proposed CWC amount is
9 much lower than the CWC amount requested in the last case due to the lower
10 revenue lag. I believe that the resulting CWC proposed in this case is very
11 close to the estimate that would have resulted if the Company had conducted
12 a full blown lead-lag study using Test Year data.

13

14 **Q. Why is do you believe the CWC estimate proposed in this filing would be**
15 **close to the estimate resulting from a full blown study based on Test**
16 **Year data?**

17 **A.** The Company's accounts payable policies and payment terms have not
18 changed since the last CWC estimate was developed. For instance, payroll is
19 still paid over 26 pay periods, federal, state and property taxes are due under
20 the same terms and invoices are paid on a net 30 basis today as in 2010. With
21 the exception of the quarterly billing change, billing and collection procedures
22 are virtually the same as they were in 2010. Further, the number of monthly
23 service days used to replace the quarterly service days are undisputable. In

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 other words, the revenue lag component is a well-defined component, the fact
2 there are around 30 days in a month on average cannot be questioned.
3 Further, the change reduces the Company's CWC estimate from the last case.
4

5 **Q. Do you believe the Company's approach of using the previous filings**
6 **CWC estimate with updated service period days and the Test Period**
7 **expense amounts is reasonable?**

8 **A.** Yes. SWDE and its customers has saved the time and expense that would be
9 required to conduct a full blown Test Year CWC estimate or lead-lag study.
10 The costs saved outweigh any minor differences that a lead-lag study based
11 on current Test Year data may have produced. However, as an added
12 precaution, the Company is willing to accept only 80% of the computed Cash
13 Working Capital estimate to assure that the requested amount is significantly
14 lower than an amount from a full blown study conducted with current Test Year
15 data.
16

17 **Revenues**

18 **Q. Please describe the SUEZ Water Delaware (SWDE) revenues.**

19 **A.** SWDE serves approximately 37 thousand customer connections under a
20 general metered tariff for Residential, Commercial, Industrial, Public Authority
21 and Public and Private Fire Service customers. During the Test Year the
22 Company converted all of its quarterly billed customers to monthly. Thus, all
23 customers as of the Test Year are billed on a monthly basis. In addition,

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 SWDE supplies wholesale water service to its affiliate in Pennsylvania and
2 other municipalities on an as needed basis.

3
4 **Q. What process was used to develop the Adjusted Test Year revenues?**

5 **A.** As stated earlier, during the Test Year the Company converted all quarterly
6 billed customers to monthly. It is my understanding that during the billing
7 conversion or transition there were some instances that resulted in the billing
8 system recording more bills and volumes that were actually due from
9 customers. In other words, the books reflect the correct net revenues, however
10 the billing determinants as applied to current rates do not. The impact of the
11 billing transition was assessed and adjustments were made to the billing
12 system data to reflect a reasonable level of Test Year billing determinants that
13 produce revenues that relate to the books. MFR 5.2.1, Schedule No. 3A
14 presents the books to Test Year adjustment in revenues for the billing system
15 modifications due to the billing transition. This adjustment normalizes actual
16 Test Year water service billing determinants and revenues to be consistent
17 with the previous year's water service billing determinants and revenue levels.

18
19 **Q. Do you believe the methodology used to correct the Test Year billing
20 determinants is reasonable?**

21 **A.** Yes I do. The Test Period normalization adjustments made to the Test Year
22 corrected billing determinants provide the appropriate level of bills and
23 volumes to develop rates by. A comparison of the proposed normalized

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 revenues to previous year's revenues indicates that the results are
2 reasonable.

3
4
5 **Q. Once the Test Year billing determinants and revenues were corrected for**
6 **the billing conversion what approach did you take to develop Test Period**
7 **revenues?**

8 **A.** The consumption was normalized using a regression with the MS Excel
9 "TREND" function as applied to the rolling 12 month historical average
10 customer consumption of the most recent ten years. This approach normalizes
11 revenues for weather, customer growth and declining usage. The customer
12 growth adjustment for the Company annualizes the Test Year customer
13 growth which includes the additional customers discovered and added during
14 the billing audit, based on the number of active meters at the end of the Test
15 Year. The trending and customer growth adjustments reflect a full year of
16 annual normalized usage for the Test Period. The objective is to develop Test
17 Year and Test Period operating revenue based on a normal consumption
18 pattern for the current number of customers. Consistent with industry trends,
19 the Company has generally seen a decline in total water consumption and
20 usage per customer. In any particular year, water consumption can vary
21 significantly due to external factors such as weather fluctuations,
22 environmental changes, social and economic conditions, housing growth,
23 conservation measures, and the use of environmentally friendly appliances. As

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 this trend is expected to continue in the future, in order to more accurately
2 determine the consumption typically used, the analysis was based on a
3 regression with the "TREND" function. This function calculates the statistics for
4 a line by using the least squares method to calculate a straight line of the
5 Company's historical consumption for the most recent ten years for the
6 Residential, Commercial and Public Authority customer classes. I believe the
7 result provides a reasonable level of normalized consumption, or average per
8 customer use, on a going forward basis.

9
10 **Q. What factors are contributing to declining water consumption through**
11 **North America?**

12 **A.** The following excerpt from an article published by the University of North
13 Carolina Environmental Finance Center clearly describes a number of reasons
14 why water consumption is declining.

15 "Conservation efforts are everywhere. Most cities collect
16 recyclables. Children no longer leave the faucet running when
17 brushing teeth. "Green" is viewed favorably by the majority of
18 the population. This acceptance of conservation has evolved
19 over the past 40 years.

20 Federal legislation (the Energy Policy Act of 1992, the
21 Energy Policy Act of 2005 and the Energy Independence and
22 Security Act of 2007) have led to requirements that mandate
23 more and more efficient fixtures and appliances. Most homes
24 have reached build-out with respect to fixtures and appliances,
25 so there are not additional fixtures or appliances coming into
26 homes, just replacements, which are likely more efficient than
27 the devices they are replacing.

28 It is unlikely that the conservation ethos, particularly
29 held by the younger generations, will dissipate. Appliances
30 and fixtures will continue to become more efficient and rates
31 will rise. While the economy has historically been cyclical and
32 should rebound, with the other three factors continuing to

