

SIGNATURE PAGE

Please indicate below if you would like to join, not oppose or oppose the Joint Petition for Settlement submitted by Aqua Pennsylvania, Inc., the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and Aqua Large Users Group in this case, Pennsylvania Public Utility Commission, et al. v. Aqua PA, Inc., Docket No. R-2011-2265978.

- I have read the terms of the Settlement and wish to join in it. The terms of the Settlement resolve my Formal Complaint if the Public Utility Commission approves the Settlement without modification.
- I have read the terms of the Settlement and do not oppose it. The terms of the Settlement resolve my Formal Complaint if the Public Utility Commission approves the Settlement without modification.
- I have read the terms of the Settlement and I oppose it. Comments enclosed. *LA+K CH 62*

LAURENCE J. COLTER  
Print Your Full Name

*Laurence J. Colter*  
Sign Your Full Name

Date: 4/27/2012

Please Write Your Address Here:

609 F. PLEASANT GROVE RD.  
WEST CHESTER PA 19382

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2012 MAY 15 AM 8:20

PA UIC  
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Docket Number of Your Complaint:

C-2011- ~~7265978~~ 2279472  
or  
C-2012- \_\_\_\_\_

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Public Utility Commission  
Philadelphia Office  
Administrative Law Judge

Comments

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LAURENCE J. COLLETT

APR 30 2012

Document No. C 2011-226 ~~5475~~  
2879472

Public Utility Commission  
Philadelphia Office  
Administrative Law Judge

①

The original increase of 9.6% was far in excess of the present Consumer Price Index (CPI) and far above the retirement rate.

The proposed increase of \$6,700,000 is an increase of 4.139%, still well above CPI and FRANKLIN RATE.

My solution, an increase of 2.59% to 2.759% to be in step with current CPI & FRANKLIN RATE and still reasonable.

②

In addition, the <sup>current</sup> Salary & Benefits <sup>standard</sup> structure of ARCA AMERICA should be examined to see if it is large to permit this increase and therefore the increased cost of this increase is not to support these salary & benefits. In today's world of high unemployment and increased cost of food, shelter and medical care, this large proposed increase seems to be out of line.

Laurence J. Collett

LAURENCE J. COLLETT  
609 E. PLEASANT GROVE RD  
WEST CHESTER PA 19382

oppose

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STAN LEMOND  
Print Your Full Name

Date: 4/26/12

*Stan Lemond*  
Sign Your Full Name

Please Write Your Address Here:

2 Whitesell Court  
Summit, NJ 07901

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Docket Number of Your Complaint:

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~~C-2011-2265978-2284313~~  
or  
C-2012-

MAY 30 2012

Public Utility Commission  
Philadelphia Office  
Administrative Law Judge

Comments

To Whom It May Concern:

This ill-advised proposed decision to grant a rate increase is rewarding a poorly run company that is wasting its customers' payments.

Its present basic rate is 30% more than I'm paying to NJ American Water for "0" gallons used. And Pennsylvania is a much larger state than New Jersey with more customers.

In reality, they are raising their rates so more people can't pay their bills and then the remaining customers will have to subsidize more users under the guise of Aqua doing humanitarian work?!

In this economic environment, Aqua should be helping its customers by keeping their costs down.

Stan & Laurraine Lemond

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Public Utility Commission  
Philadelphia Office  
Administrative Law Judge

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JEROME LINDEN  
 Print Your Full Name  
 Date: 5/1/2012

*Jerome Linden*  
 Sign Your Full Name

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 PA PUC  
 SECRETARY'S BUREAU

Please Write Your Address Here:

201 CORNELL DR  
BRYN MAWR, PA 19010

Docket Number of Your Complaint:

C-2011- 2280616  
 or  
C-2012-

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MAY 02 2012

Public Utility Commission  
Philadelphia Office  
Administrative Law Judge

rcv'd by e-mail  
5-1-12

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201 Cornell Drive  
Bryn Mawr, PA 19010  
May 1, 2012

PA PUC  
SECRETARY'S BUREAU

Honorable Angela T. Jones  
Honorable Darlene D. Heep  
Office of Administrative Law Judge  
Pennsylvania Public Utility Commission  
801 Market Street, Room 4063  
Philadelphia, PA 19107

Re: Pennsylvania Public Utility Commission v.  
Aqua Pennsylvania, Inc.  
Docket No. R-2011-2267958

Dear Judges:

I am writing to provide comments on my opposition to the Joint Petition for Settlement.

