

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Aqua Pennsylvania : Docket No. A-2019-3015173
Wastewater, Inc. (hereinafter referred to as :
"Aqua" or "Applicant") pursuant to Sections :
1102 and 1329 of the Public Utility Code for: :

(1) approval of the acquisition by Aqua of :
the wastewater system assets of the Delaware :
County Regional Water Quality Control :
Authority ("DELCORA") situated within :
Delaware and Chester Counties, :
Pennsylvania; :

(2) approval of the right of Aqua to begin :
to offer, render, furnish and supply :
wastewater service to the public in portions :
of Delaware and Chester Counties, :
Pennsylvania; and :

(3) an order approving the acquisition :
that includes the ratemaking rate base of the :
DELCORA wastewater system assets :
pursuant to Section 1329(c)(2) of the Public :
Utility Code. :

Request for Approval of Contracts, :
including Assignments of Contracts, between :
Aqua and DELCORA, Pursuant to Section :
507 of the Public Utility Code :

APPLICATION

To the Pennsylvania Public Utility Commission ("Commission"):

I. BACKGROUND

1. The name and address of Applicant are:

Aqua Pennsylvania Wastewater, Inc.
762 W. Lancaster Avenue
Bryn Mawr, PA 19010

2. The name, address and contact information for Applicant's counsel are:

Thomas T. Niesen, Esq.
Thomas, Niesen & Thomas, LLC
212 Locust Street, Suite 302
Harrisburg, PA 17101
tniesen@tntlawfirm.com
Tel. No. (717) 255-7600
Fax No. (717) 236-8278

3. Pursuant to Sections 1102 and 1329 of the Public Utility Code, 66 Pa. C.S. §§ 1102 and 1329, Applicant hereby requests that the Commission: (1) approve Aqua's acquisition of the wastewater system assets ("Assets") of the Delaware County Regional Water Quality Control Authority ("DELCORA"); (2) approve the right of Aqua to begin providing wastewater service in the requested territory, as shown as the area outlined in red on the maps attached hereto as **Exhibit A1 (Index), Exhibit A2 (Sheet 1 – Pocopson), Exhibit A3 (Sheet 2 – Springhill Farms), Exhibit A4 (Sheet 3 – Edgmont), Exhibit A5 (Sheet 4 – Rose Valley Borough), Exhibit A6 (Sheet 5 – Chester City) and Exhibit A7 (Sheet 6 – Force Main)** (the "Requested Territory");¹ and (3) include, in its Order approving the acquisition, the ratemaking rate base of the Assets as determined under Section 1329(c)(2) of the Public Utility Code.

4. The maps of the Requested Territory include a north arrow depicting map orientation, a graphic scale, municipal boundaries and identification and depiction of all private and public roads relative to the Requested Territory. A bearing and angle description of the Requested Territory is included on Exhibits A1 through A7. The Requested Territory is 12.349 square miles.

5. Aqua and DELCORA have reached an agreement regarding the acquisition of the Township Assets, as evidenced by the *Asset Purchase Agreement*, dated as of September 17, 2019, and the *First Amendment to Asset Purchase Agreement*, dated as of February 24, 2020, and attached

¹ Corresponding Territory Maps with Facilities, which are considered CONFIDENTIAL, are being submitted with this Application in a separate envelope marked CONFIDENTIAL – TERRITORY MAPS WITH FACILITIES.

hereto as **Exhibit B1** and **Exhibit B2**, respectively (the *Asset Purchase Agreement* and *First Amendment* are referred to herein as the "**Agreement**").² Applicant respectfully requests that the Commission issue an *Order* and *Certificates of Public Convenience* approving and addressing the items requested in this Application.

6. An **Application Filing Checklist** identifying topics addressed and the section, paragraph and page number where they can be found is included with this Application.

II. AFFECTED ENTITIES

7. Aqua is a regulated public utility company, duly organized and existing under the laws of the Commonwealth of Pennsylvania. Aqua is engaged in the wastewater service business and furnishes wastewater service to approximately 35,000 customer accounts, as reflected in documents already on file with the Commission. Aqua's existing service territories cover various Counties throughout Pennsylvania including parts of Delaware and Chester Counties.

8. DELCORA is a body corporate and politic, organized under the Pennsylvania Municipal Authorities Act. DELCORA owns and operates sanitary and combined wastewater collection and treatment systems that provide sanitary and combined wastewater service to retail and wholesale customers in parts of Delaware and Chester Counties, including direct retail service to approximately 16,000 customers. DELCORA provides wholesale conveyance and treatment service to municipal and municipal authority customers within all or part of 49 municipalities.

