
EXHIBIT W

TESTIMONY OF ROBERT R. HART

**EAST NORRITON TOWNSHIP, MONTGOMERY COUNTY
DIRECT TESTIMONY OF ROBERT R. HART**

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2019-3009052

AQUA STATEMENT NO. 3

DIRECT TESTIMONY OF

ROBERT R. HART

TOWNSHIP MANAGER

EAST NORRITON TOWNSHIP

**With Regard To:
A General Overview of the Transaction
East Norriton Township's Sale Process
Information Provided to Residents
Benefits of the Proposed Transaction**

July 30, 2019

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1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Robert R. Hart. My business address is 2501 Stanbridge Street, East
4 Norriton, PA 19401.

5
6 **Q. In what capacity are you affiliated with East Norriton Township?**

7 A. I am the Township Manager of East Norriton Township (the “Township”). My duties
8 include overseeing the day-to-day operations of the Township, supervising the employees
9 of the Township and executing on the legislative priorities of the Township’s Board of
10 Supervisors (the “Board”).

11
12 **Q. Please provide a brief description of your education and work experience.**

13 A. I was hired by the Township in March 2016. I received my undergraduate degree from
14 Temple University. I received my Juris Doctorate from Widener University Delaware
15 Law School. After obtaining my law degree, I worked for several years as a solo-
16 practitioner, representing municipalities and some private clients. During my career, I
17 have served as First Deputy Treasurer of Montgomery County and as Solicitor for the
18 Montgomery County Sheriff. In addition, I served on the Whitemarsh Township Board
19 of Supervisors from August 2008 to March 2016.

20
21 **Q. Is this your first time testifying before the Pennsylvania Public Utility Commission
22 (“PUC” or the “Commission”)?**

23 A. Yes, it is.

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Q. On whose behalf are you testifying in this proceeding?

A. My testimony is on behalf of the Township and in support of Aqua Pennsylvania Wastewater, Inc. (“Aqua”) in this proceeding. For administrative ease, the Township has authorized Aqua to submit my testimony with its Application.

Q. Please state the purposes of your direct testimony and summarize the key points.

A. The purposes of my testimony are as follows: (1) to provide a description of the Township and the System; (2) to describe the process the Township used in its decision to sell the System, including the numerous discussions and meetings held with Township residents and stakeholders; and (3) to provide a description of the anticipated benefits of the sale of the System assets to Aqua under and in accordance with an Asset Purchase Agreement dated October 29, 2018 between the Township and Aqua (the “Proposed Transaction”).

In particular, I will focus on the numerous benefits of the Proposed Transaction that are most important to the Township and the customers who use the System, including:

- Providing the opportunity to work with an experienced wastewater utility to develop different approaches to address ongoing inflow and infiltration (“I&I”) and sanitary sewer overflow (“SSO”) issues, particularly the acute issues near the Township’s Norris City pump station, and lessen the impact on residents;

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- 1 • Reallocating Township administration time and focus to other key initiatives of the
2 Township, such as storm water projects, parks and recreation maintenance and
3 economic development;
- 4 • Accessing Aqua’s capability to make long-term investments in necessary capital
5 improvements to the System with its better and more varied access to capital to make
6 System improvements and comply with the ever-increasing environmental and capital
7 requirements;
- 8 • Ensuring job protection for existing Township employees, since Aqua agreed to offer
9 employment to the Township’s employees who are currently dedicated to the System;
- 10 • Enhancing customer service and operational functions through expanded customer
11 service center hours, availability of 24/7 emergency support center, real-time service
12 interruption notifications, additional payment options (including by text message),
13 and Aqua’s team of experienced water and wastewater professionals;
- 14 • Accessing Aqua’s proven record of environmental stewardship for the operation of
15 wastewater systems; and
- 16 • Shoring up the Township’s financial condition and outlook by relieving it of future
17 borrowings related to the System and providing it with the ability to undertake
18 necessary future non-System related capital projects and potentially lowering the total
19 cost of residency for Township residents.

20

21 **Q. Are you sponsoring any Exhibits with your testimony?**

22 A. No.

23

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1 **II. DESCRIPTION OF EAST NORRITON TOWNSHIP AND EAST NORRITON**
2 **TOWNSHIP WASTEWATER SYSTEM**

3 **Q. Please provide a general overview of East Norriton Township.**

4 A. The Township is a township of the second class. The Board is the Township’s governing
5 body, empowered with legislative functions. The Board is comprised of five members,
6 each elected at-large. There are approximately 14,296 residents in the Township (based
7 on the 2017 census estimate). It is located in Montgomery County, Pennsylvania, north
8 and west of the City of Philadelphia. According to the U.S. Census QuickFacts, the
9 Township’s median household income is \$78,125 and the median value of owner-
10 occupied housing units is \$265,300.

