

**Application of Pennsylvania-American Water Company for Acquisition of
the Wastewater Assets of the Borough of Kane Authority
66 Pa. C.S. § 1329
Application Filing Checklist – Water/Wastewater
Docket No. A-2019-3014248**

14. Buyer Testimony:
- a. Provide buyer direct testimony supporting the application.
 - b. Provide buyer UVE direct testimony.

RESPONSE:

- a. See enclosed the direct testimonies of PAWC witnesses as follows:
 - i. Direct Testimony of Daniel P. Bickerton, Director of Business Development, on behalf of Pennsylvania-American Water Company, **PAWC Statement No. 1.**
 - ii. Direct Testimony of Michael J. Guntrum, Senior Project Engineer, on behalf of Pennsylvania-American Water Company, **PAWC Statement No. 2.**
 - iii. Direct Testimony of Rod P. Neviraskas, Senior Director of Rates and Regulations for the Mid Atlantic Division of the American Water Works Company, on behalf of Pennsylvania-American Water Company, **PAWC Statement No. 3.**
- b. See enclosed the direct testimony of Jerome C. Weinert, P.E., Principal and Director for AUS Consultants, Inc. on behalf of Pennsylvania-American Water Company, **PAWC Statement No. 4.**

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :
Company under Section 1102(a) of the Pennsylvania :
Public Utility Code, 66 Pa C.S. § 1102(a), for approval :
of (1) the transfer, by sale, of substantially all of the :
Borough of Kane Authority’s assets, properties and :
rights related to its wastewater treatment, transportation :
and collection system facilities to Pennsylvania- :
American Water Company, and (2) the rights of :
Pennsylvania-American Water Company to begin to :
offer or furnish wastewater service to the public in the :
Borough of Kane and a portion of the Township of :
Wetmore, McKean County, Pennsylvania. :

Docket No. A-2019-3014248, *et al.*

**DIRECT TESTIMONY OF
DANIEL P. BICKERTON
ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER COMPANY**

Dated: December 2, 2019

PAWC Statement No. 1

**DIRECT TESTIMONY OF
DANIEL P. BICKERTON**

INTRODUCTION

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

A. My name is Daniel P. Bickerton and my business address is 300 Galley Road, McMurray, Pennsylvania 15317.

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

A. I am employed by American Water Works Service Company, Inc. (“AWWSC”) as Director of Business Development providing business development related services to AWWSC’s Mid-Atlantic Division subsidiaries including Pennsylvania-American Water Company (“PAWC”) as well as West Virginia-American Water Company.

Q. WHAT ARE YOUR RESPONSIBILITIES AS AWWSC’S DIRECTOR OF BUSINESS DEVELOPMENT?

A. I develop and maintain necessary contacts to stay abreast of new business opportunities. I manage the acquisition from initial contact, preparation of proposals, strategies for acquisitions, agreement negotiations, preparation of the application for submission to the Pennsylvania Public Utility Commission (“Commission”) and manage the workflows required to close the acquisition. These responsibilities necessitate that I maintain a working knowledge of regulatory and legislative developments, new technologies and current trends as they affect the water and wastewater utility industries, and that I be generally familiar with legislation, regulation and public policy affecting business opportunities.

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

2 **A.** I received a Bachelor of Science (B.S.) degree in Accounting from the Pennsylvania State
3 University in May of 1981 and a Master of Business Administration (MBA) degree from
4 Marshall University in July 1990. My experience in the waterworks industry began when
5 I joined the American Water Works system in October 1981 as an accountant with
6 AWWSC. I have held various positions with the company in accounting, rates,
7 management, customer service and business development. In November 1995, I became
8 the Director of Business Development for West Virginia-American Water Company. In
9 January 2003, I once again became an employee of AWWSC performing the same business
10 development functions for other American Water regulated state operations as Director of
11 Business Development, a position I am in currently. I have over 35 years of experience in
12 financial planning and analysis, utility acquisitions, utility customer services, water utility
13 management and strategic planning. I am also a certified public accountant licensed in the
14 State of West Virginia.

15
16 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

17 **A.** No.
18

19 **Q. HAS PAWC FILED AN APPLICATION WITH THE COMMISSION FOR**
20 **REGULATORY APPROVAL TO ACQUIRE THE WASTEWATER SYSTEM OF**
21 **THE BOROUGH OF KANE AUTHORITY (“AUTHORITY”) AND RELATED**
22 **APPROVALS?**

23 **A.** Yes. PAWC filed its Application on December 2, 2019 for approval of PAWC’s
24 acquisition of the Authority’s wastewater treatment, conveyance, and collection system

1 facilities (the “System”). I will refer to the acquisition in my testimony as the
2 “Transaction.”

3 The Application was prepared and filed under my supervision. As indicated in my
4 Verification attached to the Application, the Application and its numerous appendices are
5 true and correct to the best of my knowledge, information and belief. We used PAWC’s
6 records, as well as the Authority’s records made available by the Authority, to prepare the
7 Application. For purposes of having a complete evidentiary record in this proceeding upon
8 which the Commission can base its decision, I submit the Application and all of its
9 appendices (Appendices A through K) as **PAWC Exhibit DPB-1**.

10
11 **Q. WHAT IS PAWC SEEKING IN ITS APPLICATION?**

12 **A.** There are four basic requests. First, PAWC is requesting approval of the acquisition under
13 Section 1102, 66 Pa. C.S. § 1102, similar to many requests that come before the
14 Commission. Specifically, PAWC seeks approval to acquire the System and to obtain the
15 right to begin service in the areas currently served by the Authority (“Service Area”). The
16 Application contains a *pro forma* tariff supplement under which the Authority’s rates
17 would be initially adopted.

18 Second, pursuant to Act 12 of 2016, 66 Pa. C.S. § 1329 (“Section 1329”), PAWC
19 is seeking to utilize fair market value for the ratemaking rate base of the Authority. As
20 explained more fully below, fair market value under Section 1329 is the lesser of the stated
21 purchase price in the Asset Purchase Agreement (“APA”), dated November 4, 2019 or the
22 average of the appraisal of the Authority’s Utility Valuation Expert (“UVE”) and the
23 appraisal of PAWC’s UVE.

1 Third, PAWC is also seeking confirmation under Section 1329 to collect a
2 distribution system improvement charge (“DSIC”) for the new service area and seeking the
3 accrual and deferral of certain post-acquisition improvement costs. Specifically, PAWC is
4 seeking the accrual of Allowance for Funds Used During Construction (“AFUDC”) for
5 post-acquisition improvements not recovered through its DSIC for book and ratemaking
6 purposes and the deferral of depreciation related to post-acquisition improvements not
7 recovered through the DSIC for book and ratemaking purposes. PAWC is also seeking to
8 confirm that, in its next base rate case, it be permitted to include a claim for transaction and
9 closing costs related to the Acquisition.

10 Fourth, PAWC is seeking a Certificate of Filing for approval under Section 507, 66
11 Pa. C.S. § 507, for the APA to be assumed by PAWC as a result of the Transaction.
12

13 **Q. WHAT DOES SECTION 1329 REQUIRE TO BE INCLUDED IN THE**
14 **APPLICATION?**

15 **A.** Section 1329 requires that the Application include: (1) copies of the two UVE appraisals,
16 (2) the purchase price, (3) the ratemaking rate base, (4) the transaction and closing costs,
17 and (5) the proposed tariff. However, as will be explained later in my testimony, the
18 Commission has expanded the filing requirements beyond those specifically required by
19 the statute.
20

21 **Q. WHAT DOES THE COMMISSION REQUIRE FOR THE APPROVAL OF THE**
22 **FAIR MARKET VALUE RATEMAKING TREATMENT PERMITTED UNDER**
23 **SECTION 1329?**

1 A. In its Final Supplemental Implementation Order entered February 28, 2019, at Docket No.
2 M-2016-2543193 (“*Final Supplemental Implementation Order*”), the Commission
3 attached as Appendix A an extensive list of specific Section 1329 “Filing Requirements”
4 for items to include with an Application for it to be processed in a six-month time frame.
5 PAWC’s Application is structured around those Filing Requirements. Appendix A to the
6 Application and its sub-appendices directly address each of the Filing Requirements.

