

**Application of Pennsylvania-American Water Company for Acquisition of
the Wastewater Assets of the Township of Exeter
66 Pa. C.S. §1329
Application Filing Checklist – Water/Wastewater
Docket No. A-2018-_____**

14. Provide direct testimony for the application.

RESPONSE: See enclosed PAWC direct testimony of the following:

Direct Testimony of Bernard J. Grundusky, Jr., Senior Director, Business Development, on behalf of Pennsylvania-American Water Company, PAWC Statement No. 1.

Direct Testimony of Robert R. Burton, Senior Director, Operations, Eastern Pennsylvania, on behalf of Pennsylvania-American Water Company, PAWC Statement No. 2.

Direct Testimony of David R. Kaufman, Vice President - Engineering, on behalf of Pennsylvania-American Water Company, PAWC Statement No. 3.

Direct Testimony of Rod P. Nevirauskas, Senior Director of Rates and Regulations, for the Mid Atlantic Division of the American Water Works Company, on behalf of Pennsylvania-American Water Company, PAWC Statement No. 4.

Direct Testimony of Jerome C. Weinert, P.E., Principal and Director for AUS Consultants, Inc., Utility Valuation Expert for Pennsylvania-American Water Company, PAWC Statement No. 5.

In addition, as a courtesy to the parties, PAWC is submitting the following testimony on behalf of Exeter Township:

Direct Testimony of John A. Granger, Manager, on behalf of Exeter Township, Exeter Statement No. 1.

Direct Testimony of Harold Walker, III, Manager Financial Studies, Gannett Fleming Valuation and Rate Consultants, LLC, on behalf of Exeter Township, Exeter Statement No. 2.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :
Company under Sections 507, 1102(a), and 1329 of the :
Pennsylvania Public Utility Code, 66 Pa C.S. §§ 507, :
1102(a), 1329 for approval of its acquisition of :
wastewater system assets of the Township of Exeter, : Docket No. A-2018-_____ *et al.*
related wastewater service rights, fair market valuation :
ratemaking treatment, accrual and deferral of certain :
post-acquisition improvement costs, and certain :
contracts with municipal corporations. :

**DIRECT TESTIMONY OF
BERNARD J. GRUNDUSKY, JR.
ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER COMPANY**

Dated: September 25, 2018

PAWC Statement No. 1

**DIRECT TESTIMONY OF
BERNARD J. GRUNDUSKY, JR.**

INTRODUCTION

1

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

3 **A.** My name is Bernard J. Grundusky, Jr. and my business address is 852 Wesley Drive,
4 Mechanicsburg, Pennsylvania 17011.

5

6 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

7 **A.** I am employed by Pennsylvania-American Water Company ("PAWC") as the Senior
8 Director of Business Development.

9

10 **Q. WHAT ARE YOUR RESPONSIBILITIES AS PAWC'S SENIOR DIRECTOR OF**
11 **BUSINESS DEVELOPMENT?**

12 **A.** I develop and maintain necessary contacts to stay abreast of new business opportunities.
13 In addition, I direct the business development team in the preparation of proposals, policies
14 and strategies for acquisitions, and other related business ventures. Finally, I participate in
15 developing PAWC's short- and long-range plans. These responsibilities necessitate that I
16 maintain a working knowledge of regulatory and technical developments, new
17 technologies and current trends as they affect the water and wastewater utility industries,
18 and that I be familiar with legislation, regulation and public policy affecting business
19 opportunities.

20

21 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EDUCATION AND EXPERIENCE.**

1 A. I received a Bachelor of Science (B.S.) degree in Accounting from Pennsylvania State
2 University in August of 1990 and a Master of Business Administration degree (MBA) from
3 Lebanon Valley College in 1995. My experience in the waterworks industry began in
4 March 1991 when I was employed as a Rate Analyst in the Rates and Revenue Department
5 of the American Water Works Service Company (“Service Company”). As a Rate Analyst,
6 I was responsible for preparing financial analysis and written testimony to support PAWC
7 rate increase requests. On July 1, 1995, I was promoted to Senior Rate Analyst. On
8 October 16, 1996, I was promoted to Financial Analyst in PAWC’s Administration
9 Department. My principal duties in that capacity included the preparation and
10 administration of the revenue, operating and maintenance budgets and assistance in the
11 preparation of the capital budgets; the review of results of operations by budget categories;
12 and, the annual review and refinement of budgeting techniques. On July 1, 1997, I was
13 promoted to Intermediate Financial Analyst, and, on July 1, 1998, I was promoted to Senior
14 Financial Analyst. On January 1, 1999, I transferred to PAWC’s Business Development
15 Department. On July 1, 2000, I was promoted to Manager of Business Development. On
16 April 1, 2009, I was promoted to the position of Senior Manager of Business Development
17 for PAWC. On September 30, 2013, I was promoted to the position of Director of Business
18 Development for PAWC. On May 21, 2018, I was promoted to Senior Director of Business
19 Development. I have been in that position since then and am currently the Senior Director
20 of Business Development.

21
22 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PENNSYLVANIA**
23 **PUBLIC UTILITY COMMISSION (“COMMISSION”)?**

1 **A.** Yes. I have previously testified before the Commission as a company witness for several
2 rate cases in the early to mid-1990's, as a witness for the complaint of the Municipal
3 Authority of the Township of Robinson against PAWC at Docket No. C-20030092, and as
4 a company witness for PAWC's 2013 and 2017 base rate case filings. I also recently
5 testified before the Commission as a company witness in the transaction between PAWC
6 and The Borough of New Cumberland ("BNC") at Docket No. A-2016-2544151, PAWC's
7 acquisition of The Sewer Authority of the City of Scranton ("SSA") at Docket No. A-2016-
8 2537209, and PAWC's acquisition of the Municipal Authority of the City of McKeesport
9 ("MACM"), in which PAWC acquired the wastewater collection and treatment systems of
10 BNC, SSA, and MACM respectively.

11
12 **Q. HAS PAWC FILED AN APPLICATION WITH THE COMMISSION FOR**
13 **REGULATORY APPROVAL TO ACQUIRE THE WASTEWATER SYSTEM OF**
14 **THE TOWNSHIP OF EXETER ("EXETER") AND RELATED APPROVALS?**

15 **A.** Yes. PAWC filed its Application on September 25, 2018 for approval of PAWC's
16 acquisition of Exeter's wastewater collection and treatment system ("System"). I will refer
17 to the acquisition in my testimony as the "Transaction."

18 The Application was prepared and filed under my direct supervision. As indicated
19 in my Verification attached to the Application, the Application and its numerous
20 appendices are true and correct to the best of my knowledge, information, and belief. We
21 used PAWC records, as well as Exeter records made available by Exeter, to prepare the
22 Application. For purposes of having a complete evidentiary record in this proceeding upon

1 which the Commission can base its decision, I submit the Application and all of its
2 appendices (Appendices A through K) as **PAWC Exhibit No. BJG-1**.

3
4 **Q. WHAT IS PAWC SEEKING IN ITS APPLICATION?**

5 **A.** There are four basic requests. First, PAWC is requesting approval of the acquisition under
6 Section 1102, 66 Pa. C.S. § 1102, similar to many requests that come before the
7 Commission. Specifically, PAWC seeks approval to acquire the System and to obtain the
8 right to begin service in the areas currently served by Exeter (“Service Area”). The
9 Application contains a *pro forma* tariff supplement under which Exeter’s rates would be
10 initially adopted.

11 Second, pursuant to Act 12 of 2016, 66 Pa. C.S. § 1329 (“Section 1329”), PAWC
12 is seeking to utilize fair market value for the ratemaking rate base of Exeter. As explained
13 more-fully below, fair market value under Section 1329 is the lesser of the stated purchase
14 price in the Asset Purchase Agreement (“APA”), dated May 29, 2018 or the average of the
15 appraisal of Exeter’s Utility Valuation Expert (“UVE”) and the appraisal of PAWC’s UVE.

16 Third, PAWC is also seeking confirmation of its right under Section 1329 to collect
17 a distribution system improvement charge (“DISC”) for the new service area and seeking
18 the accrual and deferral of certain post-acquisition improvement costs. Specifically,
19 PAWC is seeking the accrual of Allowance for Funds Used During Construction
20 (“AFUDC”) for post-acquisition improvements not recovered through its DSIC for book
21 and ratemaking purposes and the deferral of depreciation related to post-acquisition
22 improvements not recovered through the DSIC for book and ratemaking purposes.

1 Fourth, PAWC is seeking Certificates of Filing or approvals under Code Section
2 507 for the APA and municipal agreements to be assumed by PAWC as a result of the
3 Transaction.

4
5 **Q. WHAT DOES SECTION 1329 REQUIRE TO BE INCLUDED IN THE**
6 **APPLICATION?**

7 **A.** Section 1329 requires that the Application include (1) copies of the two UVE appraisals,
8 (2) the purchase price, (3) the ratemaking rate base, (4) the transaction and closing costs,
9 and (5) the proposed tariff. However, as will be explained later in my testimony, the
10 Commission has expanded the filing requirements beyond those specifically required by
11 the statute.

12
13 **Q. WHAT DOES THE COMMISSION REQUIRE FOR THE APPROVAL OF THE**
14 **FAIR MARKET VALUE RATEMAKING TREATMENT PERMITTED UNDER**
15 **SECTION 1329?**

16 **A.** In its Final Implementation Order entered October 27, 2016, at Docket No. M-2016-
17 2543193 (“*Final Implementation Order*”), the Commission referenced the checklist in the
18 Tentative Implementation Order entered July 21, 2016, at the same docket for items to
19 include with an application for it to be processed in a six-month time frame. The
20 Commission’s Bureau of Technical Utility Services has prepared an extensive list of
21 specific Section 1329 “Filing Requirements.” The most-recent version of the Filing
22 Requirements, as of the date of Application filing, was dated March 17, 2017. PAWC’s

1 Application is structured around those Filing Requirements. Appendix A to the
2 Application and its sub-appendices directly address each of the Filing Requirements.

3 **Q. IS PAWC FILING SUPPLEMENTAL INFORMATION IN ADDITION TO WHAT**
4 **IS REQUIRED FOR THE APPROVAL OF THE FAIR MARKET VALUE**
5 **RATEMAKING TREATMENT PERMITTED UNDER SECTION 1329?**

6 **A.** Yes. As a courtesy, PAWC's Application includes the written direct testimony of Exeter's
7 selected UVE, Mr. Harold Walker III, Manager of Financial Studies, Gannett Fleming
8 Valuation and Rate Consultants, LLC and the written direct testimony of Exeter Township
9 Manager, John Granger. PAWC is not sponsoring the testimony of Mr. Walker or Mr.
10 Granger, but has included it in the Application as a courtesy in anticipation of Exeter's
11 potential participation in the proceeding. PAWC reserves its right to submit rebuttal
12 testimony regarding Exeter's testimony, as appropriate.

13
14 **Q. IS PAWC PROPOSING THAT ITS APPLICATION BE EVALUATED USING THE**
15 **FAIR MARKET VALUE PROVISION OF CODE SECTION 1329?**

16 **A.** Yes. PAWC's Application has been prepared in accordance with the fair market value
17 provision of Code Section 1329. Specifically, PAWC is requesting that the ratemaking
18 rate base related to the System be based on the lesser of the average of the UVE fair market
19 value appraisals included in the Application or the APA purchase price. I note however
20 that PAWC reserves its right to make alternative ratemaking proposals in future
21 proceedings as may be permitted under the Code.

22

1 **Q. ASIDE FROM AUTHENTICATING THE APPLICATION FOR ITS ADMISSION**
2 **INTO THE EVIDENTIARY RECORD AND IDENTIFYING ITS REQUESTS FOR**
3 **RELIEF, WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
4 **PROCEEDING?**

5 **A.** My direct testimony describes the Transaction. I will explain why the Transaction is in the
6 public interest and provides affirmative public benefits of a substantial nature, and should
7 be promptly approved by the Commission. I will also discuss why PAWC is legally,
8 financially, and technically fit to acquire and operate the System.

9
10 **Q. PLEASE IDENTIFY THE OTHER PAWC WITNESSES WHO WILL BE**
11 **PROVIDING WRITTEN DIRECT TESTIMONY AND THEIR SUBJECT**
12 **MATTER AREAS.**

13 **A.** In addition to my direct testimony, PAWC will submit the written direct testimony of: Mr.
14 Robert Burton, PAWC Senior Director of Operations, Eastern Pennsylvania; Mr. David R.
15 Kaufman, PAWC Vice President - Engineering; Mr. Rod P. Nevirauskas, American Water
16 Works Service Company Senior Director of Rates and Regulation, for Mid-Atlantic
17 Division. PAWC is also sponsoring direct testimony by its selected UVE, Mr. Jerome C.
18 Weinert, Principal & Director of AUS Consultants. As discussed above, as a courtesy,
19 PAWC is also including in its Application the direct testimony of Exeter's UVE and
20 Township Manager in anticipation of Exeter's potential participation in the proceeding.
21 PAWC reserves its right to submit rebuttal testimony regarding Exeter's testimony, as
22 appropriate.

23

1 Mr. Burton will address the anticipated day-to-day operation of the System once it
2 is acquired by PAWC, including staffing and the customer service enhancements that
3 PAWC intends to implement for the benefit of Exeter's customers. Mr. Kaufman will
4 describe engineering and environmental issues associated with the System, support
5 PAWC's technical fitness to operate the System, explain certain commitments and
6 improvements to be made by PAWC and other matters. Mr. Nevirauskas will address the
7 initial rates, rules, and regulations for the Exeter customers as well as the impact of the
8 Transaction on PAWC's existing customers. Mr. Nevirauskas will also discuss the
9 financing of the Transaction and the overall financial fitness of PAWC. Mr. Weinert will
10 provide supporting testimony for his fair market valuation report.

11 DESCRIPTION OF THE TRANSACTION

12 **Q. PLEASE PROVIDE A DESCRIPTION OF THE TRANSACTION NEGOTIATION** 13 **PROCESS.**

14 **A.** On March 29, 2017, Exeter issued a Request for Bids For the Sale of Wastewater System
15 Township of Exeter, Pennsylvania with proposals initially due May 24, 2017 but later
16 extended to July 20, 2017. On July 20, 2017, PAWC submitted a proposal to acquire the
17 Exeter Wastewater Treatment Facilities Assets. After subsequent arms-length
18 negotiations, on April 23, 2018, Exeter's Board approved the Sale of the Exeter
19 Wastewater Treatment Facilities to PAWC. On May 29, 2018, Exeter and PAWC entered
20 into the APA for the sale of substantially all of the assets, properties, and rights of Exeter's
21 System at an agreed-upon price.
22
23

1 **Q. CAN YOU PLEASE PROVIDE AN OVERVIEW OF THE APA?**

2 **A.** Yes. The APA is attached as **Appendix A-24-a (CONFIDENTIAL)** to the Application
3 **(PAWC Exhibit BJJ-1)**. The APA sets forth the terms and conditions pursuant to which
4 Exeter will sell, and PAWC will purchase, the System, as well as substantially all assets,
5 properties and rights that Exeter owns and uses in connection with the System. The APA
6 sets forth the entire understanding of the parties with respect to the Transaction. Under the
7 APA, the closing of the Transaction will occur after the receipt of all applicable
8 governmental approvals, including approvals from this Commission, and after all
9 applicable conditions have been met (or waived) by the parties.

10 Upon closing of the Transaction, PAWC will take ownership of the System and
11 begin rendering wastewater services to Exeter's current customers and Exeter will
12 permanently discontinue providing or furnishing wastewater service to the public within
13 Exeter Township, portions of Alsace and Lower Alsace Townships, and bulk sewer service
14 to the Borough of St. Lawrence, Berks County, Pennsylvania. Additionally, Exeter will
15 assign its bulk service agreements with Alsace and Lower Alsace Townships to PAWC
16 upon closing of the Transaction and cease providing bulk service.

17
18 **Q. CAN YOU PLEASE PROVIDE A SUMMARY OF THE APA'S PROVISIONS**
19 **GOVERNING THE TRANSFER OF ASSETS?**

20 **A.** The specific properties, assets and rights to be transferred to PAWC are defined and
21 described in the APA's Article 2.1, while the excluded assets are defined in Article 2.2 of
22 the APA. Generally, the APA states that every asset, property, business, goodwill and
23 rights owned by Exeter and used in the provision of sanitary wastewater service, whether

1 real, personal, mixed, tangible or intangible, and including all the physical plant, property,
2 equipment and facilities comprising the System owned by Exeter shall be conveyed to
3 PAWC. The Engineering Assessment contains a list of the wastewater system inventory
4 used in connection with the System to be conveyed to PAWC. All interests in real estate,
5 including leases, easements and access to public rights-of-way, owned by Exeter and
6 relating to the System are defined and described in Schedule 5(h), as well as all assigned
7 contracts to be conveyed to PAWC. Schedule 2.1(b) Amended.

8 Items that will not be transferred include: Exeter's cash and cash equivalents,
9 including accounts receivable; sewer laterals from the edge of the road or curb to and
10 throughout each customer's property; any and all grinder pumps of individual customers;
11 Exeter's insurance policies; all rights to any action, suit or claims being pursued by Exeter;
12 all assets, properties and rights used by Exeter other than those which primarily relate to
13 the operations of the System; the MS4 System Real Property; and, certain Agreements.

14
15 **Q. HAS PAWC AGREED TO ASSUME ANY LIABILITIES OF EXETER AS PART**
16 **OF THE TRANSACTION?**

17 A. Yes. PAWC is accepting certain "Assumed Liabilities" as part of this Transaction on the
18 day of and after closing on the Transaction. Per Article 2.3 of the APA, PAWC will
19 assume: (i) all obligations, conditions, and requirements associated with the Licenses and
20 Permits following their transfers on the day of and after Closing; (ii) all liabilities and
21 obligations related to the System or the Assets occurring after Closing; (iii) all liabilities
22 and obligations of Exeter related to or arising out of the Act 537 Plan as referenced in
23 Article 3.6 of the APA; (iv) and, all liabilities and obligations of Exeter arising under or to

1 be performed under the Assigned Contacts after Closing. PAWC will not assume or be
2 liable for any liabilities or obligations relating to “Excluded Liabilities” or other liabilities
3 or obligations, including liabilities and obligations that arise from any Assigned Contracts
4 prior to Closing, including, but not limited to, all accounts payable, all of which liabilities
5 and obligations constitute Excluded Liabilities, that are not “Assumed Liabilities.”
6

7 **Q. CAN YOU PLEASE SUMMARIZE THE APA’S PROVISIONS GOVERNING THE**
8 **NEGOTIATED PURCHASE PRICE OF THE TRANSACTION?**

9 **A.** The consideration for the purchase of the System as set forth in Article 2.6 of the APA is
10 the negotiated purchase price of \$96,000,000.
11

12 **Q. PLEASE EXPLAIN THE RATES THAT WILL APPLY TO EXETER’S**
13 **CUSTOMERS FOLLOWING THE CLOSING OF THE TRANSACTION.**

14 **A.** As set forth in Article 7.1 of the APA and as will be explained more-fully in the Direct
15 Testimony of Mr. Nevirauskas, at least sixty (60) days prior to Closing, Exeter will adopt
16 rates as shown on Schedule 7.1 as Exeter’s rates, and such rates shall become effective by
17 a date no later than the Closing Date. PAWC has committed to adopt, upon closing of the
18 Transaction, Exeter’s current customer charges and consumption charges then in effect at
19 the time of Closing as PAWC’s base rates in the Service Area. Moreover, the parties
20 recognize that ratemaking authority is vested with the Commission. Immediately upon
21 Closing, Exeter customers will be subject to PAWC’s prevailing wastewater tariff on file
22 with the Commission with respect to all rates other than the customer charge and
23 consumption charge, including capacity reservation fees, reconnection fees and the like, as

1 well as non-rate related terms and conditions of service. Exeter’s customers are currently
2 billed either monthly or quarterly. As PAWC customers, all Exeter customers will be billed
3 monthly. The monthly rates are shown in **Appendix A-13** to the Application (**PAWC**
4 **Exhibit. BJG-1**).

5
6 **Q. HAS PAWC MADE ANY COMMITMENTS IN THE APA THAT WILL BE**
7 **IMPLEMENTED AFTER THE CLOSING OF THE TRANSACTION?**

8 **A.** Yes, PAWC has made certain commitments to improve the System (see Section 7.6 of the
9 APA). My colleague, David R. Kaufman, will discuss these commitments in greater detail
10 in his written direct testimony, PAWC Statement No. 3. In addition, PAWC has committed
11 to offer employment to eligible Exeter employees following the closing of the Transaction
12 (see Section 7.4 of the APA). My colleague, Robert Burton, will discuss anticipated day-
13 to-day operation of the System once it is acquired by PAWC, including staffing, in his
14 written direct testimony, PAWC Statement No. 2.

15
16 **TRANSACTION IS IN THE PUBLIC INTEREST**

17 **Q. PLEASE PROVIDE AN OVERVIEW OF PAWC.**

18 **A.** PAWC, a subsidiary of American Water Works Company Inc., (“American Water”), is the
19 largest regulated public utility corporation duly organized and existing under the laws of
20 the Commonwealth of Pennsylvania, engaged in the business of collecting, treating,
21 storing, supplying, distributing, and selling water to the public, and collecting, treating,
22 transporting and disposing of wastewater for the public. Water and wastewater service is
23 furnished by PAWC to the public in a service territory encompassing more than 400

1 communities in 36 counties, including Berks County and neighboring counties of
2 Montgomery, Chester and Lancaster. Overall, PAWC serves a combined population of
3 over 2,400,000 across the Commonwealth and is American Water’s largest subsidiary with
4 nearly 21 percent of American Water’s regulated customer base.

5 PAWC currently employs approximately 1,100 professionals with expertise in all
6 areas of water and wastewater utility operations, including engineering, regulatory
7 compliance, water and wastewater treatment plant operation and maintenance, distribution
8 and collection system operation and maintenance, materials management, risk
9 management, human resources, legal, accounting and, most importantly, customer service.
10 PAWC has the expertise, the record of environmental compliance, the commitment to
11 invest in necessary capital improvements and resources, and the experienced managerial
12 and operating personnel necessary to provide safe and reliable sewer services to the residents
13 of Exeter and surrounding areas.

14
15 **Q. PLEASE DESCRIBE PAWC’S HISTORICAL RELATIONSHIP WITH EXETER.**

16 A. PAWC’s Glen Alsace division provides direct water service to the citizens of Exeter
17 Township as well as portions of Amity Township and St. Lawrence Borough. PAWC has
18 a strong foothold in the Southeast area of Pennsylvania through its Glen Alsace, Penn,
19 Royersford, and Norristown operating divisions. PAWC currently provides water service
20 to over 71,484 customers in these areas. PAWC also owns and operates regional water and
21 wastewater systems proximate to Exeter serving the City of Coatesville and surrounding
22 communities. We take pride in being a good corporate citizen by participating in local
23 events, providing environmental and firefighting grants, offering the “H2O Assistance

1 Program,” and supporting economic growth through infrastructure improvements in the
2 communities we serve. PAWC is eager to partner with The Township of Exeter in
3 providing a sustainable long-term future for Exeter’s wastewater assets, while helping
4 Exeter meet its current challenges. Exeter and its residents will benefit from a stable
5 company with a robust business model and reliable service that the community has come
6 to expect and deserve.

7
8 **Q. HOW MANY CUSTOMERS DOES THE EXETER SYSTEM CURRENTLY
9 SERVE AND HOW MANY CUSTOMERS DOES PAWC CURRENTLY SERVE?**

10 **A.** As of July 31, 2018, Exeter furnished direct wastewater services to 9,015 customers. As
11 of July 31, 2018, PAWC served approximately 65,139 wastewater customers across
12 Pennsylvania, inclusive of 59,975 residential, 4,927 commercial, 33 industrial and 204
13 other customers in 12 Pennsylvania Counties. As of July 31, 2018 PAWC furnished water
14 services to 659,687 customers, inclusive of 607,090 residential, 45,359 commercial, 521
15 industrial customers, 2,400 municipal, 4,295 fire protection customers, and 22 sales for
16 resale customers.

17
18 **Q. CAN YOU PLEASE EXPLAIN WHY THE PROPOSED TRANSACTION IS IN
19 THE PUBLIC INTEREST?**

20 **A.** Yes. The Transaction will result in affirmative public benefits of a substantial nature. First,
21 PAWC, as a large and long-established public utility, has the managerial, technical, and
22 financial fitness to operate the System in a safe and efficient manner in compliance with
23 the Pennsylvania Public Utility Code, the Pennsylvania Clean Streams Law, and all other

1 applicable statutory and regulatory requirements. PAWC has extensive experience in the
2 operation of wastewater collection and treatment systems including specific experience
3 with the types of treatment technologies employed in the Exeter system. PAWC continues
4 to develop expertise for the benefit of the Commonwealth through its current operation of
5 18 wastewater treatment plants providing service to over 65,000 customers in 12
6 Pennsylvania counties. The acquisition fosters the Commission's stated goal of
7 regionalizing wastewater systems to provide greater environmental and economic benefits
8 to customers. Current PAWC Southeast Area operation employees and Exeter employees
9 will be under the same management and support teams, and employees of both departments
10 will support each other when appropriate and necessary, particularly in emergency
11 situations. The Exeter wastewater treatment plant is located within one mile of PAWC's
12 Glen Alsace water operations facility. PAWC can draw upon a much broader range of
13 engineering and operational experience, as well as deeper financial resources, to address
14 operational challenges and support growth and development. Additionally, given PAWC's
15 existing operation of the water system in Exeter Township and neighboring communities,
16 PAWC is better positioned to provide utility services on a long-term, cost-effective basis.

17 Second, Exeter's current customers will benefit in several ways from becoming
18 PAWC customers. PAWC is a large, financially-sound company that has the capacity to
19 finance necessary capital additions and improvements that will benefit its customers. In
20 addition, given its size, its access to capital, and its recognized strengths in system
21 planning, capital budgeting, and construction management, PAWC is well-positioned to
22 ensure that high quality wastewater service meeting all applicable state and federal
23 regulatory requirements is provided to Exeter's customers.

1 Third, Exeter's current customers will benefit from enhanced and proven customer
2 service that PAWC provides. My colleague, Robert Burton, discusses these customer
3 service enhancements in more detail in PAWC Statement No. 2; however, I would like to
4 note that they include -- but are not limited to -- additional bill payment options, extended
5 customer service and call center hours, enhanced customer information and educational
6 programs, and access to PAWC's customer assistance program.

7 Finally, the Transaction will benefit PAWC's existing customers and Exeter's
8 current customers in the long-term by expanding PAWC's customer base. There will be
9 no immediate rate impact on PAWC's existing customers, and we expect that the
10 Transaction will help PAWC maintain reasonable rates for all its customers going forward.
11 In the long-term, the transaction will help PAWC keep rates reasonable for all of its
12 customers. Through its expertise in wastewater operations and management and the
13 leveraging of economies of scale (purchasing power, labor efficiency, system integration
14 and efficiency improvement), PAWC will, over time, be able to lower or slow the increase
15 in the cost of operating the system. Moreover, by adding additional connections to the
16 entire PAWC system, there are more customers to share future infrastructure investment
17 costs which promotes stable rates across the entire PAWC system. Customers who benefit
18 from near-term improvements will one day help pay for improvements on behalf of other
19 customers on other parts of the PAWC system. Being able to spread the costs of investing
20 in and maintaining public wastewater systems over a growing customer base, particularly
21 in a time of increased environmental requirements, is essential to the continued success of
22 wastewater systems and maintaining reasonable rates for customers. Indeed, the
23 Pennsylvania Legislature recognized, as a matter of public policy, the importance of

1 consolidation and cost sharing in the passage of Act 11 of 2012. There is also a clear
2 legislative intent associated with Section 1329 and its allowance of fair market valuation
3 for ratemaking purposes. The General Assembly intended to facilitate the acquisition of
4 municipal water and wastewater systems by investor-owned utilities for the benefit of
5 municipal corporations and their customers.

