

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
HARRISBURG, PENNSYLVANIA 17120**

**Application of Aqua Pennsylvania Wastewater,
Inc. Pursuant to Sections 1102 and 1329 of the
Public Utility Code for Approval and its Acquisition
Of the Wastewater System Assets of Limerick
Township**

**Public Meeting April 19, 2018
2605434-OSA
Docket No. A-2017-2605434**

STATEMENT OF COMMISSIONER NORMAN J. KENNARD

Before the Pennsylvania Public Utility Commission (Commission) for consideration and disposition is the Petition for Reconsideration filed by Aqua Pennsylvania Wastewater, Inc. (Aqua) of a Commission Order entered November 29, 2017. In the underlying transaction, Aqua filed an Application seeking approval of the acquisition of the wastewater system assets of Limerick Township, in Montgomery County, Pennsylvania (Township).

Act 12 of 2016 added §1329 to the Public Utility Code and established a clear legislative preference for municipal acquisition by private water/wastewater companies. There are many reasons for the General Assembly to have done so. Our regulated companies do a great job of providing services in an increasingly difficult environment. Deteriorating infrastructure and the growing complexity of water and sewage treatment regulations are two of those challenges.

The General Assembly wisely gave to the municipalities who could not or would not keep up with these developments the option to sell their water and sewer operations at a fair market value. Various municipal systems are struggling and in need of viable alternatives, including an exit strategy if they want one. I further agree with the clear mandate of the legislation that we should not be forced to wait for a system to become impaired before we can approve a fair valuation.

Thus far, the Commission has been presented with three §1329 cases to resolve – one was settled by all parties, another approved the purchase price after full litigation and, finally, this case, in which the agreed-to purchase price failed. This occurred because the Township’s appraisal did not stand up to proposed adjustments and was radically reduced from \$76.9 million to \$48.7 million. It is alarming to me that the Township’s appraisal, as adjusted, was so flawed and strayed so far below Aqua’s expert appraisal of \$80 million.

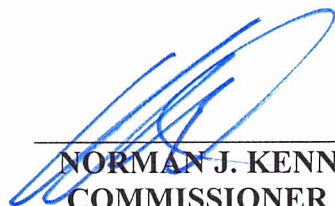
I know that this Commission is committed to fully and fairly implementing Act 12. The solution here is to further define what assumptions are appropriate in an appraisal. The Uniform Standards of Professional Appraisal Practice (USPAP) provides a minimum set of standards for the conduct of appraisals and does not attempt to prescribe specific methods to be used.

The Commission can and should establish a set of acceptable procedures, adjustments, and add-ins that will define reasonable parameters for appraisal of municipal utilities and reduce future controversy in these cases. This will add greater certainty to our process, diminish regulatory impediments to these valuable arms-length transactions, and best effectuate the process that was envisioned by the General Assembly.

Voting here today, it is consistent with the statutory intent of Act 12 to accept the Township's appraisal because it complies with the USPAP. Once we develop the standards discussed above, then we can refine and adjust the appraisals going forward. To raise new adjustments not described in USPAP without prior notice to the parties seems unfair and not what was intended by the General Assembly.

THEREFORE, I VOTE NO ON THE PROPOSED ORDER.

Date: April 19, 2018



**NORMAN J. KENNARD
COMMISSIONER**