On December 19, 2011, I filed a formal complaint opposing the rate increase. This complaint was docketed by the Commission at C-2011-2280616. Following the procedures and schedule established for this proceeding, I elected active status and submitted direct and surrebuttal testimony. I note that the settlement makes reference to my direct testimony, but not to my surrebuttal testimony. I also note that I was an active participant in the prior case, R-2009-2132019 and provided sworn testimony in the two preceding rate cases in 2008 and 2006.

I do not believe that the burden of proof that a rate increase is required has been met. Further, I do not believe that it can be determined if the settlement is just and reasonable and there is a substantial likelihood that it is not. Therefore, the settlement is not in the public interest and should be modified or rejected.

**Aqua has not met the burden of proof that a rate increase is required.**

In my formal complaint, I stated that:

On November 18, 2011 Aqua Pennsylvania filed a rate request to increase rates as of January 18, 2012. The company requests a rate of return on common equity of 11.75%. In the Statement of Reasons, the company states "... the indicated return on common equity under present rates is anticipated to be 9.49%, which is inadequate by any standard and less than required to provide the Company with a reasonable opportunity to attract the additional capital needed to finance future plant improvements."

Aqua Pennsylvania has not proven that a 9.49% return on equity is inadequate, nor has it proven that an 11.75% return on common equity is required to attract additional capital. As shown in its own presentations to the investors in the parent company, Aqua America, investors have realized returns well above market benchmarks in addition to above market dividends. This is further evidenced by the company's current P/E ratio, which is significantly above the current market average.

Two experts provided testimony recommending rates of return of 9.56% (I&E witness Sears in I&E Statement 1-SR, page 41) and 9.75% (OCA witness Kahal in OCA Statement No. 2S, page 2). These recommended returns are only slightly higher than the Company's indicated rate of return. Further, OCA witness Catlin challenged certain Company revenues and expenses, and recommended an overall revenue *decrease* of \$2,641,526 (OCA Statement No. 1S, page 9).

In my direct testimony and in support of my complaint, I provided information from the parent company's own presentations to investors that show that those investors have enjoyed returns well in excess of market benchmarks (Linden Direct Testimony, Pages 1-2 and Exhibit 1). Next, I show that in examining the contribution of Aqua Pennsylvania to Aqua America, that Aqua Pennsylvania provides far more than its proportionate share of Aqua America's income (Linden Direct Testimony, Page 2 and Exhibit 2). Lastly, I provided evidence that the present valuation of the company, through the Price to Earnings Ratio (P/E) is also well in excess of the present market benchmark (Linden Direct Testimony, Page 3 and Exhibit 3).

Aqua Pennsylvania responded to my direct testimony in their rebuttal testimony (AP Statement No. 2-R, Pages 15-17 and Statement No. 4-R, Pages 32-33). Witnesses Smeltzer and Moul did not dispute the fact that Aqua America shareholders have enjoyed returns in excess of market benchmarks, yet offered no explanation or justification.

In responding to my comments about Aqua America's high P/E ratio, Mr. Smeltzer acknowledges the importance of the P/E ratio to the financial community, but states that all water companies have a high P/E due to "rate regulated nature of the business and the relative predictability of the results". As noted in my surrebuttal testimony, this simply confirms that the company is receiving an excessive rate of return for its risk. A comparison limited to only other water companies is improper, as Aqua does not compete for capital in a market limited to only other water companies (Linden Surrebuttal, Page 3).