11 The Delaware Valley Regional Planning Commission (“DVRPC”) publishes
12 population projections and employment projections for the Township and 369 other
13 municipalities in the Delaware Valley. The Township’s projected population growth
14 over the next 20 years is 6.45%. The Township is almost completely built out within its
15 approximately 6.05 square mile land area.

16
17 **Q. Please provide a description of the Township’s wastewater system.**

18 A. The Township owns, operates and maintains the System, consisting of a sanitary
19 wastewater collection and conveyance system, including approximately 63 miles of pipe
20 and nine pumping stations serving approximately 5,000 customers. The System collects
21 and conveys sanitary wastewater from Township residents to East Norriton-Plymouth-
22 Whitpain Joint Sewer Authority treatment plant for treatment and discharge into the
23 Schuylkill River.

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Q. Please provide an overview of the compliance issues with the wastewater system experienced by the Township.

A. The Township has experienced incidents of I&I and SSOs over the past approximately 10 years, particularly relating to its Germantown pump station and the western portion of the System. As a result of these issues, the Township has worked with the Pennsylvania Department of Environmental Protection (“DEP”) to remediate the I&I and SSOs, resulting in a Consent Order and Agreement, dated February 20, 2007 (“COA”). The work required under the COA is complete. In 2018, the Township experienced a number of SSOs near its Norris City pump station. The Township received a letter from DEP regarding the SSOs from 2018, and the Township will work with Aqua and the DEP to address the issue.

Q. Please describe the additional work that needs to be completed to the System.

A. There are approximately 63 miles of sanitary sewer mains within the Township. The entire wastewater collection system will require significant repair over the next eight years.

We estimate that the Township will need to invest approximately \$16 million in capital in the System over the next 10 years, with additional capital investment needed beyond 10 years. While we are proud of our staff’s dedication to operating and maintaining the System over the years, we reached the conclusion that the Township could face significant financial difficulty making the necessary and large investments in the System that we project over the next twenty years.

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III. EAST NORRITON TOWNSHIP SALE PROCESS

Q. Please describe the Township’s decision-making process in concluding that a sale of the wastewater system was in the best interest of the Township.

A. The decision to sell the System was the result of lengthy deliberations by the Township’s Board, its administration and our residents. Because we are projecting significant capital investments in the System with a corresponding increase in taxes to pay for those investments, the Board began investigating the potential to sell the System. We did not approach the process with any preconceived notion in mind with respect to maintaining or selling the System. However, any sale needed to achieve two primary goals: (1) the buyer must have the financial and operational wherewithal to run the System and serve our residents and (2) the anticipated cost of residency after the sale of the System must be neutral or advantageous to residents.

The Board, with the support of its administration and capable outside experts determined that Aqua has the financial and operational wherewithal to own and operate the System. It is anticipated that Aqua will run the System better than the Township because it will be solely dedicated to water and wastewater services and it has a better and more varied access to capital to make System improvements and comply with the ever-increasing environmental and capital requirements. Beyond the two key factors, during the process we, along with capable outside experts, obtained an initial valuation of the System, assessed future costs of capital and revenue requirements, considered the continuing regulatory compliance functions and the costs related to them, evaluated the

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1 ongoing time commitments of Township personnel to address System issues, and
2 carefully considered from various stakeholder points of view the numerous qualitative
3 and quantitative factors that weigh in favor of or against the Township keeping the
4 System.

5 The Board, with its administration and the assistance of outside experts, weighed
6 and balanced many issues at numerous meetings and working sessions as it contemplated
7 the Proposed Transaction, but below I highlight just a few:

- 8 • The Board considered how it would finance necessary non-System related capital
9 projects if the System remained with the Township and if the System were sold.
- 10 • The Board considered the Township time and expense associated with the running
11 the System and whether a large utility that is solely dedicated to the water and
12 wastewater industry could better address the issues and better maintain the
13 System.
- 14 • The Board considered numerous options presented by the administration and our
15 outside experts regarding how to shore up the Township's financial condition,
16 particularly around the need to raise a significant amount of debt in the future to
17 maintain the System.
- 18 • We considered options for transferring responsibilities away from the Township
19 administration including leases, management contracts, hiring new staff and a sale
20 of the System. Ultimately, a sale made the most sense for the Township.