9. Applicant incorporates into this Application other information on file with the Commission that establishes the fact that Aqua is qualified to provide adequate public wastewater

² The schedules to the Asset Purchase Agreement include CONFIDENTIAL and PUBLIC Versions. The CONFIDENTIAL schedules are being submitted with this Application in a separate envelope marked CONFIDENTIAL – APA SCHEDULES

service. Aqua will supplement this Application with all additional information the Commission may require. Financial Statements of Aqua for 2019 are attached hereto as **Exhibit C**.

III. PLANT-IN-SERVICE

10. Aqua will acquire DELCORA's wastewater collection, transmission and treatment system assets as defined in the Agreement. The assets are located in Delaware and Chester Counties.

11. An Asset Inventory with Original Cost Estimate of the DELCORA Sanitary Sewer System, prepared by Pennoni Associates Inc. and Weston Solutions, Inc., Consulting Engineers ("Asset Inventory"), is attached hereto as **Exhibit D**.

12. DELCORA collects, transmits and treats approximately 65 million gallons per day ("MGD") of wastewater generated in southeastern Pennsylvania. DELCORA's facilities serve residential, commercial, public, and industrial customers in Delaware and Chester Counties.

13. The DELCORA system includes 24 pump stations and associated force mains, and over 180 miles of gravity collection system mains and interceptor sewers for the conveyance of wastewater to DELCORA's Western Regional Treatment Plant ("WRTP"), a permitted 44 MGD activated sludge wastewater treatment plant located in Delaware County, and to the Philadelphia Water Department's ("PWD") Southwest Water Pollution Control Plant ("SWPCP").

14. Historically, DELCORA has characterized its service areas as "Eastern" and "Western". The Western Service Area includes eighteen (18) pumping stations, which are owned and operated by DELCORA, including the Central Delaware Pump Station which can direct flow to either DELCORA's WRTP or PWD's SWPCP.

15. The Eastern Service Area includes (6) six pumping stations which are owned and operated by DELCORA. The Eastern Service Area discharges to PWD's SWPCP and to DELCORA's WRTP.

16. The average annual flow in 2018 for the WRTP was 39.18 MGD. The average annual flow in 2018 for the Eastern Service Area was 36.83 MGD. The flow from the Eastern Service Area is split between WRTP and PWD's SWPCP. During 2018, 25.76 MGD from the Eastern Service Area was pumped to the SWPCP. A copy of the 2018 Chapter 94 Report to the Department of Environmental Protection ("DEP") for the Eastern Service Area is attached hereto as **Exhibit E1**. A copy of the 2018 Chapter 94 Report to DEP for the SWPCP is attached hereto as **Exhibit E2**. A copy of the 2018 Chapter 94 Report to DEP for the Western Service Area is attached hereto as **Exhibit E3**.

17. In addition to the WRTP, DELCORA owns and operates two (2) remote Treatment Plants: Corinne Village (Pocopson Preserve) built in 2010 and located in Pocopson Township and Sheeder Tract (Pocopson Riverside) built in 2007 and located in Pocopson Township. DELCORA also has an agreement for the purchase of the Springhill Farms wastewater system which will conclude in 2020. DELCORA currently operates Springhill Farms which was built in 1988 and located in Chadds Ford Township. The average annual flow for Corinne Village is 0.013 MGD; for Sheeder Tract is 0.021 MGD and for Springhill Farms is 0.047 MGD. Copies of the 2018 Chapter 94 Reports to DEP for Corinne Village and Sheeder Tract are attached hereto as **Exhibit E4** and **Exhibit E5**, respectively.³

18. A list of non-depreciable property (Land and Land Rights – Pumping) is presented in Section 8 of the Asset Inventory. The DELCORA System has no plant held for future use and none is included in the Asset Inventory.

19. All component facilities are installed. The approximate time of installation of component facilities is addressed in Section 8 of the Asset Inventory and in Mr. DiSantis' testimony.

³ Springhill Farms is a private system and, as such, does not file Chapter 94 Reports, but will going forward with DELCORA's acquisition of the Springhill Farms wastewater system.