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

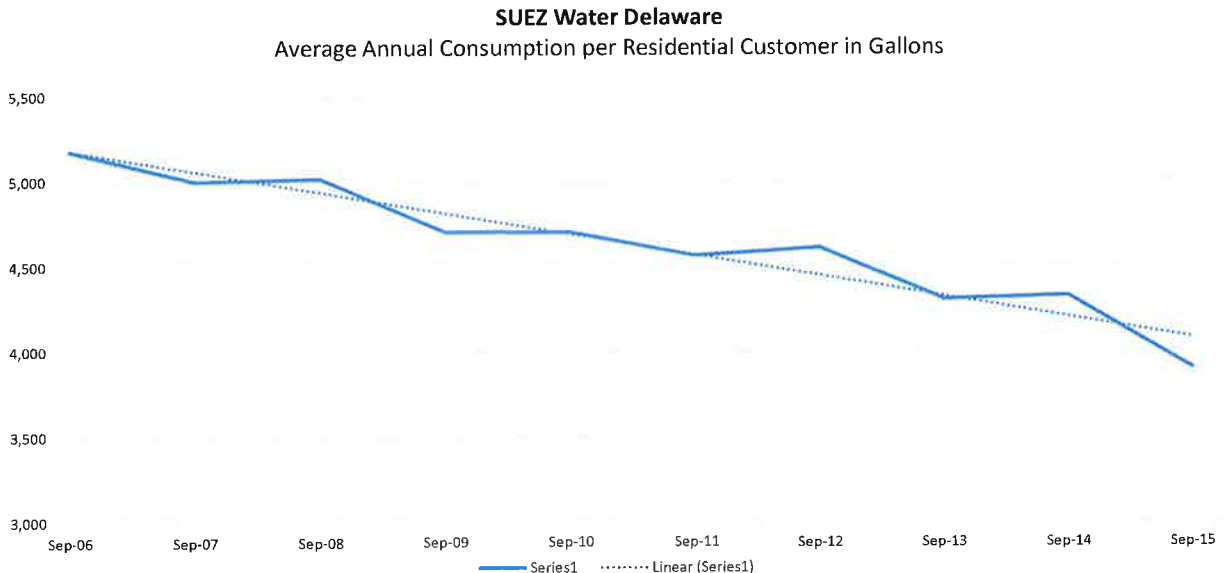
1 depress per capita usage, we believe that utilities in the United
2 States are in the midst of a “new normal.” It is unlikely that
3 consumption will return to the levels of five or ten years ago.
4 Though there is a limit to how low per capita usage can go, it
5 is unlikely that the lower limits have been reached, considering
6 how low per capita usage is in certain areas of the United
7 States and around the world.”
8

9 Declining Water Consumption, Part Two: The Big
10 Picture

11 By Erin Weeks

12 [http://efc.web.unc.edu/2012/05/25/declining-water-
13 consumption-part-two-the-big-picture/](http://efc.web.unc.edu/2012/05/25/declining-water-consumption-part-two-the-big-picture/)
14

15 As stated in the paper, the factors that are pushing down consumption are:
16 acceptance of conservation; prevalence of more water efficient fixtures and
17 appliances; elasticity impact of increasing water rates; and economic
18 downturn. This trend in lower use per customer is continuing as shown in the
19 graph below.



20
21
22 **Q. Is this trend occurring outside of SUEZ Water Delaware?**

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 **A.** Yes, this declining usage is happening across the country. Numerous studies
2 have been conducted on this declining trend in residential water usage in
3 North America with articles published in the *American Water Works*
4 *Association Journal* and the *Water Research Foundation* to name a few. A
5 Summit on Declining Water Sales and Utility Revenues convened by the
6 *Alliance for Water Efficiency* was held in Racine, Wisconsin in 2012 to explore
7 the issues this declining water use is causing. In November 2014, the report
8 Estimated Use of Water in the United States in 2010 from the *United States*
9 *Geological Survey (USGS)* finds that total water withdrawals are at the lowest
10 level since 1970 and 13% less than in 2005. Public withdrawals in that time
11 frame (2005-2010) are 5% less even though the United States experienced a
12 4% growth in population.

13
14 **Q.** **Do you expect this trend to continue?**

15 **A.** Water using appliances are getting more and more efficient and there is more
16 emphasis on water conservation measures to the general public. In addition,
17 social trends to smaller households is having an effect on water usage. The
18 passage of the Federal Plumbing Standards in 1992 have required toilets to
19 use only 1.6 gallons a flush and today “high-efficiency” toilets use even less
20 water. Over the years water efficiency standards have been applied to other
21 household appliances. This century, “going green” has expanded to water
22 efficiency with growing concerns over both the cost and supply of water. The
23 Energy Policy Act of 2005 set new standards for plumbing fixtures and set

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 efficiency standards for some commercial water using appliances such as
2 commercial clothes washers while providing tax incentives for domestic
3 dishwashers and washing machines. According to a May-June 2011 article in
4 ECOHOME, *Awash in Savings*, "dishwashers and washing machines use 60%
5 less water than they did 10 to 15 years ago."¹ In 2012, the Department of
6 Energy released new energy efficiency standards for residential dishwashers
7 and clothes washers. These standards which went into effect in 2013 for
8 dishwashers and 2015 for washers are expected to reduce water usage in
9 home dishwashers by more than 20% and front-loading washers by 35%. The
10 consensus today is the decline in water usage is expected to continue:

11 "While local trends will impact utility-specific plans,
12 this research investigation identified decreasing household
13 size and penetration of water-conserving appliances as the
14 primary causes of declining residential water usage.
15 Although the rate of decline may slow, there is no indication
16 that national household trends will reverse. Also, new and
17 existing federal regulations will prompt further penetration of
18 water-conserving appliances. Thus there is no indication
19 that the decline in water usage will reverse."²
20

21 **Q. Earlier you stated that the Company was notified by a large industrial**
22 **customer that they would be discontinuing operations. Has this been**
23 **reflected in the Test Year revenues?**

24 **A. Yes. The customer's billing determinants and revenue was removed from the**
25 **Test Year data along with two other, much smaller, industrial customers who**

¹ ECOBUILDING PULSE, *Awash In Savings*, ECOHOME May-June 2011,
[HTTP://www.ecobuildingpulse.com/water-conservation/awash-in-savings_1.aspx](http://www.ecobuildingpulse.com/water-conservation/awash-in-savings_1.aspx)

²(Coomes et al. *North American Water Usage Trends Since 1992-Project #4031* (Water Research Foundation, 2010.)

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 discontinued service during the Test Year as well. The loss of Industrial, as
2 well as Commercial, customers has been ongoing at SWDE over the last
3 several years as discussed in Mr. Finnicum' s Direct Testimony. This one
4 customer results in a loss of \$1 million per year shown on MFR 5.2.5.

5
6 **Q. Did you normalize Other Revenues?**

7 **A.** Yes, WP-3A Other Revenues details the normalizing adjustments to other
8 revenues. This adjustment includes the removal of 75% of the revenues
9 received from cell tower leases to reflect the Company's proposal to share the
10 revenues with shareholders. The sharing of passive revenues, such as from
11 cell tower leasing, is not uncommon in other rate jurisdictions. Other state
12 Commissions have recognized the value of encouraging Companies to
13 develop alternative sources of revenue to benefit customers and shareholders.
14 Mr. Finnicum's discusses the Company's support for the reasonableness of
15 this adjustment in his Direct Testimony.

16
17 **Q. Please explain why you removed unbilled revenues from the Test Year.**

18 **A.** For ratemaking purposes, the unbilled revenues or accrued revenues must be
19 excluded because normalizing revenue adjustments have been made. Billing
20 determinates should be based upon anticipated billed revenues. If these
21 accounting amounts were not removed, revenues would be overstated in the
22 revenue-deficiency calculation.

23

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 **Q. Did you verify and prove the test-year revenues?**

2 **A.** Yes. As discussed above we conducted a detailed analysis of billing data
3 provided by the Company. This data was used to develop the proposed rates
4 and includes volumetric and meter counts by class and blocks.