6
7 **PAWC'S LEGAL, FINANCIAL AND TECHNICAL FITNESS**

8 **Q. CAN YOU PLEASE TELL US WHY PAWC IS LEGALLY FIT TO ACQUIRE AND**
9 **OPERATE THE SYSTEM?**

10 **A.** Yes. PAWC is a Commission-regulated public utility with a good compliance history.
11 There are no pending legal proceedings that would suggest that PAWC is not legally fit to
12 provide service to customers on Exeter's System.

13
14 **Q. CAN YOU EXPLAIN WHY PAWC IS FINANCIALLY FIT TO ACQUIRE AND**
15 **OPERATE THE SYSTEM?**

16 **A.** Yes. PAWC is the largest water and wastewater provider in Pennsylvania. It has a long-
17 demonstrated history with the Commission of financial stability.

18 As part of the Application, PAWC provided the audited internal balance sheet, as
19 of December 31, 2017, for PAWC (**Appendix D to PAWC Exhibit BJK-1**), as well as the
20 audited income statement, as of December 31, 2017, for PAWC (**Appendix F to PAWC**
21 **Exhibit BJK-1**). Those documents show that PAWC had total assets of approximately
22 \$4.6 billion as of December 31, 2017. Further, they show that PAWC had net income of
23 approximately \$161 million for the 12 months ending December 31, 2017. These figures

1 are further demonstration that PAWC has the financial stability and wherewithal to acquire
2 the System and operate it in the public interest. My colleague, Rod Nevirauskas, will
3 provide additional details in PAWC Statement No. 4 on the financial health of PAWC and
4 its ability to access capital.

5
6 **Q. PLEASE EXPLAIN WHY PAWC IS TECHNICALLY FIT TO OPERATE THE**
7 **SYSTEM?**

8 **A.** As I discussed earlier, PAWC is engaged in the business of collecting, treating, transporting
9 and disposing of wastewater for the public. We are the largest investor-owned water and
10 wastewater utility in the Commonwealth of Pennsylvania and we already have significant
11 wastewater operations throughout Pennsylvania. PAWC is experienced in undertaking and
12 completing water and wastewater system acquisitions with public and private sector
13 owners and successfully integrating those assets into our business operations. My
14 colleagues, Robert Burton and David R. Kaufman will explain in greater detail in PAWC
15 Statement Nos. 2 and 3, respectively, specifically how PAWC intends to operate the
16 System once acquired.

17
18 **SERVICE TERRITORY**

19 **Q. PLEASE EXPLAIN THE SERVICE TERRITORY SOUGHT BY PAWC IN THE**
20 **APPLICATION.**

21 **A.** As part of its Application, PAWC is seeking the right to provide service to the customers
22 currently served by Exeter as shown in the maps and descriptions attached as **Appendix**
23 **A-16-a through-h to PAWC Exhibit BJG-1.** No municipal authority, corporation,

1 partnership or individual other than Exeter is now furnishing or has corporate or franchise
2 rights to furnish service similar to that to be rendered by PAWC in the Service Area covered
3 by the Application, and no competitive condition will be created. As discussed above,
4 upon closing of the Transaction, Exeter will permanently discontinue all wastewater
5 service to the public.

6 Exeter accepts and treats bulk sewage from the St. Lawrence Borough collection
7 system through multiple connection points located within the Borough. Exeter also treats
8 sewage from a small number of Exeter customers located in portions of Alsace and Lower
9 Alsace Townships. I note that three of the bulk service interconnections are located slightly
10 outside the otherwise applied-for service territory and PAWC has requested Commission
11 approval to continue bulk service at those points of interconnections.

12
13 **APPROVAL OF CONTRACTS WITH MUNICIPAL CORPORATIONS**

14 **Q. HAS PAWC REQUESTED CODE SECTION 507 CERTIFICATES OF FILING OR**
15 **APPROVALS AS PART OF ITS APPLICATION?**

16 **A.** Yes. In addition to the approvals sought under Code Sections 1102(a) and 1329, 66 Pa.
17 C.S. §§ 1102(a), 1329, the APA, as amended (including the related Notes and Intercept
18 Agreement) and any contract with a municipal corporation that will be assumed by PAWC
19 must, according to PAWC's counsel, be filed with the Commission pursuant to Code
20 Section 507. Aside from the APA, PAWC has identified 4 contracts requiring Certificates
21 of Filing or approvals under Section 507 (see **Appendices B-1 through B-5 to PAWC**
22 **Exhibit No. BJG-1**).

1 **Q. PLEASE DESCRIBE THE MUNICIPAL CONTRACTS TO BE ASSUMED BY**
2 **PAWC.**

3 **A.** As noted, PAWC is assuming the contracts listed on Schedule 2.1(b) of the APA. The list
4 of contracts on the APA's Schedule 2.1(b) includes 4 Municipal Service Agreements that
5 will be assigned to PAWC, specifically with Alsace Township, Lower Alsace Township,
6 Antietam Valley Municipal Authority and the Chester County Solid Waste Authority.
7 Additionally, PAWC will enter into a bulk wastewater treatment agreement with the
8 Borough of Saint Lawrence prior to closing. That agreement is currently being negotiated.
9 A *pro forma* version of the PAWC-Saint Lawrence Borough Agreement is included as
10 **Appendix B-5 to PAWC Exhibit No BJK-1.** A copy of the executed agreement will be
11 provided to the Commission as a supplement to this Application. PAWC is currently
12 working on securing all necessary consents for the Assignments. Commission approval of
13 the continuation of these contracts is necessary in order for PAWC, after closing on the
14 Transaction, to provide wastewater service as Exeter has previously done. Approval is
15 reasonable and serves an important public purpose because the services provided under the
16 contracts are essential to the provision of wastewater service in neighboring communities.

17
18

19 **CONCLUSION**

20 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

21 **A.** Yes. However, I reserve the right to supplement my testimony as additional issues or facts
22 arise during the course of this proceeding. Thank you.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :
Company under Sections 507, 1102(a), and 1329 of the :
Pennsylvania Public Utility Code, 66 Pa C.S. §§ 507, :
1102(a), 1329 for approval of its acquisition of wastewater :
system assets of the Township of Exeter, related : Docket No. A-2018-_____ *et al.*
wastewater service rights, fair market valuation :
ratemaking treatment, accrual and deferral of certain post- :
acquisition improvement costs, and certain contracts with :
municipal corporations. :

**DIRECT TESTIMONY OF
ROBERT R. BURTON ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER COMPANY**

Date: September 25, 2018

PAWC Statement No. 2

1 **DIRECT TESTIMONY OF**
2 **ROBERT R. BURTON**
3

4 **INTRODUCTION AND PURPOSE**

5 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

6 **A.** Robert R. Burton, 2699 Stafford Avenue, Scranton PA 18505
7

8 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

9 **A.** I am employed by Pennsylvania-American Water Company (“PAWC” or the “Company”)
10 as the Senior Director of Operations, Eastern Pennsylvania.
11

12 **Q. WHAT ARE YOUR RESPONSIBILITIES AS PAWC’S SENIOR DIRECTOR OF**
13 **OPERATIONS, EASTERN PENNSYLVANIA?**

14 **A.** I am responsible for all water and wastewater operations across the Eastern half of the
15 Commonwealth, managing a team of approximately 500 professionals in 21 districts,
16 serving over 1,000,000 Pennsylvanians.
17

18 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EDUCATION AND EXPERIENCE.**

19 **A.** I attended Murray State University in Kentucky. I am also a professional member of the
20 American Water Works Association and the Water Environment Federation.

21 I have more than 25 years of operational, management and business experience in the water
22 and wastewater industry. I joined PAWC in December of 2014. Before that, I was Director
23 of Operations for the Military Services Group within American Water Enterprises. In that
24 role, I led a team of professionals dedicated to the provision of drinking water, wastewater
25 and other related services to Department of Defense installations throughout the United

1 States. I was responsible for the ongoing operational, business, and compliance demands.
2 My initial assignments with Military Services Group were as Utility Manager of our Ft.
3 Belvoir Virginia project and as General Manager of our Ft. Meade project. Prior to joining
4 American Water in 2010, I held positions of increasing responsibility with various water
5 and wastewater contract services companies, including 11 years with Veolia
6 Water/USFilter. My career in the water and wastewater industry started as a maintenance
7 person and plant operator for the Henderson Water and Sewer Utility. Career progression
8 has included plant and system operations and maintenance, project management, technical
9 leadership, strategic planning and initiatives, business development and business
10 leadership. I have worked in the water industry in Kentucky, Indiana, Iowa, Georgia,
11 Virginia, Maryland, New Jersey, and Pennsylvania.

12
13 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PENNSYLVANIA**
14 **PUBLIC UTILITY COMMISSION?**

15 **A.** No.

16
17 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

18 **A.** My direct testimony describes the anticipated day-to-day operations of the wastewater
19 collection and treatment system (“System”) currently owned and operated by the Township
20 of Exeter, Berks County, Pennsylvania (“Exeter”) that PAWC has agreed to acquire
21 (“Acquisition”). I will describe several customer service enhancements PAWC intends to
22 implement for the benefit of Exeter’s customers and I will also describe how PAWC
23 intends to operate the System once acquired.

1
2 **SCOPE OF OPERATIONS**

3 **Q. PLEASE PROVIDE AN OVERVIEW OF PAWC’S SCOPE OF OPERATIONS.**

4 **A.** PAWC is a subsidiary of American Water Works Company, Inc. (“American Water”), the
5 largest publicly traded water and wastewater service company in the U. S. with a history
6 extending 130 years. Through its various subsidiaries, American Water provides
7 approximately 15 million people with regulated and market-based drinking water,
8 wastewater, and other water-related services in 47 states and parts of Canada. PAWC is
9 the largest regulated water and wastewater provider in the Commonwealth providing
10 service to approximately 2.4 million people in 36 counties in over 400 communities. As a
11 public utility operating in Pennsylvania, PAWC operates under the rules and regulations
12 of the Pennsylvania Public Utility Commission (“Commission”) which, in addition to
13 regulating specific aspects of service, approves the rates charged for water and wastewater
14 service. PAWC must also meet standards established by the Pennsylvania Department of
15 Environmental Protection (“DEP”) and the Federal Environmental Protection Agency
16 (“EPA”).

17 The PAWC employs approximately 1,100 highly trained, dedicated professionals
18 who have expertise in all areas of water and wastewater utility operations including
19 engineering, water quality, operations, maintenance, materials management, risk
20 management, human resources, legal, finance and accounting.

21
22 **OPERATIONS IN EXETER AREA**

1 **Q. PLEASE PROVIDE AN OVERVIEW OF PAWC'S EXISTING WATER**
2 **OPERATIONS FACILITIES IN THE EXETER AREA.**

3 **A.** The PAWC Glen Alsace water system serves Exeter Township and Amity Township in
4 Berks County as well as the community of The Golden Oaks in Ruscombmanor Township,
5 Berks County. The estimated population served is 23,800. The PAWC Glen Alsace
6 operations office is located less than one mile from the Exeter wastewater treatment plant
7 ("WWTP" or "Treatment Plant") and houses both the local operations team and operations
8 support staff.

9 The primary source of supply is the groundwater wells and interconnects with
10 neighboring municipalities. In Exeter Township, there are seven wells: three are located at
11 East Neversink Road in Exeter Township, one is located at Fairmount Drive in Exeter
12 Township and three are located at Butter Lane in Exeter Township. Surface water supply
13 from an interconnect with Reading Water Authority is located at 19th and Woodvale in
14 Reading. Additionally, there are two interconnects with Mount Penn Water Authority
15 (groundwater wells) one site is Siedel Street and Levan Street. The second site is at
16 Bingaman Street and Route 562. In Amity Township six wells are located as follows: two
17 at Nicholson Avenue, one on Old Swede Road, one on Timberline Drive, one on Rosecliff
18 Drive, and one on Levingood Rd. There are wells in Golden Oaks, Well #1 and Well #2
19 and they both pump into a treatment station on the same property. All well stations are
20 operated by a SCADA system either locally or remotely.

21 The distribution system has over 130 miles of main and consists of 8 finished water
22 storage tanks with approximately 4.5 million gallons of storage and 5 booster stations
23 located throughout the system.

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Q. PLEASE DESCRIBE EXETER’S CURRENT WASTEWATER OPERATIONS AND FACILITIES IN EXETER TOWNSHIP.

A. The Exeter Wastewater System serves Exeter Township, St. Lawrence Borough, and small portions of Alsace Township and Lower Alsace Township. The Wastewater System consists of a Collection and Conveyance System that collects domestic, commercial and industrial wastewater through 126 miles of sewer pipe, and six (6) pump stations and their associated force mains which convey the wastewater to the Treatment Plant.

The Treatment Plant is located at 400 Hanover Road, Birdsboro, Pennsylvania, and is operated under NPDES Permit No. PA0026972. The Treatment Plant consists of two separate treatment flow trains that, together, have a total annual average hydraulic capacity of 7.1 MGD. The East WWTP is designed for an annual average daily flow of 1.2MGD and consists of four (4) primary clarifiers, two (2) aeration tanks, two (2) final clarifiers, and four (4) chlorine contact tanks. The East WWTP is used exclusively for the storage of high-strength residual waste, as needed. The West WWTP is designed for an annual average daily flow of 5.9 MGD and consists of the main pumping station, headworks building, four (4) primary clarifiers, two (2) 1st stage aeration tanks, three (3) second stage aeration tanks, four (4) final clarifiers and two (2) chlorine contact tanks.

The Treatment Plant also contains a Biosolids Drying Facility. The Biosolids Drying Facility produces Class A pathogen-free biosolids suitable for many beneficial and reuse applications.

1 **Q. WILL THERE BE ANY UNNECESSARY DUPLICATION OF OPERATIONS**
2 **FACILITIES FOLLOWING THE ACQUISITION?**

3 **A.** No. As discussed in greater detail below, the System will initially be operated as a stand-
4 alone system. It will however have the support of PAWC's surrounding operations as well
5 as PAWC's operations throughout the Commonwealth and American Water's nationwide
6 resources.

7
8 **Q. PLEASE DESCRIBE HOW PAWC WILL MANAGE THE DAY-TO-DAY**
9 **OPERATIONS OF THE SYSTEM ONCE IT IS ACQUIRED.**

10 **A.** The System will be managed as a separate wastewater department within PAWC's
11 Southeast Area operations. The Southeast Area is currently managed by a senior manager
12 with overall responsibility for the water department and a range of shared support services
13 -- including purchasing, environmental compliance, health, and safety. When the
14 acquisition is complete, the senior manager's role will expand to include responsibility for
15 the new wastewater department. The water and wastewater departments will both be
16 supported by common shared support services.

17
18 **Q. ARE OTHER PAWC EMPLOYEES AVAILABLE TO ASSIST WITH**
19 **WASTEWATER OPERATIONS, AS NEEDED?**

20 **A.** Yes. PAWC operations are divided into seven geographical areas. Exeter is located within
21 PAWC's Southeast operational area. Current PAWC employees in this area and Exeter
22 employees will be under the same area management and supported by a shared support
23 team supporting common functions such as payroll, purchasing, environmental

1 compliance, health, and safety. Employees in both the water and wastewater departments
2 will support each other when appropriate and necessary, particularly in emergency
3 situations. As mentioned above, all operations and employees within PAWC and within
4 the broader American Water footprint have access to each other when circumstances
5 require and/or when a very specialized skill or experience is required to support all local
6 issues.

7
8 **Q. PLEASE DESCRIBE PAWC'S PLAN FOR THE INTEGRATION OF EXETER'S**
9 **OPERATIONS.**

10 **A.** PAWC has assembled a transition team to manage the transition of existing staff and
11 operations from Exeter. The transition team has two tiers; a senior management group and
12 the functional team. The senior tier is comprised of leaders from each of the support
13 functions, including Operations, Engineering, Customer Experience, Information
14 Technology Services, External Affairs, Legal, Human Resources, Health & Safety,
15 Maintenance Services, Water Quality, and Environmental Compliance. Each support
16 function has its own bi-weekly team meeting. Meetings may occur more frequently
17 depending on group activities. The transition team will ensure that all environmental,
18 employee, operational, and business requirements are addressed.

19
20 **Q. WHAT ARE YOUR PLANS FOR COMMUNICATING WITH EXETER'S**
21 **CUSTOMERS REGARDING THE ACQUISITION?**

22 **A.** Approximately 4 – 5 weeks prior to closing of the transaction, we will send a direct mailer
23 to all customers with information regarding the transition to PAWC ownership, customer

1 service and billing information, as well as numbers and a link for our web and media access.

2 At closing, we will mail each customer a “Welcome Letter” from PAWC President Jeff

3 McIntyre along with a new customer brochure.

4
5
6 **EMPLOYEE HIRING**

7 **Q. HOW MANY EMPLOYEES DOES PAWC CURRENTLY HAVE IN THE EXETER**
8 **AREA?**

9 **A.** PAWC currently has 68 employees in the Southeast Area with an additional 110 employees
10 in the adjacent Central Area.

11
12 **Q. HOW MANY EMPLOYEES DOES EXETER CURRENTLY HAVE?**

13 **A.** Exeter currently has 7 active employees.

14
15 **Q. WILL ALL OF THE CURRENT EXETER EMPLOYEES BE RETAINED BY**
16 **PAWC?**

17 **A.** PAWC will offer employment effective on the closing date of the acquisition to all active
18 union and non-union personnel employed by Exeter in the System as of the closing date,
19 subject to PAWC’s background checks and drug screening.

20
21 **Q. WILL THERE BE ANY UNNECESSARY DUPLICATION OF SERVICES AS A**
22 **RESULT OF RETAINING ALL PAWC AND EXETER EMPLOYEES?**

1 A. No. PAWC's commitment to employ Exeter's active employees will assure continued
2 quality service to customers and effective operations of the System post-closing.

3
4 **Q. PLEASE DESCRIBE THE LABOR AGREEMENTS CURRENTLY IN PLACE**
5 **FOR EXETER EMPLOYEES.**

6 A. Exeter employees are currently covered by one collective bargaining agreement with the
7 Teamsters Union Local 429.

8
9 **Q. DO YOU ANTICIPATE ANY ISSUES IN LABOR NEGOTIATIONS AFTER**
10 **PAWC ACQUIRES THE SYSTEM?**

11 A. No. PAWC has a good track record in working with its employees and their unions to
12 achieve mutually-acceptable collective bargaining agreements.

13
14 **SECURITY, SAFETY AND EMERGENCY PREPAREDNESS**

15 **Q. DOES PAWC MAINTAIN CYBER SECURITY, PHYSICAL SECURITY,**
16 **BUSINESS CONTINUITY, AND EMERGENCY PLANS?**

17 A. Yes. Cyber and physical security plans are maintained and monitored by American Water
18 for each of its subsidiaries. PAWC maintains emergency response plans and Operations
19 and Maintenance ("O&M") Manuals, both of which have operational business continuity
20 included within the plans, and are updated each year. These plans are tested each year
21 through emergency response tabletop exercises. Each of the plans are overseen and
22 managed by various groups and individuals to provide overarching support to PAWC.
23 These groups are responsible for testing, reviewing, and updating their respective plan(s).

1 The departments assigned to Physical Security, Emergency Response, Business
2 Continuity, and Cyber Security plans are as follows:

- 3 • Physical Security Plan – Operational Risk Management Security (American Water
4 Works Service Company, Inc. (“AWWSC”))
- 5 • Cyber Security Plan – Operational Risk Management Security (AWWSC)
- 6 • Emergency Response Plan – Operations (PAWC)
- 7 • Business Continuity Plan – Operational Risk Management (PAWC) and Operations
8 (PAWC)

9 To constantly protect physical and cyber resources, the designated groups have developed
10 procedures to ensure that PAWC operates in a safe, secure, and reliable environment. A
11 major commitment in assuring plans are kept current is performing various testing on an
12 annual basis. Types of testing performed by AWWSC and PAWC include vulnerability
13 assessments, system operational testing, full scale exercises, media backups, and real-life
14 events.

15
16 **Q. PLEASE DESCRIBE PAWC’S RELATIONSHIPS WITH COMMISSION**
17 **EMERGENCY RESPONSE STAFF, PENNSYLVANIA EMERGENCY**
18 **MANAGEMENT AGENCY STAFF, AND LOCAL FIRST RESPONDERS.**

19 **A.** PAWC has a strong working relationship with the Commission’s Emergency Response
20 Staff. PAWC provides the Commission with emergency response numbers for all PAWC
21 operating areas each year. The Commission provides emergency numbers for its staff,
22 which PAWC distributes to all of PAWC’s operating areas for inclusion in the PAWC
23 Emergency Response Plans. For those emergencies that warrant communication to the

1 Commission's Emergency Preparedness Liaison Officer ("EPLO"), PAWC has contacted
2 Commission staff numerous times in the past to advise of situations and actions taken by
3 PAWC. Each year PAWC conducts emergency response tabletop exercises to test response
4 to emergency situations, including weather emergencies, contamination of supply, damage
5 to facilities, cyber-attack, and other perils. The Commission's emergency response staff
6 has participated in those exercises each year since 2006. We also invite local first
7 responders to participate, such as fire departments, police departments, hazmat responders,
8 local prison personnel, as well as DEP, and Pennsylvania Department of Homeland
9 Security ("DHS") personnel. PAWC has participated through Pennsylvania
10 Water/Wastewater Agency Response Network ("PaWARN") and Pennsylvania
11 Emergency Management Agency ("PEMA") sponsored exercises over the years. Our
12 current relationship with PEMA is through the Commission EPLO and PaWARN.

13
14 **Q. PLEASE DESCRIBE PAWC'S PARTICIPATION IN PENNSYLVANIA'S "ONE**
15 **CALL" SYSTEM AND THE RESOURCES THAT PAWC DEDICATES TO THE**
16 **PROGRAM.**

17 **A.** All of PAWC's 36 districts are members of Pennsylvania One Call System Inc. and
18 complete excavator requested mark outs on a daily basis. Each district has a minimum of
19 one person dedicated to completing dig notifications utilizing a third party internet-based
20 One Call ticket management system known as Korweb that is accessible via vehicle
21 mounted computers for real time response to any One Call dig notification.

22
23 **Q. DOES PAWC HAVE AN EMPLOYEE SAFETY PROGRAM?**

1 **A.** Yes. American Water and PAWC have made safety a value and not just a goal. It is very
2 important to us that every employee and contractor return home safely every day. We
3 make safety a value instead of a goal because goals change, but values don't change. Safety
4 performance is fundamental to our Company's culture and key to its success. Employees
5 are expected to conduct themselves in a safe manner, in accordance with our Health and
6 Safety policy and with the Health and Safety Procedures and Practices Manual. PAWC
7 establishes, implements, promotes and manages safety programs, activities and training
8 that enable continued safety improvement, injury reduction and compliance with
9 applicable Federal, State and local requirements. Safety programs are developed and
10 implemented in accordance with Company policy and applicable practices and include:

- 11 • Supporting practices that are developed, reviewed and updated to provide guidance
12 on safe performance of activities in the workplace and are reflective of changes in
13 organizational, operational and regulatory needs;
- 14 • Strategic and priority development and implementation of safety improvements
15 based on risk analysis of work places, work tasks and related potential injuries and
16 incidents;
- 17 • Development of, and measurement against, specific Company and external safety
18 performance targets and safety accountabilities for all employees;
- 19 • Ongoing assessment and review of safety processes, activities and supporting
20 programs (including those related to other Company policies, such as the
21 Workplace Conduct and Behavior Policy) to gauge effectiveness, identify program
22 gaps and pinpoint opportunities for continued improvement;

- 1 • Consistency of implementation and compliance with Company and regulatory
2 requirements across the enterprise; and,
- 3 • Defined and monitored contractor qualifications and requirements for safety
4 performance in accordance with approved contract documents, applicable laws and
5 regulations.

6

7 **CUSTOMER EDUCATION AND CUSTOMER SERVICE**

8 **Q. WHAT EFFORTS, IF ANY, WILL PAWC UNDERTAKE TO EDUCATE**
9 **CUSTOMERS REGARDING PAWC OWNERSHIP OF THE SYSTEM?**

10 **A.** As the Acquisition is nearing closing, PAWC plans to produce bill inserts and/or letters to
11 customers to explain the transition, billing, payment options and other items associated
12 with the change in ownership. The PAWC website will also add content to help educate
13 customers and to address frequently asked questions.

14

15 **Q. WHAT, IF ANY, CUSTOMER ENHANCEMENTS CAN THE EXETER**
16 **CUSTOMERS EXPECT AS A RESULT OF THE ACQUISITION?**

17 **A.** PAWC prides itself on providing superior customer service. As part of its commitment to
18 customer service, PAWC offers its customers a number of enhanced services, including
19 extended call center hours, additional bill payment options, enhanced customer information
20 and education programs, and access to PAWC's customer assistance program.

21

22 **Q. CAN YOU PLEASE PROVIDE ADDITIONAL DETAIL ON EACH OF THESE**
23 **CUSTOMER SERVICE ENHANCEMENTS?**

1 **A.** **Yes. *Customer Service.*** Our call center is available from 7:00 a.m. to 7:00 p.m., Monday
2 through Friday. Customers can also reach a customer service representative via email at
3 infopa@amwater.com. In addition, our customers have the ability to manage their account
4 via PAWC’s “My H20” online portal. Finally, PAWC offers emergency support 24 hours
5 a day, seven days a week. All of this means that we are very responsive to our customers
6 and any issues they may have, and will provide the same responsive approach to Exeter’s
7 customers once PAWC acquires the System.

8 ***Bill Payment Options.*** PAWC offers a number of bill payment options. Customers
9 have the option to receive paper bills through the mail or go paperless and receive their
10 bills electronically via the “My H20” on-line portal. Either way, customers can pay their
11 bill by mail, online, or over the phone with a debit or credit card. They can also pay by e-
12 check or an electronic funds transfer (which can be set up at the “My H20” online portal)
13 or pay in person at multiple authorized payment locations across the state. Additionally,
14 customers will transition from a wastewater quarterly billing to a monthly billing cycle,
15 and will receive a combined monthly bill from PAWC for water and wastewater services.

16 ***Customer Information and Education Programs.*** PAWC provides extensive
17 customer information and education programs that will be available to Exeter’s current
18 customers through brochures, bill inserts, and educational videos posted on PAWC’s
19 website. Our customers always have full access to a wide range of topics, including
20 information on preventing sewer overflows, preventing frozen pipes, beneficially re-using
21 residuals from water treatment plants for community gardens, detecting and fixing silent
22 toilet leaks, properly disposing of unused pharmaceuticals to keep them out of the

1 wastewater system, conserving water, installing expansion tanks, obtaining fire department
2 grants, and protecting customers from utility imposters.