7
8 **Q. IS PAWC FILING AS PART OF ITS APPLICATION TESTIMONY PREPARED**
9 **BY THE AUTHORITY?**

10 A. Yes. PAWC’s Application includes the written direct testimony of the Authority’s selected
11 UVE, Mr. Harold Walker III, Manager for Gannett Fleming Valuation and Rate
12 Consultants, LLC and the written direct testimony of the Manager of the Borough of Kane
13 (the “Borough”), Donald E. Payne, who is an *ex officio* member of the board of the
14 Authority. The Borough operates the System pursuant to the Management Agreement from
15 Borough of Kane Authority to Borough of Kane dated as of September 21, 1994. PAWC
16 is not sponsoring the testimony of Mr. Walker or Mr. Payne, but has included it in the
17 Application as required by the Filing Requirements and in anticipation of the Authority’s
18 potential participation in the proceeding. PAWC reserves its right to submit rebuttal
19 testimony regarding the Authority’s testimony, as appropriate.

20
21 **Q. IS PAWC PROPOSING THAT ITS APPLICATION BE EVALUATED USING THE**
22 **FAIR MARKET VALUE PROVISION OF SECTION 1329?**

1 A. Yes. PAWC’s Application has been prepared in accordance with the fair market value
2 provision of Section 1329. Specifically, PAWC is requesting that the ratemaking rate base
3 related to the System be based on the lesser of the average of the UVE fair market value
4 appraisals included in the Application or the APA purchase price. I note however that
5 PAWC reserves its right to make alternative ratemaking proposals in future proceedings as
6 may be permitted under the Public Utility Code (“Code”) and regulations.

7 **Q. ASIDE FROM AUTHENTICATING THE APPLICATION FOR ITS ADMISSION**
8 **INTO THE EVIDENTIARY RECORD AND IDENTIFYING ITS REQUESTS FOR**
9 **RELIEF, WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
10 **PROCEEDING?**

11 A. My direct testimony describes the Transaction. I will explain why the Transaction is in the
12 public interest and provides affirmative public benefits of a substantial nature, and should
13 be promptly approved by the Commission. I will also discuss why PAWC is legally,
14 financially, and technically fit to acquire and operate the System.

15
16 **Q. PLEASE IDENTIFY THE OTHER PAWC WITNESSES WHO WILL BE**
17 **PROVIDING WRITTEN DIRECT TESTIMONY AND THEIR SUBJECT**
18 **MATTER AREAS.**

19 A. In addition to my direct testimony, PAWC will submit the written direct testimony of
20 Mr. Michael Guntrum, PAWC Senior Project Engineer and Mr. Rod P. Neviraskas,
21 AWWSC Senior Director of Rates and Regulations, for Mid-Atlantic Division. PAWC is
22 also sponsoring direct testimony by its selected UVE, Mr. Jerome C. Weinert, Principal

1 and Director of AUS Consultants. As discussed above, PAWC is also including in its
2 Application, but not sponsoring, the direct testimony of the Authority’s UVE and an *ex*
3 *officio* member of the Authority’s board in anticipation of the Authority’s potential
4 participation in the proceeding. PAWC reserves its right to submit rebuttal testimony
5 regarding the Authority’s testimony, as appropriate.

6 Mr. Guntrum will describe engineering and environmental issues associated with
7 the System, support PAWC’s technical fitness to operate the System, explain certain
8 commitments and improvements to be made by PAWC and other matters. Mr. Guntrum
9 will also address the anticipated day-to-day operation of the System once it is acquired by
10 PAWC, including staffing and the customer service enhancements that PAWC intends to
11 implement for the benefit of the Authority’s customers. Mr. Nevirauskas will address the
12 initial rates, rules, and regulations for the Authority’s customers as well as the impact of
13 the Transaction on PAWC’s existing customers. Mr. Nevirauskas will also discuss the
14 financing of the Transaction and the overall financial fitness of PAWC. Mr. Weinert will
15 provide supporting testimony for his fair market valuation report.

16 17 **DESCRIPTION OF THE TRANSACTION**

18 **Q. PLEASE PROVIDE A DESCRIPTION OF THE TRANSACTION NEGOTIATION**
19 **PROCESS.**

20 **A.** After a series of arms-length negotiations over the course of several years, the Authority,
21 PAWC, the Borough and Wetmore Township (the “Township”) entered into an asset
22 purchase agreement on November 4, 2019 for the sale of substantially all of the assets,
23 properties, and rights of the System at an agreed-upon price.

1 **Q. CAN YOU PLEASE PROVIDE AN OVERVIEW OF THE APA?**

2 **A.** Yes. The APA is attached as **Appendix A-24-a (CONFIDENTIAL)** to the Application.
3 The APA sets forth the terms and conditions pursuant to which the Authority will sell, and
4 PAWC will purchase, the System, as well as substantially all assets, properties and rights
5 that the Authority owns and uses in connection with the System. The APA sets forth the
6 entire understanding of the parties with respect to the Transaction. Under the APA, the
7 closing of the Transaction will occur after the receipt of all applicable governmental
8 approvals, including approvals from this Commission, and after all applicable conditions
9 have been met (or waived) by the parties.

10 Upon closing of the Transaction, PAWC will take ownership of the System and
11 begin rendering wastewater service to the Authority's current customers and the Authority
12 will permanently discontinue providing or furnishing wastewater service to the public
13 within the Borough and a portion of the Township.

14
15 **Q. CAN YOU PLEASE PROVIDE A SUMMARY OF THE APA'S PROVISIONS**
16 **GOVERNING THE TRANSFER OF ASSETS?**

17 **A.** The specific properties, assets and rights to be transferred to PAWC are defined and
18 described in the APA's Section 1.1, while the excluded assets are defined in Section 1.3 of
19 the APA. Generally, the APA states that every asset, property, business, goodwill and
20 rights owned by the Authority and used in the provision of wastewater service, whether
21 real, personal, mixed, tangible or intangible, and including all the physical plant, property,
22 equipment and facilities comprising the System owned by the Authority shall be conveyed

1 to PAWC. The Engineering Assessment (**Appendix A-15-a**) contains a list of the
2 wastewater system inventory used in connection with the System to be conveyed to PAWC.
3 All interests in real estate, including leases, easements and access to public rights-of-way,
4 owned by the Authority and relating to the System are defined and described in Schedule
5 4.1(l), as well as all assigned contracts to be conveyed to PAWC in Schedule 5.1(c).

6 Items that will not be transferred include: the Authority's cash and cash equivalents,
7 including accounts receivable; sewer laterals from the edge of the road or mains to and
8 throughout each customer's property; any and all grinder pumps of individual customers;
9 any and all stormwater facilities; the Authority's insurance policies; all rights to any action,
10 suit or claims being pursued by the Authority; all assets, properties and rights used by the
11 Authority other than those which primarily relate to the operations of the System; and,
12 certain Agreements.

13
14 **Q. HAS PAWC AGREED TO ASSUME ANY LIABILITIES OF THE AUTHORITY**
15 **AS PART OF THE TRANSACTION?**

16 A. Yes. PAWC will assume only those contractual liabilities arising after Closing of the
17 Transaction under Assigned Contracts. PAWC will not assume or be liable for any other
18 liabilities or obligations, including liabilities and obligations that arise from any Assigned
19 Contracts prior to Closing, including, but not limited to, all accounts payable.

20
21 **Q. CAN YOU PLEASE SUMMARIZE THE APA'S PROVISIONS GOVERNING THE**
22 **NEGOTIATED PURCHASE PRICE OF THE TRANSACTION?**

1 A. The consideration for the purchase of the System as set forth in Section 2.1 of the APA is
2 the negotiated purchase price of \$17,560,000.