5

6 **O&M Expenses**

7 **Q. Please provide an overview of the O&M expense adjustments the**
8 **Company is proposing.**

9 **A.** MFR 3.1.3 provides a list of all the O&M expense adjustments that are being
10 proposed. The expense adjustments and their related work paper reference
11 are as follows:

Purchased Water	WP Sch 3B-1
Purchased Power	WP Sch 3B-2
Chemicals	WP Sch 3B-3
Sewer Connection Expense	WP Sch 3B-4
Customer Care and Costs	WP Sch 3B-5
Recovery of DBRC Charge	WP Sch 3B-6
Recovery of Watershed Costs	WP Sch 3B-7
Vehicle Leasing	WP Sch 3B-8
Cross Connection Survey Costs	WP Sch 3B-9
Property/Real Estate Tax	WP Sch 3B-10
Convenience Cost	WP Sch 3B-11
Management Service Fees	WP Sch 3B-12
Depreciation Expense	WP 2C-2
Salaries and Wages	WP Payroll Adjustment
Employee Benefits	WP Payroll Adjustment
Payroll Taxes	WP Payroll Adjustment
Temporary Held	WP Payroll Adjustment
Rate Case Expenses	MFR 5.3.13

12

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 **Q. Please explain the adjustment to purchased water.**

2 **A.** The proposed amount for purchased water reflects one adjustment to the Test
3 Year amount. The adjustment increases purchased water expense to reflect
4 the proposed Hoops contract currently being negotiated. The anticipated
5 contract amount for the Test Period is approximately \$320 thousand. This
6 amount will be updated as negotiations progress and a final amount is
7 determined.

8
9 **Q. Please describe the adjustment to purchased power.**

10 **A.** The Test Period purchased power amount reflects four separate adjustments.
11 First, purchased power is adjusted to reflect the upcoming power contract
12 increases and the pending increase in the distribution or “wires” charges. The
13 second adjustment reflects the matching or corresponding impact of the
14 normalizing adjustments to revenues discussed earlier in this testimony. The
15 total sales volume reduction of 611,330 thousand gallons was grossed up by
16 the non-revenue water percentage or 19.26% to estimate the amount of water
17 actually produced or 757,159 thousand gallons. This amount was divided by
18 the total thousand gallons produced during the Test Year to determine the
19 percentage reduction in purchased power costs or in this instance 12.37%.
20 Test Year purchased power expense was reduced by 12.37%. The third
21 adjustment reflects the additional power costs that will be incurred as a result
22 of the Aquifer Recovery Program (ARP). This program is discussed in Mr.
23 Finnicum’s Direct Testimony. The fourth and final adjustment reflects a

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 reduction in power costs anticipated as a result of the discontinuance of the
2 operation of a sludge press discussed later in my testimony.

3
4 **Q. Please discuss the adjustment to chemical costs.**

5 **A.** The adjustments to chemical costs are identical to purchased power. As with
6 purchased power, there are four adjustments, the first adjustment reflects an
7 increase for anticipated price increases during the Test Period. The second
8 adjustment is a corresponding reduction of 12.37% for revenue normalization.
9 The computation of the 12.37% is discussed above in the purchased power
10 adjustment. The third adjustment is for additional costs expected due to the
11 ARP (discussed above) and in Mr. Finnicum's testimony. The fourth and final
12 adjustment is a reduction for chemical costs associated with the
13 discontinuance of the operation of a sludge press discussed later in my
14 testimony.

15
16 **Q. Please explain the Sewer Connection Expense adjustment.**

17 **A.** This adjustment reflects the planned elimination of sludge press operations.
18 Rather than treating sludge with the sludge press for disposal by truck hauling,
19 the Company plans to dispose of the sludge through a new connection to the
20 County sewer system. This will result in more efficient use of the labor force
21 (the sludge press will no longer require operation and maintenance), improve
22 reliability of sludge removal and eliminate other imbalances and bottlenecks in
23 the treatment process. In addition, the removal of the sludge press will

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 improve safety by removing potential hazards associated with operating the
2 press and from hauling operations. On top of these benefits stemming from
3 eliminating sludge hauling operations environmental benefits will accrue
4 through elimination of vehicle emissions currently generated by sludge hauling
5 trucks.

6
7 **Q. Please describe the adjustments related to Customer Care and Billing.**

8 **A.** As discussed earlier in my testimony, during the Test Year the Company
9 sought and was granted approval to convert all customers billed on quarterly
10 basis to a monthly basis. The billing conversion resulted in higher postage and
11 printing costs due to the significant increase in bill printing and mailing. In
12 addition, due to accounting changes postage for billing is no longer directly
13 booked to postage account, rather, postage will be included in the CC&B
14 (Customer Care & Billing) monthly charges booked directly to SWDE postage
15 account. The reduction in Test Year billing postage costs more than offset the
16 increase in the CC&B costs resulting in net savings to SWDE.

17
18 **Q. Please discuss the adjustment related to the recovery of the Delaware
19 River Basin Commission (DRBC) charge.**

20 **A.** The DRBC bills organizations for use of Delaware River Water. For many
21 years SUEZ Water Delaware was exempt from these charges. However, the
22 DRBC determined that SWDE no longer met the exemption and back billed
23 SWDE for fourteen years of water use. SWDE management met with the

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 DRBC representatives and negotiated a payment to DRBC of \$300 thousand.
2 SWDE is proposing to recover the payment by amortizing the amount to the
3 income statement over a fifteen year period.
4

5 **Q. Please explain the adjustment related to the Watershed Control Plan**
6 **(WCP).**

7 **A.** Mr. Finnicum addresses the WCP in his Direct Testimony. This adjustment
8 identifies and accumulates all the costs incurred for the WCP. SWDE is
9 proposing to recover costs incurred on its WCP over a five year period by
10 amortizing the costs to the income statement.
11

12 **Q. Please address the adjustment for vehicle leasing and related**
13 **transportation costs.**

14 **A.** SWDE maintains a number of service vehicles to maintain and operate the
15 system. During the Test Year a number of vehicles are scheduled to be
16 replaced due to wear and tear or added due to expansion. This adjustment
17 normalizes the lease expenses for the replacement and additional vehicles
18 that are planned to be in operation by the end of the Test Period. Included in
19 this adjustment are updated fuel and repair costs to reflect the requirements of
20 the Test Period fleet. In addition to the lease, fuel and repair costs, the
21 Company is including the costs related to the GPS equipment that will be
22 installed and maintained on each vehicle. The GPS equipment installations will
23 help SWDE manage costs and improve efficiency and customer service.

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

Q. Please explain the adjustment to recover cross connection survey costs.

A. To address public health concerns the State of Delaware has implemented new regulations that require surveys related to cross connections and back flow. As a result of these new regulations SWDE has determined that it will need to conduct, on average, 600 surveys per year. Outside contractors will assist SWDE with the surveys.

Q. Please discuss the adjustment to property taxes.

A. This adjustment computes and effective tax rate using the latest tax bills divided by Test Year gross plant. The effective tax rate is applied to the Test Period gross plant balance to determine a Test Period property tax amount.

Q. Please address the customer convenience cost adjustment.

A. Currently customers who wish to pay their bills with a credit card are charged a fee by their credit card company. SWDE is proposing to cover these fees as a part of the revenue requirements rather than requiring customers to pick up the cost. It is my understanding the SUEZ has successfully implemented this initiative in other jurisdictions. During the Test Year SWDE customers used credit cards 35,047 times to pay bills and, SWDE is anticipating a 25% increase in credit card payment activity. This adjustment reflects the credit card costs based on the Test Year activity increased by 25%.

