

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application and related filings of Pennsylvania-American :
Water Company under Sections 507, 1102(a), and 1329 of the :
Pennsylvania Public Utility Code, 66 Pa. C.S. §§ 507, 1102(a), :
1329, for approval of its acquisition of wastewater system assets : Docket No. A-2018-_____ *et al.*
of Sadsbury Township, related wastewater service rights, fair :
market valuation ratemaking treatment, deferral of the post- :
acquisition improvement costs, and certain contracts with :
municipal corporations :

**DIRECT TESTIMONY OF
MICHAEL J. GUNTRUM ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER COMPANY**

Date: June 1, 2018

PAWC Statement No. 2

**DIRECT TESTIMONY OF
MICHAEL J. GUNTRUM**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

2 A. Michael J. Guntrum, 800 West Hersheypark Drive, Hershey, PA 17033.

3

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Pennsylvania-American Water Company (“PAWC” or the “Company”)
6 as a Senior Project Engineer in the Engineering Department.

7

8 **Q. WHAT ARE YOUR RESPONSIBILITIES AS A SENIOR PROJECT ENGINEER?**

9 A. As a Senior Project Engineer for PAWC, I am responsible for the performance of due
10 diligence activities related to potential water and wastewater acquisitions in the
11 Commonwealth of Pennsylvania.

12

13 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EDUCATION AND EXPERIENCE.**

14 A. I received my Bachelors of Science (B.S.) degree in civil engineering in 1994 and a Masters
15 of Engineering degree (M.E.) in Environmental Engineering in 1995 from the University
16 of Idaho. In 2010, I received my Masters in Business Administration (MBA) from
17 Lebanon Valley College. I have worked in various engineering roles and have over 22
18 years of experience in environmental engineering related to municipal and industrial water
19 and wastewater treatment. I have worked at PAWC since 2003 in roles related to the
20 acquisition of water and wastewater facilities. I am a registered Professional Engineer in

1 Pennsylvania and a hold a Project Management Professional (PMP) certification from the
2 Project Management Institute (PMI).

3
4 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PENNSYLVANIA**
5 **PUBLIC UTILITY COMMISSION?**

6 A. Yes. I have testified before the Pennsylvania Public Utility Commission (“Commission”).
7

8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

9 A. My prepared testimony describes the wastewater collection system (“System”) currently
10 owned by Sadsbury Township (“Sadsbury”) that PAWC has agreed to acquire
11 (“Transaction”), as more fully described in the direct testimony of Keith Gabage, PAWC
12 Statement No. 1. I will also testify about other topics that relate to the System, including
13 environmental compliance, PAWC’s overall technical fitness to acquire and operate the
14 System, and I will also describe how PAWC intends to operate the System once acquired.
15

16 **Q. CAN YOU PLEASE DESCRIBE THE SADSBURY SYSTEM?**

17 A. Based on information that PAWC received from Sadsbury and evaluated as well as my
18 personal knowledge of the System, the System consists of a sewer collection system with
19 one pump station. The collection system consists primarily of approximately 90,000 ft. of
20 8-inch plastic sewer pipe, approximately 450 manholes, and a small portion of force main.
21 The collection system is relatively new, with the oldest sections constructed in the early
22 2000s. The collection system is sanitary only. The System is interconnected with PAWC’s
23 existing Coatesville wastewater system, and all sewage collected by the System ultimately

1 flows into PAWC's Coatesville system for treatment and disposal. PAWC's Coatesville
2 treatment plant allocates capacity of 510,000 gpd to the Sadsbury System. The Sadsbury
3 System and PAWC's Coatesville system have adequate collection, treatment, and disposal
4 capacity to meet present and future customer demands. Please see **PAWC Exhibit MJG-**
5 **1** attached to this testimony for a map of PAWC's water and sewer service territories.

6
7 **Q. WHAT IS AN "MS4" SYSTEM?**

8 A. An MS4 is a "municipal separate storm sewer system."
9

10 **Q. IS PAWC ACQUIRING AN MS4 SYSTEM?**

11 A. No. PAWC will not be acquiring the MS4 system of Sadsbury.
12

13 **Q. IS THE SADBURY SYSTEM A COMBINED SEWER SYSTEM?**

14 A. No. The Sadsbury System is not a combined sewer system.
15

16 **Q. IS THERE AN INDUSTRIAL PRE-TREATMENT PROGRAM ASSOCIATED**
17 **WITH THE SADBURY SYSTEM?**

18 A. PAWC is unaware of any industrial customers within the Service Area that require
19 pretreatment of certain types of industrial wastes pursuant to an Industrial Pretreatment
20 Program ("IPP"). Nonetheless, PAWC is proposing to modify its tariff to include the
21 Sadsbury Service Area within its IPP (*see Pro Forma* Tariff Supplement, Section U–
22 Industrial Pretreatment Program (Scranton-Area) (All Service Areas under Rate Zones 1