Mr. Smeltzer also contends that my analysis regarding the contribution of Aqua Pennsylvania to Aqua America cannot be made without information of all of Aqua America's 60 subsidiaries. Mr. Smeltzer does not reference the specific information I provided to address this, and misses the point that the other subsidiaries can be treated in aggregate (Linden Surrebuttal, Page 2). However, in response to Mr. Smeltzer's rebuttal testimony, I requested detailed information on all of Aqua America's subsidiaries which has been entered into the record as Linden Exhibit 4. While the additional information did reveal the degree to which specific subsidiaries were offsetting Aqua Pennsylvania's stronger performance, it only served to confirm my original point. Exhibit 4 did provide information regarding calendar year 2011, which had not previously been available, and when compared to Aqua America's 10K filing which also recently became

most meaningful comparison is water co.

available, confirmed that the same relatively high contribution of Aqua Pennsylvania to Aqua America net income continued.

However, more troubling was information revealed in Exhibit 4 that appears to show that for Calendar Year 2011 Aqua Pennsylvania realized a Return on Equity of 12.4% (See Linden Exhibit 4, Page 5, Net Income \$107,856,931 / Shareholder Equity \$868,863,526 = 12.4%). This is well in excess of the ROE awarded to the company of 11% in 2008, and it certainly places further doubt on the need for a rate increase at this time. \*

The Company responded to certain aspects of my testimony in their Statement in Support of the settlement (Aqua Pennsylvania, Inc.'s Statement in Support, Appendix C of the Joint Petition for Settlement, pages 7-8). The Company repeated their claim that Aqua America has not realized the same above market performance more recently, yet ignores my surrebuttal testimony which addresses this (Linden Surrebuttal, Page 3), and still has provided no data to support its claim.

Now, in the Statement in Support, the Company states that it does not challenge the accuracy of the statistics I provided, but questions their relevance, and further states that rates are set on projected operating results, not on historic, consolidated holding company data. I agree that this is the key issue for the Commission to address. In its Statement in Support, the Company again reiterates that a rate increase is required "to have a reasonable opportunity to earn a fair return and to attract the additional capital needed to finance future plant improvements". (Aqua Pennsylvania, Inc.'s Statement in Support, Appendix C of the Joint Petition for Settlement, Page 2, paragraph 3) This is essentially the same language the Company used in the Statement of Reasons that I cited in my formal complaint.

If a fair return and the ability to attract capital are the basis for this rate increase, than nothing could be more relevant than the returns that have been realized and are anticipated to be realized by the company's investors.

It is irrefutable that Aqua America investors have received returns well in excess of market averages. The methods that the Company has used in the past to determine a fair rate of return, and the resultant rate increases awarded, clearly have provided an excess of revenue to the Company to the detriment of its customers. Aqua has used the same methods to justify the current increase. Clearly, there are limitations to the methods that have been used to determine revenue increases and prospective rates of return, as can well be seen when looked at retrospectively. Therefore, it is critical to review the actual returns realized by company's investors in conjunction with the forward looking models. agreed

The Company has failed to meet the burden of proof that the rates of return recommended by the two non-company witnesses are inadequate to provide a fair return to shareholders or that any rate increase is required. Likewise, the Company has failed to account for the above market returns that parent company shareholders have realized, the current above market P/E ratio of the company and the impact of the disproportionately larger contribution of Aqua Pennsylvania to Aqua America.



**It cannot be determined if the settlement is just and reasonable.**

While it is tempting to compare the proposed settlement increase of \$16.7 million to the originally requested increase of \$38.4 million, it is more appropriate to compare the \$16.7M increase to the anticipated income under current rates. Schedule TSC-1 in OCA Statement No. 1-S provides this information, showing the adjustments to the Revenue, Expenses and Rate Base Revisions made to Exhibit 1-A in the Company's Exhibit 1-A(a), Schedule 2, Page 2.

*agreed*  
The significant items in these documents show a difference of \$4.1 million in Operation & Maintenance Expense offset by a \$2.6 million Revenue decrease calculated by the OCA witness. Thus, even deciding all of the disputed items regarding Operation & Maintenance Expense in the Company's favor would yield a rate increase of only approximately \$1.5 million. Any settlement increase beyond \$1.5 million would solely be to increase Net Income (and thus Return on Equity), after gross up for income taxes and assessments. As explained earlier, a need to increase the return on equity has not been proven.