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 **Q. Please describe the adjustment to Management Service Fees.**

2 **A.** The costs associated with the Management and Services (M&S) expense is
3 for services provided by SUEZ Water Management and Services (SWM&S).
4 These services include administration, communication, customer service,
5 finance, human resources, information systems, legal, procurement, technical
6 services and other general services necessary in the proper conduct of
7 business. The M&S charges are comprised of various cost elements that are
8 an accumulation of expenses incurred that are then allocated to SWDE as well
9 as all other entities receiving M&S services. During the Test Period the M&S
10 allocation will change based on recent evaluations and analysis. A number of
11 expenses normally directly charged to the operating subsidiaries will be
12 included in the M&S allocation, thus these charges should be removed from
13 the Test Year expenses to offset the M&S allocation for the Test Period that
14 will have these charges included. The overall net adjustment is an increase of
15 around \$26k. Mr. Gary Prettyman addresses the M&S allocations in more
16 detail in his Direct Testimony.

17

18 **Q. Please explain the development of the depreciation expense adjustment.**

19 **A.** The depreciation expense adjustment is based on the calculations presented
20 in WP-2C-2 which applies the current approved depreciation rates to the
21 proposed plant balances that include the additions and retirements through
22 the Test Period June 30, 2016. In addition, depreciation expense is reduced to
23 reflect the amortization the various plant accounts that reflect CIAC

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 (Contribution in Aid of Construction).

2
3 **Q. Please discuss the proposed adjustment to payroll expense.**

4 **A.** The adjustment to payroll details the normalized calculation of labor expense
5 for the Test Period. In order to determine the normalized labor expense, I
6 included the annual compensation of each active employee for the most
7 current pay period available. The payroll adjustment includes the annual
8 compensation for two of the three new positions addressed in Mr. Finnicum's
9 Direct Testimony. The two positions are the Asset Management Specialist and
10 the Director of Engineering. In addition to these positions there is one new full
11 time position for an Operator Intern, two full time vacancies to be filled and two
12 part time Summer Intern positions reflected in the adjustment. For wage
13 increases the adjustment reflects a wage increase of 3% for bargaining
14 employees and a 2% increase for non-bargaining employees. Overtime,
15 bonuses, and the capitalization rates for both the bargaining and non-
16 bargaining employees are based on the averages of the four years; the Test
17 Year and the three prior years. The adjustment includes labor costs
18 transferred in and out based on Test Year activity and positions included the
19 payroll adjustment. These costs either reflect the cost of labor provided by
20 other business units to SWDE or the cost of labor charged by SWDE to other
21 business units either under an employee sharing arrangement or direct
22 services rendered. Lastly, the adjustment includes a reduction to the
23 temporary labor cost to recognize that at full employment these costs would

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 not be required.

2
3 **Q. Please discuss the adjustment to employee benefits.**

4 **A.** This adjustment details the cost of benefits which include Pension, Post-
5 Retirement Benefits, healthcare, group term life insurance, 401K and other
6 miscellaneous. Pension and Post-Employment Benefits other than Pensions
7 ("PEBOP") costs are actuarially determined costs based on the current
8 employee salary levels. Test Period amount is based on the forecast for 2016
9 provided by the Company's actuary, AON. Employee health and medical
10 coverage includes dental and vision care along with group term life insurance
11 coverage to employees. It is computed based on actual costs for 2016 and
12 applied to the existing employee plan participants reflected in the payroll
13 adjustment. The new positions and vacancies to be filled are included in the
14 calculation. The Company contribution match to the 401 K plan is based on the
15 payroll adjustment as well. Other benefits are additional employee related
16 costs which includes long-term disability insurance, benefits administration
17 fee, medical waiver, etc. The Test Period benefit expense amounts were
18 adjusted or reduced using the payroll capitalization factors computed in the
19 payroll adjustment discussed above.

20
21 **Q. Please address the proposed level of rate case expenses.**

22 **A.** The rate case expense level proposed and presented in MFR 5.3.13 represent
23 the estimate costs that would be incurred assuming the case goes to hearing

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 and is fully briefed. SWDE is proposing a four year amortization period for
2 these costs. Rate case costs will be updated as the case progresses.

3
4 **Q. Does this conclude your testimony on SWDE's proposed revenue**
5 **requirements?**

6 **A. Yes.**

7
8 **COST OF SERVICE STUDY & PROPOSED RATE DESIGN**

9 **Q. Please briefly address the purpose of a cost of service study.**

10 **A.** After a utility's overall revenue requirement is determined, the required
11 revenue should be recovered from the utility's various customer classes. The
12 cost of service study provides a basis for allocating revenues to the various
13 classes with the purpose of recovering these revenues from each class. The
14 cost of service study develops the cost of providing water service as well as
15 includes the overall return for each class. This is done by apportioning a
16 utility's expenses and investments to its various customer classes. Customers
17 use water in different amounts at different times thus, a utility's cost to serve
18 different customer classes will vary. The premise of the cost of service study
19 is that each customer class should pay the appropriate costs of serving their
20 class and; therefore, rates should be developed on equal rates of return,
21 rather than equal rates, for each class.

22 **Q. Please summarize the cost of service study you have completed in this**
23 **rate request.**

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 **A.** The Company's cost of service study was conducted using a widely used and
2 accepted methodology known as the Base Cost-Extra Capacity method. The
3 first step of this methodology assigns the components of the revenue
4 requirement to various cost functions. The second step allocates the cost
5 functions determined in the first step to the various customer classes, such as
6 residential, commercial, industrial, public authority, sales for resale, and fire
7 protection. If done properly, the resulting calculations should yield a fairly
8 accurate assessment of the cost of providing water service to each class of
9 customers. Once the cost basis has been calculated, the revenue deficiency is
10 determined for each class. Then, monthly customer charges and volumetric
11 rates within each customer class are established by using unit costs.

12
13 **Q.** **Does the cost of service by customer class reflect the actual Test Year**
14 **and Test Period data presented in the filing?**

15 **A.** Yes. Specifically, the system ratios are based on actual Test Year operating
16 data as provided by the Company and all of the data used to develop the
17 allocation factors are based on Test Year records. The customer class factors
18 used to assign maximum day and maximum hour ratios to each class are a
19 blend of standard industry factor plus a factor that calculates maximum day
20 usage by correlating SWDE's highest annual maximum water production day
21 within the last five years adjusted for non-revenue water (NRW).

22
23 **Q.** **Please provide an overview of the Exhibit you are sponsoring in the**

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 **filing that support the cost of service study.**

2 **A.** The MFR 8.4 supports class cost of service study and consists of three
3 sections. Section A – includes the summary of the study, suggested rate
4 design, the information on current and proposed charges, and the impact on
5 typical customer bills.

6 Section B – summarizes revenue deficiency and rate base distribution among
7 customer classes. It also provides the detail on the distribution and allocation
8 of revenues, operating expenses, annual depreciation expense, income taxes,
9 and plant.

10 Section C – summarizes the allocation factors used, information regarding the
11 SWDE system water demands, and class ratio factors used to develop the
12 functional allocations.