1 (Except Coatesville), 2, 3 and XX-Sadsbury) (“IPP-S”), attached to Application as
2 **Appendix A-13).**

3
4 **Q. CAN YOU PLEASE DESCRIBE ANY ENVIRONMENTAL COMPLIANCE**
5 **ISSUES THAT YOU ARE AWARE OF RELATING TO THE SYSTEM?**

6 A. Based on information received and reviewed by PAWC, there have been no violations or
7 compliance issues with the Pennsylvania Department of Environmental Protection
8 (“DEP”) or the U.S. Environmental Protection Agency involving the System in the past
9 five years.

10
11 **Q. IS PAWC’S APPLICATION CONSISTENT WITH THE COMPREHENSIVE**
12 **PLANS OF CHESTER COUNTY AND SADSBUY TOWNSHIP?**

13 A. Yes. The Comprehensive Plans of Sadsbury Township and Chester County are attached
14 to the Application at **Appendix A-22-e.** On May 31, 2018, the Township confirmed that
15 the application is consistent with the Township’s and County’s comprehensive plans.
16 **Appendix A-22-e.**

17
18 **Q. IS THE COMPANY’S APPLICATION IN THIS PROCEEDING COMPLIANT**
19 **WITH THE APPLICABLE ACT 537 PLANS?**

20 A. Yes. Sadsbury has a DEP-approved Act 537 Plan and associated approved amendments
21 to the Act 537 Plan via planning modules. PAWC’s request in its Application to provide
22 wastewater services to the public within the Sadsbury municipal limits complies with

1 Sadsbury's most recently approved Act 537 Plan and subsequent planning modules
2 provided by the Township and attached to the Application as **Appendix A-22-b**.

3
4 **Q. WHAT ARE THE ANTICIPATED IMPROVEMENTS NEEDED TO THE**
5 **SADSBURY SYSTEM?**

6 A. PAWC plans to implement pump station SCADA and security improvements and
7 collection system improvements consisting of a sewer system survey and Infiltration and
8 Inflow assessment along with routine collection system replacement as shown in **PAWC**
9 **Exhibit MJG-2** attached to my testimony.

10
11 **Q. WHAT ARE THE ESTIMATED CAPITAL COSTS FOR THE SADSBURY**
12 **SYSTEM?**

13 A. As shown in **PAWC Exhibit MJG-2**, the 5-year capital plan for the Sadsbury System is
14 currently estimated at \$541,200.

15
16 **Q. IN YOUR OPINION, IS PAWC BETTER EQUIPPED THAN SADSBURY TO**
17 **OWN, OPERATE, AND MAINTAIN THE SYSTEM? IF YES, WHY?**

18 A. Yes. PAWC can draw upon a much broader range of engineering and operational
19 experience, as well as deeper financial resources, to address any environmental compliance
20 challenges of the System, and given PAWC's existing platform in relation to operation of
21 water and wastewater systems in neighboring communities, I believe that PAWC is better
22 positioned to provide those services on a cost-effective basis.

1 PAWC is the Commonwealth's largest investor-owned provider of water and
2 wastewater services. As a leading wastewater provider in Pennsylvania, PAWC brings
3 industry leading expertise and has extensive technical experience in upgrading, operating
4 and maintaining sewer facilities. PAWC is a recognized leader in providing communities
5 in the Commonwealth with well-maintained and reliable water and wastewater service and
6 has extensive local knowledge due to our decades of experience providing water service to
7 neighboring communities.

8 PAWC currently employs approximately 1,000 professionals with expertise in all
9 areas of water and wastewater utility operations including engineering, regulatory
10 compliance, water and wastewater treatment plant operation and maintenance, distribution
11 and collection system operation and maintenance, material management, risk management,
12 human resources, legal, accounting, and customer service.

13 As a subsidiary of American Water, PAWC has available to it additional resources
14 of highly trained professionals who have expertise in various specialized areas. American
15 Water currently owns or operates approximately 200 wastewater systems through its
16 subsidiaries in a number of states. American Water's experience includes the full breadth
17 of treatment processes, from facultative ponds to membrane biological reactors in every
18 climate zone across the U.S. More-advanced technologies allow a number of American
19 Water's plants to utilize effluent for reuse applications, eliminating discharge to receiving
20 streams. These diverse facilities have provided American Water operators and process
21 experts with deep experience in the operation and maintenance of every possible type of
22 wastewater treatment technology, as well as the experience available to support PAWC's
23 operations staff and facilities. A 50-person team of American Water corporate engineers

1 has handled a wide variety of system evaluations, selecting treatment processes and
2 establishing critical design criteria for water and wastewater treatment systems in order to
3 improve operations and prioritize capital improvements.