20. Elevation of the DELCORA Plants, PWD's SWPCP and the Requested Territory are presented in Mr. Bubel's testimony.

21. Water service in the Requested Territory is provided by Aqua Pennsylvania, Inc. and Chester Water Authority.

22. The original cost, by year and major plant category, of DELCORA's used and useful plant in service is \$263,682,616.27 with a related calculation depreciation reserve of \$71,908,130.

23. Tentative journal entries to record the transaction are presented in Section IV.

IV. ASSET PURCHASE AGREEMENT, AS AMENDED

24. The *Asset Purchase Agreement* and *First Amendment to Asset Purchase Agreement* are dated September 17, 2019, and February 24, 2020, respectively. The purchase price is Two Hundred Seventy-Six Million Five Hundred Thousand Dollars (\$276,500,000.00).

25. The purchase price is based on arm's length negotiations. Aqua and DELCORA are not affiliated with each other.

26. Aqua will use existing short-term credit lines for the purchase of the assets. The short-term credit funding will be converted to a mix of long-term debt and equity capital shortly after closing.

27. The wastewater system assets to be transferred are the "Acquired Assets" and have the meaning specified in Section 2.01 of the Agreement. The Assets include the assets, facilities, business, goodwill, properties and rights of DELCORA used in the system and all wastewater related treatment, disposal, sludge receiving assets and conveyance facilities.

28. Acquired Assets also include the contracts identified on Schedule 4.15 of the Agreement to which DELCORA is a party (the "Assigned Contracts"). The Assigned Contracts are attached hereto as **Exhibit F1** through **Exhibit F163**.⁴

⁴ Agreement Number 22 on Schedule 4.15 is an Agreement, dated May 1, 1973, with DELCORA, the Borough of Rutledge and the Central Delaware County Authority ("CDCA"). DELCORA could not locate the Agreement and Aqua

29. Acquired Assets also include all Authorizations and Permits of or held by DELCORA (to the extent transferrable to Aqua under applicable Law), including all Authorizations and Permits which are environmental permits, DELCORA National Pollution Discharge Elimination System (“NPDES”) Permits, other operating permits and those items listed or described on Schedule 4.14 of the Agreement.

30. “Excluded Assets,” which are those assets not being transferred to Aqua, has the meaning specified in Section 2.02 of the Agreement. Excluded Assets include contracts that are not Assigned Contracts, cash and cash equivalents and the assets, properties and rights set forth in Schedule 2.02(g) of the Agreement.

31. “Assumed Liabilities” has the meaning specified in Section 2.04(a) of the Agreement and include all liabilities and obligations arising out of or relating to Aqua’s ownership or operation of the wastewater system and the Acquired Assets on or after Closing.

32. The tentative journal entries to record the transfer in Aqua’s accounts are:

	Debit	Credit
Utility Plant Purchased	\$276,500,000	
Cash/Short Term Debt		\$276,500,000

V. CUSTOMERS

33. DELCORA provides wastewater service to approximately 16,000 direct retail customers. A breakdown of projected wastewater flows by customer class is presented in Mr. Pileggi’s testimony. Additional detail concerning customers and consumption is presented in Appendix A of Mr. Packer’s testimony. DELCORA also provides a sludge hauling service to surrounding municipalities and utilities.

has submitted Open Records Requests to the Borough and CDCA for a copy of the Agreement. In lieu of a copy of the Agreement, copies of the Open Records Requests are provided as Exhibit F22.

34. Wastewater flow for DELCORA customers is projected at 20,704,569,750 gallons for 2020. A breakdown of gallons treated by customer class is presented in Mr. Pileggi's testimony.

35. Projected future connections for DELCORA's plants are addressed in Mr. DiSantis' testimony. DELCORA projects that, by 2024, 11 additional EDUs will connect with the Corinne Village WWTF and 22 additional EDUs will connect to the Sheeder Tract WWTF. DELCORA projects that 667 EDUs per year will be added to the WRTP Plant through 2023. Projected connections through 2024 are not yet available.