13
14 **Q.** **Please discuss Section A, which summarizes the results of the class**
15 **cost of service calculations?**

16 **A.** Section A presents the cost of service calculated revenue deficiencies by
17 customer class. The total revenue deficiency represents 20.19% of the
18 revenues required to cover costs associated with serving SWDE's customers.
19 I am proposing to equally increase the revenue, by 22.24%, among residential,
20 commercial, industrial, public authority, and sales for resale customers and
21 keep public and private fire services revenue as is. These increases differ from
22 the calculated cost of service increases. The results of the cost of service
23 study suggest that the overall average revenue increase should be 20.19%;

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 residential customers should see a revenue increase of 23.35%; commercial –
2 an increase of 23.50%; industrial – an increase of 31.95%; public authority –
3 an increase of 20.00%; sales for resale – an increase of 337.02%; public fire –
4 a decrease of 54.06%; and private fire – a decrease of 39.16%.

5
6 **Q. The Company is proposing a different allocation of the revenue**
7 **deficiency than what the cost of service study suggests. Please discuss**
8 **revenue deficiency allocation the Company is proposing.**

9 **A.** The Company considered both the percentage increase by class indicated by
10 the cost of service analysis and the requested overall average percentage
11 increase on revenues. Due to the magnitude of this rate increase, it is the
12 Company's position that residential, commercial, industrial, and sales for
13 resale should receive equitable increase and no class should receive a
14 decrease as the Cost of Service study indicates for the Fire Protection
15 classes. Further, the Company is concerned that a significant increase to the
16 Sales for Resale and Industrial class could result in Resale and Industrial
17 customers leaving the SWDE system for an alternative source. Given the
18 potential impact on losing those customers, we recommend that the increase
19 be spread equitably. This goal is best achieved by distributing over-recovered
20 revenues from fire protection services to the remaining classes; thereby,
21 decreasing these classes' revenue deficiencies and, at the same time, keeping
22 fire protection services rates the same. This proposal moves all classes closer
23 to cost base rates.

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1

2 **Q. Please discuss why you believe this proposed revenue increase**
3 **allocation is equitable.**

4 **A.** Strict adherence to the cost of service calculation results would suggest that
5 some classes are receiving higher increases than the study supports or
6 increases that seem unreasonable when compared to other classes.
7 However, there are external considerations that can be used to justify the
8 proposed spread of the revenue increase. Although the cost of service model
9 shows that the fire protection classes produce more revenues than needed,
10 lowering rates on these relatively small classes at the same time all other
11 classes' rates are increased would not be considered equitable. By and large,
12 all classes have been subject to the same inflationary and economic forces
13 and fire protection should not be an exception. Another way to view the fire
14 protection classes is as subsets of the other classes. For instance, the private
15 fire class is primarily related to the industrial class and the public fire is related
16 to the other non-industrial classes. In other words, all the classes (with
17 exception of the resale class) benefit from the excess revenues from the fire
18 protection classes.

19

20 **Q. Is the Company proposing a change to the rate structure reflected in the**
21 **existing tariffs?**

22 **A.** No. The Company believes that the ratepayers should not be burdened by
23 changes in the existing rate structure that would cause some customer bills to

SUEZ WATER DELAWARE, INC.
DIRECT TESTIMONY OF CHARLES E. LOY

1 increase more than the average and some less than the average. I am
2 proposing a 22.89% increase to the 5/8 inch meter with the charges for the
3 higher meter sizes based on the meter and service equivalences as
4 established by the AWWA. Further, the current rate structure for the
5 Residential and Industrial classes reflects a conservation structure or an
6 inclining block, a structure required by this Commission.

7
8 **Q. Please describe the core goals when determining the proposed rate**
9 **levels for the conservation rates.**

10 **A.** The three goals of revenue neutrality, equity and conservation were
11 considered when developing the rate levels for the Residential inclining block
12 structure. Equity and conservation was addressed by limiting the level
13 increases in the lower usage and increasing rates to customers with high
14 usage. Typically, the higher usage customers will have an incentive to
15 conserve if the average price per 1000 gallons is significantly more than the
16 average price in the lower usage levels. Reducing excessive consumption is
17 the goal of conservation rates. Section A of the MFR 4 includes a detailed list
18 of the proposed rates and typical bill calculations.

19
20 **Q. Does this conclude your Direct Testimony?**

21 **A.** Yes it does.

APPENDIX A

Résumé of Charles E. Loy

EDUCATION: BBA Accounting, University of Texas at Austin
Certified Public Accountant, Texas

PROFESSIONAL MEMBERSHIPS:

American Water Works Association
National Association of Water Companies
Water Environment Federation
Texas Society of Certified Professional Accountants
American Public Gas Association
Texas Gas Association

EXPERIENCE:

Mr. Loy has over 25 years' of experience helping organizations meet challenges arising in both regulated and competitive environments within in the utility industry.

2001-Present GDS Associates, Inc.: Principal – Mr. Loy started with GDS in June of 2001. His focus is on regulatory accounting and finance. He is experienced in water, wastewater, natural gas, and electric regulatory and accounting matters. Mr. Loy assisted a number of water, wastewater and gas distribution clients with rate case filings before various regulatory authorities in a number of states. He has assisted with the financial analysis of wholesale purchase power and retail aggregation projects as a result of the deregulation of the electric industry in Texas. He has conducted analysis and developed recommendations regarding the Southwest Power Administration's rate increase on behalf of member clients. He has participated in a number of natural gas and electric projects involving rate increases, acquisition analysis and other special projects.

1999-2001 AquaSource Inc.: General Manager Rates and Regulatory Affairs - AquaSource Inc., a wholly owned subsidiary of DQE Inc and parent of Duquesne Light. AquaSource was formed in 1997 to take advantage of the consolidation in the water and wastewater industries and spent three years and more than \$400 million acquiring water and wastewater companies. Mr. Loy's duties included directing the compilation and filing of rate cases, acquisition analyses and related filings, regulatory commission/governmental relations in the twelve states in which AquaSource operates. Additionally, he supervised a professional staff located throughout the country and assisted in business development, developer contract negotiations and other special projects. His appointment came in the middle of AquaSource's aggressive acquisition phase. Accordingly, his first year was spent primarily working to clean up a very chaotic regulatory situation.

1993-1999 Citizens Utilities Company: Manager, Regulatory Affairs – Mr. Loy served as Project Manager of numerous multiple-company water and wastewater rate case filings, in Ohio, Illinois, Pennsylvania and Arizona. In those cases, he prepared and presented testimony, developed revenue requirement calculations, generated revenue and expense pro forma adjustments, performed working capital lead/lag studies, and evaluated rate design/cost of service issues. He proposed surcharge mechanisms for purchased water, a reverse osmosis process, and contract waste treatment. Additionally, Mr. Loy designed and directed the development of the multiple company revenue requirement models that generated filing schedules. In the fall of 1997, Citizens promoted Mr. Loy to Manager Regulatory Affairs. In the new position, he supervised the staff responsible for all regulatory activity involving gas, electric and water/wastewater in

ten states. He was a key member of a team that negotiated a multimillion dollar water and wastewater agreement with a major developer in Phoenix on behalf of Citizens.