4 PAWC has an established track record of successfully managing large capital
5 investment projects in order to provide reliable service to the communities it serves.
6 PAWC has an ongoing program of capital investment focused on systematically replacing
7 and adding new pipes, treatment and pumping facilities, and other water and wastewater
8 infrastructure; thereby minimizing customer disruption caused by infrastructure failure.
9 PAWC has funded in excess of \$1 billion in capital construction over the past five years
10 with expenditures expected to total \$275 million to \$300 million per year for the next five
11 years. Capital planning is performed by in-house engineering staff and operations to
12 establish capacity needs, regulatory impacts, service adequacy and reliability for PAWC's
13 wastewater systems. Project costs, alternatives and risks are also determined.
14 Comprehensive periodic oversight of water and wastewater assets gives PAWC a clear and
15 objective view of needs and potential capital project solutions.

16
17 **Q. PLEASE DESCRIBE HOW PAWC WILL MANAGE THE DAY-TO-DAY**
18 **OPERATIONS OF THE SYSTEM ONCE IT IS ACQUIRED.**

19 **A.** As the System is already interconnected with PAWC's Coatesville wastewater system, the
20 System will be operated and managed by PAWC's Coatesville operations utilizing existing
21 PAWC employees. No physical, operational, or managerial changes are proposed to
22 PAWC's existing system for this acquisition.

1 Q. WHAT, IF ANY, CUSTOMER ENHANCEMENTS CAN THE SADBURY
2 CUSTOMERS EXPECT AS A RESULT OF THE ACQUISITION?

3 A. PAWC prides itself on providing superior customer service. As part of its commitment to
4 customer service, PAWC offers its customers a number of enhanced services, including
5 extended call center hours, additional bill payment options, enhanced customer information
6 and education programs, and access to PAWC's customer assistance program.

7

8 Q. CAN YOU PLEASE PROVIDE ADDITIONAL DETAIL ON EACH OF THESE
9 CUSTOMER SERVICE ENHANCEMENTS?

10 A. Yes. *Customer Service.* Our call center is available from 7:00 a.m. to 7:00 p.m., Monday
11 through Friday. Customers can also reach a customer service representative via email at
12 infopa@amwater.com. In addition, our customers have the ability to manage their account
13 via PAWC's "My H20" online portal. Finally, PAWC offers emergency support 24 hours
14 a day, seven days a week. All of this means that we are very responsive to our customers
15 and any issues they may have, and will provide the same responsive approach to the
16 customers once PAWC acquires the System.

17 *Bill Payment Options.* PAWC offers a number of bill payment options. Customers
18 have the option to receive paper bills through the mail or go paperless and receive their
19 bills electronically via the "My H20" on-line portal. Either way, customers can pay their
20 bill by mail, online, or over the phone with a debit or credit card. They can also pay by e-
21 check or an electronic funds transfer (which can be set up at the "My H20" online portal)
22 or pay in person at multiple authorized payment locations across the state.

1 *Customer Information and Education Programs.* PAWC provides extensive
2 customer information and education programs that will be available to the Township's
3 current customers through brochures, bill inserts, and educational videos posted on
4 PAWC's website. Our customers always have full access to a wide range of topics,
5 including information on preventing sewer overflows, how to prevent frozen pipes,
6 beneficially re-using residuals from water treatment plants for community gardens,
7 detecting and fixing silent toilet leaks, how to properly dispose of unused pharmaceuticals
8 to keep them out of the wastewater system, water conservation techniques, expansion takes,
9 fire department grants, and protecting customers from utility imposters.

10 *Customer Assistance Programs.* Finally, as new PAWC customers, the customers
11 will have access to PAWC's customer assistance program called the "H2O Help to Others
12 Program." For wastewater customers, this program offers two main services: (1) grants
13 of up to \$500 per year and (2) a 15% discount on total wastewater charges. Additionally,
14 customers who qualify for the program may also qualify to receive a water saving kit which
15 includes, among other things, a low-flow shower head and low-flow faucet aerators.

16
17 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

18 A. Yes. However, I reserve the right to supplement my testimony as additional issues and
19 facts arise during the course of the proceeding. Thank you.

PAWC EXHIBIT
MJG-1

**PAWC EXHIBIT
MJG-2**

Sadsbury Capital Plan

Year After Closing	1	2	3	4	5
Capital improvement					
Pump station SCADA and security improvements	\$ 59,400	\$ 46,200			
System survey and I&I investigation	\$ 33,000	\$ 33,000			
Targeted collection system replacement	\$ 52,800	\$ 92,400	\$ 92,400	\$ 66,000	\$ 66,000
TOTAL	\$ 145,200	\$ 171,600	\$ 92,400	\$ 66,000	\$ 66,000
GRAND TOTAL					\$ 541,200