3

4 **Q. PLEASE EXPLAIN THE RATES THAT WILL APPLY TO THE AUTHORITY'S**
5 **CUSTOMERS FOLLOWING THE CLOSING OF THE TRANSACTION.**

6 A. As set forth in Section 6.7 of the APA and as will be explained more-fully in the Direct
7 Testimony of Mr. Nevirauskas, PAWC Statement No. 3, PAWC has committed to adopt
8 the Authority's current service charges and consumption charges set forth in Schedule 6.7
9 upon closing of the Transaction as PAWC's base rates in the Service Area. Moreover, the
10 parties recognize that ratemaking authority is vested with the Commission. Immediately
11 upon Closing, the Authority's customers will be subject to PAWC's approved wastewater
12 tariff on file with the Commission with respect to all rates other than the customer charge
13 and consumption charge, including capacity reservation fees, reconnection fees and the
14 like, as well as non-rate related terms and conditions of service. The Authority's customers
15 are currently billed monthly. As PAWC customers, all Authority customers will continue
16 to be billed monthly. The monthly rates are shown in **Appendix A-12** to the Application.

17

18 **Q. HAS PAWC MADE ANY COMMITMENTS IN THE APA THAT WILL BE**
19 **IMPLEMENTED AFTER THE CLOSING OF THE TRANSACTION?**

20 A. PAWC has committed to offer employment to certain eligible Borough employees
21 following the closing of the Transaction (*see* Section 6.8 of the APA). My colleague,
22 Michael Guntrum, will discuss anticipated day-to-day operation of the System once it is

1 acquired by PAWC, including staffing, in his written direct testimony, PAWC Statement
2 No. 2.

3
4 **TRANSACTION IS IN THE PUBLIC INTEREST**

5 **Q. PLEASE PROVIDE AN OVERVIEW OF PAWC.**

6 **A.** PAWC, a subsidiary of American Water Works Company Inc., (“American Water”), is the
7 largest regulated public utility corporation duly organized and existing under the laws of
8 the Commonwealth of Pennsylvania, engaged in the business of collecting, treating,
9 storing, supplying, distributing, and selling water to the public, and collecting, treating,
10 transporting and disposing of wastewater for the public. Water and wastewater services
11 are furnished by PAWC to the public in a service territory encompassing more than
12 400 communities in 36 counties, including McKean County and nearby counties of Clarion
13 and Warren. Overall, PAWC serves a combined population of over 2,400,000 across the
14 Commonwealth and is American Water’s largest subsidiary with nearly 21 percent of
15 American Water’s regulated customer base.

16 PAWC currently employs approximately 1,100 professionals with expertise in all
17 areas of water and wastewater utility operations, including engineering, regulatory
18 compliance, water and wastewater treatment plant operation and maintenance, distribution
19 and collection system operation and maintenance, materials management, risk
20 management, human resources, legal, accounting, and customer service. PAWC has the
21 expertise, the record of environmental compliance, the commitment to invest in necessary
22 capital improvements and resources, and the experienced managerial and operating

1 personnel necessary to provide safe and reliable wastewater services to the residents of the
2 Service Area.

3
4 **Q. HOW MANY CUSTOMERS DOES THE SYSTEM CURRENTLY SERVE AND**
5 **HOW MANY CUSTOMERS DOES PAWC CURRENTLY SERVE?**

6 **A.** As of November 18, 2019, the Authority furnished wastewater services to 2,019 customers.
7 As of October 31, 2019, PAWC served approximately 665,731 water customers across
8 Pennsylvania, inclusive of 613,052 residential, 45,513 commercial, 534 industrial,
9 2,318 municipal, 22 sales for resale, 4,290 fire protection and 2 other customers in
10 36 Pennsylvania Counties. As of October 31, 2019, PAWC furnished wastewater services
11 to approximately 74,425 customers, inclusive of 68,899 residential, 5,273 commercial,
12 44 industrial customers, 199 municipal, and 10 bulk customers.

13
14 **Q. CAN YOU PLEASE EXPLAIN WHY THE PROPOSED TRANSACTION IS IN**
15 **THE PUBLIC INTEREST?**

16 **A.** Yes. The Transaction will result in affirmative public benefits of a substantial nature. First,
17 PAWC, as a large and long-established public utility, has the managerial, technical, and
18 financial fitness to operate the System in a safe and efficient manner in compliance with
19 the Code, the Pennsylvania Clean Streams Law, and all other applicable statutory and
20 regulatory requirements. PAWC has extensive experience in the operation of wastewater
21 treatment and collection systems including specific experience with the types of treatment
22 technologies employed in the System. PAWC continues to develop expertise for the
23 benefit of the Commonwealth through its current operation of 19 wastewater treatment,

1 plants providing service to approximately 74,425 customers in 12 Pennsylvania counties.
2 The Transaction fosters the Commission's stated goal of regionalizing wastewater systems
3 to provide greater environmental and economic benefits to customers. Current PAWC
4 Kane Area operation employees and Borough employees will be under the same
5 management and support teams, and employees of both departments will support each
6 other when appropriate and necessary, particularly in emergency situations. The System
7 is in the same footprint as PAWC's Kane water system. PAWC can draw upon a much
8 broader range of engineering and operational experience, as well as deeper financial
9 resources, to address operational challenges, employee safety and support growth and
10 development. Additionally, given PAWC's existing regional area operations, PAWC is
11 better positioned than the Authority to provide utility services on a long-term, cost-
12 effective basis and to retain and attract qualified treatment plant operators.

13 Second, the Authority's current customers will benefit in several ways from
14 becoming PAWC wastewater customers. PAWC is a large, financially-sound company
15 that has the capacity to finance necessary capital additions and improvements that will
16 benefit its customers. In addition, given its size, its access to capital, and its recognized
17 strengths in system planning, capital budgeting, and construction management, PAWC is
18 well-positioned to ensure that high quality wastewater service meeting all applicable state
19 and federal regulatory requirements is provided to the Authority's customers. There is also
20 a general public benefit being that PAWC is subject to the jurisdiction of the Commission
21 requiring PAWC to provide adequate, efficient, safe and reliable service at just and
22 reasonable rates. Currently, the Authority has no such regulatory oversight.

1 Third, the Authority's current customers will benefit from the enhanced and proven
2 customer service that PAWC provides. My colleague, Michael Guntrum, discusses these
3 customer service enhancements in more detail in PAWC Statement No. 2; however,
4 I would like to note that they include -- but are not limited to -- common billing for water
5 and wastewater service, extended customer service and call center hours, enhanced
6 customer information and educational programs and access to PAWC's customer
7 assistance program.

8 Fourth, the Borough and the Township will gain an immediate increase to the tax
9 base within their municipalities upon the closing of this Transaction as well as with
10 subsequent PAWC capital improvements.

11
12 Finally, there will be no immediate rate impact on PAWC's existing customers.
13 Being able to spread the costs of investing in and maintaining public wastewater systems
14 over a growing customer base, particularly in a time of increased environmental
15 requirements, is essential to the continued success of wastewater systems. Indeed, the
16 Pennsylvania Legislature recognized, as a matter of public policy, the importance of
17 consolidation and cost sharing in the passage of Act 11 of 2012. There is also a clear
18 legislative intent associated with Section 1329 and its allowance of fair market valuation
19 for ratemaking purposes. The General Assembly intended to facilitate the acquisition of
20 municipal water and wastewater systems by investor-owned utilities for the benefit of
21 municipal corporations and their customers.

1 **PAWC’S LEGAL, FINANCIAL AND TECHNICAL FITNESS**

2 **Q. CAN YOU PLEASE TELL US WHY PAWC IS LEGALLY FIT TO ACQUIRE AND**
3 **OPERATE THE SYSTEM?**

4 **A.** Yes. PAWC is a Commission-regulated public utility with a good compliance history.
5 There are no pending legal proceedings that would suggest that PAWC is not legally fit to
6 provide service to customers on the System.

7 **Q. CAN YOU EXPLAIN WHY PAWC IS FINANCIALLY FIT TO ACQUIRE AND**
8 **OPERATE THE SYSTEM?**

9 **A.** Yes. PAWC is the largest water and wastewater provider in Pennsylvania. It has a long-
10 demonstrated history with the Commission of financial stability.