3 *Customer Assistance Programs.* Finally, as new PAWC customers, Exeter's
4 customers will have access to PAWC's customer assistance program called the "H2O Help
5 to Others Program." For wastewater customers, this program offers two main services: (1)
6 grants of up to \$500 per year and (2) a 15% discount on total wastewater charges.
7 Additionally, customers who qualify for the program may also qualify to receive a water
8 saving kit which includes, among other things, a low-flow shower head and low-flow
9 faucet aerators.

10
11 **Q. DOES PAWC HAVE A PROGRAM TO PROTECT ITS CUSTOMERS AGAINST**
12 **UTILITY EMPLOYEE IMPOSTERS?**

13 **A.** Yes, PAWC has developed communications tools and programs to regularly educate
14 customers about the tactics used by utility employee imposters and what homeowners need
15 to know to protect themselves. The communications vehicles include bill inserts, news
16 releases, social media posts and website information about imposter-related crimes and
17 precautions that customers can take. In addition, PAWC helped form the Keystone
18 Alliance to Stop Utility Imposters, a coalition of water, gas and electric utilities, along with
19 the Commission, Pennsylvania District Attorneys Association and Pennsylvania Chiefs of
20 Police Association, to launch a public awareness campaign using public service
21 announcements, print materials, posters and community presentations.

22

1 **Q. PLEASE DESCRIBE PAWC'S CUSTOMER DISPUTE RESOLUTION**
2 **PROCEDURE.**

3 **A.** PAWC is governed by Chapter 14 of the Pennsylvania Public Utility Code, Responsible
4 Utility Customer Protection Act, 66 Pa. C.S. § 1401 *et seq.*, and the Commission's
5 regulations commonly known as Chapter 56, 52 Pa. Code § 56.1 *et seq.* This law and
6 Commission regulations provide the process and procedures for customer billing,
7 collections, payment arrangements, medical certifications, Protection from Abuse Orders,
8 termination of service, reconnection of service, and customer dispute resolution
9 procedures. PAWC has a customer compliance team located in the Hershey office
10 responsible for ensuring that customer disputes and complaints are resolved in compliance
11 with the Commission's regulations. Additionally, the Company has a customer advocacy
12 team located in the Hershey office responsible for addressing any customer disputes and
13 escalated concerns.

14
15 **Q. TO THE BEST OF YOUR KNOWLEDGE, DO EXETER'S CUSTOMERS**
16 **CURRENTLY HAVE A PUBLIC OMBUDSMAN TO REPRESENT THEIR**
17 **INTERESTS?**

18 **A.** No.

19
20 **Q. DO PAWC'S CUSTOMERS HAVE A PUBLIC OMBUDSMAN TO REPRESENT**
21 **THEIR INTERESTS?**

22 **A.** Yes. The Office of Consumer Advocate ("OCA") represents residential customers of
23 public utilities; the Office of Small Business Advocate ("OSBA") represents small

1 commercial customers of public utilities; and, the Commission's Bureau of Investigation
2 & Enforcement ("I&E") represents the general public interest. Moreover, the Commission,
3 an independent regulatory agency, has regulatory oversight of matters involving public
4 utilities. The Commission and all of the public advocates are funded by regulatory
5 assessments against the public utilities.

6
7
8 **CONCLUSION**

9 **Q. DO YOU BELIEVE PAWC HAS THE ABILITY TO PROVIDE SAFE,**
10 **ADEQUATE, AND RELIABLE WASTEWATER SERVICE TO EXETER'S**
11 **CUSTOMERS?**

12 **A.** Yes.

13
14 **Q. DO YOU BELIEVE THAT THE PROPOSED TRANSACTION WOULD RESULT**
15 **IN AN AFFIRMATIVE PUBLIC BENEFIT OF A SUBSTANTIAL NATURE?**

16 **A.** Yes. PAWC, as the largest investor-owned water and wastewater company in the
17 Commonwealth, will be able to provide an enhanced level of operational expertise and
18 customer service.

19
20 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

21 **A.** Yes. However, I reserve the right to supplement my testimony as additional issues and
22 facts arise during the course of the proceeding. Thank you.

23

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water Company :
under Sections 507, 1102(a), and 1329 of the Pennsylvania Public :
Utility Code, 66 Pa C.S. §§ 507, 1102(a), 1329 for approval of its :
acquisition of wastewater system assets of the Township of : Docket No. A-2018-_____ *et al.*
Exeter, related wastewater service rights, fair market valuation :
ratemaking treatment, accrual and deferral of certain post- :
acquisition improvement costs, and certain contracts with :
municipal corporations. :

**DIRECT TESTIMONY OF
DAVID R. KAUFMAN ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER COMPANY**

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**DIRECT TESTIMONY OF
DAVID R. KAUFMAN**

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.

A. David R. Kaufman, 800 West Hersheypark Drive, Hershey, PA 17033.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Pennsylvania-American Water Company (“PAWC” or the “Company”) as Vice President - Engineering.

Q. WHAT ARE YOUR RESPONSIBILITIES AS PAWC’S VICE PRESIDENT - ENGINEERING?

A. As Vice President - Engineering for PAWC, I am responsible for the administration of engineering services, including the planning, design and construction of water and wastewater capital investment projects, for all of PAWC’s systems and facilities.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL EDUCATION AND EXPERIENCE.

A. In 1975, following graduation from Pennsylvania State University with a Bachelor of Science degree in civil engineering, I accepted an engineering position with Pennsylvania Gas and Water Company (“PG&W”) in Wilkes-Barre, Pennsylvania. I remained in that position until 1989, when I was promoted to Manager of Water Engineering for PG&W. In August 1991, I was promoted to Vice President of Water Resources for PG&W. In that position, I was responsible for PG&W’s water operations relating to water supply, water quality and treatment, water engineering and planning. When the water assets of PG&W were acquired by PAWC in February 1996, I accepted an Operations Manager position

1 with the Company in its Northeast Region and had responsibilities for both water and
2 wastewater operations in the Scranton /Wilkes Barre and the Pocono/Lehman Pike regions.
3 I remained in that position until February 2001, when I was promoted to Manager of
4 Northeast Operations. In 2004, I accepted the position of Director of Engineering -
5 Southeast Region with American Water Works Service Company and remained in that
6 position until I accepted the position of Vice President - Engineering for PAWC. I am a
7 registered Professional Engineer in Pennsylvania and a hold a Class A1 water treatment
8 plant operator's license.

9
10 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PENNSYLVANIA**
11 **PUBLIC UTILITY COMMISSION?**

12 A. Yes. I have testified before the Pennsylvania Public Utility Commission ("Commission")
13 on several occasions, including both water and wastewater proceedings.

14
15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

16 A. My testimony will describe the wastewater collection and treatment system currently
17 owned and operated by Exeter Township (the "Exeter System") that PAWC has agreed to
18 acquire. I will also testify about several other topics that relate to the Exeter System,
19 including: environmental compliance; an Industrial Pretreatment Program ("IPP") that
20 PAWC will adopt that is substantially similar to the IPPs currently in place in other PAWC
21 wastewater operations and the Exeter System; and, PAWC's overall technical fitness to
22 acquire and operate the Exeter System.

23

1 **Q. CAN YOU PLEASE DESCRIBE THE EXETER SYSTEM?**

2 A. Exeter System is a municipally owned wastewater system that serves Exeter Township, St.
3 Lawrence Borough, and small portions of Alsace Township and Lower Alsace Township
4 in Berks County, Pennsylvania. Exeter Township is situated directly along the state route
5 422 corridor between Reading and King of Prussia. The wastewater treatment plant
6 (WWTP) and sanitary collection system provides service to 9,015 customers. The
7 customer base is a mix of residential, commercial, municipal and industrial customers.

8 The Exeter Township sewer collection system is divided into three main drainage
9 basins, which convey sanitary waste to the wastewater treatment plant through the
10 Antietam Creek, Heisters Creek and Schuylkill River trunk sewers. The collection system
11 collects and conveys wastewater through approximately 126 miles of sewer pipe to the
12 Exeter WWTP. The collection system primarily consists of 8" PVC sewer pipe with some
13 VCP pipe in the older sections. The collection system contains six wastewater pumping
14 stations to transport wastewater through the collection system.

15 The Exeter WWTP, located at 400 Hanover Road, Birdsboro, Pennsylvania, was
16 expanded pursuant to the 1989 Act 537 Plan Update to serve Exeter Township and St.
17 Lawrence Borough. The Exeter WWTP operates under National Pollutant Discharge
18 Elimination System (NPDES) Permit No. PA0026972 and consists of two separate
19 treatment flow trains, the East WWTP and the West WWTP. The East WWTP consists of
20 four primary clarifiers, two aeration tanks, two final clarifiers, and four chlorine contact
21 tanks. The East WWTP is used exclusively for the storage and treatment of high-strength
22 municipal and industrial waste. The West WWTP consists of the main pumping station,
23 headworks building, four primary clarifiers, three 1st stage aeration tanks, two 2nd stage

1 aeration tanks, four final clarifiers, and two chlorine contact tanks. The NPDES permit
2 expired in 2013 and is held in continuance awaiting issuance by PaDEP. A NPDES permit
3 renewal application was submitted to PaDEP in 2012.

4 The East WWTP has a permitted hydraulic design capacity of 1.2 million gallons
5 per day (MGD) and utilizes Outfall 001, while the West WWTP has a permitted hydraulic
6 capacity (max. monthly average daily) of 8.43 MGD and utilizes Outfall 002. The
7 combined permitted hydraulic design capacity is 9.63 MGD. The combined East and West
8 treatment trains are currently permitted for an annual average daily flow capacity of 7.1
9 MGD. The plant's design annual average organic loading capacity is 20,289 lbs BOD5
10 per day.

11 Solids production and processing is handled in several phases. Raw sludge from
12 the primary clarifiers is pumped directly to one of the two primary anaerobic digesters.
13 Waste activated sludge (WAS) from the treatment process is gravity thickened before being
14 pumped to one of the two primary anaerobic digesters. After digestion, the stabilized
15 biosolids are transferred to a sludge holding tank and dewatered by one of two centrifuges.
16 The dewatered biosolids are then dried with an in-plant sludge dryer and subsequently
17 disposed at a landfill.

18
19 **Q. WHAT IS AN "MS4" SYSTEM?**

20 A. An MS4 system is a "municipal separate storm sewer system."
21

22 **Q. IS PAWC ACQUIRING AN MS4 SYSTEM?**

23 A. No. PAWC will not be acquiring the MS4 system of Exeter Township.

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Q. IS THE EXETER SYSTEM A COMBINED SEWER SYSTEM?

A. No. The Exeter System is not a combined sewer system.

Q. CAN YOU PLEASE DESCRIBE ANY ENVIRONMENTAL COMPLIANCE ISSUES THAT YOU ARE AWARE OF RELATING TO THE SYSTEM?

A. Based on information received and reviewed by PAWC, there have been some documented violations and compliance issues with the Pennsylvania Department of Environmental Protection (“DEP”) or the U.S. Environmental Protection Agency involving the Exeter System in the past five years.

Q. IS PAWC’S APPLICATION CONSISTENT WITH THE COMPREHENSIVE PLANS OF BERKS COUNTY AND EXETER TOWNSHIP?

A. Yes. We received letters from Exeter Township, Alsace Township, Lower Alsace Township, and Berks County Planning Commission indicating PAWC’s application is consistent with their applicable comprehensive planning studies. These letters and links to their websites are located in Appendix A-22-e.

Q. IS THE COMPANY’S APPLICATION IN THIS PROCEEDING COMPLIANT WITH THE APPLICABLE ACT 537 PLANS?

A. Yes. Exeter Township has a DEP-approved Act 537 Plan and associated approved amendments to the Act 537 Plan including planning modules. PAWC’s request in its Application to provide wastewater services to the public within the municipal limits

1 complies with Exeter Township's most recent approved Act 537 Plan and subsequent
2 planning modules.

3
4 **Q. WHAT ARE THE ANTICIPATED IMPROVEMENTS NEEDED TO THE**
5 **EXETER SYSTEM?**

6 A. The anticipated improvements needed to the Exeter System consist of safety, security,
7 supervisory control and data acquisition (SCADA), electrical and arc flash improvements,
8 disinfection system improvements, improvements to the treatment plant equipment and
9 building structures, infiltration/inflow (I/I) study, and targeted collection system main
10 replacements based on the I/I study on **PAWC Exhibit DRK-1**.

11
12 **Q. WHAT ARE THE ESTIMATED CAPITAL COSTS FOR THE EXETER SYSTEM?**

13 A. The 10 year capital plan for the Exeter System, currently estimated at \$30.1 Million, as
14 shown on **PAWC Exhibit DRK-1** includes projects for on-going capital needs for the
15 Exeter System based on PAWC's evaluation.

16
17 **Q. IS THERE ANYTHING RELATING TO THE ASSET PURCHASE AGREEMENT**
18 **(APA) THAT YOU WISH TO DISCUSS?**

19 A. Yes, per the Asset Purchase Agreement (APA), Article 7.6, PAWC has committed to invest
20 \$3,000,000 in capital improvement in water and wastewater infrastructure located within
21 Exeter Township over the first four years of PAWC's ownership of the system.

1 **Q. ARE THE CAPITAL IMPROVEMENTS TO WHICH PAWC HAS COMMITTED**
2 **IN THE APA BEING PRIORITIZED OVER CAPITAL PROJECTS IN OTHER**
3 **AREA OF PAWC'S WATER AND WASTEWATER SYSTEMS THAT WERE**
4 **PREVIOUSLY PLANNED FOR THE SAME PERIOD?**

5 **A.** No. The capital projects identified are not being prioritized over capital projects in other
6 areas of PAWC's water and wastewater systems that were previously planned for this time
7 period. As explained above, PAWC was able to commit to spending \$3 million on water
8 and wastewater infrastructure within the Township of Exeter within the first four years of
9 PAWC's ownership of the Exeter sewer system based on projects that PAWC identified
10 for completion during its review and evaluation of the sewer system, as well as historical
11 routine water system investment that PAWC has incurred within Exeter.

12
13 **Q. PLEASE DESCRIBE PAWC'S TECHNICAL FITNESS TO PROVIDE**
14 **WASTEWATER SERVICE TO THE EXETER SYSTEM CUSTOMERS.**

15 **A.** As of July 31, 2018, PAWC served approximately 65,139 active wastewater customers
16 across the Commonwealth, with customers in Adams, Allegheny, Beaver, Chester, Clarion,
17 Cumberland, Lackawanna, Monroe, Northumberland, Pike, Washington, and York
18 counties. A map of PAWC's current service territories is attached to my testimony as
19 **PAWC Exhibit DRK-2.** To provide wastewater service to those customers, PAWC
20 currently operates 18 wastewater plants. In operating those wastewater plants, PAWC has
21 had no material issues complying with the Pennsylvania Public Utility Code, the
22 Pennsylvania Clean Streams Law, or other regulatory requirements. Moreover, PAWC has
23 the skill and expertise to respond to ever-increasing environmental standards for the

1 treatment of wastewater and to manage the long term infrastructure issues inherent in
2 wastewater systems.

3
4 **Q. IN YOUR OPINION, IS PAWC BETTER EQUIPPED THAN EXETER TO OWN,**
5 **OPERATE, AND MAINTAIN THE EXETER SYSTEM? IF YES, WHY?**

6 A. Yes. PAWC can draw upon a much broader range of engineering and operational
7 experience, as well as deeper financial resources, to address the environmental compliance
8 challenges of the Exeter System, and given PAWC's existing platform in relation to
9 operation of water and wastewater systems in neighboring communities, we believe that
10 PAWC is best positioned to provide those services on a cost-effective basis.

11 PAWC is the Commonwealth's largest investor-owned provider of water and
12 wastewater services. As a leading wastewater provider in Pennsylvania, PAWC brings
13 industry leading expertise and has extensive technical experience in upgrading, operating
14 and maintaining sewer facilities. PAWC is a recognized leader in providing communities
15 in the Commonwealth with well-maintained and reliable water and wastewater service and
16 has extensive local knowledge due to our decades of experience providing water service to
17 neighboring communities. For wastewater treatment and collection alone, PAWC
18 currently operates 18 wastewater treatment plants that serve approximately 59,821
19 residential, 4,875 commercial, and 35 industrial and 186 other customers in 12
20 Pennsylvania counties. Treatment processes include state-of-the-art biological nutrient
21 removal systems, sequential batch reactors, and oxidation ditches.

22 PAWC currently employs approximately 1,100 professionals with expertise in all
23 areas of water and wastewater utility operations including engineering, regulatory

1 compliance, water and wastewater treatment plant operation and maintenance, distribution
2 and collection system operation and maintenance, material management, risk management,
3 human resources, legal, accounting, and customer service. As a subsidiary of American
4 Water, PAWC has available to it additional resources of highly trained professionals who
5 have expertise in various specialized areas. American Water currently owns or operates
6 approximately 200 wastewater operations through its subsidiaries in a number of states.
7 American Water's experience includes the full breadth of treatment processes, from
8 facultative ponds to membrane biological reactors in every climate zone across the U.S.
9 More-advanced technologies allow a number of American Water's plants to utilize effluent
10 for reuse applications, eliminating discharge to receiving streams. These diverse facilities
11 have provided American Water operators and process experts with deep experience in the
12 operation and maintenance of every possible type of wastewater treatment technology, as
13 well as the experience available to support PAWC's operations staff and facilities. A 50-
14 person team of American Water corporate engineers has handled a wide variety of system
15 evaluations, selecting treatment processes and establishing critical design criteria for water
16 and wastewater treatment systems in order to improve operations and prioritize capital
17 improvements.

18 PAWC has specific experience in the types of treatment technologies employed in
19 the Exeter System, involving treatment facilities at our Clarion, Fairview North, and Saw
20 Creek Wastewater operations. Moreover, PAWC has committed as part of the Asset
21 Purchase Agreement to make offers of employment to Exeter Township's existing
22 professionals who are familiar with the Exeter System.

1 PAWC has an established track record of successfully managing large capital
2 investment projects in order to provide reliable service to the communities it serves.
3 PAWC has an ongoing program of capital investment focused on systematically replacing
4 and adding new pipes, treatment and pumping facilities, and other water and wastewater
5 infrastructure; thereby minimizing customer disruption caused by infrastructure failure.
6 PAWC has funded in excess of \$1 billion in capital construction over the past five years
7 with expenditures expected to total \$275 million to \$300 million per year for the next five
8 years. Capital planning is performed by in-house engineering staff and operations to
9 establish capacity needs, regulatory impacts, service adequacy and reliability for PAWC's
10 wastewater systems. Project costs, alternatives and risks are also determined.
11 Comprehensive oversight of water and wastewater assets gives PAWC a clear and
12 objective view of needs and potential capital project solutions.

13
14 **Q. IS THERE AN INDUSTRIAL PRETREATMENT PROGRAM (IPP) ASSOCIATED**
15 **WITH THE EXETER SYSTEM?**

16 A. Yes, there is. Exeter has an IPP program that covers five industries that are directly
17 connected to the Exeter System and two customers that bring hauled-in waste directly to the
18 treatment plant.

19
20 **Q. WHAT IS THE IPP?**

21 A. As mentioned above, "IPP" stands for "industrial pretreatment program." It is a federal
22 requirement under the Environmental Protection Agency (EPA) for municipally-operated
23 systems. In this case, as the wastewater system transitions from being a publicly-owned

1 treatment works (POTW) to a privately-owned treatment works, the same type of program
2 is required to regulate the nature and loadings from industrial customers in order to ensure
3 that those can be properly treated within the capabilities of the wastewater system. An IPP
4 requires that industrial and certain commercial customers monitor, test, treat, and control
5 pollutants in their wastewater before it enters wastewater collection and treatment systems.
6 Such programs help to ensure compliance with environmental requirements as well as to
7 allocate treatment costs to the customers responsible for causing the costs. Exeter
8 Township currently has an IPP in place for the Exeter System, and PAWC has prepared a
9 substantially-similar IPP for the Exeter Township customers (“IPP-E”) that PAWC will
10 submit to PaDEP for review and consent.

11
12 **Q. DOES THE IPP-E IMPACT THIS PROCEEDING?**

13 A. Yes. The substantive portions of the IPP-E sets rules, discharge standards, local
14 limitations, and permit requirements for industrial discharges to the collection system
15 which will be reviewed by PaDEP. PAWC’s wastewater tariff will require compliance
16 with the IPP-E for the Exeter System. Fees associated with the IPP-E, including fees for
17 permits, fees for industrial loadings, and fees for non-compliance with IPP-E limits, will
18 also be included in the tariff, as they technically are “rates” as defined by the Pennsylvania
19 Public Utility Code. A copy of the *pro forma* tariff supplement is included as **Appendix**
20 **A-13-a to PAWC Exhibit BJK-1.**

21
22 **Q. CAN YOU PLEASE ELABORATE UPON THE REASONS FOR THE IPP-E**
23 **PROVISIONS IN THE *PRO FORMA* TARIFF SUPPLEMENT?**

1 A. Industrial wastewater dischargers to the Exeter System are currently regulated under an
2 IPP administered by Exeter Township, which was established under the requirements of
3 EPA regulations, 40 C.F.R. Part 403, which govern publicly-owned treatment works. The
4 IPP-E is designed to regulate the nature and quantity of pollutants discharged from
5 industrial facilities in order to prohibit the introduction of pollutants that will pass through
6 the treatment works, interfere with the treatment works, or otherwise be incompatible with
7 the treatment works; protect personnel; and promote reuse and recycling of industrial
8 wastewater and sludge from the treatment works.

9 Once PAWC acquires the Exeter System, the Exeter Township POTW will become
10 a privately-owned treatment works. However, controls must be maintained on discharges
11 of industrial wastewater into the collection system and wastewater treatment works for the
12 same purposes. Such an IPP is required under the PaDEP-issued NPDES Permit which
13 governs the Exeter System.

14 The additional Section W (“Industrial Pretreatment Program” (Exeter System)) to
15 PAWC' s tariff would require industrial customers discharging to the Exeter system (Rate
16 Zone XX) to comply with the IPP-E to which PaDEP has consented, and would establish
17 the fees that are applicable to various elements of the IPP-E, including fees for industrial
18 wastewater permit applications and transfers, inspections, monitoring, sampling and
19 analyses, accidental discharges and slug control, industrial loadings that exceed the
20 concentrations of normal domestic sewage, excess loading fees and special discharge fees
21 applicable to discharges that exceed either local limits or effluent limitations set in
22 industrial wastewater discharge permits.

1 **Q. HOW MANY EXETER SYSTEM CUSTOMERS ARE PROJECTED TO FALL**
2 **UNDER THE IPP-E?**

3 A. The Township's Industrial Pretreatment Program (IPP) has five significant industrial users
4 connected to the Exeter System, of which two are considered categorical users.

- 5 a) BFK Corporation
- 6 b) Godiva Chocolatier, Inc.
- 7 c) FR&S Landfill, Inc./DBA/Pioneer Crossing Landfill
- 8 d) SFS Intec, Inc. (Categorical User)
- 9 e) Arkema, Inc. (Categorical User)

10
11 All permitted industrial users are inspected and sampled and all have submitted the required
12 self-monitoring reports under the terms of their industrial discharge permits. Exeter
13 Township also has a high strength Wastewater Surcharge Program to monitor select non-
14 residential dischargers.

15 Section 2 of the IPP-E in the *pro forma* tariff supplement would impose general
16 restrictions applicable to all users, prohibiting wastewater discharges of pollutants that,
17 among other matters, could cause "pass-through" or "interference"; cause fires, explosions
18 or injury to the collection system or treatment plant; involve solid or viscous substances
19 that may cause obstruction within the collection system; involve high temperatures; could
20 create toxic gasses; or contravene certain other standards. Those restrictions are currently
21 in place within the Exeter System under provisions contained in municipal ordinances and
22 regulations.

23
24 **Q. WHAT IS THE EFFECT OF THE PROPOSED TARIFF CHANGE ON**
25 **CUSTOMERS OF THE EXETER SYSTEM WHO WOULD BE GOVERNED BY**
26 **THE PROVISIONS OF THE TARIFF SUPPLEMENT?**

1 A. The proposed IPP-E in substance tracks the existing rules and standards established by
2 Exeter Township, and includes similar general prohibited discharge standards already in
3 place for the Exeter System. The fees set forth in the proposed tariff supplement are
4 calculated based on the relative strength (*i.e.*, concentration) of industrial wastewaters in
5 terms of BOD and total suspended solids compared to domestic sewage. For situations
6 where industrial users violate IPP standards and discharge wastewaters that exceed
7 applicable limits, those loading fees are increased by 25%. The fee schedule includes some
8 administrative fees, covering the costs of review and issuance of industrial wastewater
9 discharge permits, monitoring and analysis.

10
11 **Q. PLEASE EXPLAIN HOW PAWC'S INITIAL IPP-E FEES WERE DETERMINED?**

12 A. Schedule IPP-E-1 Section 1.1, was prepared to reflect the anticipated staff time and
13 expenses allocated to various tasks associated with permit application reviews, inspections,
14 monitoring, sampling and analysis. The industrial loading fees under Section 1.2 for
15 loading rates up to but not exceeding any applicable Local Limit or Industrial Waste
16 Discharge Permit Limit are computed in a manner similar to other PAWC wastewater
17 operations where IPP programs exist. Excess Loading Fees, which are applicable to
18 discharges exceeding the above referenced limits, will be at 125% of the value of the
19 Industrial Loads Fee to compensate for the additional administrative, oversight and
20 management costs associated with managing such excessive loadings.

21
22 **Q. HOW WILL IPP-E FEES BE ADJUSTED PROSPECTIVELY?**

23 A. Adjustments to the fees will have to be approved by the Commission through a tariff filing.

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Q. WILL PAWC EARN A RETURN ON THE IPP-E FEES?

A. No. The fees are designed to recover actual costs associated with permit review, inspections, monitoring, sampling, and analysis and treatment costs that may result from an industrial customer's failure to pretreat its wastewater.

Q. WILL THE IPP-E APPLY TO ALL PAWC WASTEWATER CUSTOMERS?

A. No, the IPP-E will apply only to the Exeter System. PAWC already has similar programs in place for its Scranton, Coatesville-area, and McKeesport customers. In fact, the proposed IPP-E tariff provisions are modeled on both the IPP-S tariff provisions for Scranton-area customers as approved by Commission final order entered October 19, 2016 at Docket No. A-2016-2537209 and the IPP-M tariff provisions for the McKeesport area customers as approved by the Commission final order entered October 26, 2017 at Docket No. A-2017-2606103. At some point in the future, PAWC may propose to put all of its wastewater customers under a uniform IPP program.

Q. WHAT IS THE EFFECT OF THE PROPOSED IPP-E TARIFF SUPPLEMENT ON PAWC'S REVENUES AND EXPENSES?

A. The proposed IPP-E fees are designed to be revenue neutral, and to recover the costs of administering the IPP-E and the additional costs involved in the treatment of industrial wastewater, which involves loadings of certain pollutants in concentrations above those typical of sanitary sewage.

1 **Q. WHAT IS THE EFFECT OF THE PROPOSED IPP-E TARIFF SUPPLEMENT ON**
2 **SERVICE RENDERED BY PAWC?**

3 A. The establishment and implementation of the IPP-E is designed to preserve the capability
4 of the collection system and treatment works to provide continued service to the Exeter
5 System customers by assuring appropriate controls on industrial discharges and recovery
6 from industrial users of fees that reflect the costs of managing the additional loadings
7 generated by their higher strength wastewaters.