1989-1993 Southern Union Gas Company: Rate Manager – Mr. Loy joined Southern Union as Sr. Internal Auditor. In that capacity, he contributed to multiple projects pertaining to the upcoming merger with a large publicly traded corporation. These projects included supervising audits of gas purchases, accounts receivable, accounts payable and oil and gas holdings. He was promoted to Rate Manager reporting to the Vice President of Regulatory Affairs. In that capacity, he supervised a team of four directing the preparation and implementation of 16 rate increase applications before various municipal and state regulatory bodies, and led negotiating sessions with elected and municipal officials. In addition to improving efficiency, he developed several rate mechanisms that resulted in increased earnings. One such efficiency was the Weather Normalization Adjustment Clause (WNAC). By eliminating weather-sensitive fluctuations, the WNAC increased earnings as much as 12%. He also developed a Cost of Service Adjustment Clause (CSAC) which was established in several smaller municipal jurisdictions. The CSAC allowed annual rate increases without the time and expense of major rate filings. Also, Mr. Loy performed analysis and due diligence for numerous municipal and private acquisitions.

1987-1989 Diversified Utility Consultants, Inc.: Sr. Accounting Analyst - Diversified Utility Consultants (DUC) is a consulting firm which represents consumers' interests in rate case proceedings. The firm's clients include municipalities and various state-supported consumer agencies. As a Sr. Accounting Analyst, Mr. Loy worked on seven electric rate cases, two gas rate cases and one water rate case.

Prior to 1987 Mr. Loy spent summers in college rough necking, both offshore and onshore, on oil and gas drilling rigs. His first job after college was in the oil & gas industry where he started in accounts receivable and specialized in collecting past due accounts. He was in the Joint Interest Auditing Department where he reviewed drilling costs and negotiated refunds for the company and its joint interest owners.

Utility Rate Making Experience:

Mr. Loy has presented testimony and/or participated in cases before the following regulatory bodies:

Pennsylvania Public Utility Commission
Public Utilities Commission of Ohio
Indiana Regulatory Commission
Idaho Public Utilities Commission
Illinois Commerce Commission
Arizona Corporation Commission
Arkansas Public Utility Commission
Oklahoma Corporation Commission
Texas Railroad Commission
Texas Public Utilities Commission
Texas Commission on Environmental Quality
Delaware Public Service Commission
New Mexico Public Regulation Commission
New York Public Service Commission
Connecticut Department of Public Utility Control
New Jersey Board of Public Utilities
El Paso Public Utilities Board

**LIST OF TESTIMONY, EXPERT PROCEEDINGS, AND ENGAGEMENTS BY
CHARLES E. LOY, CPA**

WATER UTILITY RATES AND REGULATION EXPERIENCE

Arizona Corporation Commission

Docket No. WS-01303A-006-0403

Presented testimony, prepared the Cost of Service study and rate design on behalf of Arizona-American Sun City and Sun City West Wastewater rate request.

Docket No. WS-01303A-06-0403

Presented testimony, prepared the Cost of Service study and rate design on behalf of Arizona-American Anthem/Aqua Fria Water and Wastewater rate request.

Docket No. WS-01303A-06-0014

Presented testimony, prepared the Cost of Service study, rate design, and assisted with the preparation of the revenue requirements on behalf of Arizona-American Mohave Water and Wastewater rate request.

Docket No. W-01656A-98-0577, SW-02334A-98-0577

Presented testimony for approval of a Central Arizona Project Water utilization plan, the implementation of a Groundwater Savings Fee and the recovery of deferred project costs.

Docket WS-02334A-98-0569

Presented a filing for the approval of an agreement relating to a wastewater plant de-nitrification project with the Sun City Recreation Centers and Del Webb Corporation.

Docket U-3454-97-599

Prepared and presented a filing for the approval of a CCN to provide water and wastewater services to Del Webb's Anthem project and the approval of two related agreements.

Docket No. E-1032-95-417 ET AL.

Presented testimony and prepared the rate filing on behalf of Citizens Utilities Maricopa County water properties 1995 rate request.

Arkansas Public Service Commission

Docket No. 06-160-U

Presented testimony, prepared the Cost of Service study and rate design on behalf of United Water Arkansas's 2006 rate request.

Docket No. 03-161-U

Presented testimony, prepared the Cost of Service study, rate design, and assisted with the preparation of the revenue requirements on behalf of United Water Arkansas's 2003 rate request.

Connecticut Department of Public Utility Control

Docket No. 07-05-44

Prepared the rate filing and supporting testimony on behalf of United Water Connecticut's 2007 water rate request.

Public Service Commission of Delaware

PSC Docket No. 09-60

Presented testimony, prepared the Cost of Service study and rate design on behalf of United Water Delaware's 2009 rate request.

PSC Docket No. 06-174

Presented testimony, prepared the Cost of Service study, rate design, revenue normalization and cash working capital requirements on behalf of United Water Delaware's 2006 rate request.

Idaho Public Utilities Commission

Case No. UWI-W-09-01

Presented testimony, prepared revenue and expense pro forma adjustments, and proposed rate design on behalf of United Water Idaho, Inc. 2010 rate request.

Indiana Utility Regulatory Commission

Cause No. 41842

Prepared the filing and presented testimony for the Petition of Utility Center Inc. for the recovery of Distribution System Improvement Charges -2001

Cause No. 41559

Prepared the filing and presented testimony for a Certificate of Territorial Authority to render Sewage service.-2000

Cause No. 41968

Directed the preparation of Utility Center Inc.' request for authority to increase its rates and charges for water and sewer service. -2000

Illinois Commerce Commission

Docket No. 94-0481

Presented testimony and prepared the filing on behalf of Citizens Utilities Company of Illinois 1994 rate request.

Docket No. 95-0633

Presented testimony on behalf of Citizens Utilities Company of Illinois in Tudor Park Apartments vs. Citizens Utilities of Illinois.- 1995

Docket No. 97-0372

Presented testimony on behalf of Citizens Utilities of Illinois in the Application for Consent to and Approval of a Contract with Affiliated Interests. 1997

State Board of New Jersey Public Utilities

BPU Docket No. WRO702125

Prepared and presented testimony on the determination of the cash working capital requirements on behalf of United Water New Jerseys 2007 rate request.

New Mexico Public Regulation Commission

Case No. 11-00196-UT

Presented testimony and assisted with the preparation of the water rate filing on behalf of New Mexico American Water Company Clovis District

Case No. 09-00156-UT

Presented testimony and prepared the water rate filing on behalf of New Mexico American Water Company Edgewood District

Case No. 07-00435-UT

Presented testimony and prepared the water and wastewater rate filing on behalf of New Mexico Utilities Inc.

Case No. 08-00134-UT

Presented testimony and prepared the water rate filing on behalf of New Mexico –American Water Co.

New York Public Service Commission

Presented testimony, prepared the Cost of Service study and rate design on behalf of United Water New Rochelle's 2010 rate request.

Public Utilities Commission of Ohio

Docket No. 98-178-WS-AIR

Presented testimony and prepared the filing on behalf of Citizens Utilities Company of Ohio 1998 rate request.

Docket No. 94-1237

Presented testimony and prepared the filing on behalf of Citizens Utilities Company of Ohio 1994 rate request.

