



THOMAS, NIESEN & THOMAS, LLC

Attorneys and Counsellors at Law

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June 26, 2017

Via Electronic Filing

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

In re: Docket No. A-2017-2605434

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

Dear Secretary Chiavetta:

We are counsel to Aqua Pennsylvania Wastewater, Inc. in the above matter and are submitting, via electronic filing with this letter, the Company's Prehearing Memorandum in accordance with the Prehearing Conference Order dated June 9, 2017. Copies of the Prehearing Memorandum are being served upon the persons and in the manner set forth on the certificate of service attached to it.

Very truly yours,

THOMAS, NIESEN & THOMAS, LLC

By

Thomas T. Niesen

cc: Certificate of Service (w/encl.)
Alexander R. Stahl, Esquire (via email, w/encl.)

**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
AQUA PENNSYLVANIA WASTEWATER, INC.**

AND NOW, comes Aqua Pennsylvania Wastewater, Inc. (“Aqua”) 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, 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 AQUA'S POSITION IN REGARD TO THEM

There are two central issues in this Application proceeding:

Issue:

Is Aqua's acquisition of the wastewater system assets of Limerick Township necessary or proper for the service, accommodation, convenience or safety of the public?

Aqua's Position:

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

As summarized in Section X of the Application:

- a. Aqua has the technical, regulatory, financial and legal fitness to operate the Assets of Limerick Township, and to maintain the operations and make improvements to meet continuing and future customer needs. The proposed transaction will not have an adverse effect on the service provided to existing customers of Aqua;
- b. Limerick Township has agreed to sell its Assets. The public interest and need will be served by allowing Aqua, in lieu of Limerick Township, to provide wastewater service in the Requested Territory and to address the

issues of regulatory requirements and capital expenditures. The Limerick Township system will benefit from the support of wastewater professionals throughout Aqua's organization;

- c. 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."¹ The benefits of consolidation/regionalization, ultimately, inure to customers both existing and acquired;
- d. Aqua provides utility service to approximately 20,000 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 operations of the Township;
- e. The acquisition will not have any immediate impact on the rates of either the Township customers or the existing customers of Aqua. Notably, Aqua has not had a base rate increase since 2010; and
- f. The acquisition of the Limerick Sewer system will increase Aqua's customer base by approximately 27%. With a larger customer base, future infrastructure investments, Statewide, will be shared at a lower incremental cost per customer for all Aqua customers. The acquisition, moreover, comes with the expectation of future growth. Future growth will spread the cost of service across even more customers, further improving economies of scale.

Issue:

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

Aqua's Position:

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 Limerick 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,

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).

LLC (“Gannett Fleming”) and \$76,890,000 presented in the appraisal of Herbert, Rowland & Grubic (“HRG”).

III. WITNESSES

The written direct testimony of William C. Packer and Mark J. Bubel, Sr., in support of the Application and the determination of the ratemaking rate base was attached as Exhibits U and Exhibit V, respectively, to the Application when it was submitted to the Commission on May 19, 2017. Their business addresses are stated in their respective statements of testimony.

Aqua also may call as witnesses Adrienne M. Vicari, P.E., of Herbert, Rowland and Grubic, Inc., Utility Valuation Expert, and Harold Walker, III, of Gannett Fleming Valuation and Rate Consultants, LLC, Utility Valuation Expert, in support of their respective fair market value appraisals performed pursuant to Section 1329. The address and telephone number for Ms. Vicari and for Mr. Walker are as follows:

Adrienne M. Vicari, P.E.
Herbert, Rowland & Grubic, Inc.
369 East Park Drive
Harrisburg, PA 17111
(717) 564-1121

Harold Walker, III
Gannett Fleming Valuation And Rate
Consultants, LLC
P.O. Box 80794
Valley Forge, PA 19484-0194
(610) 650-8101

Aqua also may call as a witness Khaled R. Hassan, P.E., of Pennoni Associates, Inc. (“Pennoni”). Pennoni performed the engineer’s assessment of tangible assets, included as Exhibit W to the Application. Mr. Hassan’s address and telephone number are as follows:

Khaled R. Hassan, P.E.
Pennoni Associates, Inc.
3100 Horizon Drive, Suite 200
King of Prussia, PA 19406
(610) 277-2402

Aqua also will submit its Application as an Exhibit in support of Commission approval of the proposed acquisition and the proposed ratemaking rate base. The items listed in Section

1329(d) of the Public Utility Code, including fair market value appraisals of Gannett Fleming, Utility Valuation Expert, and HRG, Utility Valuation Expert, were attached to the Section 1102 Application in accordance with Section 1329(d) when the Application was submitted to the Commission.

Aqua reserves the right to call additional witnesses, as necessary, and agrees to notify Administrative Law Judge Haas and the parties promptly should Aqua determine that additional witnesses will be called.

IV. LITIGATION SCHEDULE

The following litigation schedule is acceptable to Aqua:

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

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

Respectfully submitted,

AQUA PENNSYLVANIA WASTEWATER, INC.

By 

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Counsel for Aqua Pennsylvania Wastewater, Inc.

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 Aqua Pennsylvania Wastewater, Inc., 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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