8
9 **Q. WHAT FACTORS AND STUDIES DID PAWC CONSIDER IN DRAFTING ITS**
10 **PROPOSED TARIFF SUPPLEMENT RELATING TO THE IPP-E?**

11 In preparing the IPP-E rules and the related fee schedule, PAWC reviewed Exeter
12 Township's current program and discussed with Exeter staff their experience with the IPP.
13 PAWC considered the following factors in framing the IPP-E tariff supplement: (1) the
14 regulatory requirements for establishing and implementing an effective IPP, including
15 requirements under the NPDES permit governing the Exeter System; (2) the technical need
16 for regulating industrial wastewaters and discharges of problematic pollutants in order to
17 protect the collection system and treatment plant and the quality of sludge produced by the
18 treatment plant (including local limits on influent quality required to assure that the
19 treatment plant could receive and properly treat the wastewater, producing effluent that
20 meets all NPDES Permit limits, and generate sludge meeting the current sludge
21 classification value); (3) the costs of implementing the IPP-E, including review and
22 issuance of industrial permits, monitoring and enforcement efforts; and, (4) the costs of
23 treating the higher wastewater strength loadings from industrial users.

1 PAWC considered the following studies and documents in framing the IPP tariff
2 supplement:

- 3 (1) the existing Exeter wastewater system and industrial pretreatment ordinance
4 provisions and related regulations, policy and guidance;
- 5 (2) the EPA's "EPA Model Pretreatment Ordinance" (2007) and related EPA
6 regulations;
- 7 (3) the existing schedules of fees and charges for the Exeter System; and,
- 8 (4) other municipal IPPs, including the currently - tariffed IPP-S for Scranton-area
9 customers and IPP-M for the McKeesport area customers.

10
11 **Q. WHAT PLANS DOES PAWC HAVE FOR IMPLEMENTING THE CHANGES**
12 **REFLECTED IN THE PROPOSED IPP-E TARIFF PROVISIONS?**

13 A. The proposed IPP-E in substance tracks the existing rules and standards that Exeter
14 Township would apply to industrial users within the Exeter System. Section 4.3 of the
15 IPP-E regulations provides that all existing industrial users presently permitted on the
16 effective date of the PAWC IPP regulations will receive written notice from PAWC that
17 the terms and conditions of the permit presently in place will remain in force until the
18 termination date of the permit, subject to any renewal of or change in the permit in
19 accordance with the IPP regulations. Such notice shall also specify that continued
20 discharge to the Company's sewer system for thirty (30) days after receipt of such notice
21 shall constitute acceptance of the continuation of such permit under the administration and
22 enforcement of PAWC pursuant to the IPP regulations and acknowledgement that renewal
23 of such permit shall be in accordance with the regulations.

1

2 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

3 A. Yes. However, I reserve the right to supplement my testimony as additional issues and
4 facts arise during the course of the proceeding. Thank you.

**PAWC EXHIBIT
DRK-1**

Exeter CAPEX Plan

PAWC Exhibit DRK-1

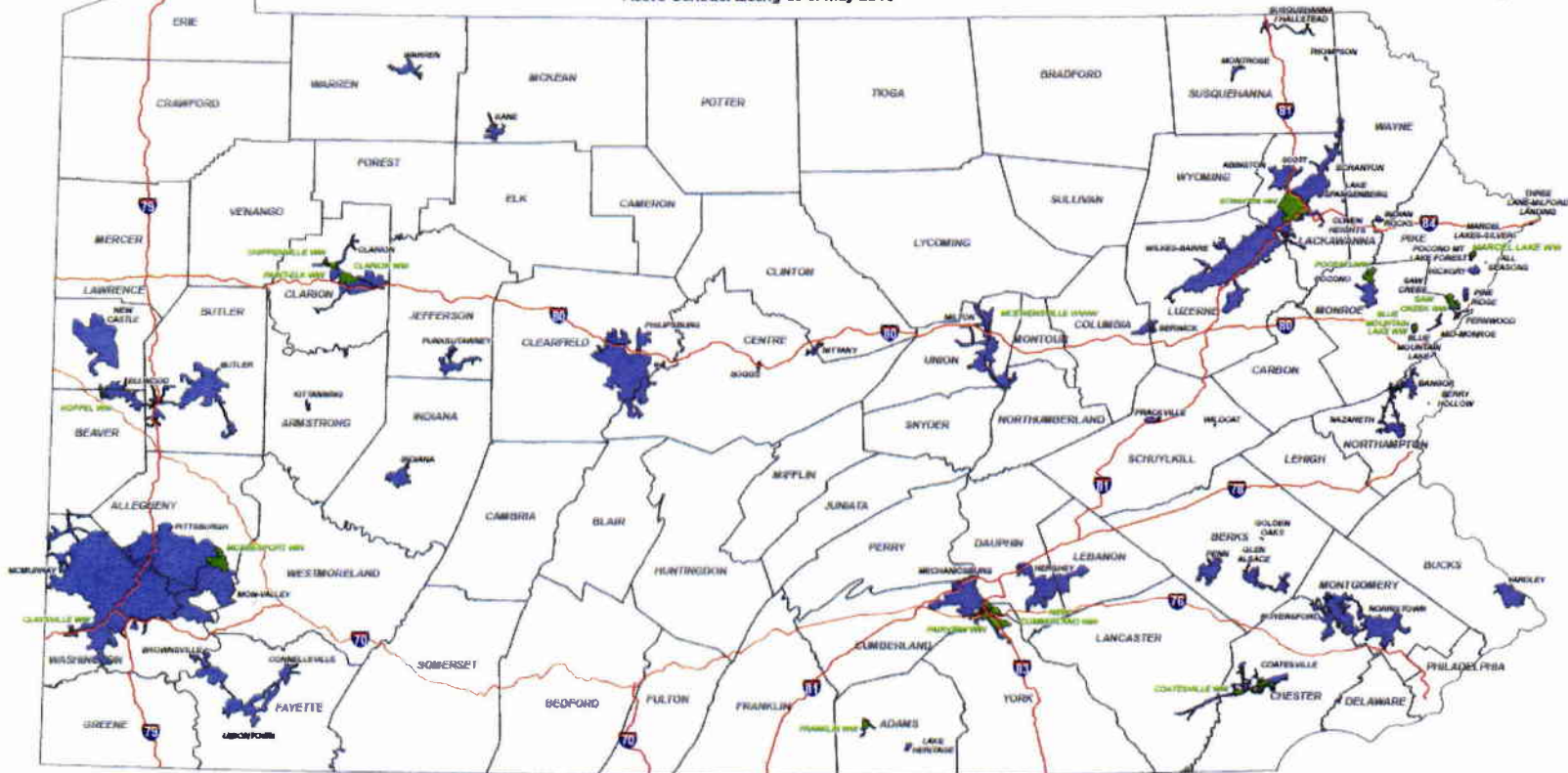
Year After Closing	1	2	3	4	5	6	7	8	9	10
Capital Improvement										
Safety	\$ 132,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Security	\$ 264,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SCADA	\$ 330,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Electrical/Arc Flash study and upgrade	\$ 99,000	\$ 99,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Replace chlorine gas system with liquid	\$ 264,000	\$ 264,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plant mechanical, electrical, and process improvements	\$ 512,920	\$ 1,317,955	\$ 164,121	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
I/I study	\$ 99,000	\$ 99,000	\$ 99,000	\$ 99,000	\$ 99,000	\$ 99,000	\$ 99,000	\$ 99,000	\$ 99,000	\$ 99,000
Collection system Replacement	\$ -	\$ 910,800	\$ 910,800	\$ 910,800	\$ 910,800	\$ 910,800	\$ 910,800	\$ 910,800	\$ 910,800	\$ 910,800
Vehicles and Capital Replacements	\$ 3,213,000	\$ 2,550,000	\$ 2,101,527	\$ 2,145,000	\$ 1,245,000	\$ 1,245,000	\$ 1,245,000	\$ 1,245,000	\$ 1,245,000	\$ 1,245,000
Total	\$ 4,913,920	\$ 5,240,755	\$ 3,275,448	\$ 3,154,800	\$ 2,254,800	\$ 2,254,800	\$ 2,254,800	\$ 2,254,800	\$ 2,254,800	\$ 2,254,800
Grand Total										\$ 30,113,723

**PAWC EXHIBIT
DRK-2**

Existing Service Territory

Pennsylvania American Water Company

Active Contract Listing as of May 2018



Legend

- PAWC WATER
- PAWC WASTEWATER



**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :
Company under Sections 507, 1102(a), and 1329 of the :
Pennsylvania Public Utility Code, 66 Pa C.S. §§ 507, :
1102(a), 1329 for approval of its acquisition of wastewater :
system assets of the Township of Exeter, related : Docket No. A-2018-_____ *et al.*
wastewater service rights, fair market valuation :
ratemaking treatment, accrual and deferral of certain post- :
acquisition improvement costs, and certain contracts with :
municipal corporations. :

**DIRECT TESTIMONY OF
ROD P. NEVIRASKAS ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER COMPANY**

**DIRECT TESTIMONY OF
ROD P. NEVIRASKAS**

INTRODUCTION

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.

A. Rod P. Neviraskas, 800 West Hersheypark Drive, Hershey, PA 17033.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by American Water Works Service Company (“Service Company”) as Senior Director of Rates and Regulations for the Mid Atlantic Division, which includes Pennsylvania-American Water Company (“PAWC” or the “Company”).

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.

A. I received a Bachelor’s Degree in Economics from the University of Massachusetts. Since beginning my employment with a subsidiary of the American Water Works Company (“AWW” or “American Water”) in 1980, I have held various positions of increasing responsibilities in rates and finance. In October 2004, I was named Director of Rates and Regulations for the American Water Works Shared Services Center (“SSC”), a financial services organization providing national support to AWW’s subsidiary operating companies. In 2005, I was promoted to the position of Director of Financial Services at the SSC. In that capacity, I led the SSC Rates and Regulations group in supporting rate case filings for all of AWW’s regulated operating subsidiaries. On January 1, 2009, I assumed the position of Director of Rates and Regulations for the states of Pennsylvania, Virginia and Maryland. In late 2011, AWW re-organized its

1 divisional structure, and responsibility for rate and regulatory matters in West Virginia,
2 Virginia and Maryland were transferred to the Mid-Atlantic Division of AWW, of which
3 PAWC is a member. On April 1, 2017, I was promoted to Senior Director with regulatory
4 responsibility for Pennsylvania and West Virginia.

5
6 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE**
7 **PENNSYLVANIA PUBLIC UTILITY COMMISSION (THE “COMMISSION” OR**
8 **“PUC”)?**

9 **A.** Yes. I have testified on numerous occasions on behalf of utility subsidiaries of AWW in
10 support of rate filings and financings in the States of Connecticut, Rhode Island, New
11 Jersey, New Hampshire, Maryland, New York, Ohio, Virginia, West Virginia and the
12 Commonwealths of Massachusetts and Pennsylvania.

13
14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

15 **A.** My testimony first addresses the financial fitness of PAWC to acquire and operate the
16 wastewater collection system (“System”) currently owned and operated by Exeter
17 Township (“Exeter”), which PAWC has agreed to purchase (“Transaction”). Second, my
18 testimony addresses: (a) the identification of ratemaking rate base as required in 66 Pa.
19 C.S § 1329 for PAWC’s acquisition of the System; (b) an estimate of the range of
20 transaction and closing costs incurred by PAWC; (c) an overview of the rate provisions
21 contained in the Asset Purchase Agreement (“APA”) for PAWC’s acquisition of the
22 System; (d) the benefits of the Transaction; and, (e) a statement regarding PAWC’s

1 intentions with respect to accrual of certain post-acquisition improvement costs and
2 deferral of related depreciation.

3
4 **TRANSACTION IS IN THE PUBLIC INTEREST**

5 **Q. WHAT, IF ANY, BENEFIT DO YOU SEE TO EXETER'S CUSTOMERS AS A**
6 **RESULT OF THE TRANSACTION?**

7 A. The System's customers will be served by a large, financially sound company that has the
8 capability to finance necessary capital additions. Given its size, access to capital and its
9 recognized strengths in system planning, capital budgeting and construction management,
10 PAWC is well-positioned from a financial perspective to ensure that high quality
11 wastewater service meeting all federal and state requirements is provided to Exeter's
12 customers and maintained for PAWC's existing customers.

13
14 **Q. DO YOU ANTICIPATE THE TRANSACTION HARMING PAWC'S FINANCIAL**
15 **STATUS IN ANY MANNER?**

16 A. No, not at all. PAWC does not anticipate that the acquisition of the System will have a
17 negative impact on PAWC's cash flows, credit ratings or access to capital and, therefore,
18 will not deteriorate in any manner PAWC's ability to continue to provide safe, adequate,
19 and reasonable service to its existing customers at just and reasonable rates.

20
21 **PAWC'S FINANCIAL FITNESS**

22 **Q. PLEASE DISCUSS PAWC'S FINANCIAL FITNESS.**

1 A. PAWC is the Commonwealth’s largest water and wastewater provider, with total assets of
2 \$4.6 billion and annual revenues of \$661 million for 2017. For 2017, PAWC had operating
3 income of approximately \$346 million and net income of approximately \$161 million.
4 These operating results produced cash flows from operations of approximately \$337
5 million.

6 In addition to generating positive operating cash flows, PAWC may also obtain
7 financing as follows:

8 **Line of Credit**

9 PAWC presently has liquidity through a \$400 million line of credit through American
10 Water Capital Corp. (“AWCC”), a wholly owned subsidiary of American Water Works
11 Company, Inc. (“American Water”). PAWC’s strong credit ratings allow PAWC to obtain
12 additional capacity on this line of credit.

13 **Long Term Debt Financing**

14 PAWC carries a corporate credit rating of “A3” from Moody’s Investors Services and an
15 “A” rating from Standard and Poor’s Rating Services. PAWC obtains long-term debt
16 financing through AWCC at favorable interest rates and payment terms. When applicable,
17 PAWC also uses low-cost financing through the Pennsylvania Infrastructure Investment
18 Authority (“PENNVEST”) and the Pennsylvania Economic Development Financing
19 Authority (“PEDFA”).

20 **Equity Investments**

21 PAWC may obtain additional equity investments through American Water based on its
22 strong operating performance.

23

1 **Q. DOES PAWC HAVE THE OVERALL FINANCIAL FITNESS AND ACCESS TO**
2 **CAPITAL TO ACQUIRE EXETER'S ASSETS?**

3 A. Yes. PAWC has strong operating cash flows and net income and, therefore, a strong
4 balance sheet. PAWC's strong operating and financial performance allows it to obtain
5 competitive interest rates for long-term debt financing and access to equity investments
6 from its parent company. In my opinion, PAWC is a financially-sound business that can
7 financially support the acquisition of the System as well as the ongoing operating and
8 investment commitments that will be required to operate, maintain and improve those
9 assets in serving the public.

10

11 **Q. PLEASE EXPLAIN HOW PAWC INTENDS TO FUND THE ACQUISITION.**

12 A. PAWC will initially fund the Transaction with short-term debt and will later replace it with
13 a combination of long-term debt and equity capital.

14

15 **Q. WHAT IMPACT, IF ANY, DO YOU ANTICIPATE THAT THE ACQUISITION OF**
16 **THE ASSETS WILL HAVE ON PAWC'S CORPORATE CREDIT RATINGS?**

17 A. As stated above, PAWC does not anticipate that the acquisition of the System will have a
18 significant impact on its credit ratings.

19

20

FAIR MARKET VALUE RATE BASE

21 **Q. PLEASE STATE THE RATE BASE REQUESTED IN THE APPLICATION**
22 **PURSUANT TO 66 Pa. C.S § 1329.**

1 A. The negotiated purchase price for the acquired assets is \$96,000,000 and the average of the
2 appraisals of the buyer's Utility Valuation Expert ("UVE") and the seller's UVE is
3 \$102,968,500. Accordingly, the negotiated purchase price of \$96,000,000 is the fair
4 market value for ratemaking purposes under Section 1329 (*i.e.* the lower of the negotiated
5 purchase price and the average of the UVEs' appraisals). The fair market value as
6 determined by the Section 1329 process, which, in addition to the transaction and closing
7 costs described below, becomes part of PAWC's rate base for ratemaking purposes. Note,
8 however, that PAWC reserves its right in future proceedings to make rate base claims
9 related to the acquisition as may otherwise be permitted under the Pennsylvania Public
10 Utility Code.

11
12 **TRANSACTION AND CLOSING COSTS**

13 **Q. PLEASE DESCRIBE THE ESTIMATED TRANSACTION AND CLOSING COSTS**
14 **FOR THE TRANSACTION.**

15 A. As set forth in the Commission's *Final Implementation Order* at Docket No. M-2016-
16 2543193, transaction and closing costs include the UVE's appraisal fee and the buyer's
17 closing costs, including reasonable attorney fees. In accordance with the *Final*
18 *Implementation Order* and traditional ratemaking principles, reasonable transaction and
19 closing costs are not to be decided in this Application proceeding; instead, PAWC must
20 justify the costs by a "preponderance of the evidence" in a future base rate proceeding.

21 As a practical manner, the exact extent of such costs cannot be known at the time
22 of filing the Application and will not be finally known until after closing of the Transaction.
23 The costs depend on a number of variables, including whether this Application is settled

1 or fully-litigated. PAWC will track such costs and incorporate them into rate base in a
2 future base rate proceeding as appropriate. Nevertheless, attached to the Application, as
3 **Appendix A-12**, is PAWC’s estimate of the anticipated range of transaction and closing
4 costs (approximately \$1,100,000 to \$1,300,000).

5
6 **APA RATE PROVISIONS**

7 **Q. PLEASE PROVIDE AN OVERVIEW OF THE RATE PROVISIONS OF THE APA.**

8 A. Article 7.1 of the APA, dated as of May 29, 2018, contains provisions related to rates. At
9 least sixty (60) days prior to Closing, Exeter will adopt rates as shown on Schedule 7.1 as
10 Exeter’s rates, and such rates shall become effective by a date no later than the Closing
11 Date. PAWC has committed to adopt, upon closing of the Transaction, Exeter’s current
12 customer charge and consumption charge then in effect at the time of closing. The current
13 usage rate (consumption charge) utilized by Exeter is a rate per thousand gallons. Under
14 PAWC ownership, and set forth in the *pro forma* tariff, attached as **Appendix A-13**, the
15 usage rate per thousand gallons is converted to a usage rate per hundred gallons, thereby
16 corresponding to how all other PAWC customers are billed.

17 The initial rates to be applicable to the former Exeter wastewater customers are set
18 forth in the *pro forma* tariff supplement attached as **Appendix A-13** to the Application.
19 System customers will be governed by rates for new Exeter Rate Zone “XX.” After PAWC
20 closes the Transaction, System customers will be subject to PAWC’s prevailing wastewater
21 tariff on file with the Commission with respect to all rates other than the customer charge
22 and consumption charge, including capacity reservation fees, reconnection fees and the
23 like, as well as non-rate related terms and conditions of service.

1 Exeter’s customers are currently billed quarterly. PAWC is the water provider
2 within Exeter Township with the exception of 48 customers whose water service is
3 provided by Mount Penn Borough. There are also over 1,200 customers that are on private
4 wells directly connected to the sewer collection system. As PAWC customers, all Exeter
5 customers will be billed monthly.

6 PAWC will charge a capacity reservation fee of \$4,000 per new equivalent dwelling
7 unit for the allocation of treatment, pumping, and transmission, truck and interceptor main
8 capacity, commencing with the date of Closing. No capacity fee will be charged for any
9 applicant for wastewater service that meets the criteria of a Bona Fide Service Applicant,
10 as defined in 52 Pa. Code § 65.1 (excluding clause (iii) of that definition) if “wastewater”
11 were substituted for “water.”
12

13 **Q. DO THE RATE PROVISIONS OF THE APA INCLUDE A RATE**
14 **STABILIZATION PLAN AS DEFINED BY SECTION 1329?**

15 A. The APA does not set forth or require a “rate stabilization plan” as defined by Section
16 1329(g). Therefore, PAWC is not required under the *Final Implementation Order* at
17 Docket No. M-2016-2543193 to provide testimony, schedules, and work papers in support
18 of a plan.

19 Section 1329(g) defines a “rate stabilization plan” as “[a] plan that will hold rates
20 constant or phase rates in over a period of time after the next base rate case.” As detailed
21 in Article 7.1 of the APA, PAWC will be charging Exeter’s current rates (but not other
22 charges) as the Company’s base rates within the service territory.

1 Base rates for Exeter area customers will be addressed and adjusted, as appropriate
2 and without any form of contractual restriction, in PAWC's first base rate case in which
3 the Exeter system is included. Interested parties will have an opportunity to participate in
4 that rate case and address issues, including cost allocation, as appropriate.

5 PAWC was careful in negotiating the APA to respect the statutory authority of the
6 Commission to set just and reasonable rates.

7
8 **Q. DOES PAWC SEEK THE AUTHORITY TO CHARGE NON-BASE RATES PRIOR**
9 **TO PAWC'S FIRST BASE RATE CASE IN WHICH THE EXETER SYSTEM IS**
10 **INCLUDED?**

11 A. Yes. PAWC is requesting authority from the Commission to approve collection of a
12 distribution system improvement charge ("DSIC") related to the System in the future, prior
13 to the first base rate case in which the System plant-in-service is incorporated into rate
14 base. PAWC would not begin charging a DSIC charge until the eligible System plant is
15 approved by the Commission in PAWC's Long Term Infrastructure Improvement Plan for
16 wastewater.

17
18 **BENEFITS OF TRANSACTION**

19 **Q. WHAT, IF ANY, RATE BENEFITS ARE ANTICIPATED TO BE REALIZED BY**
20 **EXETER CUSTOMERS FROM THE TRANSACTION?**

21 A. In the long-term, the Transaction will help PAWC keep rates reasonable for all of its
22 customers -- including Exeter customers. Through its expertise in wastewater management
23 and the leveraging of economies of scale, PAWC will -- over time -- be able to improve

1 efficiencies and lower or slow the increase in the cost of operating the System. These
2 operational efficiencies -- while they cannot be precisely quantified at this time -- will
3 inevitably be realized because of the size of PAWC's water and wastewater operations.

4
5 **Q. WHAT IMPACT, IF ANY, WILL THERE BE ON THE RATES OF PAWC'S**
6 **CURRENT CUSTOMERS AS A RESULT OF THE ACQUISITION OF THE**
7 **SYSTEM?**

8 A. There will be no short-term impact on PAWC's current customers. As explained above,
9 PAWC has committed to adopt Exeter's current rates as its base rates. In the future,
10 Exeter's wastewater operations would be included in future base rate filings similar to the
11 other operations of PAWC.

12 In the long-term, the acquisition of the System will help PAWC keep rates
13 reasonable for all of its customers by sharing costs across a much larger customer base. I
14 would like to reiterate that nothing contained in the APA, if approved by the Commission,
15 would bind the Commission or other interested parties in future ratemaking proceedings.

16
17 **POST-ACQUISITION IMPROVEMENTS**

18 **Q. PLEASE STATE YOUR UNDERSTANDING OF SECTION 1329 WITH RESPECT**
19 **TO POST-ACQUISITION IMPROVEMENTS.**

20 A. I am advised by counsel that Section 1329(f) allows "an acquiring public utility's post
21 acquisition improvements that are not included in a distribution system improvement
22 charge [to] accrue allowance for funds used during construction ["AFUDC"] after the date
23 the cost was incurred until the asset has been in service for a period of four years or until

1 the asset is included in the acquiring public utility's next base rate case, whichever is
2 earlier." Section 1329(f) also provides that "[d]epreciation on an acquiring public utility's
3 post acquisition improvements that have not been included in the calculation of a
4 distribution system improvement charge shall be deferred for book and ratemaking
5 purposes."

6
7 **Q. DOES PAWC INTEND TO ACCRUE AFUDC FOR POSTACQUISITION**
8 **IMPROVEMENTS?**

9 A. Yes. As summarized in the Direct Testimony of PAWC Witness David R. Kaufman,
10 PAWC's Vice-President Engineering, PAWC Statement No. 3, PAWC will be making
11 post-acquisition improvements to the System. As such, PAWC will likely accrue AFUDC
12 consistent with what is permitted under Section 1329. Rate claims related to AFUDC can
13 then be adjudicated in the context of a future PAWC base rate proceeding.

14
15 **Q. DOES PAWC INTEND TO DEFER DEPRECIATION ON NON-DSIC-ELIGIBLE**
16 **POST-ACQUISITION IMPROVEMENTS FOR BOOK AND RATEMAKING**
17 **PURPOSES?**

18 A. Yes. Section 1329(f) permits such deferral of depreciation. The statute appears to allow
19 deferral without specific Commission approval; however, out of an abundance of caution,
20 PAWC is specifically petitioning the Commission, as part of this Application proceeding,
21 for permission to defer the depreciation for book and ratemaking purposes.

22
23 **AUTHENTICATION OF APPLICATION APPENDICES**

1 **Q. ARE YOU FAMILIAR WITH THE APPLICATION FILED BY PAWC IN THIS**
2 **PROCEEDING?**

3 A. Yes, I helped to prepare several of the appendices in support of the Application and I have
4 reviewed the final version of the Application and the appendices.

5
6 **Q. PLEASE IDENTIFY WHICH APPLICATION APPENDICES WERE PREPARED**
7 **BY YOU OR UNDER YOUR SUPERVISION AND CONTROL?**

8 A. PAWC's finance team prepared the response in **Appendix A-12** which is the Company's
9 estimate of the anticipated range of transaction and closing costs and the *pro forma* tariff
10 supplement attached as **Appendix A-13** to the Application. In addition, they prepared
11 **Appendix C** (balance sheet of Exeter Township as of December 31, 2017, **Appendix D**
12 (audited balance sheet of PAWC as of December 31, 2017), **Appendix E** (income
13 statement of Exeter Township for the 12 months ended December 31, 2017), **Appendix F**
14 (audited income statement of PAWC for the 12 months ended December 31, 2017),
15 **Appendix G** (*pro forma* balance sheet of PAWC, giving effect to the transfer), **Appendix**
16 **H** (*pro forma* consolidated income statement of PAWC and Exeter Township for 12
17 months) and **Appendix K** (estimated annual revenues and Expenses).

18
19 **Q. HOW DID YOU PREPARE APPENDICES A-12, A-13, APPENDICES C**
20 **THROUGH H, AND APPENDIX K?**

21 A. I reviewed the financial information of PAWC, to which I have direct access, and I
22 reviewed the financial and rate information of Exeter Township, to which I received access
23 through the Transaction due diligence process.

1
2 **Q. ARE APPENDICES A-12, A-13, APPENDICES C THROUGH H, AND APPENDIX**
3 **K TRUE AND CORRECT TO THE BEST OF YOUR KNOWLEDGE,**
4 **INFORMATION, AND BELIEF?**

5 A. Yes.

6

7 **CONCLUSION**

8 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

9 A. Yes. However, I reserve the right to supplement my testimony as additional issues and
10 facts arise during the course of the proceeding. Thank you.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water Company :
under Sections 507, 1102(a), and 1329 of the Pennsylvania Public :
Utility Code, 66 Pa C.S. §§ 507, 1102(a), 1329 for approval of its :
acquisition of wastewater system assets of the Township of :
Exeter, related wastewater service rights, fair market valuation : Docket No. A-2018-_____ *et al.*
ratemaking treatment, accrual and deferral of certain post- :
acquisition improvement costs, and certain contracts with :
municipal corporations. :

**DIRECT TESTIMONY OF JEROME C. WEINERT, ASA, PE, CDP
UTILITY VALUATION EXPERT SELECTED BY
PENNSYLVANIA-AMERICAN WATER COMPANY**

INTRODUCTION

1
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23

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.