There is a value to the limitation for filing for another rate increase until November 18, 2013. However, based on the information provided in this rate proceeding it is not possible to determine a fair value of this provision. A fair value would need to be based upon some general level of operations and maintenance cost increases, with such an increase being granted on a future date or discounted back to the present. Likewise, there could be some justification for interest and equity costs for non-DSIC capital improvements. However, there is no information provided to evaluate if the settlement is providing a reasonable amount for any such improvements:

Provision (e) of the settlement sets the return on equity for the DSIC to 10.2%. There is simply no basis for this provision and no justification has been provided to explain why Aqua Pennsylvania should not following the statewide DSIC provisions, or why granting an exception is in the public interest.

**The settlement is not in the public interest.**

*OCA in litigation*  
The proposed partial settlement provides for an unsubstantiated rate increase of \$16.7 million in lieu of a potential \$2.6 million rate decrease. The majority of the costs incurred by the parties to litigate this case have already been expended. It is simply not in the public interest to grant this increase, which may be unwarranted, without a complete record that includes justification for any increase. Key issues remaining unanswered include: 1) Determining a fair return on equity in light of the above market returns realized by Aqua America shareholders and the limitations of the models used in the past and in the present case to determine a prospective return; 2) The impact of Aqua Pennsylvania's disproportionately high contribution of income to Aqua America; 3) Consideration of the high P/E ratio of Aqua America in setting a fair return on equity; 4) Analysis and documentation to support a fair value for the limitation on filing provision; and 5) justification for setting a DSIC return on equity that is an exception from the established process.

For these reasons, the settlement should either be modified or rejected.

Thank you for your consideration of my comments.

Sincerely,

A handwritten signature in cursive script that reads "Jerome Linden". The signature is fluid and connected, with a large loop at the beginning of the first name.

Jerome Linden

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KENNETH W. REEVES  
Print Your Full Name

Kenneth W. Reeves  
Sign Your Full Name

Date: 5/4/2012

Please Write Your Address Here:

307 DOUGLAS AVE  
SAYRE, PA 19840

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PA PUC  
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Docket Number of Your Complaint:

C-2011-  
or  
C-2012- 2285539

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MAY 09 2012

Public Utility Commission  
Philadelphia Office  
Administrative Law Judge

Kenneth W. Reeves  
307 Douglas Avenue  
Sayre. PA. 18840  
kreeves@stny.rr.com  
570-888-8117

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MAY 09 2012

Public Utility Commission  
Philadelphia Office  
Administrative Law Judge

Date: May 4, 2012

To: Honorable Angela T. Jones, ALJ  
Honorable Darla D. Heep, ALJ

From: Kenneth W. Reeves



Re: PaPUC, *et al.*, v. Aqua PA Inc.  
Docket No. R-2011-2267958  
C-2012-85539

From time to time negotiated settlements in regulated utility matters are appropriate, particularly in small water companies where a significant part of the award is "rate case expense" that is a true burden on a per customer basis. The beneficiaries here include attorneys and consultants.

In the case of Aqua, continuous negotiated settlements replace the responsibility of the Pa PUC to set rates after hearing all of the issues.

Rates *should not be set* by the Trial Staff, Consumer Advocate and a few other parties case after case. Occasional settlements are appropriate. Settlements are acceptable when the issues are limited and a fully litigated decision is fairly current.

The proposed settlement claims to reduce the award from \$38,600,000 to \$16,700,000. In complete formal hearings were held, the rates would likely be effective on or after August 18, 2012. The proposed effective date in the settlement proposal is June 8, 2012.

This increases the revenues available to Aqua by at least \$3,000,000. This should be clearly stated in the documents and news releases when the additional revenues the ratepayers will pay during the first year the change is in effect.

The Commission suspended this case until at least August 18, 2012. This should be the earliest effective date of any settlement.

Thank you.