VI. RATES

36. After Closing, Aqua will implement DELCORA's sanitary wastewater rates in effect at closing as reflected on Schedule 7.04(a) of the Agreement. Aqua also may apply Commission permitted or required surcharges or pass-through costs to DELCORA's base rates after closing. A schedule of rates tariff pages implementing rates for DELCORA customers post-closing is attached hereto as **Exhibit G**. Aqua is not presenting a rate stabilization plan. Aqua is proposing to implement DELCORA's existing rates after Closing and to maintain those rates until the next Aqua rate proceeding. A copy of DELCORA's currently effective Rates and Rules is attached hereto as **Exhibit H**. DELCORA will take a portion of the proceeds of the Proposed Transaction and place them into a trust for the benefit of the DELCORA customers, and is requesting to apply payments to DELCORA customers from the Trust through Aqua's billing process. A proforma Memorandum of Understanding is attached as Appendix B to Mr. Packer's testimony, to facilitate payments from the trust to be put on DELCORA customer bills.

37. Upon Commission approval of this Application and completion of the proposed transaction, Aqua will begin to provide wastewater service in its name to the customers in the Requested Territory. It will implement its *Rules and Regulations* to govern the provision of

wastewater service in the Requested Territory, as those *Rules and Regulations* are in effect from time to time for Aqua.

38. Copies of the notices that will be sent to customers of Aqua and to customers of DELCORA describing the filing and the anticipated effect on rates are attached hereto as follows:

- Exhibit I1 – Notice to Aqua Water and Wastewater Customers**
- Exhibit I2 – Notice to DELCORA Chester Ridley Creek Customers**
- Exhibit I3 – Notice to DELCORA Eastern Authority Customers**
- Exhibit I4 – Notice to DELCORA Edgmont Customers**
- Exhibit I5 – Notice to DELCORA Pocopson Preserve Customers**
- Exhibit I6 – Notice to DELCORA Pocopson Riverside Customers**
- Exhibit I7 – Notice to DELCORA Residential, Commercial, Marcus Hook and Minimum Accounts**
- Exhibit I8 – Notice to DELCORA Rose Valley Area Customers**
- Exhibit I9 – Notice to DELCORA Springhill Farms Customers**
- Exhibit I10 – Notice to DELCORA Western Retail Industrial Customers**
- Exhibit I11 – Notice to DELCORA Western Wholesale Customers**
- Exhibit I12 – Notice to DELCORA Western Wholesale Industrial Customers**

VII. COST OF SERVICE

39. Copies of DELCORA's Annual Financial Report for 2017 and 2018 are attached hereto as **Exhibit J1** and **Exhibit J2**. For the year ended December 31, 2018, DELCORA had Long Term Liabilities of \$178,388,713.

40. Copies of DELCORA's Adopted Annual Budgets for 2019 and 2020 are attached hereto as **Exhibit J3** and **Exhibit J4**.

41. A copy of DELCORA's most recent annual report filed with the Department of Community and Economic Development is attached hereto as **Exhibit K**.

42. Aqua projects annual revenue of \$70,978,127 from the DELCORA customers based on DELCORA's current rate schedule. The calculation of revenue is set forth in Appendix A of Mr. Packer's testimony.

43. Aqua estimates annual operating and maintenance expenses of \$41,408,283 based on DELCORA's operating expenses presented in the 2018 financial statements, adjusted by the Company.

VIII. PROOF OF COMPLIANCE

44. Aqua will presently operate the DELCORA wastewater system as a standalone system within Aqua's footprint overseen from Aqua's Southeastern Division Office, which is approximately 14 miles from the DELCORA Main Office. Aqua will keep the DELCORA office and operations centers in the City of Chester for a period of 25 years following Closing. Aqua will be offering employment to all current DELCORA employees.

45. Mr. Michael J. DiSantis will be the assigned Certified Wastewater Operator for the system. Mr. DiSantis' currently effective Wastewater Operator's License is attached hereto as **Exhibit L**.

46. Water Quality Management ("WQM") Permits for DELCORA's WRTP, Corinne Village WWTF, Sheeder Tract WWTF and Springhill Farms WWTF are attached as **Exhibit M1**, **Exhibit M2**, **Exhibit M3** and **Exhibit M4**, respectively. The WQM Permit for PWD's SWPCP is attached hereto as **Exhibit M5**.

47. The National Pollution Discharge Elimination System ("NPDES") Permits for DELCORA's WRTP and Springhill Farms WWTF are attached hereto as **Exhibit N1**⁵ and **Exhibit N2**, respectively. The NPDES Permit for PWD's SWPCP is attached hereto as **Exhibit N3**.⁶ Copies of Discharge Monitoring Reports ("DMR") for the DELCORA WRTP, Corinne Village WWTF, Sheeder Tract WWTF and Springhill Farms WWTF, from January 2015 through December 2019, are attached

⁵ Although the Permit shows an expiration date of April 30, 2018, DELCORA filed a timely application for renewal. The current Permit remains fully effective until DEP takes final action on the pending renewal application.