A. Jerome C. Weinert, ASA, PE, CDP, with business addresses at 2405 Park Drive Suite 203, Harrisburg, PA and 8555 West Forest Home Avenue Suite 201, Greenfield, Wisconsin 53228.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Associated Utility Services, Inc. (“AUS”) as a Principal and Director in AUS’s consulting operation (“AUS Consultants”), a position I have held since 1987. AUS was founded in 1967 as a financial consulting firm specializing in utility rate-making and regulatory matters. AUS Consultants is based in Mount Laurel, New Jersey, with various subsidiary offices located in Harrisburg, Pennsylvania; Greenfield (Milwaukee), Wisconsin; and Albuquerque, New Mexico. AUS Consultants comprises several subsidiary groups, including Utility Services Group, C.A. Turner Utility Reports, Valuation and Depreciation Services Group.

Q. WHAT ARE YOUR RESPONSIBILITIES AS PRINCIPAL AND DIRECTOR OF AUS CONSULTANTS?

A. As a Principal of AUS Consultants, I am responsible for appraisals and depreciation studies which AUS Consultants performs for its clients. As Director of AUS Consultants, I am responsible for the daily administration and operations of AUS Consultants’ staff and offices in Harrisburg, PA; Greenfield, WI; and Albuquerque, NM.

1 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS**
2 **EXPERIENCE.**

3 A. I received a Bachelor of Science Degree in Mechanical Engineering from the Milwaukee
4 School of Engineering in Milwaukee, WI, in 1972 and a Master of Business Administration
5 Degree from Marquette University in 1988.

6 I am registered as a Professional Engineer (E-15552) in the State of Wisconsin. I
7 have held a Professional Engineer's License continuously since 1976, when I completed
8 the State of Wisconsin's engineering certification requirements. Those requirements
9 include successfully completing two 8-hour written examinations along with four years of
10 qualifying engineering experience. Wisconsin also requires that licensed engineers
11 complete continuing education requirements of 15 professional development hours on a
12 semi-annual basis for renewal of a Professional Engineers license. I most recently renewed
13 my Wisconsin Professional Engineers' license on July 31, 2016.

14 Since 1982, I also have been an Accredited Senior Appraiser ("ASA") in the
15 American Society of Appraisers, which is a technical society whose charter is to ensure the
16 integrity and continuation of the appraisal profession. My accreditation is in the specialty
17 of Technical Specialties, which includes public utility valuation. I recertify in this specialty
18 every five years, I am currently in the process of recertifying. I also hold Senior
19 Membership in Public Utility Valuation. To become a senior member, a candidate must
20 have five years of qualifying experience in the designated field and pass a written
21 examination that covers general appraisal principles and issues specific to the candidate's
22 field. Finally, the candidate's work is reviewed for a selected number of valuation
23 problems, which, for Public Utility Valuation, requires the applicant to demonstrate

1 understanding of values, both tangible and intangible, for utility property. These valuations
2 may be in connection with rate case studies, sale or acquisition, eminent domain
3 (condemnation), ad valorem property tax appraisals, and insurance risk management
4 appraisals. These valuations require special knowledge in order to take into account the
5 unique economic and value characteristics of public utility properties and properly
6 recognize regulatory factors which influence value conclusions. Senior membership in
7 Public Utility Valuation also requires an understanding of the principles and practices
8 necessary in developing appropriate capital recovery (depreciation) accrual rates for public
9 utilities.

10 I am also a founding member of the Society of Depreciation Professionals. Formed
11 in 1987, the Society of Depreciation Professionals is an international society whose
12 purpose is to recognize the professional field of depreciation engineering and those
13 individuals contributing to that field; to promote the development and professional ethics
14 of the profession; and collect and exchange information concerning depreciation
15 engineering and analysis. Its membership, of which there are approximately 200 individual
16 and corporate members, is comprised of professionals from regulated industries (telephone,
17 electric, gas, and water), regulatory agencies, consulting firms, and educational institutions.
18 I have held various offices with the Society including serving as treasurer in 1993, vice
19 president in 1994, and president in 1995.

20 I gained the status of a Certified Depreciation Professional from the Society of
21 Depreciation Professionals in 1997. To obtain this status, a candidate must have five years
22 of qualifying experience in the field of depreciation, pass a written examination that covers
23 depreciation engineering principles and practices, and provide references to his or her work

1 and qualifications as a depreciation professional. I have re-certified every five years since
2 1997 with the most recent re-certification effective January 1, 2013.

3
4 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PENNSYLVANIA**
5 **PUBLIC UTILITY COMMISSION (“COMMISSION”)?**

6 A. Yes. In valuation matters related to utility rate base, I most recently testified before the
7 Commission in the matter of the applications of Pennsylvania American Water Company
8 and Aqua Pennsylvania Wastewater, Inc., pursuant to Sections 1102 and 1329 of the
9 Pennsylvania Public Utility Code (“Code”), 66 Pa. C.S. §§ 1102 and 1329, for approval of
10 their acquisitions of the wastewater systems assets of New Garden Township, Docket No.
11 A-2016-2580061, on behalf of Aqua Pennsylvania, Inc., The McKeesport Municipal
12 Wastewater System, on behalf of Pennsylvania American Water Company and Sadsbury
13 Township’s wastewater collection system, on behalf of Pennsylvania American Water
14 Company. I have also presented testimony on the subject of depreciation to the public
15 service commission’s in the states of Alaska, Arkansas, Illinois, Indiana, Iowa, Nebraska,
16 Nevada, North Carolina, Ohio, and Oregon. I have testified on depreciation matters before
17 the Federal Energy Regulatory Commission (“FERC”) and the CRTTC. In addition, I have
18 testified on valuation matters before the Massachusetts Superior Court; the Court of
19 Common Pleas, Fayette County, Ohio; the Twentieth Judicial Circuit Court in Charlotte
20 County, Florida; the Nineteenth Judicial Circuit Court in St. Lucie County, Florida; the
21 New Hampshire Public Service Commission; the California Board of Equalization and
22 Assessment; and the Valuation Adjustment Boards in the Florida counties of Duval,
23 Hillsborough, Okeechobee, and Palm Beach. Attached to this direct testimony as

1 **Appendix A** is a copy of my current curriculum vitae which includes a listing of cases in
2 which I have testified.

3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

4 A. The purpose of my testimony is to describe the fair market value appraisal of the
5 wastewater system and related plant, property, equipment and assets (collectively the
6 “System”) of Exeter Township that I and my staff performed on behalf of Pennsylvania-
7 American Water Company (“PAWC”), the buyer of the System. Our report dated
8 September 1, 2018, is entitled “Exeter Township, Pennsylvania Wastewater Utility Fair
9 Market Value Appraisal as of January 1, 2018.” The appraisal and its report was developed
10 to meet the criteria established in paragraph Section 1329 of the Pennsylvania Public Utility
11 Code (“Code”), 66 Pa. C.S. § 1329 (“Determination of the fair market value of water and
12 wastewater assets”).

13 In its 2015-2016 legislative session, the Pennsylvania Legislature passed Act 12 of
14 2016 that session and Governor Wolf signed into law Section 1329 of the Code establishing
15 the legislative guidelines facilitating the acquisition of municipal and regional water and
16 wastewater systems by private investor-owned utilities and other entities which are rate-
17 regulated by the Pennsylvania Public Utility Commission (“PUC”). This legislation was
18 intended to facilitate the acquisition of water and wastewater system in order to facilitate
19 capital improvements to the water and or wastewater properties.

1 **QUALIFICATION AS UTILITY VALUATION EXPERT**

2 **Q. IS AUS CONSULTANTS ON THE COMMISSION’S REGISTRY OF UTILITY**
3 **VALUATION EXPERTS?**

4 A. Yes. AUS Consultants is a Utility Valuation Expert (“UVE”) in the Commonwealth of
5 Pennsylvania approved by the PUC (Utility Code 9919181).

6
7 **Q. PLEASE DESCRIBE THE PROCESS BY WHICH AUS CONSULTANTS WAS**
8 **PLACED ON THE COMMISSION’S REGISTRY OF UTILITY VALUATION**
9 **EXPERTS.**

10 A. After passage of Section 1329 of the Pennsylvania Consolidated Code, the Commission
11 established an application process by which the Commission would approve and designate
12 firms to be placed on the Commission’s “Registry of Utility Valuation Experts.” AUS
13 Consultants submitted its application and the required proof of experience in July of 2016
14 and received confirmation and approval from the Commission of AUS Consultants’
15 placement on the Commission’s UVE Registry in August 2016. AUS Consultants applied
16 with the Commission to renew its registrations as a UVE with the Commission for 2018
17 and received notification on February 12, 2018 as a qualified UVE by the Commission.

18
19 **Q. PLEASE EXPLAIN YOUR QUALIFICATIONS TO ACT AS A UVE IN THIS**
20 **PROCEEDING.**

21 A. I have been involved in utility consulting in the valuation and depreciation area for my
22 entire 46-year career. I have been a Registered Professional Engineer since 1978, an
23 Accredited Senior Appraiser (“ASA”) since 1982 in the American Society of Appraiser in

1 their Technical Valuation specialty which includes utilities such as water and wastewater
2 utilities, and I am a Certified Depreciation Professional (“CDP”) since 2000 in the Society
3 of Depreciation Professionals.

4 I have prepared fair market value appraisal for numerous clients during my career
5 as well as numerous depreciations studies in support of utilities depreciation rates for rate
6 making. In my capacity as Principal and Director for AUS, I have performed numerous
7 appraisals of water, wastewater, gas, electric and telecommunication companies and their
8 property. Similarly, in the area of depreciation studies, I have performed depreciation
9 studies for water, gas, electric and telecommunications companies. Prior to my
10 employment with AUS, I worked for 14 years in the Regulated Industries Group at
11 American Appraisal Associates, a national appraisal firm, with emphasis on performing
12 public utility appraisals and depreciation studies.

13
14 **Q. HAVE YOU EVER HAD YOUR PROFESSIONAL CREDENTIALS REVOKED**
15 **OR SUSPENDED?**

16 A. I am currently in the process of recertifying my ASA status in the American Society of
17 Appraisers. My status as a Wisconsin PE and a CDP in the Society of Depreciation
18 Professionals are current.

19
20 **Q. DO YOU HAVE SPECIFIC EXPERIENCE WITH THE VALUATION AND**
21 **APPRAISAL OF UTILITY ASSETS?**

22 A. Yes. I annually prepare several fair market valuation appraisals for clients for various
23 purposes. In recent years, AUS Consultants has been quite active in the consulting in the

1 water and wastewater industry, particularly in Pennsylvania. This consulting included
2 original cost studies, depreciated original cost studies, and fair market value appraisals for
3 municipalities and investor-owned utilities. During my career, I have participated in or
4 have been responsible for more than 208 valuation studies and 128 depreciation studies.
5 These appraisals and depreciation studies are identified in my curriculum vitae attached
6 hereto as Appendix A. Over the course of my career, I have submitted depreciation study
7 results to the public service commission's in the states of Alabama, Alaska, Arkansas,
8 Colorado, Florida, Georgia, Illinois, Indiana, Idaho, Iowa, Kentucky, Michigan,
9 Minnesota, Mississippi, Missouri, Montana, Nebraska, North Carolina, Ohio, Oregon,
10 Pennsylvania, Washington, and Wisconsin. I also have submitted depreciation study
11 results to the Federal Communications Commission; the Canadian Radio, Television, and
12 Telephone Commission ("CRTTC"); and the State of New York's Board of Equalization
13 and Assessment.

14
15 **Q. HAVE YOU OR AUS CONSULTANTS OR ANY OF ITS STAFF DERIVED ANY**
16 **MATERIAL FINANCIAL BENEFIT FROM THE SALE OF THE EXETER**
17 **TOWNSHIP'S ASSETS OTHER THAN FEES FOR YOUR SERVICES**
18 **RENDERED?**

19 A. No.

20
21 **Q. ARE YOU OR AUS CONSULTANTS OR ANY OF ITS STAFF AN IMMEDIATE**
22 **FAMILY MEMBER OF A DIRECTOR, OFFICER, OR EMPLOYEE OF EITHER**
23 **PAWC OR EXETER TOWNSHIP?**

1 A. No.

2

3 **Q. IS AUS CONSULTANTS IN COMPLIANCE WITH APPLICABLE**
4 **PENNSYLVANIA LAWS?**

5 A. Yes.

6

7 **Q. DOES AUS CONSULTANTS HAVE THE FINANCIAL AND TECHNICAL**
8 **FITNESS, INCLUDING PROFESSIONAL LICENSES AND TECHNICAL**
9 **CERTIFICATIONS, TO PERFORM A FAIR MARKET VALUATION OF THE**
10 **ASSETS OF EXETER TOWNSHIP?**

11 A. Yes. As described earlier I am a accredited Senior Appraiser (ASA designation) in the
12 American Society of Appraisers, a registered Professional Engineer in the State of
13 Wisconsin (WI license E-15552) and a Certified Depreciation Professional (CDP
14 designation) in the Society of Depreciation Professionals all societies and state licensing
15 agencies involved in various aspects of the valuation and depreciation profession. These
16 designations coupled with my 46 years of appraisal and depreciation experience
17 demonstrate my and AUS Consultants' financial and technical capabilities to perform
18 utility appraisals.

19

20 **Q. ARE YOU AWARE OF ANY FACT, INCLUDING BUT NOT LIMITED TO ANY**
21 **POTENTIAL CONFLICT OF INTEREST, THAT WOULD CAST DOUBT UPON**
22 **YOUR ABILITY TO PROVIDE A THOROUGH, OBJECTIVE, UNBIASED, AND**
23 **FAIR VALUATION IN THIS PROCEEDING?**

1 A. No.

2

3 **FEES PAID FOR UTILITY VALUATION EXPERT SERVICES**

4 **Q. HOW IS AUS CONSULTANTS BEING COMPENSATED FOR ITS SERVICES IN**
5 **THIS MATTER?**

6 A. AUS Consultants is being compensated on a fee-and-expenses basis for the initial appraisal
7 and a per-diem rate plus fee-and-expenses basis for activities beyond the issuance of a final
8 appraisal report. True, correct, and complete copies of AUS Consultants' invoices to
9 PAWC for this matter, as of the date of Application filing, are attached to PAWC's
10 Application as Appendix A-8 and I incorporate those invoices in my direct testimony as if
11 set forth in their entirety.

12

13 **Q. WHAT IS THE ESTIMATED TOTAL COMPENSATION THAT AUS**
14 **CONSULTANTS WILL RECEIVE FOR ITS SERVICES IN THIS MATTER?**

15 A. The fee for our initial appraisal is \$32,000 plus expenses and our per-diem rate for activities
16 subsequent to the initial appraisal range from \$150 to \$250 per hour depending on the
17 consultant involved. My per-diem rate is \$250 per hour. Expenses include travel, lodging,
18 and report production and shipping expenses, all of which are billed at cost.

19

20 **Q. PLEASE DESCRIBE THE PROCESS BY WHICH THIS COMPENSATION WAS**
21 **NEGOTIATED?**

22 A. AUS Consultants met with PAWC personnel to describe the corporate appraisal and
23 depreciation capabilities of AUS Consultants and for AUS Consultants to understand

1 PAWC's requested scope of work. After that meeting, AUS Consultants provided a fee
2 estimate for the appraisal of the System including a schedule of per-diem rates for activities
3 subsequent to the appraisal report. Next, the parties drafted a contract, including a non-
4 disclosure agreement, which were both signed. The contract and non-disclosure agreement
5 form the basis of the relationship between AUS Consultants and PAWC. True, correct,
6 and complete copies of the contract and non-disclosure agreement are attached as
7 Appendix A-8 of PAWC's Application and I incorporate them in my direct testimony as if
8 set forth in their entirety.

9
10 **Q. ARE THESE FEES CONSISTENT WITH COMPENSATION RECEIVED FOR**
11 **SIMILAR SERVICES PROVIDED TO OTHER CLIENTS?**

12 A. Yes.

13
14 **FAIR MARKET VALUATION OF EXETER TOWNSHIP'S ASSETS**

15 **Q. PLEASE IDENTIFY APPENDIX A-4 TO THE APPLICATION IN THIS**
16 **PROCEEDING?**

17 A. Appendix A-5 of PAWC's Application contains my appraisal report dated September 11,
18 2018 which I prepared for PAWC to be filed with its Application.

19
20 **Q. HOW DO YOU RECOGNIZE IT?**

21 A. I personally prepared and supervised AUS Consultants personnel in preparing the report,
22 and recognize it as AUS Consultants' work product.

1 **Q. IS THE AUS REPORT CONTAINED IN APPENDIX A-4 A TRUE, COMPLETE,**
2 **AND ACCURATE COPY OF YOUR VALUATION REPORT?**

3 A. Yes, and I incorporate it into my direct testimony as if set forth in its entirety.
4

5 **Q. PLEASE DESCRIBE THE PROCESS BY WHICH YOU PREPARED THE**
6 **VALUATION REPORT.**

7 A. In accordance with Section 1329 of the Code, PAWC and Exeter Township utilized
8 Gannett Fleming Valuation and Rate Consultants, LC (Gannett) as the licensed engineer to
9 conduct an assessment of the tangible assets of Exeter Township’s wastewater system.
10 PAWC engaged AUS to prepare the fair market valuation report for the System. PAWC
11 provided financial statements from Exeter Township regarding the System and a copy of
12 the Engineering Assessment (August 2018) development by Gannett as required by Section
13 1329(a)(4). AUS Consultants received financial and system data information relative to
14 the System. After reviewing that information, AUS Consultants inspected the System on
15 August 7, 2018, with Exeter personnel conducting the on-site tour. After those activities
16 and data gathering, we developed the appraisal.

17 The appraisal contains a letter of transmittal; a table of contents detailing all the
18 sections of the report and work papers; certification describing that the appraisal was
19 prepared in conjunction with the Uniform Standards of Professional Appraisal Practices
20 (“USPAP”); a narrative report containing an Executive Summary; a Purpose and Scope of
21 the Work; a description of the water and wastewater industry – nationally and in the state
22 of Pennsylvania; a description of the System including the assets, property, plant, and

1 equipment; the appraisal procedures and supporting data and analysis; Gannett’s Engineer
2 Assessment; and miscellaneous public documents describing Section 1329 of the Code.

3 The intent of the valuation report is to provide the appraisal results, as well as the
4 entire appraisal work file, in sufficient detail to satisfy the parties’ and Commission’s
5 review requirements of Section 1329 and the Commission’s Final Implementation Order,
6 *In re: Implementation of Section 1329 of the Public Utility Code*, Docket No. M-2016-
7 2543193 (Order Entered October 27, 2016). In addition to a copy of my appraisal report,
8 I have provided supporting work papers for the appraisal report in Appendix A-5 to
9 PAWC’s Application. The relevant work papers have also been submitted to the
10 Commission and provided to the public advocates in live electronic format.

11
12 **Q. IS THERE ANYTHING THAT YOU WOULD CHANGE IN THE VALUATION**
13 **REPORT SINCE ITS PREPARATION?**

14 A. No.

15
16 **Q. WAS THE FAIR MARKET VALUATION OF THE EXETER ASSETS**
17 **DETERMINED IN COMPLIANCE WITH THE UNIFORM STANDARDS OF**
18 **PROFESSIONAL APPRAISAL PRACTICE (“USPAP”)?**

19 A. Yes. Included in my appraisal report is a document entitled “Compliance with Uniform
20 Standard of Professional Appraisal Practice (USPAP) 2018-2019” which described our
21 reports compliance with USPAP.

1 **Q. DID YOU EMPLOY THE COST, MARKET AND INCOME APPROACHES IN**
2 **PREPARING YOUR VALUATION?**

3 A. Yes. We developed our appraisal utilizing the cost, income, and market approaches as
4 required by USPAP and Section 1329 of the Code. These approaches are summarized
5 below.

6 *Cost Approach.* The cost approach has as its basis the principle of substitution in
7 that the maximum value of the property is the cost to construct a replacement property of
8 similar capacity, quality, and condition. In this appraisal, we utilized the trend cost method
9 to determine the cost new, evaluated the condition of the property using age-life
10 depreciation, and evaluated external obsolescence based on the income and market
11 approaches.

12 *Income Approach.* Under the income approach, the valuation basis is the value of
13 an income producing property as defined by its economic returns. There are several income
14 approach valuation methods, primarily the direct capitalization (of income from operation)
15 and the discounted cash flow methods. In the direct capitalization method, the economic
16 returns of the property, as defined by its operating income, are directly capitalized into
17 value by dividing a single estimate of the near-term income with a capitalization rate. In
18 the discounted cash flow, the result of future periods operations are determined with each
19 periods' cash flow being forecast and then discounted to appraisal date values using a
20 discount rate. The two procedures are similar in nature in that they both estimate the value
21 of the property based on capitalizing or discounting future economic returns of the
22 property's operation. The capitalization of income approach attempts to incorporate all
23 future periods' changes in revenues, operating expenses, and working capital into a single

1 operating income estimate while the discounted cash flow method allows the appraiser to
2 forecast each future periods' operating results considering changes to customer growth,
3 changing revenues and operating expenses in the analysis. Considering that Exeter's
4 operations will be undergoing a change from municipal operation to an investor-owned,
5 rate-regulated operation, the flexibility of the discounted cash flow to adjust the operating
6 inputs and criteria make it superior to the capitalized income approach.

7 *Market Approach.* The market or comparable sales approach to value looks to
8 market sales of comparable properties in order to arrive at value. In this appraisal, the
9 market approach was addressed from a comparable sales approach (Pennsylvania
10 wastewater systems) and market value to book value ratios based on investor-owned water
11 utilities reported in Value Line Investment Survey.

12
13 **Q. DID YOU RELY UPON A LICENSED ENGINEER'S ASSESSMENT OF THE**
14 **TANGIBLE ASSETS OF MACM IN PERFORMING YOUR VALUATION?**

15 A. Yes. PAWC and Exeter Township utilized Gannett Fleming Valuation and Rate
16 Consultants, LC as the licensed engineer to conduct an assessment of the tangible assets of
17 Exeter. PAWC provided a copy of the Engineering Assessment development by Gannett
18 as required by Section 1329(a)(4). A copy of the Engineering Assessment is attached to
19 the appraisal.

20
21 **Q. DID THE LICENSED ENGINEER'S ASSESSMENT INCLUDE AN INVENTORY**
22 **OF THE USED AND USEFUL UTILITY PLANT ASSETS TO BE TRANSFERRED**
23 **COMPILED BY YEAR AND ACCOUNT?**

1 A. Yes.

2

3 **Q. DID THE LICENSED ENGINEER'S ASSESSMENT IDENTIFY SEPARATELY**
4 **ANY UTILITY PLANT THAT IS BEING HELD FOR FUTURE USE?**

5 A. Yes.

6

7 **Q. DID THE LICENSED ENGINEER'S ASSESSMENT LIST ALL NON-**
8 **DEPRECIABLE PROPERTY SUCH AS LAND AND RIGHTS-OF-WAY?**

9 A. Yes.

10

11 **Q. TO THE BEST OF YOUR KNOWLEDGE, WAS THE LICENSED ENGINEER'S**
12 **INVENTORY DEVELOPED FROM AVAILABLE RECORDS, MAPS, WORK**
13 **ORDERS, DEBT ISSUE CLOSING DOCUMENTS FUNDING CONSTRUCTION**
14 **PROJECTS, AND OTHER SOURCES TO ENSURE AN ACCURATE LISTING OF**
15 **UTILITY PLANT INVENTORY BY UTILITY ACCOUNT?**

16 A. Yes.

17

18 **Q. DO YOU HAVE ANY REASON TO DOUBT THE ACCURACY OF THE**
19 **LICENSED ENGINEER'S INVENTORY OF THE ASSETS?**

20 A. No.

21

22 **Q. DID YOU INCORPORATE THE LICENSED ENGINEER'S ASSESSMENT INTO**
23 **YOUR COST APPROACH IN DEVELOPING YOUR VALUATION?**

1 A. Yes.

2

3 **Q. DID YOU HAVE TO EXERCISE PROFESSIONAL DISCRETION IN**
4 **DEVELOPING ANY ASPECT OF YOUR VALUATION?**

5 A. Yes. In the Cost Approach the selection of costing factors such as the cost trends to be
6 utilized in developing the cost new and the depreciation factors such as service lives and
7 survival and retirement patterns were inputs to the depreciation portion of the cost
8 approach; all of these inputs were based on my expertise in appraising similar utility
9 property and an understanding of the significance of these inputs. Significant inputs which
10 this appraiser exercises appraisal discretion in the Income Approach includes (1) the
11 analysis of historical financial data, (2) how that analysis is used in forecasting future
12 expectation of the property's return(s), and (3) the selection of cost of capital inputs in
13 developing the present value of future returns which quantifies the income approach
14 conclusion. In the Market Approach the selection of comparable sales required appraisal
15 discretion. Finally, the consideration of each of the individual value indicators, cost,
16 income, and market, in developing the final appraisal conclusion required appraisal
17 discretion.

18

19 **Q. WHAT, IF ANY, FACTORS DID YOU TAKE INTO CONSIDERATION WHEN**
20 **HAVING TO MAKE DISCRETIONARY DECISIONS?**

21 A. I considered the interrelation of the inputs and how those inputs relate to the value of
22 wastewater property plant and equipment, its operations and resultant value.

23

CONCLUSION

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7

Q. WHAT IS YOUR CONCLUSION REGARDING THE FAIR MARKET VALUE OF THE EXETER TOWNSHIP ASSETS TO BE PURCHASED BY PAWC?

A. The fair market value of the System to be purchased by PAWC is \$100,316,000, as of January 1, 2018. As described above, we utilized the cost, income, and market approaches to utility valuation for purposes of appraising the System. The results of those appraisal analyses and our conclusions as of January 1, 2018 are summarized in the following table:

**Pennsylvania-American Water Company
Exeter Wastewater System
Wastewater System
Investor-Owned Utility
As of January 1, 2018**

Fair Market Value Appraisal

Appraisal Approach	Investor-owned Utility	Weight	Wtd Valuation Indications
Cost Approach			
Depreciated Replacement Cost New	\$ 99,589,819		
Cost Approach Conclusion	99,589,819	50%	49,794,909
Income Approach			
	106,363,321		
Income Approach Conclusion	106,363,321	40%	42,545,328
Market Approach			
Market Approach Conclusion	94,769,671	10%	9,476,967
Appraisal Conclusion	\$ 101,817,204	100%	101,817,204
Conclusion (cost approach)	\$ 99,589,819		

1
2
3 The fair market value determination of the tangible assets was based primarily on the cost
4 approach with the income and market approaches being supportive of the cost approach
5 conclusion. The System's original cost was determined to be \$68,404,345 and its
6 reproduction cost new as of January 1, 2018 is \$209,865,528. Because the System has
7 aged and experienced depreciation, physical depreciation, and possibly function and

1 external obsolescence, the condition of the property was determined using age life
2 depreciation. The cost new less depreciation under this methodology resulted in our
3 preliminary cost approach conclusion of \$99,589,819. AUS Consultants utilized the
4 income and market approaches to evaluate for external obsolescence. Under those
5 analyses, the income \$102,610,785 and market \$94,769,671 conclusions indicate that no
6 external obsolescence exists in the System at the preliminary cost approach conclusion of
7 \$99,589,819. The cost approach therefore yields a fair market value of the System tangible
8 assets as \$99,589,819. Based on all the factors that AUS Consultants evaluated in
9 accordance with valuation standards and statutory requirements, the cost approach is the
10 most reliable and useful indicator of the value of the Exeter assets, property, plant, and
11 equipment of Exeter Township's wastewater system to be acquired by PAWC.

