
EXHIBIT W1

TESTIMONY OF ROBERT WILLERT

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2019-3015173

AQUA STATEMENT NO. 5

**DIRECT TESTIMONY OF
ROBERT WILLERT
EXECUTIVE DIRECTOR
DELCORA**

**With Regard To
Description of DELCORA and Its Wastewater System
Overview of DELCORA's Sale Process
Public Benefits of the Proposed Transaction
DELCORA Customer Trust**

March 3, 2020

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1 **I. INTRODUCTION**

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

3 A. My name is Robert Willert. My business address is 100 East Fifth Street, Chester, PA
4 19013.

5

6 **Q. In what capacity are you affiliated with the Delaware County Regional Water
7 Quality Control Authority (“DELCORA”)?**

8 A. I am the Executive Director of DELCORA.

9

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

11 A. I graduated from Saint Joseph’s University with a Bachelor of Science degree in 1981. I
12 have served as DELCORA’s Executive Director since January 2015. Prior to that, I was
13 the Township Manager for Concord Township, Delaware County from 2003 to 2014,
14 where my duties included oversight of the township’s ownership and operation of a 1.2
15 million gallons per day (“MGD”) wastewater treatment plant. I was also a member of
16 DELCORA’s Board of Directors from 2002 to 2014. As a board member, I served on the
17 Operations & Engineering committee from 2002-2012, the Finance committee from
18 2002-2014, the Strategic Planning and Goals committee from 2013-2014, as Legal
19 Liaison from 2009-2014, and as the 2014 Human Resources & Administration Chairman.

20

21 **Q. Have you testified before the Pennsylvania Public Utility Commission (“PUC” or
22 the “Commission”) before?**

23 A. No.

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

A. My testimony is on behalf of DELCORA and in support of Aqua Pennsylvania Wastewater, Inc. (“Aqua”) in this proceeding.

Q. What is the purpose of your direct testimony?

A. The purpose of my testimony is as follows: (1) to provide a description of DELCORA and its sanitary wastewater collection and conveyance system (the “System”) and (2) 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 (“APA”) between DELCORA and Aqua dated September 17, 2019, as amended via Amendment No. 1 to the APA on February 24, 2020 (the “Proposed Transaction”).

- In particular, I will focus on the numerous benefits of the Proposed Transaction that are most important to DELCORA and the customers who use the System, including:
- After paying off outstanding debt, the majority of the sale proceeds will be placed into an irrevocable trust dedicated to provide customer assistance payments to DELCORA customer bills, which will benefit customers for years to come. A primary focus for DELCORA was on mitigating future bill impacts for its customers. As will be explained in greater detail, under the outlined plan, the Proposed Transaction results in the least impact and cost increase to customers than the other alternative courses of action considered by DELCORA;
 - Aqua, and Aqua Pennsylvania, Inc. (“Aqua PA”), are familiar with the area as it currently serves nearly 500,000 people in Delaware County and approximately

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200,000 people in Chester County, which provides economies of scale, including operational efficiencies, combined billing processes and capital replacement planning and execution;

- Customers will benefit from Aqua's long-standing capital improvement programs, its experience in improving and correcting systems with compliance issues, and its capability to make long-term investments in necessary capital improvements to the wastewater system;
- DELCORA's customers will benefit from protections provided by the Commission's regulations including access to Helping Hand and operational functions performed by Aqua's team of experienced water and wastewater professionals;
- Aqua has committed to preserving the jobs of DELCORA's employees; and
- Aqua has a proven record of environmental stewardship for the operation of wastewater systems.

Q. Are you sponsoring any Exhibits with your testimony?

A. No.

II. DESCRIPTION OF DELCORA AND ITS WASTEWATER SYSTEM

Q. Please provide a general overview of DELCORA.

A. DELCORA was created October 20, 1971, by a resolution of the Council of the County of Delaware, Pennsylvania, under the authority of the Municipality Authorities Act of 1945. DELCORA has since been serving Delaware and Chester County residents for over four decades by collecting, conveying and treating wastewater in a safe and effective

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1 manner that prevents contamination of streams, rivers, and general water supply.

2 Through its extensive infrastructure, DELCORA has worked diligently to ensure that its
3 customers of Delaware and Chester Counties are provided quality wastewater service by
4 meeting and, in many cases, exceeding the water discharge mandates set by the
5 Pennsylvania Department of Environmental Protection (“DEP”) and the US
6 Environmental Protection Agency (“EPA”).