11 As part of the Application, PAWC provided the audited internal balance sheet, as
12 of December 31, 2018, for PAWC (**Appendix D to the Application**), as well as the audited
13 income statement, as of December 31, 2018, for PAWC (**Appendix F to the Application**).
14 Those documents show that PAWC had total assets of approximately \$4.9 billion as of
15 December 31, 2018. Further, they show that PAWC had net income of approximately
16 \$189.1 million for the 12 months ending December 31, 2018. These figures are further
17 demonstration that PAWC has the financial stability and wherewithal to acquire the System
18 and operate it in the public interest. My colleague, Rod Nevirauskas, will provide
19 additional details in PAWC Statement No. 3 on the financial health of PAWC and its ability
20 to access capital.

1 **Q. PLEASE EXPLAIN WHY PAWC IS TECHNICALLY FIT TO OPERATE THE**
2 **SYSTEM?**

3 **A.** As I discussed earlier, PAWC is engaged in the business of treating and collecting
4 wastewater for the public. We are the largest investor-owned water and wastewater utility
5 in the Commonwealth of Pennsylvania and we already have significant water operations
6 throughout Pennsylvania. PAWC is experienced in undertaking and completing water and
7 wastewater system acquisitions with public and private sector owners and successfully
8 integrating those assets into our business operations. My colleague, Michael Guntrum, will
9 explain in greater detail in PAWC Statement No. 2, specifically how PAWC intends to
10 operate the System once acquired.

11
12 **SERVICE AREA**

13 **Q. PLEASE EXPLAIN THE SERVICE AREA SOUGHT BY PAWC IN THE**
14 **APPLICATION.**

15 **A.** As part of its Application, PAWC is seeking the right to provide service to the customers
16 currently served by the Authority as shown in the maps and descriptions attached as
17 **Appendix A-16-a through h to the Application.** No municipal authority, corporation,
18 partnership or individual other than the Authority is now furnishing or has corporate or
19 franchise rights to furnish service similar to that to be rendered by PAWC in the Service
20 Area covered by the Application, and no competitive condition will be created. As
21 discussed above, upon closing of the Transaction, the Authority will permanently
22 discontinue all wastewater service to the public.

23

VERIFICATION

I, Daniel P. Bickerton hereby state that the facts set forth above are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements made herein are made subject to the penalties of 18 Pa. Cons. Stat. §4904 relating to unsworn falsification to authorities.



Daniel P. Bickerton, Director of Business Development
American Water – Mid-Atlantic Division

Dated: 11/25/19

APPENDIX A-14-a
PAWC STATEMENT NO. 2

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :
Company under Section 1102(a) of the Pennsylvania :
Public Utility Code, 66 Pa C.S. § 1102(a), for approval :
of (1) the transfer, by sale, of substantially all of the :
Borough of Kane Authority’s assets, properties and :
rights related to its wastewater treatment, transportation : Docket No. A-2019-3014248 *et al.*
and collection system facilities to Pennsylvania- :
American Water Company, and (2) the rights of :
Pennsylvania-American Water Company to begin to :
offer or furnish wastewater service to the public in the :
Borough of Kane and a portion of the Township of :
Wetmore, McKean County, Pennsylvania. :

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

Date: December 2, 2019

PAWC Statement No. 2

**DIRECT TESTIMONY OF
MICHAEL J. GUNTRUM, P.E.**

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

2 A. Michael J. Guntrum, 852 Wesley Drive, Mechanicsburg, PA 17055.

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.

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 Bachelor of Science (B.S.) degree in civil engineering in 1994 and a Master
15 of Engineering degree (M.E.) in Environmental Engineering in 1995 from the University
16 of Idaho. In 2010, I received my Master in Business Administration (MBA.) from Lebanon
17 Valley College. I have worked in various engineering roles and have over 24 years of
18 experience in environmental engineering related to municipal and industrial water and
19 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 on several occasions, including both water and wastewater proceedings.

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

10 A. My testimony will describe the wastewater collection and treatment system (“System”)
11 currently owned by the Borough of Kane Authority (the “Authority”) and operated by the
12 Borough of Kane (the “Borough”) that PAWC has agreed to acquire (the “Transaction”).
13 I will also explain how the acquired system will be integrated into PAWC’s existing
14 operations, describe PAWC's technical fitness to run the system, and discuss the benefits
15 of the Transaction.

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

18 A. Based on information that PAWC received from the Authority and the Borough, as well as
19 my personal knowledge of the System, the System is comprised of two combined
20 wastewater collection systems and their associated two wastewater treatment plants
21 (“WWTP”). The Pine Street WWTP is operated under NPDES Permit No. PA0023167
22 which became effective February 1, 2018 and expires January 31, 2023. The Kinzua Road
23 WWTP is operated under NPDES Permit No. PA0023175 which was issued February 1,

1 2017 and expires January 31, 2022. The Kinzua Road and Pine Street treatment facilities
2 are nearly identical with each having a 1.5 mgd sequencing batch reactor (“SBR”) system
3 with a permitted organic capacity of 2,189 lbs. per day of BOD. These two collection
4 systems and treatment plants collect and treat wastewater from the Borough and portions
5 of Wetmore Township (the “Township”). As a combined wastewater collection system,
6 the Borough has a Nine Minimum Control Plan (“NMCP”) and Long Term Control Plan
7 (“LTCP”).

8
9 **Q. PLEASE EXPLAIN YOUR UNDERSTANDING OF THE COMBINED NATURE**
10 **OF THE SYSTEM?**

11 A. A combined wastewater system, such as the Authority’s System, will collect, transport,
12 and treat wastewater consisting of any used water and water-carried solids collected or
13 conveyed by a sewer, including:

- 14 (1) Sewage, as defined in section 2 of the act of January 24, 1966 (1965
15 P.L.1535, No.537), known as the Pennsylvania Sewage Facilities Act.
- 16 (2) Industrial waste originating from an establishment. For the purposes of this
17 paragraph, the terms "industrial waste" and "establishment" shall be as
18 defined in section 1 of the act of June 22, 1937 (P.L.1987, No.394), known
19 as The Clean Streams Law (the “Clean Streams Law”).
- 20 (3) Infiltration or inflow into sewers.
- 21 (4) Other water containing solids or pollutants.
- 22 (5) Storm water which is or will become mixed with waters described under
23 paragraph (1), (2), (3) or (4) within a combined wastewater system.

1 It does not include storm water collected in a municipal separate storm sewer system
2 (“MS4”) as those storm water discharges do not flow into a combined sewer system.

3 This definition of a combined wastewater system is consistent with the 2016
4 amendments to the Pennsylvania Public Utility Code (“Code”), regarding the definitions
5 of “wastewater” and “public utility” at 66 Pa. C.S. § 102. It is also consistent with the
6 Commission’s final order in PAWC’s acquisition of The Sewer Authority of the City of
7 Scranton entered on October 19, 2016 at Docket No. A-2016-2537209.

8 Piping in a combined system will convey wastewater, including stormwater, for
9 discharge to receiving streams at NPDES permitted outfall locations. All such wastewater
10 is regulated under the provisions of the Clean Streams Law, the Sewage Facilities Act, and
11 the Pennsylvania Department of Environmental Protection (“PaDEP”) regulations relating
12 to sewage.

13
14 **Q. IS PAWC ACQUIRING AN MS4 SYSTEM?**

15 A. No. PAWC will not be acquiring an MS4 system. MS4 systems are owned and operated
16 by the municipalities in which they are located. In the future, if and when combined sewers
17 are separated into sanitary only and stormwater only lines, the MS4 stormwater-only lines
18 will be transferred to the municipality in which they are located, as applicable, for ongoing
19 management as part of their municipal MS4 stormwater systems.

20
21 **Q. DOES THE SYSTEM HAVE AN INDUSTRIAL PRETREATMENT PROGRAM**
22 **(“IPP”)?**

1 A. There are no significant or categorical industrial users in the System. Therefore, the
2 Authority does not have an IPP.