12
13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 A. Yes. However, I reserve the right to supplement my testimony as additional issues and
15 facts arise during the course of the proceeding.

16

Curriculum Vitae (CV) of Jerome C. Weinert, P.E., CDP, ASA

Mr. Weinert is currently Principal and Director of AUS Consultants, Depreciation and Valuation. He has forty-six (2018-1972) years experience in valuation and depreciation consulting and management. AUS, with offices across the country, has provided consulting services to the regulated utility industry nationally for over thirty nine years. A partial list of services provided includes: valuations depreciation studies, rate of return studies, cost of service studies, and rate design.

Prior to joining AUS in 1987, Mr. Weinert was employed by American Appraisal Associates, Inc. (American) for sixteen years in their Regulated Industries Group. He held various positions at American, the last being supervising appraiser. Among his other valuation responsibilities, he directed the firm's utility industry capital recovery studies and AUS Consultant's valuation of communication company assets and businesses.

Mr. Weinert graduated from the Milwaukee School of Engineering with a Bachelor of Science degree in Mechanical Engineering and received a Masters in Business Administration from Marquette University. He is a registered professional engineer (1976) (by examination) in the state of Wisconsin as well as a senior member (1982) of the American Society of Appraisers in the public utility valuation field. This latter designation is obtained by written examination primarily in the areas of utility valuation, depreciation, and the economics of regulated firms. He is also a Certified Depreciation Professional (1997) (CDP) and founding member of the Society of Depreciation Professionals and the Society's 1995 President and sponsor of the Society's Certification and re-certification program; as such Mr. Weinert developed these programs and oversaw their initial introduction into the Society. He also worked in conjunction with Society members in the development of the Society's training programs which as of 2003 has become the only such formalized depreciation training program in the North America and is an instructor in several of its courses.

During his professional career related to valuations and depreciation matters Mr. Weinert has testified before various courts and public service commissions on these subjects. He has also assisted numerous utilities in preparing capital recovery plans which specifically address the issues of plant replacement. Mr. Weinert has also presented expert testimony on valuation matters. On matters related to eminent domain issues, Mr. Weinert has presented expert testimony in the Massachusetts Superior Court, the Court of Common Pleas, Fayette County, Ohio, the New Hampshire Public Utilities Commission, the Twentieth Judicial Court (deposition only) in Charlotte County, Florida, the Nineteenth Judicial Circuit Court in St. Lucie County, Florida (deposition only). In regards to ad valorem taxation, Mr. Weinert has presented study results to the New York State Board of Equalization and Assessment (now the New York Office of Real Property Services (NY ORPS)), pertaining to useful life and net salvage values for all types of utility property subject to the Board's mass appraisal model. Mr. Weinert has appeared before the Valuation Adjustment Board in Florida for Duval, Hillsborough, Okeechobee, and Palm Beach counties, the Twelfth Judicial Circuit Sarasota County, Florida, the California Board of Equalization and Assessment, the Arizona Board of Assessment, the Missouri Board of Taxation, the Colorado and Texas Departments of Review, the Massachusetts Tax Appeal Court, the Superior Court of the State of Arizona in the County of Maricopa, the State Tax Appeal Board of the State of Montana and the New York City Tax Commission.

Mr. Weinert has appeared before regulatory bodies in Alaska, Arkansas, Illinois, Indiana, Iowa, Missouri, Nevada, Nebraska, North Carolina, Ohio, Oregon, Pennsylvania, and South Carolina in support of rate-base valuation determination and capital recovery. He has presented testimony on depreciation matters before the Canadian Radio-Television and Telecommunications Commission (CRTC) and the United States Federal Energy Regulatory Commission (FERC). In terms of water and wastewater acquisitions and applications for regulatory approval of rate base Mr. Weinert has testified for two investor-owned

QUALIFICATIONS 1

acquisitions of municipal wastewater authorities one representing the municipality and secondly for the acquiring investor-owned utility. He has submitted study results to the State Commissions of Alabama, Alaska, Arkansas, Idaho, Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, North Carolina, Oregon, Pennsylvania, South Carolina, Washington, and Wisconsin, and the Federal Communications Commission.

Mr. Weinert has presented papers on valuation and depreciation topics to professional and utility industry trade organizations. He also directed AUS Consultants' semi-annual week-long depreciation training programs (1988-1997). These specialized training courses, offered at basic and advanced levels, teach depreciation study techniques to public utility and public service commission staff specialists. The training includes depreciation theory and concepts and hands-on experience with personal computer-based analytical depreciation programs.

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
2018				
AT&T Communications	North America	2017	2018	Ad Valorem Tax Appraisal
AT&T Communications	California	2017	2018	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2017	2018	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2017	2018	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2017	2018	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2017	2018	Ad Valorem Tax Appraisal
Level 3 Communications, LLC	North America	2017	2018	Ad Valorem Tax Appraisal
Level 3 Communications, LLC	California	2017	2018	Ad Valorem Tax Appraisal
CenturyLink Communications, LLC	North America	2017	2018	Ad Valorem Tax Appraisal
CenturyLink Communications, LLC	California	2017	2018	Ad Valorem Tax Appraisal
East Bradford Township, PA	East Bradford Wastewater	2018	2018	Fair Market Value 1329
Pennsylvania American Water Company	Sadsbury Wastewater	2017	2018	Fair Market Value Appraisal
Pennsylvania American Water Company Appraisal	Kane Wastewater	2017	2018	Fair Market Value
2017				
AT&T Communications	North America	2016	2017	Ad Valorem Tax Appraisal
AT&T Communications	California	2016	2017	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2016	2017	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2016	2017	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2016	2017	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2016	2017	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2016	2017	Ad Valorem Tax Appraisal
Level 3 Communications	North America	2016	2017	Ad Valorem Tax Appraisal
Level 3 Communications	California	2016	2017	Ad Valorem Tax Appraisal
Whitpain Township, PA	Whitpain Wastewater	2016	2017	Appraisal for Planning
Plymouth Township, PA	Plymouth Wastewater	2016	2017	Appraisal for Planning
East Norriton Township, PA	East Norriton Wastewater	2016	2017	Appraisal for Planning
Pennsylvania American Water Company	Sadsbury Wastewater	2016	2017	Fair Market Value Appraisal
Pennsylvania American Water Company	McKeesport Wastewater	2016	2017	Fair Market Value Appraisal
2016				
AT&T Communications	North America	2015	2016	Ad Valorem Tax Appraisal
AT&T Communications	California	2015	2016	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2015	2016	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2015	2016	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2015	2016	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2015	2016	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2015	2016	Ad Valorem Tax Appraisal
Level 3 Communications	North America,	2015	2016	Ad Valorem Tax Appraisal
Level 3 Communications	California	2015	2016	Ad Valorem Tax Appraisal
New Garden Township, PA	New Garden Wastewater	2016	2016	Fair Market Value Appraisal
2015				
AT&T Communications	North America	2014	2015	Ad Valorem Tax Appraisal
AT&T Communications	California	2014	2015	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2014	2015	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2014	2015	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2014	2015	Ad Valorem Tax Appraisal

QUALIFICATIONS 3

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
Verizon Communications	Florida	2014	2015	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2014	2015	Ad Valorem Tax Appraisal
Level 3 Communications	North America,	2014	2015	Ad Valorem Tax Appraisal
Level 3 Communications	California	2014	2015	Ad Valorem Tax Appraisal
Verizon Wireless	Nationwide	2014	2015	Ad Valorem Tax Appraisal
2014				
AT&T Communications	North America	2013	2014	Ad Valorem Tax Appraisal
AT&T Communications	California	2013	2014	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2013	2014	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2013	2014	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2013	2014	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2013	2014	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2013	2014	Ad Valorem Tax Appraisal
Level 3 Communications	North America,	2013	2014	Ad Valorem Tax Appraisal
Level 3 Communications	California	2013	2014	Ad Valorem Tax Appraisal
Cascade Natural Gas Corporation	Oregon & Washington	2013	2014	Depreciation Study
Intermountain Gas Company	Idaho	2013	2014	Depreciation Study
Virgin Islands Telephone Corporation	US Virgin Islands	2013	2014	Depreciation Study
Verizon Wireless	Nationwide	2013	2014	Ad Valorem Tax Appraisal
2013				
AT&T Communications	North America	2012	2013	Ad Valorem Tax Appraisal
AT&T Communications	California	2012	2013	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2012	2013	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2012	2013	Ad Valorem Tax Appraisal
AT&T - Michigan Bell Telephone Company	Michigan	2012	2013	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2012	2013	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2012	2013	Ad Valorem Tax Appraisal
Verizon Communications	New England - Mass	2012	2013	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2012	2013	Ad Valorem Tax Appraisal
Level 3 Communications	North America,	2012	2013	Ad Valorem Tax Appraisal
	California			
Sprint Nextel Corporation	North America	2012	2013	Ad Valorem Tax Appraisal
Verizon Wireless	Palm Beach, Florida	2012	2013	Ad Valorem Tax Appraisal
Verizon Communications	New England Mass	2002-2007	2013	Ad Valorem Tax Appraisal
2012				
AT&T Communications	North America	2011	2012	Ad Valorem Tax Appraisal
AT&T Communications	California	2011	2012	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2011	2012	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2011	2012	Ad Valorem Tax Appraisal
AT&T - Michigan Bell Telephone Company	Michigan	2011	2012	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2011	2012	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2011	2012	Ad Valorem Tax Appraisal
Verizon Communications	New England - Mass	2011	2012	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2011	2012	Ad Valorem Tax Appraisal
Level 3 Communications	North America,	2011	2012	Ad Valorem Tax Appraisal
	California			
Sprint Nextel Corporation	North America	2011	2012	Ad Valorem Tax Appraisal

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
Verizon Wireless	Palm Beach, Florida	2011	2012	Ad Valorem Tax Appraisal
MetroPCS	Palm Beach, Florida	2011	2012	Ad Valorem Tax Appraisal
Verizon Communications	Florida - revised	2008	2012	Ad Valorem Tax Appraisal
Verizon Wireless	Palm Beach, Florida	2012	2012	Ad Valorem Tax Appraisal
2011				
AT&T Communications	North America	2010	2011	Ad Valorem Tax Appraisal
AT&T Communications	California	2010	2011	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2010	2011	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2010	2011	Ad Valorem Tax Appraisal
AT&T - Michigan Bell Telephone Company	Michigan	2010	2011	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2010	2011	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2010	2011	Ad Valorem Tax Appraisal
Verizon Communications	New England - Mass	2010	2011	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2010	2011	Ad Valorem Tax Appraisal
Level 3 Communications	North America, California	2010	2011	Ad Valorem Tax Appraisal
Global Crossing	North America	2010	2011	Ad Valorem Tax Appraisal
Intermountain Gas Company	Idaho	2010	2011	Depreciation Study
Sprint Nextel Corporation	North America	2010	2011	Ad Valorem Tax Appraisal
Verizon Wireless	Palm Beach, Florida	2010	2011	Ad Valorem Tax Appraisal
MetroPCS	Palm Beach, Florida	2010	2011	Ad Valorem Tax Appraisal
Verizon Communications	Florida - revised	2008	2011	Ad Valorem Tax Appraisal
Intermountain Gas Company	Idaho	2010	2011	Depreciation Study
Virgin Islands Telephone Corporation	US Virgin Islands	2010	2011	Technical Update of Depreciat Study
2010				
AT&T Communications	North America	2009	2010	Ad Valorem Tax Appraisal
AT&T Communications	California	2009	2010	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2009	2010	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2009	2010	Ad Valorem Tax Appraisal
AT&T - Michigan Bell Telephone Company	Michigan	2009	2010	Ad Valorem Tax Appraisal
AT&T - Southwestern Bell Telephone Company	Arkansas, Kansas, Missouri, Oklahoma, Texas	2009	2010	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2009	2010	Ad Valorem Tax Appraisal
Embarq Missouri, Inc.	Missouri	2009	2010	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2009	2010	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2009	2010	Ad Valorem Tax Appraisal
Verizon Communications	New England - Mass	2009	2010	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2009	2010	Ad Valorem Tax Appraisal
Level 3 Communications	North America, California	2009	2010	Ad Valorem Tax Appraisal
Global Crossing	North America	2009	2010	Ad Valorem Tax Appraisal
MetroPCS	Palm Beach, Florida	2009	2010	Ad Valorem Tax Appraisal
2009				
AT&T Communications	North America	2008	2009	Ad Valorem Tax Appraisal
AT&T Communications	California	2008	2009	Ad Valorem Tax Appraisal

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
AT&T Communications	Florida	2008	2009	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2008	2009	Ad Valorem Tax Appraisal
AT&T - Michigan Bell Telephone Company	Michigan	2008	2009	Ad Valorem Tax Appraisal
AT&T - Wisconsin Bell Telephone Company	Wisconsin	2008	2009	Ad Valorem Tax Appraisal
AT&T - Southwestern Bell Telephone Company	Arkansas, Kansas, Missouri, Oklahoma, Texas	2008	2009	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2008	2009	Ad Valorem Tax Appraisal
Embarq Texas, Inc.	Texas	2008	2009	Ad Valorem Tax Appraisal
Embarq Missouri, Inc.	Missouri	2008	2009	Ad Valorem Tax Appraisal
Embarq Northwest	Washington	2008	2009	Ad Valorem Tax Appraisal
Embarq Virginia	Virginia	2008	2009	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2008	2009	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2008	2009	Ad Valorem Tax Appraisal
Verizon Communications	New England - Mass	2008	2009	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2008	2009	Ad Valorem Tax Appraisal
Level 3 Communications	North America,	2008	2009	Ad Valorem Tax Appraisal
	California, Michigan & Arizona			
Global Crossing	North America	2008	2009	Ad Valorem Tax Appraisal
AboveNet, Inc	North America/California	2003	2009	Ad Valorem Tax Appraisal
Verizon Wireless	Ohio Properties	2004-2005	2009	Ad Valorem Tax Appraisal
Virgin Islands Telephone Corporation	US Virgin Islands	2008	2009	Depreciation Study
Sprint Nextel Corporation	North America	2008	2009	Ad Valorem Tax Appraisal
2008				
T&T Communications	North America	2007	2008	Ad Valorem Tax Appraisal
AT&T Communications	California	2007	2008	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2007	2008	Ad Valorem Tax Appraisal
AT&T - Michigan Bell Telephone Company	Michigan	2007	2008	Ad Valorem Tax Appraisal
AT&T - Wisconsin Bell Telephone Company	Wisconsin	2007	2008	Ad Valorem Tax Appraisal
AT&T - Southwestern Bell Telephone Company	Arkansas, Kansas, Missouri, Oklahoma, Texas	2007	2008	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2007	2008	Ad Valorem Tax Appraisal
Embarq Texas, Inc.	Texas	2007	2008	Ad Valorem Tax Appraisal
Embarq Missouri, Inc.	Missouri	2007	2008	Ad Valorem Tax Appraisal
Embarq Northwest	Washington	2007	2008	Ad Valorem Tax Appraisal
Embarq Virginia	Virginia	2007	2008	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2007	2008	Ad Valorem Tax Appraisal
Verizon Communications	California	2007	2008	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2007	2008	Ad Valorem Tax Appraisal
Verizon Communications	New England Mass	2002-2007	2008	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2007	2008	Ad Valorem Tax Appraisal
Level 3 Communications	North America,	2007	2008	Ad Valorem Tax Appraisal
	California, Michigan & Arizona			
Global Crossing	North America	2007	2007	Ad Valorem Tax Appraisal
Intermountain Gas Company	Idaho	2007	2008	Depreciation Study
2007				
AT&T Communications	North America	2006	2007	Ad Valorem Tax Appraisal
AT&T Communications	California	2006	2007	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2006	2007	Ad Valorem Tax Appraisal
AT&T - Michigan Bell Telephone Company	Michigan	2006	2007	Ad Valorem Tax Appraisal

QUALIFICATIONS 6

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
AT&T - Wisconsin Bell Telephone Company	Wisconsin	2006	2007	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2006	2007	Ad Valorem Tax Appraisal
Embarq Texas, Inc.	Texas,	2006	2007	Ad Valorem Tax Appraisal
Embarq Missouri, Inc.	Missouri	2006	2007	Ad Valorem Tax Appraisal
Embarq North Carolina	North Carolina	2006	2007	Ad Valorem Tax Appraisal
Embarq Virginia	Virginia	2006	2007	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2006	2007	Ad Valorem Tax Appraisal
Verizon Communications	California	2006	2007	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2006	2007	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2006	2007	Ad Valorem Tax Appraisal
Qwest Communications Corporation	North America California	2006	2007	Ad Valorem Tax Appraisal
Level 3 Communications	North America, California, Michigan, & Arizona	2006	2007	Ad Valorem Tax Appraisal
Level 3 Communications	Arizona	2002 - 2006	2007	Ad Valorem Tax Appraisal
Global Crossing	North America	2006	2007	Ad Valorem Tax Appraisal
Alaska Communications System, Inc. (ACS)	ACS of Alaska ACS of Anchorage ACS of Fairbanks ACS of the Northland ACS Holdings	2006	2007	Depreciation Studies
Intermountain Gas Company	Idaho	2006	2007	Depreciation Study
2006				
AT&T Communications	Palm Beach Florida	2000 - 2003	2006	Ad Valorem Tax Appraisal
AT&T Communications	North America	2005	2006	Ad Valorem Tax Appraisal
AT&T Communications	California	2005	2006	Ad Valorem Tax Appraisal
Sprint Florida, Inc.	Florida	2005	2006	Ad Valorem Tax Appraisal
Sprint Texas, Inc.	Texas,	2005	2006	Ad Valorem Tax Appraisal
Sprint Missouri, Inc.	Missouri	2005	2006	Ad Valorem Tax Appraisal
Sprint North Carolina	North Carolina	2005	2006	Ad Valorem Tax Appraisal
Sprint Virginia	Virginia	2005	2006	Ad Valorem Tax Appraisal
Embarq Nevada	Nevada	2005	2006	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2005	2006	Ad Valorem Tax Appraisal
Verizon Communications	California	2005	2006	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2005	2006	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	Massachusetts	2002-2--5	2006	Ad Valorem Tax Appraisal
Level 3 Communications	North America	2005	2006	Ad Valorem Tax Appraisal
Level 3 Communications	Arizona	2002-2006	2006	Ad Valorem Tax Appraisal
Global Crossing	North America	2005	2006	Ad Valorem Tax Appraisal
Indianapolis Power & Light	IPL	2005	2006	Depreciation Study
2005				
AT&T Communications	North America	2004	2005	Ad Valorem Tax Appraisal
AT&T Communications	California	2004	2005	Ad Valorem Tax Appraisal
Sprint Florida, Inc.	Florida,	2004	2005	Ad Valorem Tax Appraisal
Sprint PCS	North America	2004	2005	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2004	2005	Ad Valorem Tax Appraisal
Verizon Communications	California	2004	2005	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2004	2005	Ad Valorem Tax Appraisal
Sprint Communications, LP	North America	2004	2005	Ad Valorem Tax Appraisal

QUALIFICATIONS 7

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
Level 3 Communications	North America	2004	2005	Ad Valorem Tax Appraisal
Global Crossing	North America	2004	2005	Ad Valorem Tax Appraisal
Global Crossing	New York Special Franchise Property	2003 & 2004	2005	Ad Valorem Tax Appraisal
Indianapolis Power & Light	IPL	2004	2005	Depreciation Study
2004				
Sprint Florida, Inc.	Florida	2003	2004	Ad Valorem Tax Appraisal
Verizon Communications	California	2003	2004	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2003	2004	Ad Valorem Tax Appraisal
Verizon Communications	New England	2003	2004	Ad Valorem Tax Appraisal
Sprint Communications, LP	North America	2003	2004	Ad Valorem Tax Appraisal
Level 3 Communications	North America	2003	2004	Ad Valorem Tax Appraisal
Global Crossing	North America	2003	2004	Ad Valorem Tax Appraisal
Sprint PCS	Cost Indexes	2003	2004	Ad Valorem Tax Appraisal
AT&T Communications	North America	2003	2004	Ad Valorem Tax Appraisal
AT&T Communications	California	2003	2004	Ad Valorem Tax Appraisal
Intermountain Gas Company	Idaho	2003	2004	Depreciation Study
2003				
Sprint Florida, Inc.	Florida	2002	2003	Ad Valorem Tax Appraisal
Verizon Communications	California	2002	2003	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2002	2003	Ad Valorem Tax Appraisal
Sprint Communications, LP	North America	2002	2003	Ad Valorem Tax Appraisal
Level 3 Communications	North America	2002	2003	Ad Valorem Tax Appraisal
Sprint PCS	Cost Indexes	2002	2003	Ad Valorem Tax Appraisal
AT&T Communications	North America	2002	2003	Ad Valorem Tax Appraisal
AT&T Communications	California	2002	2003	Ad Valorem Tax Appraisal
Global Crossing	North America	2002	2003	Ad Valorem Tax Appraisal
Verizon Wireless	Broward County, FL	1998 through 2002	2003	Ad Valorem Tax Appraisal
2002				
Sprint Florida, Inc.	Florida	2001	2002	Ad Valorem Tax Appraisal
Verizon Communications	California	2001	2002	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2001	2002	Ad Valorem Tax Appraisal
Sprint Communications, LP	North America	2001	2002	Ad Valorem Tax Appraisal
Level 3 Communications	North America	2001	2002	Ad Valorem Tax Appraisal
Global Crossing	North America	2001	2002	Ad Valorem Tax Appraisal
AT&T Wireless	Plymouth, MI	2001	2002	Ad Valorem Tax Appraisal
Sprint PCS	Cost Indexes	2001	2002	Ad Valorem Tax Appraisal
AT&T Communications	North America	2001	2002	Ad Valorem Tax Appraisal
Intermountain Gas Company	Idaho	2001	2002	Depreciation Study
AT&T Communications	California	2001	2002	Ad Valorem Tax Appraisal
2001				
Verizon	Verizon - New York	2001	2001-2	Functional Obsolescence & Useful Life studies for valuation
Sprint Florida, Inc.	Sprint Florida, Inc.	2000	2001	Ad Valorem Tax Appraisal
Verizon Communications	California	2000	2001	Ad Valorem Tax Appraisal
Sprint Communications, LP	North America	2000	2001	Ad Valorem Tax Appraisal

QUALIFICATIONS 8

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
Global Crossing	North America	2000	2001	Ad Valorem Tax Appraisal
Sprint PCS	Cost Indexes	2000	2001	Ad Valorem Tax Appraisal
Sprint Corporation	Centel - Nevada	2000	2001-2	Depreciation Study
Alaska Communications System, Inc. (ACS)	ACS of Alaska	2000	2001	Depreciation Study
	ACS of Anchorage			
	ACS of Fairbanks			
	ACS of the Northland			
	ACS Holdings			
2000				
Sprint PCS	BTS Equipment	2000	2000	Economic Life Study
Telus Communications	Telus - Alberta & British Columbia	2000	2000	Depreciation study Phase III Price Caps
Sprint Florida, Inc.	Florida	1999	2000	Ad Valorem Tax Appraisal
Verizon Communications	California	1999	2000	Ad Valorem Tax Appraisal
Sprint Communications, LP	North America	1999	2000	Ad Valorem Tax Appraisal
1999				
Sprint Corporation	Centel - Nevada	1998	1999	Depreciation Study
Intermountain Gas Company	Intermountain Gas Company	1998	1999	Depreciation Study
Sprint Florida, Inc.	Florida	1998	1999	Ad Valorem Tax Appraisal
Sprint Communications, LP	North America	1998	1999	Ad Valorem Tax Appraisal
1998				
Frontier Corporation	Frontier Telephone of Rochester	1998	1997	Valuation depreciation Lives and Net Salvage Parameters
Pacific Telecom, Inc.	Telephone Utilities of Washington	1997	1998	Depreciation Study
Sprint Florida, Inc.	Florida	1997	1998	Ad Valorem Tax Appraisal
Verizon Communications	Florida	1997	1998	Ad Valorem Tax Appraisal
Sprint Communications, LP	North America	1997	1998	Ad Valorem Tax Appraisal
Sprint Corporation	United Telephone Company of South Carolina	1998	1998	Depreciation Expense Universal Service Fund
Sprint Corporation	Carolina Telephone and Telegraph and Central Telephone of North Carolina	1998	1998	Depreciation Expense Universal Service Fund
Telus Communications	Telus - Edmonton (TCE)	1997	1998	Depreciation Study Phase II Price Caps
1997				
Sprint Corporation	Centel - Nevada	1997	1997	Unbundling/ Inter-connection Depreciation Study
Pacific Telecom, Inc.	Telephone Utilities of Oregon	1996	1997	Depreciation Study

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
Pacific Telecom, Inc.	Telephone Utilities of Alaska And the Northland	1996	1997	Depreciation Study
Telus Communications	Telus - TCI formerly AGT	1996	1997	Depreciation Study Phase II Price Caps
Indianapolis Power & Light	IPL	1996	1997	Depreciation Study
Sprint Florida, Inc.	Florida	1996	1997	Ad Valorem Tax Appraisal
Verizon Communications	Florida	1996	1997	Ad Valorem Tax Appraisal
Pacific Telecom, Inc.	Eagle Telephone (Colorado)	1996	1997	Depreciation Study
1996				
Intermountain Gas Company	Intermountain Gas Company	1995	1996	Depreciation Study
Sprint Florida, Inc.	Florida	1995	1996	Ad Valorem Tax Appraisal
Century Telephone	Century Telephone of Ohio, Inc.	1995	1996	Depreciation Study
Telus Communications	AGT Limited (Alberta Government Telephones)	1995	1996	Depreciation Study
Johnson County Kansas Office of the Assessor	Useful Life of Computer Equipment	1995	1995	Useful/Market Life Analysis
Milwaukee Metropolitan Sewerage District	Milwaukee Metropolitan Sewerage District	1995	1996	Depreciation Study
Sprint Corporation	Long Distance Division	1995	1995	Depreciation/Recovery Status Study
Sprint Corporation	Cellular Division	1995	1995	Depreciation/Recovery Status Study
Pacific Telecom, Inc.	Alascom, Inc.	1994	1995	Depreciation Study
Pacific Telecom, Inc.	Telephone Utilities of the Northland	1993	1994	Depreciation Study
	Telephone Utilities of Alaska	1993	1994	Depreciation Study
Indiana Energy	Indiana Gas Company	1993	1994	Depreciation Study
Columbia Gas Transmission	Gas Pipeline Property in Sullivan County, NY	1993	1993	Useful Life Study
United Telephone - Midwest Group	United Telephone Company of Missouri	1993	1993	Modernization/ Depreciation Study
Intermountain Gas Co.	Intermountain Gas Co.	1992	1993	Depreciation Study
Pacific Telecom, Inc.	Alascom, Inc.	1992	1993	Depreciation Study