Pennsylvania Public Utility Commission

Docket No. R-2009-2122887

Presented testimony, prepared the Cost of Service study and rate design on behalf of United Water Pennsylvania's 2009 rate request.

Docket No. R-00051186

Assisted with analysis/filing preparation of United Water Pennsylvania, Inc. 2005 Rate Case.

Docket No. R-00953300

Presented testimony on behalf of Citizens Utilities Company of Pennsylvania 1995 rate request.

Public Service Commission of South Carolina

Docket No. 2014-346-W/S

Filed testimony on behalf of Daufuskie Property Owner's Group (intervenors) regarding certain water and sewer rate base issues.

Texas Commission of Environmental Quality

SOAH Docket 582-14-3415

Application for a 2013 Water Rate/Tariff Change of Canyon Lake Water Service Company
Prepared the application and filed testimony on behalf of Canyon Lake WSC.

SOAH Docket No. 582-14-3384

Application for a 2013 Water and Sewer Rate/Tariff Change of SWWC Inc.
Prepared application on behalf of SWWC, Inc.

SOAH 582-14-3381

Application for a 2013 Water and Sewer Rate/Tariff Change of Monarch Utilities LP
Prepared application on behalf of SWWC, Inc.

SOAH Docket No. 582-12-0224

STM Application of Monarch Utilities I, L.P. to Transfer Water and Sewer Facilities and
Certificates of Convenience and Necessity – provided assistance

Application 37531-R

Application for a Water Rate/Tariff Change of Quadvest L.P. Prepared application on behalf of Quadvest
L.P. Prepared application on behalf of Quadvest L.P.

Applications 37507-R and 37508-R

Application for a Water and Sewer Rate/Tariff Change of Ranch Utilities, Inc. Prepared application on
behalf of Ranch Utilities, Inc.

Application 37317-R

Application for a Water Rate/Tariff Change of Wiedenfeld Water Works, Inc. Prepared application on
behalf of Wiedenfeld Water Works, Inc.

Applications 37234-R and 37235-R

Application for a Water and Sewer Rate/Tariff Change of Aqua Texas, Inc. North and Southwest Regions
Prepared application on behalf of Aqua Texas, Inc.

SOAH Docket No, 582-12-0224

Application for a Water and Sewer Rate/Tariff Change of Monarch Utilities LP
Prepared application on behalf of SWWC, Inc.

SOAH Docket No. 582-11-1468

Application for a 2010 Water Rate/Tariff Change of Canyon Lake Water Service Company
Prepared the application and filed testimony on behalf of Canyon Lake WSC.

Texas Commission of Environmental Quality-cont.

SOAH Docket No. 582-11-1458

Application for a Water and Sewer Rate/Tariff Change of Aqua Texas, Inc. Southeast Region
Prepared application on behalf of Aqua Texas, Inc.

Docket No. 0580-UCR

Application for a 2009 Water Rate/Tariff Change of Canyon Lake Water Service Company
Prepared the application on behalf of Canyon Lake WSC.

Docket No. 35850-R

Application for a 2007 Water Rate/Tariff Change of Canyon Lake Water Service Company
Prepared the application on behalf of Canyon Lake WSC.

Docket No. 33763-R

Application for a 2007 Water and Sewer Rate/Tariff Change of Midway, Inc. For the City of Oak Point
Service area. Filing initially made with the City of Oak Point.

Docket Nos. 35748-R & 35747-R

Application for a Water and Sewer Rate/Tariff Change of Monarch Utilities LP
Prepared the application on behalf of Monarch.

Docket No. 2006-0072-UCR

Application for a Water and Sewer Rate/Tariff Change of Aqua Texas, Inc
Prepared application and presented testimony on behalf of Aqua Texas, Inc.

Docket No. 2007-0478-UCR

Application for a Water and Sewer Rate/Tariff Change of Texas American Water Inc.
Prepared the application on behalf of Texas American Water.

Docket No. 2005-0114-UCR

Application for a Water and Sewer Rate/Tariff Change of Aqua Texas, Inc
Presented Testimony on behalf of Aqua Texas, Inc.

Docket No. 2004-2029-UCR

Application for a Water and Sewer Rate/Tariff Change of Walker Water Works, Inc.
Prepared the application on behalf of Texas American Water.

Application Nos. 34658-R & 34659-R

Application for a Water and Sewer Rate/Tariff Change of Southwest Utilities, Inc.
Prepared the application on behalf of Texas American Water.

Docket Nos. 2000-1074-UCR, 2000-1075-UCR, 2000-1366 UCR through 2000-1369 UCR
Assisted in the preparation and presentation of the Aqua Source 2000 rate increase

Application No. 7371-R (Texas Water Commission)

Assisted in the analysis of Southern Utilities 1988 rate request on the behalf of Southern Utilities
customers.

Other Water Related Engagements and Expert Proceedings

City of Page, Arizona

Water and Wastewater Rate Study – Developed retail water and sewer rates and rate structure change to improve cash flow.

Village of Vinton, Texas

Developed water utility valuation studies for Village water infrastructure improvement efforts.

Town of Providence Village

Developed Expert Witness Report for Denton County Court Cause No. 2011-60876-393
Analysis of Agreements between Mustang SUD and Providence Village WCID

Mitchell County Utility

Assist with divestiture of water utility assets

City of Longview

Ongoing assistance with development of annual formulary wholesale water and wastewater treatment rates.

Aqua Texas, Inc.

Ongoing calculation and updates of Regional Uniform CIAC Fees

Dripping Springs WSC, Hays County WCID 1&2

Review and analysis of West Travis County Public Utility Agency wholesale rate cost of service and rate increase 2012.

SWWC Inc.

- Decertification analysis and valuation of the CCN for Crosswinds development area.
- Decertification analysis and valuation of the CCN for TXI development area.
- Decertification analysis and valuation of the CCN for Tower Terrace/Kilgore Tract development area.
- Decertification analysis and valuation of the CCN for Villages at Warner Ranch development area.

Crystal Clear WSC

Decertification analysis and valuation of the CCN for Texas GLO development area around New Braunfels Texas

Woodbine Development Corp.

Analysis and assistance with LCRA Windmill Ranch wholesale wastewater services contract renegotiations.

Other Water Related Engagements and Expert Proceedings-cont.

Rebecca Creek MUD

Developed before and after merger rate comparison, analysis and forecast regarding the merger proposed by Canyon Lake Water Supply Company.

Global Water Resources

Expert witness before American Arbitration Association regarding the financial standing and regulatory status of Global Water.

City of Alexandria, Louisiana

Financial review, allocated cost of service and rate study for the water and wastewater systems.

Corix Utilities

Assistance with bid preparation and analysis regarding the LCRA retail water and wastewater divestiture.

Golden State Water Company

Assistance with bid concerning divestiture of SWWC Inc.

United Water Management and Services

Developed report regarding Texas IOU regulation for internal assessment of the Texas water regulatory status.

Provide revenue forecasting for various concession projects which involve Municipalities that are considering selling their water and sewer utilities.

Greater Austin Water Forum

Assisted industrial class water users with analysis and participation in the City of Austin 2008 Cost of Service Study.