⁶ Although the Permit shows an expiration date of August 31, 2012, the PWD filed a timely application for renewal. The current Permit remains fully effective until DEP takes final action on the pending renewal application.

hereto as **Exhibit N4**, **Exhibit N5**, **Exhibit N6**, and **Exhibit N7**, respectively. Copies of DMRs for the PWD's SWPCP, from January 2015 through December 2019, are attached hereto as **Exhibit N8**.

48. Notices of Violations issued by DEP to DELCORA over the past five years are attached hereto as **Exhibit O1**. Consent Assessments of Civil Penalties between DEP and DELCORA over the past five years are attached hereto as **Exhibit O2**. The Consent Decree at Civ. No. 15-4652 in *United States of America and DEP v. DELCORA*, addressing alleged violations of the Clean Water Act and the Pennsylvania Clean Streams Law is attached hereto as **Exhibit O3**. DELCORA recently updated its Long-Term Control Plan ("LTCP") for the City of Chester's combined sewer system. The DELCORA LTCP is currently under review and is not final.⁷

49. Aqua is a Class A utility. It is in good standing with DEP and in general compliance with DEP with regard to the provision of wastewater service.

50. The service area comprising the Requested Territory is consistent with DELCORA's service area mapped by DELCORA and in compliance with DEP approved Act 537 Plans for the Eastern and Western Service Areas. Copies of DELCORA's Act 537 Plan documents for the Eastern and Western Service Areas are attached hereto as **Exhibit P1** and **Exhibit P2**, respectively. Copies of the Act 537 Plan documents for Chadds Ford Township, Chester County, Concord Township, Middletown Township, Newtown Township, Rose Valley Borough and Edgmont Borough are attached hereto as **Exhibit P3**, **Exhibit P4**, **Exhibit P5**, **Exhibit P6**, **Exhibit P7**, **Exhibit P8**, and **Exhibit P9**, respectively. A copy of the Act 537 Plan documents for PWD's SWPCP is attached hereto as **Exhibit P10**.

51. The web address for the Delaware County Comprehensive Plan is: <https://www.delcopa.gov/planning/delawarecounty2035.html>. The web address for the Chester County

⁷ Because the DELCORA LTCP is not final and is over 3,700 pages, electronic copies can be provided upon request.

Comprehensive Plan is: <https://chescoplanning.org/Landscapes3/0-Home.cfm>. Aqua is not proposing to expand service beyond the existing plant footprint.

52. Aqua has an existing operational presence and wastewater professionals in the area. Aqua provides wastewater service in Delaware and Chester Counties and Aqua and DELCORA have wastewater systems in close proximity to each other. Aqua's Southeastern Division Office is approximately 14 miles from the DELCORA Main Office. The acquisition will easily fold into Aqua's existing wastewater operations. A listing of Aqua's nearby facilities in Delaware and Chester Counties is as follows:

Delaware County

Aqua Facilities	Distance (miles) to W RTP
Media WWTF	6
Willistown Woods WWTF	12
Aqua Headquarters	14

Chester County (Pocopson)

Aqua Facilities	Distance (miles) to W RTP
Bridlewood WWTF	3
Brandywine River Estates WWTF	2

Chester County (Springhill Farms)

Aqua Facilities	Distance (miles) to W RTP
Penn Oaks WWTF	3
Bridlewood WWTF	4

53. Aqua is not anticipating any physical, operational or managerial changes at its Southeastern Division Office as a result of the acquisition.

54. Planned capital improvement projects are addressed in the testimony of Mr. Lucca and Mr. Bubel.

IX. AFFECTED PERSONS

55. No corporation or entity, except DELCORA, is now furnishing or has corporate or franchise rights to furnish wastewater service in the Requested Territory, and no competitive condition will be created by approval of this Application. Aqua Pennsylvania, the Chester Water Authority, and PWD provide water service within the Requested Territory and abut or are within one mile of the Requested Territory. Wastewater service providers abutting or within one mile of the Requested Territory are as follows:

Brookhaven Borough
Central Delaware County Authority
Chadds Ford Township Sewer Authority
Concord Township Sewer Authority
Darby Creek Joint Authority
Middletown Township, Delaware County, Sewer Authority
Muckinipates Authority
Newtown Twp, Delaware Co., Municipal Authority
Philadelphia Water Department
Radnor-Haverford-Marple Sewer Authority
Southern Delaware County Authority
Southwest Delaware County Municipal Authority
Tinicum Township, Delaware County, Sewage Authority
Upper Providence Township Sewer Authority

X. REASONS SUPPORTING THIS APPLICATION

56. Approval of this Application is necessary or proper for the service, accommodation, convenience or safety of the public. As summarized below and discussed further in the testimonies of Mr. Lucca, Mr. Packer, and Mr. Willert, which as identified in Section XI below, are attached hereto as **Exhibit U1**, **Exhibit U2**, and **Exhibit W1**:

a. The acquisition is consistent with the Commission's long-standing policy supporting the consolidation/regionalization of water/wastewater systems. Through consolidation/regionalization, the utility industry has a better chance to realize the benefits of better management practices, economies of scale, and the resulting greater

environmental/economic benefits. The Commission has previously stated that “acquisitions of smaller systems by larger more viable systems will likely improve the overall long-term viability of the water and wastewater industry.”⁸ The benefits of consolidation/regionalization, ultimately, inure to customers both existing and acquired. Although it does not involve a small system, the Proposed Transaction embodies all of the principles noted in the Commission’s policy statement.

b. Aqua provides utility service to approximately 35,000 wastewater customers and has years of experience operating wastewater treatment and collection systems in a safe, reliable and efficient manner. Aqua has the managerial, technical, and financial resources to improve the DELCORA wastewater system.⁹ Aqua has acquired 15 wastewater systems over the past 10 years. The inherent combining of systems and customers provides stability in the day to day utility operations, in that, these systems do not all require major capital investments at the same time and, therefore, the financial impacts of various discrete projects and investments can be spread over the long term operations of the acquiring utility as a whole.

c. DELCORA’s customers will benefit by becoming part of a larger-scale, efficiently operated, water and wastewater utility. Aqua has operations in nearby and overlapping service areas and will be able to merge and integrate DELCORA’s customers by folding them into a larger-scale, efficiently operated water and wastewater utility that over time will likely yield further efficiencies and improve long-term viability as envisioned in the Commission policy statement. Aqua is projecting lower operating and

⁸ Pennsylvania Public Utility Commission, Final Policy Statement on Acquisitions of Water and Wastewater Systems, Docket No. M-00051926, Final Order at 18 (Aug. 17, 2006).

⁹ As a certificated provider of utility service, Aqua’s fitness is presumed. *See Re Pennsylvania-American Water Company*, 85 PA PUC 548 (1995).

maintenance costs that will likely be realized through reductions in cost for wastewater treatment through the investment in the expansion of the WRTP and force main to divert flows to the WRTP from PWD, as well as efficiencies in administrative and general costs, such as insurance, auditing, legal among others.

d. DELCORA's customers will also benefit through customer service enhancements and protections provided by Aqua. Aqua has procedures in place under Chapter 14 of the Public Utility Code, 66 Pa. C.S. 1401 *et seq.* and Chapter 56 of the Commission's regulations, 52 Pa Code Chapter 56.1 *et seq.*, that provide for billing, payment, collection, termination and reconnection of service, payment arrangements, medical certifications, and formal and informal complaint procedures. By DELCORA becoming part of a regulated public utility, these protections will be available to DELCORA's customers. DELCORA low income customers will be able to enroll in Aqua's Helping Hand program.

e. The acquisition will benefit Aqua's existing customer and is significant to Aqua's existing wastewater platform. The addition of the DELCORA customers will create the equivalent size of Aqua PA's Main Division. The addition of the DELCORA Wastewater system will increase Aqua's customer base by 45%. By virtue of the Aqua's larger combined customer base, future infrastructure investments across the Commonwealth driven by normal replacement cycles, emergency repairs, emergency response or compliance with new environmental regulations will be shared at a lower incremental cost per customer for all of Aqua's customers over time.

f. The Proposed Transaction will not have any immediate impact on the rates of either DELCORA's customers or Aqua's existing customers. DELCORA sets its budget

each year prior to December 1 and has increased rates charged to customers in each year. Through the Proposed Transaction, Aqua will implement DELCORA's existing base customer rates, which will remain in effect until Aqua's next base rate case is filed and concluded.