7
8 **Q. Please provide an overview of DELCORA’s wastewater system.**

9 A. DELCORA owns and operates an extensive system of pump stations, force mains, and
10 sewers that provide the core infrastructure for the transmission of wastewater to treatment
11 facilities in Delaware County and the City of Philadelphia. DELCORA also owns and
12 operates smaller systems in Chester County. DELCORA owns and operates over 180
13 miles of sewer infrastructure, the vast majority of which are sanitary in nature. These
14 flows are directed to two treatment facilities: one in Delaware County, and one in
15 Philadelphia. DELCORA currently serves approximately 16,000 customers, and overall
16 collects, conveys and treats approximately 197,000 Equivalent Dwelling Units (“EDUs”)
17 from all classes, including retail, wholesale, municipal, industrial, and commercial.

18 DELCORA’s system is divided into two service areas: Eastern and Western. The
19 facility located in, and owned by, Philadelphia – the Philadelphia Water Department’s
20 (“PWD”) Southwest Water Pollution Control Plant (“SWPCP”) – primarily serves the
21 Eastern service area, and the facility in Delaware County owned by DELCORA –
22 Western Regional Treatment Plant (“WRTP”) – primarily serves the Western service
23 area. The dividing line between the two areas generally tracks along Chester Creek.

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Q. Is it always the case that water flow in the Eastern service area goes to the PSWPCP and water flow in the Western service area goes to the WRTP?

A. Not necessarily. In 2004, DELCORA undertook a diversion project to accommodate increased water flows in DELCORA’s Eastern service area. As a result, dry weather flow and flow in a wet weather event less than 20 MGD from the Central Delaware County Authority (located in the Eastern service area) goes to the WRTP. When a rain event occurs, any water flow in excess of 20 MGD is split between service areas.

III. BENEFITS OF THE PROPOSED TRANSACTION

Q. What prompted DELCORA to explore a sale of its wastewater system?

A. Like many municipalities and authorities throughout the Commonwealth, DELCORA is facing significant infrastructure improvements, increased expenses and more stringent environmental regulations. DELCORA did not arrive at the decision to sell the System lightly. The decision was the result of a confluence of factors and careful deliberation by DELCORA in order to determine a path forward that would continue to provide safe and reliable service while mitigating future rate increases. As described below, there were two factors that primarily contributed to the decision: (1) the prohibitively high expense that DELCORA will face if it continues to have its Eastern service area treated by PWD; and (2) the costs DELCORA will incur to repair its Delaware County infrastructure in order to comply with current requirements and regulations set out by the EPA. Given these facts and circumstances, DELCORA began considering a partnership with a utility

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1 like Aqua that has extensive experience in large scale capital investment projects over
2 multi-year periods.

3
4 **Q. Please provide a general overview of DELCORA's current reliance on PWD's**
5 **treatment of its wastewater.**

6 A. DELCORA has worked with PWD via a contractual relationship since the 1970s. When
7 three of DELCORA's treatment plants in its Eastern service area were taken out of
8 service in the early 1970s, DELCORA contracted with PWD to treat its wastewater in
9 that service area.

10 DELCORA's initial contract with PWD was originally for a term of at least thirty
11 years, running through 2004. Through various amendments, DELCORA and PWD
12 extended the contract until 2013. In 2013, DELCORA and PWD entered into a new 15-
13 year contract, which will expire in 2028.

14
15 **Q. What is DELCORA's plan for treatment in the Eastern service area after 2028?**

16 A. DELCORA intends to leave PWD and expand our operational capacities, upgrading the
17 WRTP and conveying all wastewater from the Eastern service area to it.

18
19 **Q. Please provide background on DELCORA's decision to leave PWD.**

20 A. Like other wastewater providers that send flow to PWD, DELCORA has proactively
21 endeavored to act in the best interests of its customers in planning for future capacity
22 needs controlled by PWD and federal environmental regulations. In 2004, the time when
23 DELCORA's initial contract with PWD would have expired, PWD began discussions

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1 with the EPA about its own system capabilities and Long-Term Control Plan (“LTCP”).
2 Because of the uncertainty involved in that process, PWD informed DELCORA that it
3 did not wish to enter into another long-term contract. Instead, PWD and DELCORA
4 extended the terms of the then-existing contract, agreeing to revisit the issue once PWD
5 had a better idea of the costs involved of any LTCP that would result from its discussions
6 with the EPA.

7 PWD and the EPA ultimately agreed upon a LTCP. Subsequently, and in
8 connection with that, PWD and DELCORA agreed on a new fifteen-year contract in
9 2013. As part of that contract, DELCORA agreed to pay a share of the costs involved
10 with the implementation of the LTCP. At the time, PWD stated that it would implement
11 the LTCP by way of a 25-year capital investment plan, the total costs of which were
12 estimated to be approximately \$2.4 billion. Based on flow and the capacity of PWD’s
13 system, PWD projected that this would result in a cost to DELCORA of \$178 million
14 over 25 years.