3

4 **Q. PLEASE DESCRIBE THE COMPONENTS OF THE SYSTEM.**

5 A. The combined wastewater collection and treatment facilities of the Authority consist of
6 two separate systems: the Kinzua Road system and the Pine Street system. The two
7 systems consist of approximately 130,000 ft. of gravity lines and three combined sewer
8 overflow (“CSO”) outfalls that collect and treat wastewater. There are a total of eight pump
9 stations in the System, all located in the Township, six of which convey sewage to the Pine
10 Street WWTP and two to the Kinzua Road WWTP.

11 As previously mentioned, the System is an integrated combined wastewater system.
12 The System conveys domestic wastewater and other wastewaters, including stormwater,
13 either to the WWTP or to CSO outfalls through the same system of pipes. The operator of
14 the System and holder of the NPDES Permits is responsible for management of all flows
15 within and discharges from the combined wastewater system. The combined wastewater
16 system serves and inures to the benefit of all customers within the service territory. Under
17 the proposed transaction, PAWC will acquire and operate the System and assume
18 responsibilities for operation and maintenance as the holder of the NPDES Permits.

19

20 **Q. PLEASE DESCRIBE PIPE SIZES AND MATERIALS USED FOR THE**
21 **CONSTRUCTION OF THE COLLECTION SYSTEM.**

22 A. Based on the limited mapping that was available and provided by the Authority, the
23 collection system is primarily constructed from vitrified clay pipe with newer portions

1 constructed in the Township being constructed with PVC piping. The approximate sizes
2 and lengths are listed in the table below.

Sewer Main	
Diameter	Length(Ft)
Unknown	66,259.2
2	82.5
4	926.3
6	233.4
8	54,047.7
10	23,098.3
12	39,963.0
15	2,642.9
20	853.6
21	3,659.3
24	5,208.6
30	1,164.3
8 PVC	108,835.5
TOTAL	306,975 Feet
TOTAL	58 Miles

3
4
5 **Q. PLEASE STATE WHETHER THE SYSTEM CAN PROVIDE ADEQUATE**
6 **CONVEYANCE, TREATMENT, AND DISPOSAL CAPACITY TO MEET**
7 **PRESENT AND FUTURE CUSTOMER DEMANDS.**

8 A. Based on the population projections and demand projections as provided in the Borough's
9 latest Chapter 94 Reports for the Kinzua Road system and Pine Street system, included in
10 Appendix A-20-c, the conveyance, treatment, and disposal capacity is adequate to meet
11 present and future customer demands.

12

1 **Q. PLEASE STATE THE ELEVATIONS OF THE MAJOR FACILITIES AND**
2 **SERVICE AREA.**

3 A. The elevation of the Authority’s service area varies between approximately 2,100
4 ft and 1,700 ft. Please see Appendix A-16 for a map showing the approximate elevations
5 of the existing facilities.

6
7 **Q. PLEASE SUMMARIZE PAWC’S ANTICIPATED OBLIGATIONS UNDER THE**
8 **NMCP.**

9 A. PAWC would be obligated to implement the NMCP, which outlines measures to reduce
10 the impacts of combined sewer overflows on receiving waters. The elements of that NMCP
11 include: (1) a proper operation and regular maintenance program; (2) maximum use of the
12 collection system for storage; (3) implementation of an IPP; (4) maximization of flow to
13 the WWTP for treatment; (5) elimination of CSO discharges during dry weather; (6)
14 control of the discharge of solids and floatables to combined sewers; (7) pollution
15 prevention programs; (8) public notifications and public participation programs; and, (9)
16 monitoring to characterize CSO impacts and the efficacy of CSO controls. The Borough’s
17 NMCP will be revised by PAWC to reflect the change in operation from the Borough to
18 PAWC.

19
20 **Q. WHAT WILL BE PAWC’S OBLIGATIONS PURSUANT TO THE LTCP?**

21 A. PAWC will be required to assume the Borough’s existing LTCP. The Borough has
22 submitted and DEP has approved LTCPs for both Pine Street and Kinzua Road. The
23 LTCPs recommend continued implementation of the NMCPs and post-construction

1 monitoring of the overflows. The post-construction monitoring of overflows indicates the
2 System is able to meet its required 85% capture rate.

3
4 **Q. DOES PAWC PROVIDE WATER SERVICE TO THE BOROUGH AND THE**
5 **TOWNSHIP?**

6 A. Yes, PAWC provides water service in the Borough and the Township.

7
8 **Q. PLEASE PROVIDE AN OVERVIEW OF PAWC'S EXISTING WATER**
9 **OPERATIONS FACILITIES IN THE KANE AREA.**

10 A. The PAWC Kane water system serves the Borough and Township. PAWC's Kane
11 operations office is located less than one mile from the Kinzua Road WWTP and houses
12 both the local operations team and operations support staff.

13
14 **Q. PLEASE DESCRIBE HOW PAWC WILL MANAGE THE DAY-TO-DAY**
15 **OPERATIONS OF THE SYSTEM ONCE IT IS ACQUIRED?**

16 A. The System will be managed as a separate wastewater department within PAWC's
17 Northwest Area operations. The Northwest Area provides a range of shared support
18 services -- including purchasing, environmental compliance, health, and safety, meter
19 reading, customer service work and PA One Calls. The water and wastewater operations
20 in the Kane area will both be supported by common shared support services.

21
22 **Q. ARE OTHER PAWC EMPLOYEES AVAILABLE TO ASSIST WITH**
23 **WASTEWATER OPERATIONS, AS NEEDED?**

1 A. Yes. Current PAWC employees in this area and Authority employees will be under the
2 same area management and supported by a shared support team supporting common
3 functions such as payroll, purchasing, environmental compliance, health, and safety.
4 Employees in both the water and wastewater departments will support each other when
5 appropriate and necessary, particularly in emergency situations. As mentioned above, all
6 operations and employees within PAWC and within the broader American Water Works
7 Company, Inc. (“American Water”) footprint have access to each other when circumstances
8 require and/or when a very specialized skill or experience is required to support all local
9 issues.

10
11 **Q. WILL THERE BE ANY UNNECESSARY DUPLICATION OF OPERATIONS**
12 **FACILITIES FOLLOWING THE ACQUISITION?**

13 A. No, the System will initially be operated as a stand-alone system. It will, however, have
14 the support of PAWC’s surrounding operations as well as PAWC’s operations throughout
15 the Commonwealth and American Water’s nationwide resources.

16
17 **Q. DOES PAWC PLAN TO INTERCONNECT THE SYSTEM TO ANOTHER PAWC**
18 **WASTEWATER SYSTEM?**

19 A. No, the System is not proximate to any other PAWC wastewater system.

20
21 **Q. WHAT ARE THE ESTIMATED CAPITAL COSTS FOR THE SYSTEM?**

22 A. The 5-year capital plan for the System is shown on **PAWC Exhibit MJG-1**.

23

1 **Q. DOES PAWC ANTICIPATE ANY DIFFICULTIES IN COMPLYING WITH THE**
2 **LTCP AND REVISED NMCP?**

3 A. No, PAWC believes that it has the authority, resources, and skills requisite to comply with
4 those obligations in a timely and effective manner.

5
6 **Q. IN YOUR OPINION, IS PAWC BETTER EQUIPPED THAN THE AUTHORITY**
7 **TO ADDRESS THE ENVIRONMENTAL COMPLIANCE ISSUES OF THE**
8 **SYSTEM? WHY?**

9 A. Yes. PAWC can draw upon a much broader range of engineering and operational
10 experience, as well as deeper financial resources, to address the environmental compliance
11 challenges of the System. In addition, given PAWC's existing platform in relation to the
12 operation of water and wastewater systems in neighboring communities, we believe that
13 PAWC is best positioned to provide those services on a cost-effective basis.