g. Planned capital projects will provide benefits by removing significant and increasing costs of contributing to PWD's LTCP. The elimination of treatment expense to PWD will result in greater control over treatment costs in the future. By investing capital now to expand the WRTP, Aqua and DELCORA will, in essence, be in control of their own destiny.

h. In *McCloskey v. Pa. P.U.C.*, No. 1624 C.D. 2017 (2018), the Commonwealth Court held that Commission findings: (i) that Aqua, as the owner of numerous water and wastewater systems has sufficient operational expertise and ability to raise capital to support system operations; and (ii) that the Commission has a policy of consolidation/regionalization of wastewater system assets that allows for increased maintenance, upgrade and expansion of public sewer and water facilities, are substantial evidence, consistent with *Popowsky v. Pa. P.U.C.*, 937 A.2d 1040 (Pa. 2007) to support a conclusion that there is a public benefit to a transaction. This same analysis supports the public benefit of this transaction;

i. The acquisition will not have any immediate impact on the rates of either existing customers of Aqua or DELCORA customers. While the increase in rate base may ultimately require an increase in revenue, the hypothetical impact on rates is outweighed by the recognized benefits of Aqua's ownership including its expertise and ability to raise capital; the furtherance of consolidation/regionalization of wastewater services; and the

spreading of costs over a larger customer base. Aqua is acquiring the DELCORA system at less rate base per customer than its existing systems, which indicates there are economies of scale that will be realized from the transaction. Perhaps more significantly, the acquisition furthers the objective of the General Assembly with the enactment of Section 1329. While *McCloskey* concludes that rate impact should be addressed, it recognizes that it is not dispositive in the Commission's determination of substantial affirmative benefits.

j. DELCORA has agreed to sell its Assets. The public interest and need will be served by allowing Aqua, in lieu of DELCORA, to provide wastewater service in the Requested Territory and to address the issues of regulatory requirements and capital expenditures. The DELCORA system will benefit from the support of wastewater professionals throughout Aqua's organization

XI. ADDITIONAL INFORMATION REQUIRED BY SECTION 1329 OF THE PUBLIC UTILITY CODE AND THE PUBLIC UTILITY COMMISSION'S 1329 CHECKLIST

57. Aqua and DELCORA have agreed to use the process presented in Section 1329 of the Public Utility Code, 66 Pa. C.S. § 1329, to determine the fair market value of the Assets and the ratemaking rate base. Aqua's verified statement that it selected Gannett Fleming Valuation and Rate Consultants, LLC ("Gannett Fleming") as its Utility Valuation Expert is attached hereto as **Exhibit AA1**. DELCORA's verified statement that it selected ScottMadden, Inc. ("ScottMadden") as its Utility Valuation Expert is attached hereto as **Exhibit AA2**.

58. As required by Section 1329(d)(1)(i), copies of the Fair Market Value Appraisal Reports of Gannett Fleming, Utility Valuation Expert, and ScottMadden, Utility Valuation Expert, are attached hereto as **Exhibit Q** and **Exhibit R**, respectively. Confidential and Proprietary Work Paper

Files, in Excel Format, of Gannett Fleming and ScottMadden are provided on Confidential CDs included with the Application.

59. Applicant states that the purchase price of the Assets of the selling utility as agreed to by Aqua and DELCORA is \$276,500,000.

60. The ratemaking rate base determined pursuant to Section 1329(c)(2) of the Public Utility Code is \$276,500,000, being the lesser of the purchase price of \$276,500,000 negotiated by Aqua and DELCORA and the average of the fair market value appraisals which is \$358,538,503 – determined by \$408,883,000 presented in the appraisal of Gannett Fleming and \$308,194,006 presented in the appraisal of ScottMadden.

61. Aqua will incur transaction and closing costs of approximately \$750,000, which it will include in its rate base.

62. A schedule of rates tariff pages implementing rates equal to the rates of DELCORA at the time of closing is attached hereto as Exhibit G, as previously stated.

63. Applicant verifies that Gannett Fleming was selected by Aqua, the acquiring public utility, and that ScottMadden was selected by DELCORA, the selling municipality.

64. The Utility Valuation Experts were paid \$61,913 for the completed Fair Market Value Appraisal Reports. Documentation of the fees paid to Gannett Fleming and ScottMadden, including the valuation service agreements and all associated invoices, are attached hereto as **Exhibit S1** and **Exhibit S2**, respectively. Fees paid to the Experts did not exceed 5% of the fair market value of the selling utility.