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EMILIO RENDE  
Print Your Full Name

Emilio Rende  
Sign Your Full Name

Date: 5/2/12

Please Write Your Address Here:

108 JEFFERSON ST.  
BALA CYNWYD  
PA 19004

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Docket Number of Your Complaint:

C-2011- 2277113  
or  
C-2012-

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MAY 03 2012  
Public Utility Commission  
Philadelphia Office  
Administrative Law Judge

Honorable Angela T Jones  
Honorable Dorlene D Heep, Administrative Law Judge  
PUC Commission  
801 Market St Suite 4063  
Phila. PA 19107

Emilio Rende  
108 Jefferson St  
Bala Cynwyd 19004

Dear Judge Jones and Judge Heep;

Having read the settlement, I concluded that Aqua should not have been given any increase.

Aqua received a large increase less than two years ago This settlement, in addition to the 4.04% increase gives Aqua the freedom to file for an other increase next year.

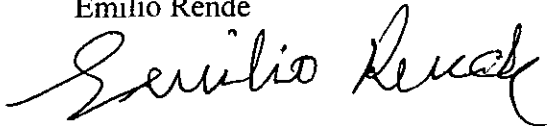
While people are struggling paying their bills, Aqua's executives gave themselves millions of dollars in pay increase annually. If they had any decency they would be ashamed of themselves

Aqua is a monopoly with very little control from any one

I do not trust Aqua and I have no confidence in the Public Utility Commission. In addition I request that the presiding Judge will not limit the public from expressing themselves at the public hearing.

I will reemphasize that Aqua does not own the water it is merely a contractor that maintains the water system I believe that it can and should be terminated.

Emilio Rende



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Public Utility Commission  
Philadelphia Office  
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DANIEL H McCREAVEY  
Print Your Full Name

Daniel H McCreavey  
Sign Your Full Name

Date: A-29-2012

Please Write Your Address Here:

29 PLEASANT RD  
BROOMALL PA 19008

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MAY 12 2012

Public Utility Commission  
Philadelphia Office  
Administrative Law Judge

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SECRETARY

Docket Number of Your Complaint:

C-2011- 2277119  
or  
C-2012- \_\_\_\_\_

DO NOT WANT TO PAY CAN NOT AFFORD IT

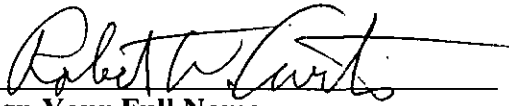


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ROBERT W CURTIUS  
Print Your Full Name

  
Sign Your Full Name

Date: 4/27/12

Please Write Your Address Here:

ROBERT CURTIUS  
949 FOSS AVE  
DREXEL HILL, PA 19026

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PA PUC  
SECRETARY'S BUREAU

Docket Number of Your Complaint:

C-2011- 2281336  
or  
C-2012- 2281336

Robert Curtius  
949 Foss Ave.  
Drexel Hill, PA 19026  
April 30, 2012

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MAY 02 2012

Public Utility Commission  
Philadelphia Office  
Administrative Law Judge

Honorable Angela T. Jones  
Honorable Darlene D. Heep  
Pennsylvania Public Utility Commission  
Office of Administrative Judge  
801 Market Street, Suite 4063  
Philadelphia, PA 19107

Re: Pennsylvania Public Utility Commission v Aqua Pennsylvania, Inc.  
Docket No. R2011-2265978

Subject: Opposition to Aqua settlement

Enclosed: Signature page dated 4/27/12

Dear Judge Jones and Judge Heep:

Enclosed is my Signature Page showing that I oppose the settlement arrived at by some of the parties in this case. The proposed rate increases and changes should be rejected for the following reasons:

- 1) They were negotiated by some of the parties without including all active parties.
- 2) They unfairly assign to residential customers costs that exceed the "cost to serve" this group of customers.
- 3) Special interest groups are unfairly assigned rates far below the residential rates in the Main Division. This unfairly increases rates of customers, for no other reason than their geographic location within the state. Testimony during hearings in Harrisburg supports this fact.
- 4) The Distribution System Improvement Charge in being modified in a manner that will allow customers to be charged excessive bills.
- 5) The government negotiators lack the authority to change the Distribution System Improvement Charge.
- 6) The proposed Distribution System Improvement Charge is inconsistent throughout the proposed settlement.

Sincerely,



Robert Curtius

Enclosure: