

THE YORK WATER COMPANY

Statement of Reasons For the 2018 Rate Increase Request

The York Water Company (the “Company”) is requesting Public Utility Commission (“PUC”) approval for a base rate increase for water customers of \$6.4 million, and for wastewater customers, a rate increase of \$288,623 to begin August 1, 2018. From our past experience, it is likely the PUC may suspend implementation of the rates until its investigation of the need for the increases is completed which may take until March 2019. York Water last requested an increase in rates five years ago.

Our main reasons for the increase are as follows:

- Recovery of \$77 million in capital expenditures. We have greatly increased the total plant investment from the level claimed in our last rate request in 2013. This increase of over \$77 million (through February 2020) in system improvements since the last rate request includes the following major items:
 1. Replaced 40 miles of pipe. Replacement, reinforcement, and relining of aging water mains, replacement of service lines, meters, and hydrants. Nearly 40 miles of aging pipeline, about 4% of our total, was replaced which extends the life of our infrastructure, reduces costs associated with main breaks and leaks, and provides improved customer service and reliability.
 2. Enhanced security. System monitoring and computer system upgrades.
 3. Constructed a new pumping station. Construction of an untreated water pumping station on Lake Redman increases security, reduces costs, and provides redundancy during emergencies.
 4. Distribution system improvements. Improvements to standpipes and pumping equipment to ensure customers have a safe and reliable supply of water that meets current and proposed regulations.
 5. Improvements to dams. Construction projects required by the Department of Environmental Protection to insure that the dams continue to be safe and effective for many years into the future.
 6. Upgrades to water and wastewater treatment equipment and facilities. These projects are necessary to maintain compliance with existing and proposed regulations and provide resiliency in operations.

These and similar projects, all of which is spent in York and Adams Counties, are important to our ability to provide high quality service to our customers.

- The costs of serving our customers have gone up. During the past few years, we have taken steps to control our operating expenses. The increase would allow the Company to recover costs for increased wages, benefits, chemicals, materials, and supplies, and increased annual depreciation. Despite these increases, York Water remains one of the most efficient water utilities in the nation, continuing to reduce or eliminate various expenses since its last rate

case, including reduction in income taxes from the 2017 Tax Act and tax repair deductions. These reduced expenses are reflected in this rate filing.

- The increase would provide an opportunity for our 202-year-old Company to earn a fair return on the money it has invested in infrastructure in our community and would assist the Company in maintaining a solid financial position.

Please refer to the Company's Direct Testimony and Exhibits for additional reasons for and support of the requested rate increase.