65. Statements of Gannett Fleming and of ScottMadden verifying that they have no affiliation with Aqua or DELCORA as specified in Section 1329; that their Appraisals determined fair market value in compliance with the most recent edition of the Uniform Standards of Professional

Appraisal Practice as of the date of their report, employing the cost, market and income approaches; and that they applied applicable jurisdictional exceptions to their submitted Appraisal are attached hereto as **Exhibit T1** and **Exhibit T2**, respectively.

66. The testimony of Marc A. Lucca, William C. Packer, Erin M. Feeney and Mark J. Bubel, Sr., in support of this Application is attached hereto as **Exhibit U1**, **Exhibit U2**, **Exhibit U3**, and **Exhibit V**, respectively.

67. The testimony of Robert Willert, John Pileggi and Michael DiSantis in support of this Application is attached hereto as **Exhibit W1**, **Exhibit W2**, and **Exhibit W3**, respectively.

68. The Engineer's Asset Inventory of tangible assets of DELCORA is attached hereto as Exhibit D as aforesaid.

69. The testimony of Harold Walker, III, in support of the Gannett Appraisal is attached hereto as **Exhibit X**.

70. The testimony of Dylan D'Ascendis in support of the ScottMadden Appraisal is attached hereto as **Exhibit Y**.

71. Answers to the Section 1329 Application Standard Data Requests are attached hereto as **Exhibit Z**.

XII. SECTION 507 APPROVAL OF ASSIGNMENT OF CONTRACTS

72. Section 507 of the Code provides that, except for contracts between a public utility and a municipal corporation to furnish service at tariff rates, no contract or agreement between a public utility and a municipal corporation shall be valid unless filed with the Commission at least 30 days prior to its effective date.

73. Aqua requests that the Commission, to the extent necessary, issue certificates of filing, pursuant to Section 507, for the Asset Purchase Agreement dated September 17, 2019 and First

Amendment to the Asset Purchase Agreement dated February 24, 2020 by and among DELCORA and Aqua and for the assignment of the 163 contracts identified on Schedule 4.15 of the APA and provided with this Application as Exhibits F1 through F163.

XIII. OTHER APPROVALS, CERTIFICATES, REGISTRATIONS AND RELIEF, IF ANY

74. Aqua asks that the Commission issue such other approvals, certificates, registrations and relief, if any, that may be required with respect to Aqua's acquisition of the DELCORA wastewater system assets.

XIV. CONCLUSION

WHEREFORE, Aqua requests that the Public Utility Commission approve this Application, filed pursuant to Sections 1102, 1329 and 507 of the Public Utility Code, and:

a. Issue *Certificates of Public Convenience* under §1102 of the Pennsylvania Public Utility Code:

(1) Authorizing Aqua to acquire, by purchase, the wastewater system assets of DELCORA; and

(2) Authorizing Aqua to begin to offer, render, furnish and supply wastewater service to the public in the Requested Territory covered by this Application.

b. Authorize Aqua to file tariff revisions, effective upon one day's notice, to:

(1) Include within its territory all the Requested Territory covered by this Application;

(2) Adopt and apply DELCORA's rates as set forth in this Application as Aqua's Base Rates within the Requested Territory; and

(3) Apply Aqua's *Rules and Regulations* within the Requested Territory.

c. Enter an *Order* approving this Application and Aqua's acquisition of the Assets and, as part of that *Order* include the ratemaking rate base of DELCORA as \$276,500,000 pursuant to Section 1329(c)(2) of the Public Utility Code;

d. Approve Contracts, including Assignment of Contracts, and the Memorandum of Understanding between Aqua and DELCORA, pursuant to Section 507 of the Public Utility Code, and to allow Aqua to apply DELCORA customer assistance payments on DELCORA customer bills; and

d. Issue such other approvals, certificates, registrations and relief, if any, under the Public Utility Code that may be required with respect to Aqua's acquisition of the DELCORA wastewater system assets.

Respectfully submitted,

AQUA PENNSYLVANIA WASTEWATER, INC.

By 

Thomas T. Niesen, Esquire
PA Attorney ID No. 31379
Thomas, Niesen & Thomas, LLC
212 Locust Street, Suite 302
Harrisburg, PA 17101
tniesen@tntlawfirm.com
Tel. No. (717) 255-7600
Fax No. (717) 236-8278

Counsel for Aqua Pennsylvania Wastewater, Inc.

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