21
22 **Q. Did the Township request public input on the sale?**

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1 A. Yes. At several public meetings prior to receiving bids for the System, the Board
2 updated the public on the sale process and received input from residents on the state of
3 the System and the advantages and disadvantages of the potential sale. After bids were
4 received, the Township and Aqua (the eventual winning bidder) held two, broadly
5 publicized, open house/information sessions on September 13, 2018 and September 19,
6 2018 to allow residents to ask questions and provide feedback about the proposed System
7 sale. We held one session during the day and one session in the evening. The Township
8 conducted a “robo-call” to all residents informing them of the meetings in order to obtain
9 the highest possible attendance. In total, several residents attended those meetings.
10 We posted prominently all the materials related to the public meetings and encouraged
11 the public to provide additional input by way of email and phone calls to the Board. We
12 also received and responded to several comments left on our Facebook page. At the in-
13 person meetings (and through email and social media), dozens of questions were posed to
14 the Township and/or Aqua by residents. To ensure broad public participation, questions
15 the Township received about the Proposed Transaction were answered with the answers
16 provided to the questioner and every such Q&A was compiled and posted on the
17 Township’s website. Hardcopy of the Q&As were also made available for review at the
18 Township building.

19
20 **Q. Did the Township Supervisors hold a vote at a regularly scheduled public meeting**
21 **on the sale, following input from the Township residents?**

22 A. Yes, the duly elected Board of the voters of the Township decided that the Proposed
23 Transaction was in the best interests of the Township. After numerous public meetings

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1 and public forums outlined in my previous answer, a public hearing was conducted
2 September 25, 2018. After the hearing, the Board voted unanimously to pass an
3 ordinance approving the sale of the System, following input from numerous Township
4 residents.

5
6 **IV. BENEFITS OF THE PROPOSED TRANSACTION**

7 **Q. Please describe the benefits of the Proposed Transaction for the Township.**

8 A. The Township will benefit from the Proposed Transaction as it will transfer its
9 wastewater assets and the related capital and operational obligations to a large, long-
10 standing and well-run utility – Aqua. First, I would like to expand on three main benefits
11 of the Proposed Transaction to the Township and its residents. The sale will (1) provide
12 the Township the ability to work with an experienced wastewater utility that will be able
13 to address increasing environmental compliance requirements and issues within the
14 system, (2) shore up the Township’s financial condition and outlook, and (3) enable the
15 Township to reallocate its administrative time to focus on other key functions and
16 initiatives of the Township.

17 With respect to the Township’s financial condition and outlook, as of January 1,
18 2018, as a part of the Township’s analysis of a potential sale of the System we concluded
19 that over the next five years the economic impact of projected real estate taxes plus
20 projected sewer bills would be less if the Township sold the System. This will also
21 provide the Township with the financial flexibility to undertake non-System related
22 capital projects without having to raise taxes. As noted previously, after considering the
23 projected need to borrow funds to cover investments in the System, we concluded that the

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1 Township could face significant financial difficulty making the necessary and large
2 investments in the System and maintaining the needed investments in non-System related
3 projects and services. For the foregoing reasons, I believe that the System sale will
4 substantially benefit the Township by shoring up its finances.

5 As a part of the Proposed Transaction, Aqua agreed to offer employment to the
6 dedicated employees of the Township who currently work on the System. Our
7 employees will provide continuity and hometown focus in service to our residents. It will
8 also provide System-specific expertise with the enhanced resources of Aqua to deploy it.
9 For the foregoing reasons, I believe that the System sale will substantially benefit the
10 Township and Aqua's existing customers with operational continuity.

11
12 **Q. Please describe any further benefits from the Proposed Transaction.**

13 A. The Township will realize many additional benefits from the sale of its wastewater
14 system to Aqua. These benefits include, but are not limited to, the following:

- 15 • Accessing Aqua's capability to make long-term investments in necessary capital
16 improvements to the System with its better and more varied access to capital to
17 make System improvements and comply with the ever-increasing environmental
18 and capital requirements;
- 19 • Providing the opportunity to work with an experienced wastewater utility to
20 develop different approaches to address ongoing and future I&I and SSO issues
21 and lessen the impact on residents since Aqua has far more experience than the
22 Township in capital improvement planning and implementation to address these
23 compliance issues;

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- 1 • Reallocating Township administration time and focus on other key initiatives of
2 the Township, such as storm water projects, parks and recreation maintenance and
3 economic development;
- 4 • Enhancing customer service and operational functions through expanded
5 customer service center hours, availability of 24/7 emergency support center, real-
6 time service interruption notifications, additional payment options (including by
7 text message), and Aqua’s team of experienced water and wastewater
8 professionals; and
- 9 • Accessing Aqua’s proven record of environmental stewardship for the operation
10 of wastewater systems.

11

12 **Q. Do you believe that the Proposed Transaction is in the public interest?**

13 A. Yes. For the reasons set forth above, I believe that the Proposed Transaction is in the
14 public interest. I urge the Commission to promptly approve the Proposed Transaction.

15

16 **V. CONCLUSION**

17 **Q. Does this conclude your testimony?**

18 A. Yes, it does. However, I reserve the right to file additional testimony at a later date as
19 may be necessary or appropriate. I thank you for the opportunity to address the
20 Commission.

21