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
	Telephone Utilities of Oregon, Inc.	1991	1992	Depreciation Study
	Telephone Utilities of Washington, Inc.	1991	1992	Depreciation Study
Small Telephone Company Coalition	Oregon Small Telephone Companies	1991	1992	Depreciation Support
United Telephone Systems	United Telephone Co. of Pennsylvania	1991	1992	Instructional Depreciation Study
New York State Division of Equalization and Assessment	Electric, Gas, Water, Telephone, Pipeline, Steam, CATV	1991	1992	Useful Lives and Net Salvage Values
Rochester Telephone Company	Enterprise Telephone	1991	1992	Study Review
Indiana Energy	Indiana Gas/Richmond Gas/Terre Haute Gas	1990	1991	Depreciation Study
American Electric Power	Indiana/Michigan Power Co.	1990	1991	Depreciation Study
Rochester Telephone Company	Rochester Telephone Co.	1990	1991	Study Review
United Telephone Systems	United Telephone Co. of Florida	1990	1991	Instructional Depreciation Study
United Telephone Systems	United Telephone Co. of Oregon	1989	1990	Study Review
Telephone and Data Systems, Inc.	Quincy Telephone Company	1990	1991	Depreciation Study
Telephone and Data Systems, Inc.	Wolverine Telephone Company	1989	1990	Depreciation Study
Indiana Energy	Indiana Gas Company, Inc.	1989	1990	Depreciation Study
Intermountain Gas Co.	Intermountain Gas Co.	1989	1990	Remaining Life/Net Salvage Support
North-West Telephone Company	North-West Telephone Company	1989	1990	Study Review
United Telephone System	United of Texas	1989	1990	Instructional Depreciation Study
	United of Missouri	1989	1990	Instructional Depreciation Study

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Year</u>	<u>Study Performed</u>	<u>Year</u>	<u>Activity</u>
Milwaukee Water	Milwaukee Water	1989	1990		Depreciation Study
Indiana Natural Gas Corp.	Indiana Natural Gas Corp.	1989	1990		Depreciation Study
Pacific Telecom	Telephone Utilities of the Northland	1989	1990		Depreciation Study
	Telephone Utilities of Alaska	1989	1990		Depreciation Study
	Alascom	1989	1990		Depreciation Study
	Telephone Utilities of Washington, Inc.	1988	1989		Depreciation Study
WICOR	Wisconsin Gas Company	1988	1989		Depreciation Study
ALLTEL	ALLTEL - Kentucky, Inc.	1987	1989		Depreciation Study
	ALLTEL - Ohio, Inc.	1988	1989		Depreciation Study
	Western Reserve Telephone Company	1988	1989		Depreciation Study
Milwaukee Metropolitan Sewer District	Milwaukee Metropolitan Sewer District	1988	1989		Depreciation Study
United Telephone Telephone Company	United of Ohio	1988	1989		ELG Support
	Telephone Company	1988	1989		ELG Support
United Telecom	U.S. Sprint	1988	1988		Useful Life Study
Pacific Telecom	Telephone Utilities of Oregon	1987	1988		Depreciation Study
	Telephone Utilities of Eastern Oregon	1987	1988		Depreciation Study
	Rose Valley Telephone Company	1987	1988		Depreciation Study
United Telephone	United of Minnesota	1987	1988		Capital Planning Support
Wisconsin Southern Gas	Wisconsin Southern Gas	1987	1988		Depreciation Study
Pacific Telecom	Glacier State Telephone Company	1986	1987		Depreciation Study

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Year</u>	<u>Study Performed</u>	<u>Year Activity</u>
	Sitka Telephone Co.	1986	1987	Depreciation Study
	Juneau-Douglas Tel Company	1986	1987	Depreciation Study
Pacific Telecom	Telephone Utilities of Alaska	1986	1987	Depreciation Study
	Alascom	1986	1987	Depreciation Study
Lincoln Telecommunications	Lincoln Telephone and Telegraph Company	1986	1987	Digital Switching Service Life
Northwest Natural Gas Corporation	Northwest Natural Gas Corporation	1985	1986	Depreciation Study
ALLTEL	Western Reserve Telephone Company	1984	1985	Depreciation Study
	ALLTEL - Ohio	1984	1985	Depreciation Study
	ALLTEL - Alabama	1984	1985	Depreciation Study
Gulf Telephone Co.	Gulf Telephone Company	1984	1985	Depreciation Study
United Telephone Systems, Inc.	United of Iowa	1984	1985	Depreciation Study
	United of Arkansas	1984	1985	Depreciation Study
Pacific Telecom	Telephone Utilities of Washington	1983	1984	Depreciation Study
	Telephone Utilities of Eastern Oregon	1983	1984	Depreciation Study
Pacific Telecom	Telephone Utilities of Oregon	1983	1984	Depreciation Study
	Northwestern Telephone Systems, Inc., Oregon	1983	1984	Depreciation Study
	Rose Valley Telephone Company	1983	1984	Depreciation Study
United Telecommunications	All United Telephone Companies	1983	1984	Capital Recovery Strategy
Lincoln Telecommunications	Lincoln Telephone & Telegraph Company	1983	1984	Depreciation Study
ALLTEL	ALLTEL - Mississippi	1982	1983	Depreciation Study
	ALLTEL - Michigan	1982	1983	Depreciation Study

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
North Carolina Natural Gas Corp.	North Carolina Natural Gas Corporation	1982	1983	Depreciation Study
Mid Continent Telephone (Currently ALLTEL)	Western Reserve Telephone	1982	1983	Depreciation Study
	Mid Ohio Telephone	1982	1982	Depreciation Study
	Florence Telephone Company	1980	1981	Depreciation Study
	Leeds Telephone Co.	1980	1981	Depreciation Study
	Elmore Coosa Tel Company	1980	1981	Depreciation Study
	Brookville Telephone Company	1980	1981	Depreciation Study
	Mid Pennsylvania Telegraph	1980	1981	Depreciation Study
Telephone Utilities (Currently Pacific Telecom)	Telephone Utilities of Oregon	1979	1980	Depreciation Study
	Telephone Utilities of Eastern Oregon	1979	1980	Depreciation Study
	Northwestern Telephone Systems, Inc.-Oregon	1979	1980	Depreciation Study
	Rose Valley Telephone Company	1979	1980	Depreciation Study
United Telephone Systems, Inc.	United of Ohio	1979	1980	Depreciation Study
Telephone Utilities	Telephone Utilities of Washington	1978	1979	Depreciation Study
United Telephone Systems, Inc.	United of Ohio	1978	1979	Depreciation Study
Rochester Telephone	Rochester Telephone (Indiana)	1977	1978	Depreciation Study
United Telephone Systems, Inc.	United of Ohio	1977	1978	Depreciation Study
Princeton Telephone	Princeton Telephone (Indiana)	1976	1977	Depreciation Study
Northwestern Telephone	Northwestern Telephone (Illinois)	1975	1976	Depreciation Study

Papers and Seminars

- 2011 Training Instructor Depreciation Basics Sessions A & B and Life and Salvage Analysis
Society of Depreciation Professionals 25th Annual Meeting
Atlanta, GA September, 20-22, 2011
- 2010 Will the Real Cost Approach Please Stand Up?
National Association of Property Tax Representatives Transportation, Energy, & Communications (NAPTR-TEC)
Scottsdale, Arizona October 25-27, 2010
- Issues Affecting Assessment of Regulated Industries
Institute for Professionals in Taxation (IPT) Property Tax Symposium
Austin, Texas October 31 – November 3, 2010
- 2009 (Valuing) Intangibles
Appraisal for Ad Valorem Taxation, Wichita State University
Wichita, Kansas July 28, 2009
- Fair Value Accounting (Appraisal Panelist)
Appraisal for Ad Valorem Taxation, Wichita State University
Wichita, Kansas July 29, 2009
- 2008 Valuation Issues Valuation of Assets and the Impact of Depreciation
Society of Depreciation Professionals Annual Meeting
Greenville, SC September 21-26, 2008
- Obsolescence in the Long-Distance and Local Transport Networks
Technology Futures Inc. Asset Valuation Conference
Austin Texas February 8, 2008
- 2007 Communications Industry Issues
National Association of Property Tax Representative – Transportation, Energy, & Communications
New Orleans, LA October 30, 2007
- 2006 Appraisal Procedures & Issues in a Changing communications Industry
Florida Chapter International Association of Assessing Officers' Tangible Personal Property Conference
Ocala, Florida January 12, 2006
- Valuation of Intangibles
Appraisal for Ad Valorem Taxation, Wichita State University
Wichita, Kansas July 25, 2006
- SDP 20 years of History and Beyond
Society of Depreciation Professionals 20th Annual Meeting
Long Beach, CA September, 18, 2006
- 2005 Valuation in a World with Asset Impairments
Appraisal for Ad Valorem Taxation, Wichita State University
Wichita, Kansas August 1, 2005

Papers and Seminars

- 2004 Depreciation in the Valuation of Assets
Society of Depreciation Professionals' Eighteenth Annual Meeting
Washington, D.C., September 13, 2004
- 2003 Cost Approach and the Use of Appraisal Guidelines
Institute for Professionals in Taxation – Property Tax Symposium
Fort Lauderdale, FL, September 17, 2003
- Cost Approach – Obsolescence and Depreciation
Appraisal for Ad Valorem Taxation, Wichita State University
Wichita, Kansas, July 28, 2003
- 2000 Appraisal Issues Associated with Technological Change in the Wireline Telecommunications Industry
Appraisal for Ad Valorem Taxation, Wichita State University
Wichita, Kansas, July 31, 2000
- The Impact of Advancing Technology and the Changing Regulatory Environment on Obsolescence Calculations for Ad Valorem Valuation Purposes
Journal of Property Tax Management, Spring 2000
- 1996 How to Develop a Reproduction/Replacement Cost New Less Depreciation Approach to Value
Appraisal for Ad Valorem Taxation, Wichita State University
Wichita, Kansas, August 4, 1996
- 1995 Valuation Method, Techniques and Strategies (How to Quantify Stranded Investment) (Market, Income, & Cost Approach
AGA Depreciation Committee Meeting
Denver, Colorado, August 6-9, 1995, jointly presented with Earl Robinson of AUS Consultants
- 1994 Integrating Future Expectations for the Telephone Industry into Historical Depreciation Analysis
United States Telephone Association (USTA's 1994 Capital Recovery Seminar)
Scottsdale, Arizona, September 12-13, 1994
- 1994 Capital Recovery: United States versus Canada
Canadian Telephone Industry's Annual Capital Recovery Seminar
Edmonton, Alberta, Canada June 14-15, 1994
- 1990 Capital Recovery: Methods, Terminology, Procedures, and Record Keeping
United States Telephone Association (USTA)'s
1990 Non-FCC Subject and Small Company Capital Recovery Seminar
Minneapolis, Minnesota April 10_11, 1990
- Integration of Technology Forecasting Into Historical Life Studies
29th Iowa State Regulatory Conference
Ames, Iowa May 15_17, 1990
- The 1990's and the Second Wave of Major Plant Retirements in the Communications Industry
NARUC's Seventh Biennial Information Conference
Columbus, Ohio September 12_14, 1990

Papers and Seminars

How Do We Incorporate Change Into the Study Filing Procedures?
USTA's 1990 Capital Recovery Seminar
Chicago, Illinois October 16_17, 1990

1989 Plant Modernization: Capital Planning and Capital Recovery
Midwest Utilities Conference
Chicago, Illinois September 11_14, 1989

Price Indexes Today: Procedures, Uses, and Misuses
Society of Depreciation Professionals' Third Annual Meeting
New Orleans, Louisiana December 6_7, 1989

1988 Plant Modernization: Capital Planning and Capital Recovery
National Association of Regulatory Utility Commissioners (NARUC)'s
Sixth Biennial Regulatory Information Conference
Columbus, Ohio September 14_16, 1988

Papers and Seminars

- 1997 Sprint Corporation - West Finance Center
Overland Park, Kansas, August 1997
- 1997 Rochester Telephone Corporation
Rochester, New York, April 1997
- 1996 Sprint-Florida-Vista United Telecommunications
Altamonte Springs, Florida August 27-29, 1996
- 1994 Saskatchewan Telecommunications
Regina, Saskatchewan, Canada, June 1994
- 1994 AUS Consultants/Leroy J. Murphy and Associates 1994 Capital Recovery Seminar
May 1994
- 1993 Manitoba Telephone System, Winnipeg, Manitoba, December 1993
- 1993 Society of Depreciation Professionals Annual Meeting
Charleston, South Carolina September 30, 1993
- 1993 SPRINT - Local Telephone Division
Atlanta, Georgia August 11-12, 1993
- 1993 AUS Consultants/Leroy J. Murphy and Associates 1993 Capital Recovery Seminar
Chicago, Illinois May 11 - 13, 1993
- 1993 Canadian Telephone Capital Recovery Seminar
Halifax, Nova Scotia April 20 - 22, 1993
- 1993 United Telephone, Midwest Group
Overland Park, Kansas January 20, 1993
- 1992 BellSouth Corporation
Birmingham, Alabama November 23, 1992
- 1992 Sprint - Local Telephone Division
Kansas City, Kansas November 18 - 20, 1992
- 1992 Society of Depreciation Professionals Annual Meeting
San Antonio, Texas September 9 - 10, 1992
- 1992 AUS Consultants/Leroy J. Murphy and Associates 1992 Capital Recovery Seminar
Chicago, Illinois October 6 - 8, 1992
- 1991 Society of Depreciation Professionals Annual Meeting
Nashville, Tennessee November 20-22, 1991
- 1991 ALLTEL Corporation Microcomputer Depreciation Studies System Training
Hudson, Ohio October 14-16, 1991

Capital Recovery Training

- 2016 Society of Depreciation Professionals
Annual Training
Charleston, South Carolina, September 18-23, 2016
- 2015 Society of Depreciation Professionals
Annual Training
Charleston, South Carolina **September 23-25, 1991**
- 2014 Society of Depreciation Professionals
Annual Training
Charleston, South Carolina **September 23-25, 1991**
- 2013 Society of Depreciation Professionals
Annual Training
Charleston, South Carolina **September 23-25, 1991**
- 2012 Society of Depreciation Professionals
Annual Training
Minneapolis, Minnesota, September 16-18, 2012
- 1991 United Telecommunications, Inc., Capital Recovery/Microcomputer Depreciation
Studies System Training
Kansas City, Kansas September 23-25, 1991
- 1991 AUS Consultants/Leroy J. Murphy and Associates 1991 Capital Recovery Seminar
Lake Geneva, Wisconsin September 17-19, 1991
- 1991 Rochester Telephone Corporation, Capital Recovery/Microcomputer Depreciation Studies
System Training, Rochester, New York September 3-7, 1991
- 1991 Ameritech Services, Microcomputer Depreciation Studies System Training
Chicago, Illinois May 16-17, 1991
- 1991 AUS Consultants/Leroy J. Murphy and Associates 1991 Capital Recovery Seminar
Washington, D.C. April 9-11, 1991
- 1990 United Telecommunications, Inc., Capital Recovery Seminar
Overland Park, Kansas December 1990
- 1990 AUS Consultants/Leroy J. Murphy and Associates 1990 Capital Recovery Seminar
Chicago, Illinois September 24-27, 1990
- 1990 AUS Consultants/Leroy J. Murphy and Associates 1990 Capital Recovery Seminar
Chicago, Illinois January 29-February 1, 1990
- 1990 United Telecommunications, Inc., Capital Recovery/Microcomputer Depreciation Studies
System Training, Chicago, Illinois July 1990
- 1989 United Telecommunications, Inc., Capital Recovery/Microcomputer Depreciation Studies
System Training, Chicago, Illinois July 1989

Capital Recovery Training

- 1989 AUS Consultants/Leroy J. Murphy and Associates 1989 Capital Recovery Seminar
Chicago, Illinois March 6_9, 1989
- 1988 AUS Consultants/Leroy J. Murphy and Associates 1988 Capital Recovery Seminar
Chicago, Illinois July 25_28, 1988
- 1988 United Telecommunications, Inc., Microcomputer Depreciation Studies System Training
Kansas City, Kansas January 1988

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water Company :
under Sections 507, 1102(a), and 1329 of the Pennsylvania :
Public Utility Code, 66 Pa C.S. §§ 507, 1102(a), 1329 for :
approval of its acquisition of wastewater system assets of the : Docket No. A-2018-_____ *et al.*
Township of Exeter, related wastewater service rights, fair :
market valuation ratemaking treatment, accrual and deferral of :
certain post-acquisition improvement costs, and certain contracts :
with municipal corporations. :

**DIRECT TESTIMONY OF
JOHN A. GRANGER
ON BEHALF OF
TOWNSHIP OF EXETER**

1 **DIRECT TESTIMONY OF**
2 **JOHN GRANGER**
3

4 **I. INTRODUCTION AND BACKGROUND**

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

6 **A.** My name is John A. Granger. My business address is 4975 DeMoss Road,
7 Reading, PA 19606.
8

9 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

10 **A.** I am the Township Manager of Exeter Township and have been employed in this position
11 since June, 2016.
12

13 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
14 **EMPLOYMENT EXPERIENCE.**

15 **A.** I have a Bachelor's degree from Temple University in Urban Studies and a Master's degree
16 in Public Administration from Penn State University. In addition, I have completed post-
17 graduate work in finance and economics. I have been an invited speaker at state and local
18 conferences focusing primarily on multiyear financial planning and strategic planning. I
19 have in excess of 40 years' experience in Pennsylvania local government including
20 positions as finance director, assistant township manager, and township manager.
21

22 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PENNSYLVANIA**
23 **PUBLIC UTILITY COMMISSION ("PUC" OR "COMMISSION")?**

24 **A.** No.

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Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am appearing on behalf of the Township of Exeter (“Township”) in this proceeding. This proceeding concerns the application (“Application”) of Pennsylvania-American Water Company (“PAWC”), seeking PUC approval of PAWC’s acquisition of the wastewater system (“System”) currently owned by the Township. As more fully explained below, the Township has a vested interest in seeing the Application promptly approved by the Commission.

Q. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY AND SUMMARIZE THE KEY POINTS.

- A. I will focus on the benefits of the transaction that are most important to Exeter, including:
- Stabilizing the real estate tax base;
 - Defeating all sewer debt;
 - Fully funding all Township pension plans;
 - Fully funding all Township other post-employment benefits (“OPEB”) requirements;
 - Funding storm sewer improvements;
 - Funding an equipment replacement program;
 - Providing matching funds for State and Federal grants to meet other capital needs;
 - Removing Township responsibility for compliance with increasing environmental requirements; and,
 - Improving and sustaining a high quality of service to Township residents.

The democratically-elected Township Supervisors have voluntarily agreed to enter into the transaction because it is in the best interests of the Township’s citizens. The Township will receive \$96,000,000 from the sale of the System, and will use this money for public purposes. Eliminating the unfunded liability in the Township pension plans,

1 eliminating the unfunded liability in the OPEB plan, fully funding equipment purchases,
2 and eliminating the General Fund debt, will reduce the operating expenses of the General
3 Fund in excess of \$1,400,000 annually. This will greatly benefit our citizens.

4
5 **II. DESCRIPTION OF THE TOWNSHIP AND REASONS FOR THE**
6 **TRANSACTION**
7

8 **Q. PLEASE DESCRIBE THE TOWNSHIP GENERALLY.**

9 **A.** Exeter Township is a second class township in Berks County, consisting of 24.59 square
10 miles, with a population of approximately 25,500.

11
12 **Q. DESCRIBE THE FINANCIAL CHALLENGES OF THE TOWNSHIP OVER THE**
13 **PAST TWENTY FIVE YEARS.**

14 **A.** Exeter experienced substantial residential growth in the 1990's and a modest growth in
15 commercial development culminating in 2008 with the opening of the Exeter Commons
16 Shopping Center. There has, however, been very little economic development in the
17 Township since 2008.

18 In 2013, the Township's Board of Supervisors ("Board") engaged the Pennsylvania
19 Economy League ("PEL"), and undertook Phase 1 of the Pennsylvania Department of
20 Community and Economic Development's Early Intervention Program to better
21 understand the financial challenges facing the Township. The result was a report that
22 examined the changes to the revenue streams on all non-tax revenues, in addition to the
23 changes in revenues from all tax sources. This analysis revealed a precipitous decline in
24 non-tax revenues during the period 2005-2012. Real estate taxes, however, were
25 significantly increased in 2009.

1 The report also analyzed data on personnel and non-personnel expenses over the
2 2008 to 2012 time period. Personnel expenses as a percentage of total expenses increased
3 from 63.8 percent to 70.8 percent.

4 Using this data as a base, PEL projected total Township revenues and expenses
5 from 2014 to 2018 and estimated annual deficits each year with a cumulative deficit of
6 \$5,075,437. PEL's recommendations to address the deficit focused largely on increasing
7 the real estate tax rate.

8 Upon completion of Phase 1 of this program, the Township embarked on Phase 2,
9 which resulted in the implementation of a program budget, the acquisition of a modern
10 financial reporting system and the systematic analysis of expenses and revenues.

11 The tax collector for the Business Privilege Tax was changed, resulting in an
12 increase in collections exceeding 75 percent the first year. A significant future cost
13 savings, in excess of \$18 million, was realized through a fifteen-year labor agreement with
14 the Police Department. The agreement structurally changes the Police Pension Plan by
15 increasing the retirement age, eliminating the cost of living adjustment, and eliminating
16 post medical retirement benefits for all officers hired after January 1, 2017.

17 Two services that were historically provided by Township employees are now
18 provided by contracted services at a savings in excess of \$100,000 annually. Those
19 services are building maintenance and brush/yard waste recycling.

20 Upon completion of Phase 2 of the program, the Township engaged in Phase 3,
21 which resulted in a detailed analysis of the impact that the sale of the System would have
22 on the Township. An analysis of the use of the proceeds states that the annual savings from
23 funding both pension plans and the Township's OPEB requirement will exceed \$900,000

1 annually. When the savings from defeasing additional debt and funding the equipment
2 replacement plan are included, the total savings will exceed \$1.4 million annually.

3 The cumulative savings that the Township has realized through these actions, along
4 with the potential savings to be realized through the sale of the system will enable the
5 Township to stabilize the tax rate for the next decade.

6
7 **Q. DESCRIBE THE RATIONALE FOR THE DECISION TO EXPLORE THE SALE**
8 **OF THE SEWER SYSTEM.**

9 **A.** The Board has a strong belief that the operation of the wastewater treatment plant is no
10 longer a core function of government. It is the Board's opinion that the economies of scale
11 and the professional expertise exhibited in the private sector far surpasses the ability of the
12 Township to operate a wastewater treatment system, particularly with regard to ever-
13 increasing environmental regulatory compliance matters. The Board feels very strongly
14 that the sale of the System would provide the Board and the Administration of the
15 Township sufficient time and resources to more effectively manage the service delivery of
16 the core services to the Township which are police, fire, highways, code enforcement and
17 parks and recreation.

18
19 **Q. HAS THE TRANSACTION BEEN APPROVED BY THE TOWNSHIP?**

20 **A.** Yes. On March 27, 2017, the Board authorized the advertisement of a Request for
21 Proposals from interested parties for the potential sale of the System. The proposals were
22 received on July 20, 2017. After undergoing a thorough analysis by staff, a financial
23 planner, and the Township Solicitor, the Board concluded that the sale of the System was

1 in the best interest of the Township and, on April 23, 2018, the Board approved the Asset
2 Purchase Agreement.

3
4 **III. PROJECT DESCRIPTION AND TRANSACTION BENEFITS**

5 **Q. PLEASE SUMMARIZE THE TRANSACTION.**

6 **A.** The Township will sell substantially all of the assets of the System to PAWC. In return,
7 PAWC will pay the Township \$96,000,000.

8
9 **Q. PLEASE DESCRIBE THE LIKELY IMPACT OF THE TRANSACTION ON THE**
10 **TOWNSHIP, ITS RESIDENTS AND THE REGIONAL ECONOMY.**

11 **A.** As stated above, the analysis prepared by the Administration and supported by PEL
12 concludes that the Township will be in a position to maintain real estate taxes at current
13 levels for the next decade should the sale of the System be finalized. Eliminating the
14 unfunded liability in the Township's pension plans and OPEB plan, as well as funding
15 storm sewer improvements and equipment replacement expenses, will have a significant
16 positive impact on the General Fund. This, coupled with the Township's extraordinary
17 labor agreement with the Police Department, will enable the Township to stabilize its
18 expenses and enhance its revenues such that real estate taxes will not be required to be
19 increased in the next decade.

20 In addition, the Board has directed the Administration to assess the impact of
21 instituting a homestead exemption, in the amount of \$50,000, on real estate taxes as a result
22 of the transaction. If realized, the homestead exemption would become effective for the
23 2019 fiscal year. An analysis of the impact of the homestead exemption for Township

1 residents indicates that 11.9 percent of Township households would pay no Township real
2 estate taxes. This would have a significant positive impact on the lowest socioeconomic
3 strata in the Township.

4 The Township has grant applications pending with PennDot, DCED, DEP and
5 DCNR for grants for infrastructure improvements. The grant applications are in excess of
6 \$5,000,000 and will require a local match in excess of \$1,000,000. The proceeds from the
7 sale have enabled the Township to submit these applications. The infrastructure
8 improvements that are the subject of the grant applications support the Township's
9 economic development strategy as well as provide improvements to the Township's park
10 system and stormwater management system.

11
12 **Q. ASIDE FROM THE USE OF THE TRANSACTION PROCEEDS TO ADDRESS**
13 **CERTAIN OF THE TOWNSHIP'S FINANCIAL CHALLENGES, ARE THERE**
14 **ADDITIONAL BENEFITS OF THE TRANSACTION FROM THE TOWNSHIP'S**
15 **PERSPECTIVE?**

16 **A.** Absolutely, the use of the proceeds is only one of the benefits. The Transaction has several
17 additional benefits that justify Commission approval. Other witnesses in this proceeding
18 will address them more thoroughly from their specific perspective. From my perspective,
19 these further benefits include but are not limited to:

- 20 • Because the System would be owned by a public utility rather than a
21 municipality, the System's assets would become taxable.
- 22 • Because PAWC has greater financial resources than does the Township,
23 PAWC is in a better position to replace aging infrastructure and make
24 upgrades in the System to address increasingly stringent environmental
25 regulations.
- 26 • Because the System would be owned by a public utility regulated by the
27 Commission, customers of the System would be protected by the

1 Commission's rate-making process and its complaint process. They would
2 also be able to seek assistance from the Office of Consumer Advocate, the
3 Office of Small Business Advocate, and the Bureau of Investigation and
4 Enforcement.
5 • Customers of the System will have access to PAWC's customer assistance
6 programs.
7 • Because PAWC is a large and experienced public utility, it has greater
8 expertise in the operation of a wastewater system than does the Township,
9 ensuring that customers of the System will receive adequate and efficient
10 wastewater service in the future.
11

12 **Q. TO THE BEST OF YOUR KNOWLEDGE, DOES THE TRANSACTION**
13 **ADVERSELY IMPACT ANY SEGMENT OF THE PUBLIC IN ANY MATERIAL**
14 **WAY?**

15 **A.** No. To the contrary, the transaction will have positive impacts on the Township, on the
16 citizens of the Township and on the customers of the System as noted above.

17 The Board of Supervisors discussed the proposed sale at five (5) publicly advertised
18 meetings and held two (2) publicly advertised special meetings on the sale. The public
19 was invited to speak on the proposed transaction at each of these public meetings.

