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June 26, 2017

VIA E-FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
PO Box 3265
Suite 3130
Harrisburg, PA 17105

**RE: APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.
PURSUANT TO SECTIONS 1102 AND 1329 OF THE PUBLIC UTILITY CODE
FOR APPROVAL OF ITS ACQUISITION OF THE WASTEWATER SYSTEM
ASSETS OF LIMERICK TOWNSHIP,
DOCKET NO. A-2017-2605434**

Dear Secretary Chiavetta:

Enclosed herewith for filing today in the above-captioned proceeding is Limerick Township's Prehearing Memorandum.

Copies will be served on all known parties, as evidenced by the attached Certificates of Service.

If you have any questions, please do not hesitate to contact me at 215-575-7286.

Very truly yours,


Thomas S. Wyatt

cc: All Parties of Record

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

The Honorable Steven K. Haas, Presiding

**Application of Aqua Pennsylvania Wastewater, Inc., : Docket No. A-2017-2605434
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 Limerick :
Township situated within a portion of Limerick :
Township and within a portion of the Borough of :
Royersford, Montgomery County, Pennsylvania; (2) :
approval of the right of Aqua to begin to offer, :
render, furnish and supply wastewater service to the :
public in a portion of Limerick Township, :
Montgomery County, Pennsylvania; and (3) an order :
approving the acquisition that includes the :
ratemaking rate base of the Limerick Township :
wastewater system assets pursuant to Section :
1329(c)(2) of the Public Utility Code :**

**PREHEARING MEMORANDUM OF
LIMERICK TOWNSHIP**

AND NOW, comes Limerick Township (the “Township”) and submits this Prehearing Memorandum in connection with the Initial Prehearing Conference scheduled to be held in the above captioned matter on June 28, 2017.

I. BACKGROUND

This proceeding concerns the Application of Aqua Pennsylvania Wastewater, Inc. (“Aqua”), filed with the Public Utility Commission (“Commission”) on May 19, 2017, for approval of its acquisition of the wastewater system assets of Limerick Township pursuant to Sections 1102 and 1329 of the Public Utility Code.

By Secretarial Letter dated May 31, 2017, the Commission, *inter alia*, acknowledged receipt of the Application and advised that notice of its filing would be published in the Pennsylvania Bulletin on June 10, 2017. The Application was assigned Docket No. A-2017-2605434.

Administrative Law Judge Steven K. Haas was assigned to preside over the proceeding. An Initial Prehearing Conference was noticed for June 28, 2017.

Judge Haas issued a Prehearing Conference Order on June 9, 2017. Paragraph 6 of the Prehearing Conference Order directs parties to file and serve a prehearing memorandum on or before 4:00 PM on June 26, 2017.

II. LIST OF ISSUES AND THE TOWNSHIP'S POSITION IN REGARD TO THEM

There are two central issues in this Application proceeding:

Issue:

Should the Pennsylvania Public Utility Commission approve Aqua's application to (i) acquire the wastewater system assets of the Township and (ii) begin to offer, render, furnish and supply wastewater service to the public in a portion of the Township?

The Township's Position:

The Commission should issue one or more certificate(s) of public convenience approving the acquisition, because Aqua's acquisition of the wastewater system assets of the Township is necessary or proper for the service, accommodation, convenience or safety of the public.

- A. The Township is a small municipality (with approximately 18,000 residents as of 2010) that currently runs its own wastewater system that provides wastewater service only to Township residents. The Commission has a longstanding policy in favor of consolidation and regionalization of small, local water and wastewater systems in order to allow the industry to institute better management practices and achieve greater economies of

scale.¹ This acquisition will permit the Township to take advantage of Aqua's expertise in operating wastewater utility systems and regulatory compliance.

- B. Aqua is a viable operator of the Township's wastewater system, its viability will not be impaired by the acquisition, and it maintains the managerial, technical, and financial capabilities to safely and adequately operate the Township's system in compliance with 66 Pa.C.S. (relating to the Public Utility Code), the Pennsylvania Safe Drinking Water Act (35 P. S. §§ 721.1--721.17) and other requisite regulatory requirements.
- C. The democratically-elected officials of the Township believe that the sale of the Township's wastewater system is in the best interest of the residents of the Township, and they therefore have agreed to the sale to Aqua pursuant to a heavily negotiated Assets Purchase Agreement.
- D. Aqua is a regulated public utility that furnishes water and wastewater to the public in various counties throughout Pennsylvania, and it has the experience necessary to demonstrate that it is able to operate wastewater treatment and collection systems in a safe, reliable and efficient manner.
- E. Pursuant to the Assets Purchase Agreement, the acquisition will not have any immediate impact on the rates of the Township customers.

Issue:

Pursuant to Section 1329 of the Public Utility Code, what is the ratemaking rate base of the wastewater system assets of Limerick Township?

The Township's Position:

Under Section 1329 of the Public Utility Code, the ratemaking rate base of the wastewater system assets is set based on the lower of the purchase price or the average of two fair market value appraisals. The ratemaking rate base determined pursuant to Section 1329(c)(2) of the Public Utility Code is \$75,100,000, being the lesser of the purchase price of \$75,100,000 negotiated by Aqua and the Township and the average of the fair market value appraisals, which is \$78,494,000 – determined by \$80,098,000 (rounded) presented in the appraisal of Gannett Fleming Valuation and Rate Consultants, LLC and \$76,890,000 presented in the appraisal of Herbert, Rowland & Grubic.

¹ 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).

III. WITNESSES

The Township does not anticipate calling any witnesses at this time. The Township reserves its right to call witnesses, if necessary, and agrees to notify Administrative Law Judge Haas and the parties promptly should the Township determine that any witnesses will be called.

IV. LITIGATION SCHEDULE

The following litigation schedule is acceptable to the Township:

July 3, 2017 – Due Date for Non-Company Direct Testimony
July 11, 2017 – Due Date for Rebuttal Testimony
July 18, 2017 – Due Date for Surrebuttal Testimony
July 20-21, 2017 – Evidentiary Hearings (Oral Rejoinder)
August 11, 2017 – Main Briefs
August 18, 2017 – Reply Briefs

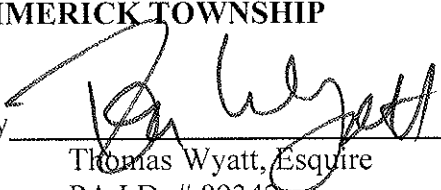
V. SETTLEMENT

The Township is willing to address settlement of all or part of the proceeding with the other parties.

Respectfully submitted,

LIMERICK TOWNSHIP

By



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Counsel for Limerick Township

Date: June 26, 2017

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Aqua Pennsylvania Wastewater, Inc., : Docket No. A-2017-2605434
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 Limerick Township :
situated within a portion of Limerick Township and :
within a portion of the Borough of Royersford, :
Montgomery County, Pennsylvania; (2) approval of the :
right of Aqua to begin to offer, render, furnish and :
supply wastewater service to the public in a portion of :
Limerick Township, Montgomery County, :
Pennsylvania; and (3) an order approving the :
acquisition that includes the ratemaking rate base of the :
Limerick Township wastewater system assets pursuant :
to Section 1329(c)(2) of the Public Utility Code :

CERTIFICATE OF SERVICE

I hereby certify that I have this 26th day of June, 2017, served a true and correct copy of the foregoing Prehearing Memorandum of Limerick Township, upon the persons and in the manner set forth below:

VIA ELECTRONIC AND 1ST CLASS MAIL

The Honorable Steven K. Haas
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