14 PAWC is the Commonwealth's largest investor-owned provider of water and
15 wastewater services. As a leading wastewater provider in Pennsylvania, PAWC brings
16 industry leading expertise and has extensive technical experience in upgrading, operating
17 and maintaining sewer facilities. PAWC is a recognized leader in providing communities
18 in the Commonwealth with well-maintained and reliable water and wastewater service and
19 has extensive local knowledge due to our decades of experience providing water service to
20 neighboring communities.

21 PAWC currently employs approximately 1,100 professionals with expertise in all
22 areas of water and wastewater utility operations including engineering, regulatory
23 compliance, water and wastewater treatment plant operation and maintenance, distribution

1 and collection system operation and maintenance, material management, risk management,
2 human resources, legal, accounting, and customer service. As a subsidiary of American
3 Water, PAWC has available to it additional resources of highly trained professionals who
4 have expertise in various specialized areas. American Water currently owns or operates
5 approximately 200 wastewater operations through its subsidiaries in a number of states.
6 American Water's experience includes the full breadth of treatment processes, from
7 facultative ponds to membrane biological reactors in every climate zone across the U.S.
8 More-advanced technologies allow a number of American Water's plants to utilize effluent
9 for reuse applications, eliminating discharge to receiving streams. These diverse facilities
10 have provided American Water operators and process experts with deep experience in the
11 operation and maintenance of every possible type of wastewater treatment technology, as
12 well as the experience available to support PAWC's operations staff and facilities. A 50-
13 person team of American Water corporate engineers has handled a wide variety of system
14 evaluations, selecting treatment processes and establishing critical design criteria for water
15 and wastewater treatment systems in order to improve operations and prioritize capital
16 improvements.

17 PAWC has an established track record of successfully managing large capital
18 investment projects in order to provide reliable service to the communities it serves.
19 PAWC has an ongoing program of capital investment focused on systematically replacing
20 and adding new pipes, treatment and pumping facilities, and other water and wastewater
21 infrastructure; thereby minimizing customer disruption caused by infrastructure failure.
22 PAWC has funded in excess of \$1 billion in capital construction over the past five years
23 with expenditures expected to total \$275 million to \$300 million per year for the next five

1 years. Capital planning is performed by in-house engineering staff and operations to
2 establish capacity needs, regulatory impacts, service adequacy and reliability for PAWC's
3 wastewater systems. Project costs, alternatives and risks are also determined.
4 Comprehensive periodic oversight of water and wastewater assets gives PAWC a clear and
5 objective view of needs and potential capital project solutions.

6
7 **Q. DOES PAWC HAVE EXPERIENCE IN OPERATING COMBINED**
8 **WASTEWATER SYSTEMS?**

9 A. Yes. Currently, there are very few combined sewer systems operated by investor-owned
10 public utilities in Pennsylvania. PAWC acquired the Scranton wastewater system in 2016.
11 It is a combined sewer system with a permitted treatment capacity of 20 MGD and 80
12 permitted CSO outfalls. PAWC is responsible for system operations and implementation
13 of a Consent Decree, LTCP, and an IPP program. PAWC also owns and operates the
14 McKeesport system which consists of a combined wastewater collection system and three
15 wastewater treatment plants which collect and treat wastewater from the Cities of
16 McKeesport and Duquesne and the Boroughs of Dravosburg and Port Vue as well as
17 providing bulk wastewater service via inter-municipal service agreements with the
18 surrounding municipalities of the Boroughs of East McKeesport, Liberty, Glassport,
19 Lincoln, Versailles, and White Oak and the Townships of Elizabeth and North Versailles.
20 PAWC is responsible for operations of the McKeesport system as well as implementation
21 of a Consent Decree, LTCP, and an IPP program.

22

1 **Q. PLEASE DESCRIBE PAWC'S TECHNICAL FITNESS TO PROVIDE**
2 **WASTEWATER SERVICE TO THE AUTHORITY'S CUSTOMERS.**

3 A. As of October 2019, PAWC has approximately 74,425 active wastewater customers across
4 the Commonwealth, with customers in Adams, Beaver, Chester, Clarion, Cumberland,
5 Lackawanna, Monroe, Northumberland, Pike, Washington, and York counties. A map of
6 PAWC's current service territories is attached to my testimony as **PAWC Exhibit MJG-**
7 **2.** PAWC has had no material issues in complying with the Code, the Clean Streams Law,
8 or other regulatory requirements. Moreover, PAWC has the skill and expertise to respond
9 to ever-increasing environmental standards for the treatment of wastewater and to manage
10 the long-term infrastructure issues inherent in wastewater systems.

11
12 **Q. DOES PAWC MAINTAIN CYBER SECURITY, PHYSICAL SECURITY,**
13 **BUSINESS CONTINUITY, AND EMERGENCY PLANS?**

14 A. Yes. Cyber and physical security plans are maintained and monitored by American Water
15 for each of its subsidiaries. PAWC maintains emergency response plans and Operations
16 and Maintenance ("O&M") Manuals, both of which have operational business continuity
17 included within the plans, and are updated each year. These plans are tested each year
18 through emergency response tabletop exercises. Each of the plans are overseen and
19 managed by various groups and individuals to provide overarching support to PAWC.
20 These groups are responsible for testing, reviewing, and updating their respective plan(s).

21 The departments assigned to Physical Security, Emergency Response, Business
22 Continuity, and Cyber Security plans are as follows:

1 Physical Security Plan - Operational Risk Management Security (American Water
2 Works Service Company, Inc. (“AWWSC”))
3 Cyber Security Plan - Operational Risk Management Security (AWWSC)
4 Emergency Response Plan - Operations (PAWC)
5 Business Continuity Plan - Operational Risk Management (PAWC) and Operations
6 (PAWC)

7 To constantly protect physical and cyber resources, the designated groups have developed
8 procedures to ensure that PAWC operates in a safe, secure, and reliable environment. A
9 major commitment in assuring plans are kept current is performing various testing on an
10 annual basis. Types of testing performed by AWWSC and PAWC include vulnerability
11 assessments, system operational testing, full scale exercises, media backups, and real-life
12 events.

13
14 **Q. PLEASE DESCRIBE PAWC’S RELATIONSHIPS WITH COMMISSION**
15 **EMERGENCY RESPONSE STAFF, PENNSYLVANIA EMERGENCY**
16 **MANAGEMENT AGENCY STAFF, AND LOCAL FIRST RESPONDERS.**

17 A. PAWC has a strong working relationship with the Commission’s Emergency Response
18 Staff. PAWC provides the Commission with emergency response numbers for all PAWC
19 operating areas each year. The Commission provides emergency numbers for its staff,
20 which PAWC distributes to all of PAWC’s operating areas for inclusion in the PAWC
21 Emergency Response Plans. For those emergencies that warrant communication to the
22 Commission’s Emergency Preparedness Liaison Officer (“EPLO”), PAWC has contacted
23 Commission staff numerous times in the past to advise of situations and actions taken by

1 PAWC. Each year PAWC conducts emergency response tabletop exercises to test response
2 to emergency situations, including weather emergencies, contamination of supply, damage
3 to facilities, cyber-attack, and other perils. The Commission’s emergency response staff
4 has participated in those exercises each year since 2006. We also invite local first
5 responders to participate, such as fire departments, police departments, hazmat responders,
6 local prison personnel, as well as DEP, and Pennsylvania Department of Homeland
7 Security (“DHS”) personnel. PAWC has participated through Pennsylvania
8 Water/Wastewater Agency Response Network (“PaWARN”) and Pennsylvania
9 Emergency Management Agency (“PEMA”) sponsored exercises over the years. Our
10 current relationship with PEMA is through the Commission EPLO and PaWARN.

11
12 **Q. PLEASE DESCRIBE PAWC’S PARTICIPATION IN PENNSYLVANIA’S “ONE**
13 **CALL” SYSTEM AND THE RESOURCES THAT PAWC DEDICATES TO THE**
14 **PROGRAM.**

15 A. All of PAWC’s 36 districts are members of Pennsylvania One Call System Inc. and
16 complete excavator requested mark outs on a daily basis. Each district has a minimum of
17 one person dedicated to completing dig notifications utilizing a third party internet-based
18 One Call ticket management system known as Korweb that is accessible via vehicle
19 mounted computers for real time response to any PA One Call dig notification.