New Mexico Utilities

Review/analysis and critique report on Albuquerque Bernalillo County Water Utility Authority's Cost of Service Wholesale Wastewater Rate Model

GAS UTILITY RATES AND REGULATION EXPERIENCE

Railroad Commission of Texas

GUD Docket 10190

Prepared filing and testimony of behalf of Hughes Natural Gas 2012 rate increase for the environs of the City of Magnolia.

Railroad Commission of Texas-cont.

GUD Docket 10083

Prepared filing and testimony of behalf of Hughes Natural Gas 2011 rate increase for the incorporated area of the City of Magnolia and environs.

GUD Docket 9731

Prepared filing and testimony of behalf of Hughes Natural Gas 2007 rate increase for the environs of the City of Magnolia.

GUD Docket 9488-9512

Prepared filing and testimony of behalf of West Texas Gas 2004 rate increase for the environs of cities served.

GUD Docket 8033

Filed testimony on behalf of Southern Union Gas Company's 1991 appeal for a rate increase in South Jefferson County.

GUD Docket 7878

Filed testimony and prepared the rate filing on behalf of Southern Union Gas Company's 1991 request for a rate increase in the Austin environs.

GUD Docket 6968

Assisted in the analysis of Southern Union Gas Company's 1987 appeal for a rate increase on the behalf of the City of Austin

Oklahoma Corporation Commission

Docket No. 001345

Presented testimony and prepared the rate filing on behalf of Southern Union Gas Company's 1992 rate request.

Pennsylvania Public Utility Commission

Docket No. 2013-2386293

Assisted the University of Pennsylvania with the analysis of Veolia Energy Philadelphia Inc.'s 2013 steam rate case.

Docket No. 2009-2111011

Assisted the University of Pennsylvania with the analysis of Trigen-Philadelphia Energy Corp's 2009 steam rate case.

Federal Energy Regulatory Commission

Docket No. RP09-791-000

Assist municipal customers of MoGas analyze issues in FERC 2009 gas transportation rate case.

City of Austin

- Presented testimony and prepared filing as well as conducted settlement negotiations associated with Southern Union's 1993 rate request.
- Presented testimony and prepared filing on behalf of Southern Union Gas Company's 1991 rate request.
- Assisted in the analysis of Southern Union Gas Company's 1987 rate request on behalf of the City of Austin.

City of El Paso Public Service Board

- Presented testimony and prepared filing as well as participated in the settlement negotiations of Southern Union's 1993 rate request.
- Presented testimony and prepared filing on behalf of Southern Union Gas Company 1991 rate request.

City of El Paso Public Service Board-cont.

- Presented testimony and prepared the filing on behalf of Southern Union Gas Company 1990 request.

City of Port Arthur

- Presented testimony and prepared filing on behalf of Southern Union Gas Company's 1991 rate request.
- Participated in Southern Union Gas Company's 1990 rate request.

City of Monahans

- Presented testimony and prepared filing on behalf of Southern Unions Gas Company's 1992 rate request.
- Assisted in the analysis of Southern Union Gas Company's 1989 rate request on the behalf of the City of Monahans.

City of Borger

- Prepared testimony and prepared the filing on behalf of Southern Union Gas Company's 1992 rate request.
- Participated in Southern Union Gas Company's 1989 rate request on the behalf of the City of Borger.

City of Galveston

- Presented testimony and prepared the filing on behalf of Southern Union Gas Company's 1992 rate request.

Other Gas Related Engagements

Mitchell County Utility

Assist with divestiture of gas utility assets

Hughes Natural Gas

Ongoing assistance with GRIP filings

Markwest Energy Partners

Ongoing transportation rates and regulatory consulting

Consolidated Asset Management Services (CAMS)

Ongoing assistance regarding RRC Transmission pipeline issues

City of Alexandria, Louisiana

Financial review, allocated cost of service and rate study for the gas system.

City of George West, Texas

Gas utility rate study

Alamo Transmission

Assisted with initial tariff development and related cost of service

Dynamic Energy Concepts Incorporated

Assisted with the review of gas contracts, tariffs, analyzed usage data and assessed procurement practices for a number of US Veteran Hospitals across the country.

ELECTRIC UTILITY RATES AND REGULATION EXPERIENCE

Public Utility Commission of Texas

Docket No. 43731

Prepared a cash working capital study and testimony on behalf of Cross Texas Transmission LLC 2015 Rate Application to establish rates.

Docket No. 41474

Prepared a cash working capital study and testimony on behalf of Sharyland Utilities L.P.'s 2013 Rate Application to establish retail distribution rates.

Public Utility Commission of Texas-cont.

Docket No. 31250

Presented testimony and rate filing on behalf of Rio Grande Electrical Cooperatives 2005 Change in rates for wholesale transmission service.

Docket No. 8702

Assisted in the analysis of Gulf States Utilities 1987 rate request.

Docket 8646

Assisted in the analysis of Central Power & Light's 1988 rate request.

Docket 7661

Assisted in the analysis of the City of Fredericksburg's proposed amendment to Certificate of Convenience.

Docket 7510

Assisted in the analysis of West Texas Utilities Company's 1987 rate request.

Federal Energy Regulatory Commission

Docket No. ER88-202-0000

Assisted in the analysis of the Maine Yankee Atomic Power Plant Decommissioning.

Docket No. ER88-224-0000

Assisted in the analysis of the Carolina Power & Light Company Atomic Power Plant Decommissioning.

City of Bryan

- Developed and programmed data management system for the city electric department.

City of Fredericksburg

- Organized and performed an electric rate survey of Central Texas.
- Assisted in a load and rate design study.

City of Austin

- Assisted in the analysis of the City Electric Utility Department's 1989 rate request.

Other Electric Related Engagements

Dynamic Energy Concepts Incorporated

Assisted with the review of electric contracts, tariffs, analyzed usage data and assessed procurement practices for a number of US Veteran Hospitals across the country

Other Electric Related Engagements-cont.

Northeast Texas Electrical Cooperative

- Ongoing review/analysis of Southwest Power Administration's annual Integrated Power Repayment Studies and resulting rates.
- Ongoing review/analysis of Southwest Electric Power Company's annual formulary wholesale rate adjustments.

Tex-La Electric Cooperative

- Ongoing review/analysis of Southwest Power Administration's annual Integrated Power Repayment Studies and resulting rates.
- Ongoing review/analysis of Southwest Electric Power Company's annual formulary wholesale rate adjustments

Sam Rayburn G&T Electrical Cooperative

- Ongoing review/analysis of Southwest Power Administration's annual Integrated Power Repayment Studies and resulting rates.
- Ongoing review/analysis of Southwest Power Administration's annual Robert D. Willis Power Repayment Studies and resulting rates.

East Texas Electrical Cooperative

- Ongoing review/analysis of Southwest Electric Power Company's annual formulary wholesale rate adjustments
- Ongoing review/analysis of Southwest Power Administration's annual Robert D. Willis Power Repayment Studies and resulting rates.

H.E. Butt Grocery Company

Electricity procurement assistance and analysis of supply alternatives

Martin Marietta Materials

Electricity procurement assistance and analysis of supply alternatives

C.H. Guenther & Son, Inc.

Electricity procurement assistance and analysis of supply alternatives

Van Tuyl, Inc.

Electricity procurement assistance and analysis of supply alternatives