

Administrative Office:
P.O. Box 115
Harrisburg, PA 17108
Phone: 717-642-9500
Fax: 717-303-5219
Email: pwea@pwea.org
www.pwea.org



Member Association of the
Water Environment Federation

Technical Publication:
Keystone Water Quality Manager

Reference: PWEA Comments on PUC Tentative Supplemental Implementation Order – Valuation of Acquired Municipal and Wastewater systems – Act 12 of 2016 Implementation; M-2016-2543193.

To whom it may concern:

I am writing on behalf of the Pennsylvania Water Environment Association (PWEA) which represents over 1,800 members across the Commonwealth providing wastewater collection and treatment and storm water management to millions of its citizens.

We respectfully submit the following comments on PUC’s Tentative Supplemental Implementation Order – Valuation of Acquired Municipal and Wastewater systems – Act 12 of 2016 Implementation; M-2016-2543193.

PWEA has comments on three of the four proposed revisions – Public Hearings, Rate Impact Notice, and Default Weights for Appraisals, as follows (*supplemental order text is italicized, PWEA comments are in red*):

Public Hearings:

Text from supplemental order: *“When an acquiring utility and selling utility agree to use the procedure established by Section 1329, they should be required to schedule and conduct at least two in-person public hearings prior to executing the asset purchase agreement.”*

PWEA position: The PWEA strongly supports public notice requirements and communication with rate payers prior to the sale of a water or wastewater system. We support these public hearings, but suggest changing “should be required” to “shall be required”.

Text from supplemental order: *These public hearings should address the proposed acquisition, describe the potential rate impacts, provide the opportunity for public comment and be held at venues within the municipal boundaries of the selling utility, or at the nearest reasonable venues with Commission notification.*

PWEA position: We support the list of areas to be addressed in the hearings, but suggest changing “should address” to “shall address”.

Text from supplemental order: *Such public hearings may include a public meeting held by the municipal government in which the transaction is on the agenda as well as other meetings or open houses hosted by either the acquiring utility or selling utility.*

PWEA position: The venue for the public hearings is acceptable.

Text from supplemental order: *The acquiring utility or selling utility should be required to notify the selling utility's customers of the public hearing. Examples of effective notice include local newspapers, community newsletters, faith community bulletins, public service announcements, social media posts shared with community groups and municipalities, local radio and television*

Administrative Office:
P.O. Box 115
Harrisburg, PA 17108
Phone: 717-642-9500
Fax: 717-303-5219
Email: pwea@pwea.org
www.pwea.org



Member Association of the
Water Environment Federation

Technical Publication:
Keystone Water Quality Manager

stations, posting in areas of high foot traffic, communications to local community groups, and posting shared with local community centers. Direct outreach to concerned residents may also be considered as notice, whether through a phone call, text, letter, or email. The Commission's Section 1329 Application Filing Checklist should be revised to include public hearings and should include an attestation that the public hearings were held.

PWEA position: **The examples of notice are acceptable, but we suggest changing "should be required" to "shall be required".**

Rate Impact Notice

Text from supplemental order: The acquiring utility and the selling utility should be required to verify, or declare under affidavit, the following three items within the initial application.

- Both parties acknowledge the selling utility is aware of the potential rate impacts the transaction may have on the selling utility's customers. This would include detailing the overall dollar and percentage impact implicated from stand-alone rates from the transaction price.
- The selling utility has publicly communicated such implications on rates through notices issued to its existing customers.
- Both parties understand the Commission may shift rate allocations in a manner different from any commitments made in the underlying application.

PWEA position: **The three items to be verified are acceptable, but we suggest changing "should be required" to "shall be required".**

Default Weights for Appraisals

Text from supplemental order: *Act 12 directs appraisers, or utility valuation experts (UVEs), to establish a fair market value of the selling utility by utilizing the cost, market, and income approaches for valuation. The results of these three are then weighed in portions determined at the discretion of the UVE. While the vast majority of UVE appraisals are weighed evenly, review of previous applications does show a minority that weigh appraisals unevenly.*

We submit that the UVEs should weigh each valuation result evenly: one-third for cost, one-third for market, and one-third for income. Establishing such default weights will eliminate the ability of any UVE to artificially inflate or deflate the results of any appraisals that come in high or low, respectively. Furthermore, this should help to level the competitive bidding landscape of acquiring utilities by standardizing the process. We believe the Commission is empowered to establish such default weights by the Uniform Standards of Professional Appraisal Practice.⁷

Finally, we believe applicants should be availed an opportunity to seek Commission authority to deviate from these default weights with good cause shown. Such good cause for deviation would need to be included in the acquiring utility's Section 1329 application.

PWEA position: **We support requiring some level of consistency when establishing fair market value, and limiting the discretion used in weighting the assessments.**

Administrative Office:

P.O. Box 115
Harrisburg, PA 17108
Phone: 717-642-9500
Fax: 717-303-5219
Email: pwea@pwea.org
www.pwea.org



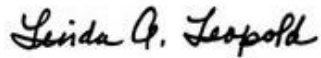
Member Association of the
Water Environment Federation

Technical Publication:
Keystone Water Quality Manager

PWEA members, in operating both public and private wastewater collection and treatment facilities, deliver essential public health services consistent with the requirements of the Safe Water Act among other federal and state mandates. We recognize the need to protect the public health and the environment, while maintaining reasonable rates for our customers. We believe our suggestions included in this letter would help accomplish those objectives.

Thank you for your consideration.

Sincerely,



Linda Leopold, President
Pennsylvania Water Environment Association (PWEA)

c: PWEA Board of Directors
PWEA Government Affairs Committee