20
21 **Q. DOES PAWC HAVE AN EMPLOYEE SAFETY PROGRAM?**

22 A. Yes. American Water and PAWC have made safety a value and not just a goal because
23 goals change, but values don't change. It is very important to us that every employee and

1 contractor return home safely every day. Safety performance is fundamental to our
2 Company's culture and key to its success. Employees are expected to conduct themselves
3 in a safe manner, in accordance with our Health and Safety policy and with the Health and
4 Safety Procedures and Practices Manual. PAWC establishes, implements, promotes and
5 manages safety programs, activities and training that enable continued safety improvement,
6 injury reduction and compliance with applicable Federal, State and local requirements.
7 Safety programs are developed and implemented in accordance with Company policy and
8 applicable practices and include:

9 Supporting practices that are developed, reviewed and updated to provide guidance
10 on safe performance of activities in the workplace and are reflective of changes
11 in organizational, operational and regulatory needs;

12 Strategic and priority development and implementation of safety improvements
13 based on risk analysis of work places, work tasks and related potential injuries
14 and incidents;

15 Development of, and measurement against, specific Company and external safety
16 performance targets and safety accountabilities for all employees;

17 Ongoing assessment and review of safety processes, activities and supporting
18 programs (including those related to other Company policies, such as the
19 Workplace Conduct and Behavior Policy) to gauge effectiveness, identify
20 program gaps and pinpoint opportunities for continued improvement;

21 Consistency of implementation and compliance with Company and regulatory
22 requirements across the enterprise; and;

1 Defined and monitored contractor qualifications and requirements for safety
2 performance in accordance with approved contract documents, applicable laws
3 and regulations.
4

5 **Q. WHAT EFFORTS, IF ANY, WILL PAWC UNDERTAKE TO EDUCATE**
6 **CUSTOMERS REGARDING PAWC OWNERSHIP OF THE SYSTEM?**

7 A. As the Acquisition is nearing closing, PAWC plans to produce bill inserts and/or letters to
8 customers to explain the transition, billing, payment options and other items associated
9 with the change in ownership. PAWC's website will also add content to help educate
10 customers and to address frequently asked questions.
11

12 **Q. WHAT, IF ANY, CUSTOMER ENHANCEMENTS CAN THE AUTHORITY'S**
13 **CUSTOMERS EXPECT AS A RESULT OF THE ACQUISITION?**

14 A. PAWC prides itself on providing superior customer service. As part of its commitment to
15 customer service, PAWC offers its customers a number of enhanced services, including
16 extended call center hours, additional bill payment options, enhanced customer information
17 and education programs, and access to PAWC's customer assistance program.
18

19 **Q. CAN YOU PLEASE PROVIDE ADDITIONAL DETAIL ON EACH OF THESE**
20 **CUSTOMER SERVICE ENHANCEMENTS?**

21 A. Yes. *Customer Service.* Our call center is available from 7:00 a.m. to 7:00 p.m., Monday
22 through Friday. Customers can also reach a customer service representative via email at
23 infopa@amwater.com. In addition, our customers have the ability to manage their account

1 via PAWC’s “My H20” online portal. Finally, PAWC offers emergency support 24 hours
2 a day, seven days a week. All of this means that we are very responsive to our customers
3 and any issues they may have, and will provide the same responsive approach to the
4 Authority’s customers once PAWC acquires the System.

5 ***Bill Payment Options.*** PAWC offers a number of bill payment options. Customers
6 have the option to receive paper bills through the mail or go paperless and receive their
7 bills electronically via the “My H20” on-line portal. Either way, customers can pay their
8 bill by mail, online, or over the phone with a debit or credit card. They can also pay by e-
9 check or an electronic funds transfer (which can be set up at the “My H20” online portal)
10 or pay in person at multiple authorized payment locations across the state. Additionally,
11 customers will transition from a wastewater quarterly billing to a monthly billing cycle,
12 and will receive a combined monthly bill from PAWC for water and wastewater services.

13 ***Customer Information and Education Programs.*** PAWC provides extensive
14 customer information and education programs that will be available to the Authority’s
15 current customers through brochures, bill inserts, and educational videos posted on
16 PAWC’s website. Our customers always have full access to a wide range of topics,
17 including information on preventing sewer overflows, preventing frozen pipes, beneficially
18 re-using residuals from water treatment plants for community gardens, detecting and fixing
19 silent toilet leaks, properly disposing of unused pharmaceuticals to keep them out of the
20 wastewater system, conserving water, installing expansion tanks, obtaining Fire
21 Department Grants, and protecting customers from utility imposters.

22 ***Customer Assistance Programs.*** Finally, as new PAWC customers, the
23 Authority’s customers will have access to PAWC’s customer assistance program called the

1 “H2O Help to Others Program.” For wastewater customers, this program offers two main
2 services: (1) grants of up to \$500 per year and (2) a 15% discount on total wastewater
3 charges. Additionally, customers who qualify for the program may also qualify to receive
4 a water saving kit which includes, among other things, a low-flow shower head and low-
5 flow faucet aerators.

6
7 **Q. DOES PAWC HAVE A PROGRAM TO PROTECT ITS CUSTOMERS AGAINST**
8 **UTILITY EMPLOYEE IMPOSTERS?**

9 A. Yes, PAWC has developed communications tools and programs to regularly educate
10 customers about the tactics used by utility employee imposters and what homeowners need
11 to know to protect themselves. The communications vehicles include bill inserts, news
12 releases, social media posts and website information about imposter-related crimes and
13 precautions that customers can take. In addition, PAWC helped form the Keystone
14 Alliance to Stop Utility Imposters, a coalition of water, gas and electric utilities, along with
15 the Commission, Pennsylvania District Attorneys Association and Pennsylvania Chiefs of
16 Police Association, to launch a public awareness campaign using public service
17 announcements, print materials, posters and community presentations.

18
19 **Q. PLEASE DESCRIBE PAWC’S CUSTOMER DISPUTE RESOLUTION**
20 **PROCEDURE.**

21 A. PAWC is governed by Chapter 14 of the Code, Responsible Utility Customer Protection
22 Act, 66 Pa. C.S. § 1401 *et seq.*, and the Commission's regulations commonly known as
23 Chapter 56, 52 Pa. Code § 56.1 *et seq.* This law and Commission regulations provide the

1 process and procedures for customer billing, collections, payment arrangements, medical
2 certifications, Protection from Abuse Orders, termination of service, reconnection of
3 service, and customer dispute resolution procedures. PAWC has a customer compliance
4 team located in the Mechanicsburg office responsible for ensuring that customer disputes
5 and complaints are resolved in compliance with the Commission's regulations.
6 Additionally, the Company has a customer advocacy team located in the Mechanicsburg
7 office responsible for addressing any customer disputes and escalated concerns.

8
9 **Q. TO THE BEST OF YOUR KNOWLEDGE, DO THE AUTHORITY'S**
10 **CUSTOMERS CURRENTLY HAVE A PUBLIC OMBUDSMAN TO REPRESENT**
11 **THEIR INTERESTS?**

12 A. No.

13
14 **Q. DO PAWC'S CUSTOMERS HAVE A PUBLIC OMBUDSMAN TO REPRESENT**
15 **THEIR INTERESTS?**

16 A. Yes. The Office of Consumer Advocate ("OCA") represents residential customers of
17 public utilities; the Office of Small Business Advocate ("OSBA") represents small
18 commercial customers of public utilities; and, the Commission's Bureau of Investigation
19 & Enforcement ("I&E") represents the general public interest. Moreover, the Commission,
20 an independent regulatory agency, has regulatory oversight of matters involving public
21 utilities. The Commission and all of the public advocates are funded by regulatory
22 assessments against the public utilities.