15 At the same time, DELCORA engaged an engineering consultant to perform an
16 analysis of what it would cost if it disconnected from PWD and expanded the WRTP.
17 The analysis concluded that it would cost \$350-\$400 million. Based on those projected
18 costs as compared to the projected costs provided by PWD at the time, DELCORA
19 decided to remain in partnership with PWD. DELCORA entered into the new 15-year
20 agreement with PWD as a result.

21 This changed in December 2017, when PWD informed DELCORA that its
22 projected costs for its LTCP had dramatically increased to approximately \$4.5 billion.
23 PWD revised its estimate of DELCORA’s share of those costs to approximately \$606

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1 million. This was only an estimate and was provided without any assurance that those
2 costs would not actually be higher than projected. In addition, PWD stated that it would
3 now take 25 years from 2017 (until 2042) to implement the plan. As a result, DELCORA
4 took another look at whether it would make more sense from a cost perspective for it to
5 end its partnership with PWD and expand its operational capabilities at the WRTP.
6 DELCORA determined that this was indeed the case.

7
8 **Q. Has DELCORA had its own interactions with the EPA?**

9 A. Yes, and these interactions impacted DELCORA's decision to explore a sale of its
10 System. DELCORA has been faced with the challenge of how to maintain the excellent
11 quality of services it provides to its customers while now incurring the significant
12 expenses that come with compliance with significant EPA requirements.

13 DELCORA's first long-term control plan for Delaware County was approved by
14 the EPA and implemented in 1999. In 2008, DELCORA received correspondence from
15 the EPA requesting information pursuant to Section 308 of the Clean Water Act, which
16 provides the authority for the EPA to make such a request due to suspected non-
17 compliance with NPDES permit limits. After DELCORA complied with this request, the
18 EPA informed DELCORA that it was not in compliance with the Clean Water Act.

19 During the ensuing years, DELCORA and the EPA engaged in discussions as to
20 what a new long-term control plan would entail. Initially, DELCORA focused on
21 remedying wet weather issues in its Western service area, particularly in Chester.
22 DELCORA's initial projections indicated that the repairs needed in Chester would cost a
23 reasonable amount of approximately \$12 million. Ultimately, however, DELCORA

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1 came to realize that the costs involved to remedy the wet weather issues identified by the
2 EPA were considerably more. At the moment, the LTCP projects that it would cost \$87
3 million dollars over 15 years. The LTCP is currently under review with the DEP and
4 EPA and is not final.

5
6 **Q. How did these issues lead to the transaction with Aqua?**

7 A. Due to the challenges described above (both with respect to the PWD and the EPA), in
8 2018 DELCORA began to explore alternative solutions to address the infrastructure
9 challenges and likely rate impacts. That process involved meeting with municipalities
10 and stakeholders, as well as determining how much investment would be needed to leave
11 PWD at the end of DELCORA's current contract with it in 2028. In order to be in a
12 position to do that, an immediate investment of \$450 million is required in order to (a)
13 build a new pipeline to convey all wastewater from the Eastern service area to the WRTP,
14 and (b) upgrade and upsize the WRTP so that it can accommodate this increase in
15 volume. This process will take approximately eight years, which is why DELCORA
16 must begin working toward these goals immediately to be positioned to disconnect from
17 PWD in 2028.

18 As a result, in the summer of 2019, DELCORA entered into discussions with
19 Aqua for the purchase of DELCORA's system. Aqua is a large provider of
20 water/wastewater utility service in Delaware and Chester Counties, making it a logical
21 partner for DELCORA.

22 The parties sought a partnership whereby they would both realize benefits from
23 necessary capital and financial obligations, growth in overall customers, and economies

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1 of scale from similar geographic areas served. After arms-length negotiations,
2 DELCORA and Aqua entered into the APA on September 17, 2019.

3
4 **Q. Did DELCORA bid out the sale of its System?**

5 A. No. DELCORA decided not to bid out the sale of the System because it did not want to
6 engage in a bidding war that would lead to a scenario that could ultimately be detrimental
7 to customers. In our view, a bidding process would not guarantee the best outcome for
8 our customers and would likely only focus on a result promoting the highest possible
9 purchase price. Instead, the transaction with Aqua will create a DELCORA Customer
10 Trust Fund ("Trust") that will provide for customer assistance payments to be applied to
11 the DELCORA customer bills. At the same, time, the transaction will preserve jobs and
12 maintain the high quality of service to which our customers are accustomed. DELCORA
13 wanted to find the right partner, one with financial fitness and significant operational
14 capabilities along with a fair price for the System.

15
16 **Q. What is the purchase price agreed upon by DELCORA and Aqua?**

17 A. \$276.5 million.

18
19 **Q. How will the proceeds be used?**

20 A. The sale proceeds will first be used to satisfy DELCORA's outstanding debt. Once that
21 occurs, the bulk of the sale proceeds will be placed into the irrevocable Trust. Our goal,
22 through Trust payments to customers, is that bills for DELCORA customers will be
23 stabilized at an annual increase of 3% for 8-12 years.