20
21 **Q. ARE YOU AWARE OF ANY UNDEDICATED ASSETS THAT WERE**
22 **INCLUDED IN THE ENGINEER'S INVENTORY UPON WHICH THE UVES**
23 **BASED THEIR APPRAISAL?**

24 **A.** No. To the best of my knowledge, information and belief, all assets included in the
25 engineer's inventory are owned by the Township.
26
27
28

1 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

2 **A.** Yes. However, I reserve the right to supplement my testimony as additional issues arise
3 during the course of this proceeding.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water Company :
under Sections 507, 1102(a), and 1329 of the Pennsylvania Public :
Utility Code, 66 Pa C.S. §§ 507, 1102(a), 1329 for approval of its :
acquisition of wastewater system assets of the Township of : Docket No. A-2018-_____ *et al.*
Exeter, related wastewater service rights, fair market valuation :
ratemaking treatment, accrual and deferral of certain post- :
acquisition improvement costs, and certain contracts with :
municipal corporations. :

**TOWNSHIP OF EXETER
BERKS COUNTY, PENNSYLVANIA**

**DIRECT TESTIMONY OF
HAROLD WALKER, III
ON BEHALF OF
TOWNSHIP OF EXETER**

FAIR MARKET VALUE APPRAISAL

TOWNSHIP OF EXETER
WASTEWATER SYSTEM ASSETS

September 2018

Prepared by:
GANNETT FLEMING
VALUATION AND RATE CONSULTANTS, LLC



Valley Forge, Pennsylvania

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INTRODUCTION

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.

A. My name is Harold Walker III and my business address is P.O. Box 80794, Valley Forge, Pennsylvania.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Gannett Fleming Valuation and Rate Consultants, LLC (“Gannett Fleming”) as Manager, Financial Studies.

Q. WOULD YOU DESCRIBE BRIEFLY GANNETT FLEMING?

A. Yes. Since 1915, Gannett Fleming and its predecessors have been helping clients in public pricing policy and related financial matters for managerial purposes, before regulatory commissions and courts of law. Gannett Fleming is registered as a Utility Valuation Expert (“UVE”) in the Commonwealth of Pennsylvania. Gannett Fleming is also a registered Municipal Advisor with the SEC) and I am a licensed Municipal Advisor Representative (Series 50) with the Municipal Securities Rulemaking Board (“MSRB”) and the Financial Industry Regulatory Authority (“FINRA”). Gannett Fleming is a subsidiary of Gannett Fleming, Inc.

Q. WHAT ARE YOUR RESPONSIBILITIES AS MANAGER, FINANCIAL STUDIES OF GANNETT FLEMING?

A. I supervise and develop financial and economic studies on behalf of investor-owned and municipally owned water, wastewater, electric, natural gas distribution and transmission, oil pipeline, and telephone utilities, as well as resource-recovery companies.

1 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND AND EMPLOYMENT**
2 **EXPERIENCE?**

3 A. My educational background, business experience and qualifications are provided in
4 Appendix A.

5 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PENNSYLVANIA**
6 **PUBLIC UTILITY COMMISSION?**

7 A. Yes. I have testified before the Pennsylvania Public Utility Commission (“Commission”
8 or “PUC”), as well as other state regulatory commissions, on many occasions, as shown on
9 Appendix A.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

11 A. The purpose of my testimony is to describe the fair market value appraisal of the Exeter
12 Township’s wastewater system assets (“Wastewater System”) that I and my staff
13 performed. Gannett Fleming was engaged by Exeter Township (“Township”) to perform
14 this appraisal. Our report is entitled “Township of Exeter Wastewater System Assets Fair
15 Market Value Appraisal at April 30, 2018.” The appraisal and its report was developed to
16 meet the criteria established in Section 1329 of the Pennsylvania Public Utility Code
17 (“Code”), 66 Pa. C.S. § 1329 (“Determination of the fair market value of water and
18 wastewater assets”).

19 In its 2015-2016 legislative session, the Pennsylvania Legislature passed Act 12 of
20 2016 and Governor Wolf signed into law Section 1329 of the Code establishing the
21 legislative guidelines facilitating the acquisition of municipal and regional water and
22 wastewater systems by private investor-owned utilities and other entities which are rate-
23 regulated by the Pennsylvania Public Utility Commission (“PUC”). This legislation was

1 intended to facilitate the acquisition of water and wastewater systems in order to facilitate
2 capital improvements to the water and or wastewater properties.

3 **QUALIFICATION AS UTILITY VALUATION EXPERT**

4 **Q. IS GANNETT FLEMING ON THE COMMISSION'S REGISTRY OF UTILITY**
5 **VALUATION EXPERTS?**

6 A. Yes. Gannett Fleming is a Utility Valuation Expert ("UVE") in the Commonwealth of
7 Pennsylvania approved by the PUC (Utility Code 9919244).

8 **Q. PLEASE DESCRIBE THE PROCESS BY WHICH GANNETT FLEMING WAS**
9 **PLACED ON THE COMMISSION'S REGISTRY OF UTILITY VALUATION**
10 **EXPERTS.**

11 A. After passage of Section 1329 of the Code, the Commission established an application
12 process by which the Commission would approve and designate firms to be placed on the
13 Commission's "Registry of Utility Valuation Experts." To be included on the registry, the
14 UVEs must establish their qualifications. Gannett Fleming submitted its original
15 application and the required proof of experience in September of 2016 and received
16 confirmation and approval from the Commission of Gannett Fleming's placement on the
17 Commission's UVE Registry in December of 2016. Renewal of Commission's UVE
18 Registry must be done annually. Gannett Fleming submitted its 2018 renewal application
19 and the required proof of experience in December of 2017 and received confirmation and
20 approval from the Commission of Gannett Fleming's placement on the Commission's
21 UVE Registry in January of 2018.

22 **Q. HAVE YOU EVER HAD YOUR PROFESSIONAL CREDENTIALS REVOKED**
23 **OR SUSPENDED?**

1 A. No.

2 **Q. DO YOU HAVE SPECIFIC EXPERIENCE WITH THE VALUATION AND**
3 **APPRAISAL OF UTILITY ASSETS?**

4 A. Yes. In addition to serving as an expert witness on various financial and economic matters
5 before utility regulatory commissions for over 30 years, I have also provided valuation of
6 utility assets services for more than 20 years. In that capacity I have testified on valuation
7 matters before the Pennsylvania Public Utility Commission and sponsored or adopted
8 Gannett Fleming's UVE appraisals in Section 1329 of the Public Utility Code in the New
9 Garden Township proceeding, the Limerick Township proceeding, the East Bradford
10 Township proceeding and in the Mahoning Township proceeding. In addition to testifying
11 in 1329 proceedings, I have also testified and filed reports on valuation matters in
12 California, Illinois, New Hampshire and Pennsylvania in courts of law and regulatory
13 commissions.

14 **Q. HAVE YOU OR GANNETT FLEMING OR ANY OF ITS STAFF DERIVED ANY**
15 **MATERIAL FINANCIAL BENEFIT FROM THE SALE OF WASTEWATER**
16 **SYSTEM'S ASSETS OTHER THAN FEES FOR YOUR SERVICES RENDERED?**

17 A. No.

18 **Q. ARE YOU OR GANNETT FLEMING OR ANY OF ITS STAFF AN IMMEDIATE**
19 **FAMILY MEMBER OF A DIRECTOR, OFFICER, OR EMPLOYEE OF EITHER**
20 **PAAW OR EXETER?**

21 A. No.

22 **Q. IS GANNETT FLEMING IN COMPLIANCE WITH APPLICABLE**
23 **PENNSYLVANIA LAWS?**

1 A. Yes.

2 **Q. DOES GANNETT FLEMING HAVE THE FINANCIAL AND TECHNICAL**
3 **FITNESS, INCLUDING PROFESSIONAL LICENSES AND TECHNICAL**
4 **CERTIFICATIONS, TO PERFORM A FAIR MARKET VALUATION OF THE**
5 **ASSETS OF EXETER?**

6 A. Yes, to be placed on the Commission's "Registry of Utility Valuation Experts" Gannett
7 Fleming had to establish their qualifications.

8 **Q. ARE YOU AWARE OF ANY FACT, INCLUDING BUT NOT LIMITED TO ANY**
9 **POTENTIAL CONFLICT OF INTEREST, THAT WOULD CAST DOUBT UPON**
10 **YOUR ABILITY TO PROVIDE A THOROUGH, OBJECTIVE, UNBIASED, AND**
11 **FAIR VALUATION IN THIS PROCEEDING?**

12 A. No.

13 **FAIR MARKET VALUATION OF WASTEWATER SYSTEM'S ASSETS**

14 **Q. PLEASE IDENTIFY APPENDIX A-5 TO THE APPLICATION IN THIS**
15 **PROCEEDING?**

16 A. Appendix A-5 of PAAW's Application includes Gannett Fleming's appraisal report dated
17 August 24, 2018, which was prepared under my supervision to be filed with its Application.

18 **Q. HOW DO YOU RECOGNIZE IT?**

19 A. I personally prepared and supervised Gannett Fleming personnel in preparing the report,
20 and recognize it as Gannett Fleming's work product.

21 **Q. IS APPENDIX A-5 A TRUE, COMPLETE, AND ACCURATE COPY OF YOUR**
22 **VALUATION REPORT?**

23 A. Yes, and I incorporate it into my direct testimony as if set forth in its entirety.

1 **Q. PLEASE DESCRIBE THE PROCESS BY WHICH YOU PREPARED THE**
2 **VALUATION REPORT.**

3 A. In accordance with Section 1329 of the Code, PAAW and Township engaged Gannett
4 Fleming to conduct an engineer assessment (“Engineering Assessment”) of the tangible
5 assets of the Wastewater System. Township also engaged Gannett Fleming to prepare the
6 fair market valuation report for the Wastewater System. Township provided financial
7 statements from Exeter regarding the Wastewater System and a copy of the Engineering
8 Assessment as required by Section 1329(a)(4). In addition, Gannett Fleming reviewed the
9 assets, reviewed additional information provided by the Township and conducted
10 additional research regarding the Township and the Wastewater System. After those
11 activities and data gathering, we developed the appraisal.

12 The appraisal contains a letter of transmittal; a table of contents detailing all the
13 sections of the report and work papers; a narrative report explaining our methodology and
14 conclusions; a certification describing that the appraisal was prepared in conjunction with
15 the Uniform Standards of Professional Appraisal Practices (“USPAP”); a statement of
16 qualifications; and various exhibits.

17 The intent of the valuation report is to provide the appraisal results, as well as the
18 entire appraisal work file, in sufficient detail to satisfy the parties’ and Commission’s
19 review requirements of Section 1329 and the Commission’s Final Implementation Order,
20 *In re: Implementation of Section 1329 of the Public Utility Code*, Docket No. M-2016-
21 2543193 (Order Entered October 27, 2016). In addition to a copy of the appraisal report,
22 I have provided supporting work papers for the appraisal report in Appendix A-4 to

1 PAAW's Application. The relevant work papers have also been submitted to the
2 Commission and provided to the public advocates in live electronic format.

3 **Q. IS THERE ANYTHING THAT YOU WOULD CHANGE IN THE VALUATION**
4 **REPORT SINCE ITS PREPARATION?**

5 A. No.

6 **Q. WAS THE FAIR MARKET VALUATION OF THE WASTEWATER SYSTEM**
7 **ASSETS DETERMINED IN COMPLIANCE WITH THE UNIFORM STANDARDS**
8 **OF PROFESSIONAL APPRAISAL PRACTICE ("USPAP")?**

9 A. Yes.

10 **Q. DID YOU EMPLOY THE COST, MARKET AND INCOME APPROACHES IN**
11 **PREPARING YOUR VALUATION?**

12 A. Yes. We developed our appraisal utilizing the cost, income, and market approaches as
13 required by USPAP and Section 1329 of the Code. These approaches are summarized
14 below.

15 *Cost Approach.* The cost approach utilized the original cost method and
16 reproduction cost method. The reproduction cost method was calculated by trending
17 (trended cost method) the asset inventory developed by Gannett Fleming from its original
18 cost new method. The original cost method determined the original cost new measure of
19 the cost of the assets when first constructed. The original cost new inventory was trended
20 using the Handy Whitman Index of Public Utility Construction Costs for the water industry
21 to produce the reproduction cost new. The calculated accrued depreciation was determined
22 for the original cost new and for the reproduction cost new. The calculated accrued
23 depreciation was based on the assets' attained ages, and the service life of the assets. The

1 cost basis of depreciable assets was reduced annually by the accumulated depreciation to
2 reflect the loss in the service value of the assets since being constructed. All land and land
3 rights were valued at original cost.

4 *Income Approach.* The income approach utilized the capitalization of earning (cash
5 flow) method and the discounted cash flow method. The capitalization of earning method
6 converted a single base economic income number to a value by dividing it by a
7 capitalization rate. The discounted cash flow method used estimates of future debt free net
8 cash flow and discounted them to arrive at a present value or price of the cash flows. The
9 capitalization rate and the discount rate were developed based on market debt and equity
10 rates at the appraisal date. The discounted cash flow method reflected two types of
11 discounted cash flow analyses, the EBIT and EBITDA terminal value model and a
12 capitalization of terminal value model.

13 *Market Approach.* The market approach was developed based on the market
14 multiples method and the selected transaction method. The market multiples method was
15 based on the market price data of publicly traded corporations engaged in the same or a
16 similar line of business as the Wastewater System. The market price data of these
17 comparable publicly traded corporations was used to calculate the market multiples for the
18 comparable publicly traded corporations at the appraisal date. The selected transactions
19 method used certain public information relating to the purchase or sales of businesses
20 involved in the same or a similar business line as the Wastewater System to calculated
21 market multiples at the time of transaction (sale/purchase). The calculated market
22 multiples determined by the market multiples method and the selected transaction method

1 were then multiplied by the corresponding Wastewater System financial and operating
2 statistic to produce an indicated value for the Wastewater System.

3 **Q. DID YOU RELY UPON A LICENSED ENGINEER’S ASSESSMENT OF THE**
4 **TANGIBLE ASSETS OF THE WASTEWATER SYSTEM IN PERFORMING**
5 **YOUR VALUATION?**

6 A. Yes. The Township provided a copy of the Engineering Assessment and this information
7 was incorporated into our Cost Approach in our appraisal.

8 **CONCLUSION**

9 **Q. WHAT IS YOUR CONCLUSION REGARDING THE FAIR MARKET VALUE OF**
10 **THE WASTEWATER SYSTEM’S ASSETS TO BE PURCHASED BY PAAW?**

11 A. Fair market value is defined as “the price, expressed in terms of cash equivalents, at which
12 property would change hands between a hypothetical willing and able buyer and a
13 hypothetical willing and able seller, acting at arm’s length in an open and unrestricted
14 market, when neither is under compulsion to buy or sell and when both have reasonable
15 knowledge of the relevant facts.”

16 Based on our analysis, as described in our appraisal report, the estimate of the fair
17 market value of the Wastewater System as of April 30, 2018 is \$104,120,000 (rounded).
18 The results of the analyses and calculations are summarized in Table 1 for the Systems as
19 follows:
20

<u>Valuation Approach</u>	<u>Indicated Value</u>
Cost Approach	\$116,870,920
Income Approach	90,593,221
Market Approach	104,894,486

Table 1

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2
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4 **Q. GENERALLY SPEAKING, IS IT COMMON FOR DIFFERENT APPRAISERS TO**
5 **REACH VARYING OPINIONS OF FAIR MARKET VALUE?**

6 A. Yes. I do not think the underlying results of the models employed for valuation purposes
7 are ever the same from one appraiser to another appraiser. Further, the conclusion of value
8 from one appraiser to another appraiser usually differs as well. I believe these are some of
9 the reasons the results of the conclusion of value from two different UVEs are averaged
10 under Section 1329, 66 Pa. C.S. § 1329.

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

12 A. Yes.

APPENDIX A
Professional Qualifications
of
Harold Walker, III
Manager, Financial Studies
Gannett Fleming Valuation and Rate Consultants, LLC.

EDUCATION

Mr. Walker graduated from Pennsylvania State University in 1984 with a Bachelor of Science Degree in Finance. His studies concentrated on securities analysis and portfolio management with an emphasis on economics and quantitative business analysis. He has also completed the regulation and the rate-making process courses presented by the College of Business Administration and Economics Center for Public Utilities at New Mexico State University. Additionally, he has attended programs presented by The Institute of Chartered Financial Analysts (CFA).

Mr. Walker was awarded the professional designation "Certified Rate of Return Analyst" (CRRRA) by the Society of Utility and Regulatory Financial Analysts. This designation is based upon education, experience and the successful completion of a comprehensive examination. He is also a member of the Society of Utility and Regulatory Financial Analysts (SURFA) and has attended numerous financial forums sponsored by the Society. The SURFA forums are recognized by the Association for Investment Management and Research (AIMR) and the National Association of State Boards of Accountancy for continuing education credits.

Mr. Walker is also a licensed Municipal Advisor Representative (Series 50) by Municipal Securities Rulemaking Board (MSRB) and Financial Industry Regulatory Authority (FINRA).

BUSINESS EXPERIENCE

Prior to joining Gannett Fleming Valuation and Rate Consultants, LLC., Mr. Walker was employed by AUS Consultants - Utility Services. He held various positions during his eleven years with AUS, concluding his employment there as a Vice President. His duties included providing and supervising financial and economic studies on behalf of investor owned and municipally owned water, waste water, electric, natural gas distribution and transmission, oil pipeline and telephone utilities as well as resource recovery companies.

In 1996, Mr. Walker joined Gannett Fleming Valuation and Rate Consultants, LLC. In his capacity as Manager, Financial Studies and for the past twenty years, he has continuously studied rates of return requirements for regulated firms. In this regard, he supervised the preparation of rate of return studies in connection with his testimony and in the past, for other individuals. He also assisted and/or developed dividend policy studies, nuclear prudence studies, calculated fixed charge rates for avoided costs involving cogeneration projects, financial decision studies for capital budgeting purposes and developed financial models for determining future capital requirements and the effect of those requirements on investors and ratepayers, valued utility property and common stock for acquisition and divestiture, and assisted in the private placement of fixed capital securities for public utilities.

Head, Gannett Fleming GASB 34 Task Force responsible for developing Governmental Accounting Standards Board (GASB) 34 services, and educating Gannett Fleming personnel and Gannett Fleming clients on GASB 34 and how it may affect them. The GASB 34 related services include inventory of assets, valuation of assets, salvage estimation, annual depreciation rate determination, estimation of depreciation reserve, asset service life determination, asset condition assessment, condition assessment documentation, maintenance estimate for asset preservation, establishment of condition level index, geographic information system (GIS) and data management services, management discussion and analysis (MD&A) reporting, required supplemental information (RSI) reporting, auditor interface, and GASB 34 compliance review.

Mr. Walker was also the Publisher of C.A. Turner Utility Reports from 1988 to 1996. C.A. Turner Utility Reports is a financial publication which provides financial data and related ratios and forecasts covering the utility industry. From 1993 to 1994, he became a contributing author for the Fortnightly, a utility trade journal. His column was the Financial News column and focused mainly on the natural gas industry.

In 2004, Mr. Walker was elected to serve on the Board of Directors of SURFA. Previously, he served as an ex-officio directors as an advisor to SURFA's existing President. In 2000, Mr. Walker was elected President of SURFA for the 2001-2002 term. Prior to that, he was elected to serve on the Board of Directors of SURFA during the period 1997-1998 and 1999-2000. Currently, he also serves on the Pennsylvania Municipal Authorities Association, Electric Deregulation Committee.

EXPERT TESTIMONY

Mr. Walker has submitted testimony or been deposed on various topics before regulatory commissions and courts in 21 states including: Arizona, California, Colorado, Connecticut, Delaware, Illinois, Indiana, Kentucky, Maryland, Massachusetts, Michigan, Missouri, New Hampshire, New Jersey, New York, North Carolina, Oklahoma, Pennsylvania, Vermont, Virginia, and West Virginia. His testimonies covered various subjects including: fair market value, the taking of natural resources, appropriate capital structure and fixed capital cost rates, depreciation, fair rate of return, purchased water adjustments, synchronization of interest charges for income tax purposes, valuation, cash working capital, lead-lag studies, financial analyses of investment alternatives, and fair value. The following tabulation provides a listing of the electric power, natural gas distribution, telephone, wastewater, and water service utility cases in which he has been

involved as a witness. Additionally, he has been involved in a number of rate proceedings involving small public utilities which were resolved by Option Orders and therefore, are not listed below.

<u>Client</u>	<u>Docket No.</u>
Alpena Power Company	U-10020
Armstrong Telephone Company - Northern Division	92-0884-T-42T
Armstrong Telephone Company - Northern Division	95-0571-T-42T
Artesian Water Company, Inc.	90 10
Artesian Water Company, Inc.	06 158
Aqua Illinois Consolidated Water Divisions and Consolidated Sewer Divisions	11-0436
Aqua Illinois Hawthorn Woods Wastewater Division	07 0620/07 0621/08 0067
Aqua Illinois Hawthorn Woods Water Division	07 0620/07 0621/08 0067
Aqua Illinois Kankakee Water Division	10-0194
Aqua Illinois Kankakee Water Division	14-0419
Aqua Illinois Vermilion Division	07 0620/07 0621/08 0067
Aqua Illinois Willowbrook Wastewater Division	07 0620/07 0621/08 0067
Aqua Illinois Willowbrook Water Division	07 0620/07 0621/08 0067
Aqua Pennsylvania Wastewater Inc	A-2016-2580061
Aqua Pennsylvania Wastewater Inc	A-2017-2605434
Aqua Pennsylvania Wastewater Inc	A-2018-3001582
Aqua Virginia - Alpha Water Corporation	Pue-2009-00059
Aqua Virginia - Blue Ridge Utility Company, Inc.	Pue-2009-00059
Aqua Virginia - Caroline Utilities, Inc. (Wastewater)	Pue-2009-00059
Aqua Virginia - Caroline Utilities, Inc. (Water)	Pue-2009-00059
Aqua Virginia - Earlysville Forest Water Company	Pue-2009-00059
Aqua Virginia - Heritage Homes of Virginia	Pue-2009-00059
Aqua Virginia - Indian River Water Company	Pue-2009-00059
Aqua Virginia - James River Service Corp.	Pue-2009-00059
Aqua Virginia - Lake Holiday Utilities, Inc.	

(Wastewater)	Pue-2009-00059
Aqua Virginia - Lake Holiday Utilities, Inc. (Water)	Pue-2009-00059
Aqua Virginia - Lake Monticello Services Co. (Wastewater)	Pue-2009-00059
Aqua Virginia - Lake Monticello Services Co. (Water)	Pue-2009-00059
Aqua Virginia - Lake Shawnee	Pue-2009-00059
Aqua Virginia - Land'or Utility Company (Wastewater)	Pue-2009-00059
Aqua Virginia - Land'or Utility Company (Water)	Pue-2009-00059
Aqua Virginia - Mountainview Water Company, Inc.	Pue-2009-00059
Aqua Virginia - Powhatan Water Works, Inc.	Pue-2009-00059
Aqua Virginia - Rainbow Forest Water Corporation	Pue-2009-00059
Aqua Virginia - Shawnee Land	Pue-2009-00059
Aqua Virginia - Sydnor Water Corporation	Pue-2009-00059
Aqua Virginia - Water Distributors, Inc.	Pue-2009-00059
Berkshire Gas Company	18-40
Borough of Hanover	R-2009-2106908
Borough of Hanover	R-2012-2311725
Borough of Hanover	R-2014-242830
Chaparral City Water Company	W 02113a 04 0616
California-American Water Company	CIVCV156413
Connecticut-American Water Company	99-08-32
Connecticut Water Company	06 07 08
Citizens Utilities Company Colorado Gas Division	-
Citizens Utilities Company Vermont Electric Division	5426
Citizens Utilities Home Water Company	R 901664
Citizens Utilities Water Company of Pennsylvania	R 901663
City of Bethlehem - Bureau of Water	R-00984375
City of Bethlehem - Bureau of Water	R 00072492
City of Bethlehem - Bureau of Water	R-2013-2390244
City of Dubois – Bureau of Water	R-2013-2350509
City of Dubois – Bureau of Water	R-2016-2554150

City of Lancaster Sewer Fund	R-00005109
City of Lancaster Sewer Fund	R-00049862
City of Lancaster Sewer Fund	R-2012-2310366
City of Lancaster Water Fund	R-00984567
City of Lancaster Water Fund	R-00016114
City of Lancaster Water Fund	R 00051167
City of Lancaster Water Fund	R-2010-2179103
City of Lancaster Water Fund	R-2014-2418872
Coastland Corporation	15-cvs-216
Consumers Pennsylvania Water Company Roaring Creek Division	R-00973869
Consumers Pennsylvania Water Company Shenango Valley Division	R-00973972
Country Knolls Water Works, Inc.	90 W 0458
East Resources, Inc. - West Virginia Utility	06 0445 G 42T
Elizabethtown Water Company	WR06030257
Hampton Water Works Company	DW 99-057
Illinois American Water Company	16-0093
Indian Rock Water Company	R-911971
Indiana Natural Gas Corporation	38891
Jamaica Water Supply Company	-
Kentucky American Water Company, Inc.	2007 00134
Middlesex Water Company	WR 89030266J
Missouri-American Water Company	WR 2000-281
Missouri-American Water Company	SR 2000-282
Mount Holly Water Company	WR06030257
New Jersey American Water Company	WR 89080702J
New Jersey American Water Company	WR 90090950J
New Jersey American Water Company	WR 03070511
New Jersey American Water Company	WR-06030257
New Jersey American Water Company	WR08010020
New Jersey American Water Company	WR10040260
New Jersey American Water Company	WR11070460
New Jersey American Water Company	WR15010035
New Jersey American Water Company	WR17090985
Newtown Artesian Water Company	R-911977
Newtown Artesian Water Company	R-00943157

Newtown Artesian Water Company	R-2009-2117550
Newtown Artesian Water Company	R-2011-2230259
Newtown Artesian Water Company	R-2017-2624240
North Maine Utilities	14-0396
Northern Indiana Fuel & Light Company	38770
Oklahoma Natural Gas Company	PUD-940000477
Pennichuck Water Works, Inc.	DW 04 048
Pennichuck Water Works, Inc.	DW 06 073
Pennichuck Water Works, Inc.	DW 08 073
Pennsylvania Gas & Water Company (Gas)	R-891261
Pennsylvania Gas & Water Co. (Water)	R 901726
Pennsylvania Gas & Water Co. (Water)	R-911966
Pennsylvania Gas & Water Co. (Water)	R-22404
Pennsylvania Gas & Water Co. (Water)	R-00922482
Pennsylvania Gas & Water Co. (Water)	R-00932667
Public Service Company of North Carolina, Inc.	G-5, Sub 565
Public Service Electric and Gas Company	ER181010029
Public Service Electric and Gas Company	GR18010030
Presque Isle Harbor Water Company	U-9702
St. Louis County Water Company	WR-2000-844
Suez Water New Jersey, Inc.	WR18050593
Suez Water Owego-Nichols, Inc.	17-W-0528
Suez Water Pennsylvania, Inc.	. R-2018-3000834
Suez Water Rhode Island, Inc.	Docket No. 4800
Town of North East Water Fund	9190
United Water New Rochelle	W-95-W-1168
United Water Toms River	WR-95050219
Valley Water Systems, Inc.	06 10 07
West Virginia-American Water Company	15-0676-W-42T
West Virginia-American Water Company	15-0675-S-42T
Wilmington Suburban Water Corporation	94-149
York Water Company	R-901813
York Water Company	R-922168
York Water Company	R-943053
York Water Company	R-963619
York Water Company	R-994605
York Water Company	R-00016236