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Q. How did DELCORA communicate the Proposed Transaction with stakeholders?

A. DELCORA engaged in a robust communications and outreach effort. I note that in 2016, DELCORA initially began having meetings related to the costs of its own LTCP. Meetings were held for the purpose of informing DELCORA’s stakeholders about the process that it was undertaking with respect to the LTCP. More recently, DELCORA held a series of meetings in September and October 2019, including multiple public meetings, to discuss the Proposed Transaction with stakeholders. This process included conducting over 20 meetings with employees, municipal officials and the Delaware County Council, and two public meetings with customers.

Q. Please further describe the benefits of the Proposed Transaction.

A. The impact on bills for DELCORA’s customers was one of the driving forces behind this transaction and is the primary benefit. The majority of the sale proceeds will be placed in an irrevocable trust for the benefit of DELCORA’s customers. It is my understanding that this is a relatively unique feature for a transaction of this nature and provides a substantial benefit to our customers. Given the considerable remedial costs expected over the next 15 years, rates will be increasing no matter who owns and operates the System.

Q. Please explain how the Proposed Transaction addresses future bill impacts for DELCORA customers.

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1 A. The Proposed Transaction creates an irrevocable trust fund that will contain the majority
2 of the sale proceeds, which will be used to ensure that DELCORA customer bills will
3 increase gradually for an extended period of time. I am not a lawyer, but I have been
4 advised that the Commission does not have jurisdiction over the Trust. However, as this
5 is a component of the Proposed Transaction, I will give a general overview. The Trust's
6 sole purpose is to make monetary distributions to be applied to DELCORA customer bills
7 as a customer assistance payment for the benefit of the DELCORA customers.

8 The Trust will be established as an irrevocable trust to ensure that the money
9 contributed to it will only ever be used for the benefit of DELCORA's customers. It will
10 have one independent, institutional trustee. The Trust will automatically terminate when
11 all money has been distributed for DELCORA customer bills and related expenses.

12 In summary, the impact of the Trust is expected to be a significant benefit to
13 DELCORA customers, particularly when compared with the bills that DELCORA's
14 customers would face if it either remained with the PWD or ended its partnership with
15 PWD but did not enter into the Proposed Transaction with Aqua.

16
17 **Q. How will the proceeds of the Trust be distributed to DELCORA customers?**

18 A. The Trust will be set up to provide monetary distributions to be applied to DELCORA
19 customer bills as a customer assistance payment line item. These payments will be for
20 the benefit of the DELCORA customers during the existence of the Trust.

21
22 **Q. Please describe any further benefits from the Proposed Transaction.**

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1 A. First, Aqua already has an operational presence in the areas currently served by
2 DELCORA. By merging its existing operations with DELCORA's System, Aqua will be
3 able to create a larger-scale, efficiently operated water and wastewater utility.
4 Operational efficiencies will include combined billing processes and capital replacement
5 planning and execution. It is my understanding that the efficiencies and long-term
6 viability will only increase over time. Due to the fact that Aqua already serves nearly
7 500,000 people in Delaware County and approximately 200,000 people in Chester
8 County, it has strong existing community relationships as well.

9 Second, Aqua was chosen as a partner for this transaction because it is uniquely
10 qualified to address needed capital improvements and build the infrastructure needed to
11 disconnect from PWD in 2028. Aqua has significant experience in large scale, complex
12 projects, such as the one that is needed to be in a position to leave PWD. DELCORA's
13 customers will benefit from Aqua's experience and fitness in deploying resources
14 towards capital improvements, as well as its experience in improving and correcting
15 systems with compliance issues.

16 Third, although DELCORA's customers currently receive excellent service, they
17 will receive enhanced customer service from Aqua, including protections provided by the
18 Commission's regulations including access to Helping Hand and operational functions
19 performed by Aqua's team of experienced water and wastewater professionals.

20 Fourth, Aqua has made a commitment to preserving jobs by hiring all DELCORA
21 employees. It is of critical importance to us to be able to proceed in a way that is in the
22 best interest of our customers while, at the same time, avoiding employment disruption

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1 for our employees to the greatest extent possible. We are extremely pleased to see that
2 Aqua has committed to this.

3 Finally, the Proposed Transaction provides environmental benefits. In addition to
4 Aqua's proven record for environmental stewardship, disconnecting from PWD and
5 partnership with Aqua will provide for water discharge into the Delaware River at a
6 location that is less environmentally sensitive.

7
8 **Q. Do you believe that the Proposed Transaction is in the public interest?**

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

11
12 **IV. CONCLUSION**

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

14 A. Yes, it does. However, I reserve the right to file additional testimony at a later date as
15 may be necessary or appropriate.