1 CONCLUSION

2 **Q. DO YOU BELIEVE PAWC HAS THE ABILITY TO PROVIDE SAFE,**
3 **ADEQUATE, AND RELIABLE WASTEWATER SERVICE TO THE**
4 **AUTHORITY’S CUSTOMERS?**

5 A. Yes.

6
7 **Q. DO YOU BELIEVE THAT THE PROPOSED TRANSACTION WOULD RESULT**
8 **IN AN AFFIRMATIVE PUBLIC BENEFIT OF A SUBSTANTIAL NATURE?**

9 A. Yes. PAWC, as the largest investor-owned water and wastewater company in the
10 Commonwealth, will be able to provide an enhanced level of operational expertise and
11 customer service.

12
13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

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

**PAWC EXHIBIT
MJG-1**

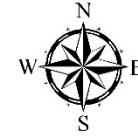
Borough of Kane Authority Capital Plan

Year After Closing	1	2	3	4	5
Capital Improvement					
Condition based assessment	\$257,400				
Targeted sewer replacement		\$1,716,000	\$1,716,000	\$1,716,000	\$1,716,000
Construct improvements at both plants		\$1,320,000	\$1,320,000		
Generator for Wilson Run pump station	\$132,000				
Pump station equipment replacement	\$264,000	\$264,000			
Install SCADA improvements	\$264,000	\$264,000			
Install safety and security improvements	\$264,000				
Total	\$1,181,400	\$3,564,000	\$3,036,000	\$1,716,000	\$1,716,000
Grand Total					\$11,213,400

**PAWC EXHIBIT
MJG-2**



Existing Service Territory Pennsylvania American Water Company Active Contract Listing as of October 2019



 Water  Wastewater



1 in = 30 miles

VERIFICATION

I, MICHAEL J. GUNTRUM hereby state that the facts above set forth above are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements made herein are made subject to the penalties of 18 Pa. Cons. Stat. §4904 relating to unsworn falsification to authorities.



Michael J. Guntrum, P.E. Senior Project Engineer

Dated: NOVEMBER 25, 2019

APPENDIX A-14-a
PAWC STATEMENT NO. 3

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :
Company under Section 1102(a) of the Pennsylvania :
Public Utility Code, 66 Pa C.S. § 1102(a), for approval :
of (1) the transfer, by sale, of substantially all of the :
Borough of Kane Authority's assets, properties and :
rights related to its wastewater treatment, transportation : Docket No. A-2019-3014248 *et al.*
and collection system facilities to Pennsylvania- :
American Water Company, and (2) the rights of :
Pennsylvania-American Water Company to begin to :
offer or furnish wastewater service to the public in the :
Borough of Kane and a portion of the Township of :
Wetmore, McKean County, Pennsylvania. :

**DIRECT TESTIMONY OF
ROD P. NEVIRASKAS ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER COMPANY**

Date: December 2, 2019

PAWC Statement No. 3

**DIRECT TESTIMONY OF
ROD P. NEVIRAUSKAS**

INTRODUCTION

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22

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

A. Rod P. Nevirauskas, 852 Wesley Drive, Mechanicsburg, PA 17055.

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

A. I am employed by American Water Works Service Company (“Service Company”) as Senior Director of Rates and Regulations for the Mid-Atlantic Division, which includes Pennsylvania-American Water Company (“PAWC” or the “Company”).

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.

A. I received a Bachelor’s Degree in Economics from the University of Massachusetts. Since beginning my employment with a subsidiary of the American Water Works Company, Inc. (“AWW” or “American Water”) in 1980, I have held various positions of increasing responsibilities in rates and finance. In October 2004, I was named Director of Rates and Regulations for the American Water Works Shared Services Center (“SSC”), a financial services organization providing national support to AWW’s subsidiary operating companies. In 2005, I was promoted to the position of Director of Financial Services at the SSC. In that capacity, I led the SSC Rates and Regulations group in supporting rate case filings for all of AWW’s regulated operating subsidiaries. On January 1, 2009, I assumed the position of Director of Rates and Regulations for the states of Pennsylvania, Virginia and Maryland. In late 2011, AWW re-organized its divisional structure, and

1 responsibility for rate and regulatory matters in West Virginia, Virginia and Maryland were
2 transferred to the Mid-Atlantic Division of AWW, of which PAWC is a member. On April
3 1, 2017, I was promoted to Senior Director with regulatory responsibility for Pennsylvania
4 and West Virginia.

5
6 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE**
7 **PENNSYLVANIA PUBLIC UTILITY COMMISSION (THE “COMMISSION” OR**
8 **“PUC”)?**

9 **A.** Yes. I have testified on numerous occasions on behalf of utility subsidiaries of AWW in
10 support of rate filings and financings in the States of Connecticut, Rhode Island, New
11 Jersey, New Hampshire, Maryland, New York, Ohio, Virginia, West Virginia and the
12 Commonwealths of Massachusetts and Pennsylvania.

13
14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

15 **A.** My testimony first addresses the financial fitness of PAWC to acquire and operate the
16 wastewater collection and treatment system (“System”) currently owned and operated by
17 the Borough of Kane Authority (“Authority”), which PAWC has agreed to purchase
18 (“Transaction”). Second, my testimony addresses: (a) the identification of ratemaking rate
19 base as required in 66 Pa. C.S § 1329 for PAWC’s acquisition of the System; (b) the
20 benefits of the Transaction; (c) the customer notices associated with the Transaction; (d)
21 an estimate of the range of transaction and closing costs incurred by PAWC; (e) an
22 overview of the rate provisions contained in the Asset Purchase Agreement (“APA”) for
23 PAWC’s acquisition of the System; (f) a statement regarding PAWC’s intentions with

1 respect to accrual of certain post-acquisition improvement costs and deferral of related
2 depreciation; and, (g) authentication of certain Application appendices.

3
4 **PAWC'S FINANCIAL FITNESS**

5 **Q. PLEASE DISCUSS PAWC'S FINANCIAL FITNESS.**

6 **A.** PAWC is the Commonwealth's largest water and wastewater provider, with total assets of
7 \$4.9 billion and annual revenues of \$689 million for 2018. For 2018, PAWC had operating
8 income of approximately \$335 million and net income of approximately \$189 million.
9 These operating results produced cash flows from operations of approximately \$375
10 million.

11
12 **Q. DOES PAWC HAVE THE OVERALL FINANCIAL FITNESS AND ACCESS TO
13 CAPITAL TO ACQUIRE THE AUTHORITY'S ASSETS?**

14 **A.** Yes. PAWC has strong operating cash flows and net income and, therefore, a strong
15 balance sheet. PAWC's strong operating and financial performance allows it to obtain
16 competitive interest rates for long-term debt financing and access to equity investments
17 from its parent company. In my opinion, PAWC is a financially-sound business that can
18 financially support the acquisition of the System as well as the ongoing operating and
19 investment commitments that will be required to operate, maintain and improve those
20 assets in serving the public.

1 **Line of Credit**

2 PAWC presently has liquidity through a \$400 million line of credit through American
3 Water Capital Corp. (“AWCC”), a wholly owned subsidiary of American Water. PAWC’s
4 strong credit ratings allow PAWC to obtain additional capacity on this line of credit.

5
6 **Long Term Debt Financing**

7 PAWC carries a corporate credit rating of “A3” from Moody’s Investors Services and an
8 “A” rating from Standard and Poor’s Rating Services. PAWC obtains long-term debt
9 financing through AWCC at favorable interest rates and payment terms. When applicable,
10 PAWC also uses low-cost financing through the Pennsylvania Infrastructure Investment
11 Authority (“PENNVEST”) and the Pennsylvania Economic Development Financing
12 Authority (“PEDFA”).

13
14 **Equity Investments**

15 PAWC may obtain additional equity investments through American Water based on its
16 strong operating performance.

17
18 **Q. PLEASE EXPLAIN HOW PAWC INTENDS TO FUND THE ACQUISITION.**

19 **A.** PAWC will initially fund the Transaction with short-term debt and will later replace it with
20 a combination of long-term debt and equity capital.

21
22 **Q. WHAT IMPACT, IF ANY, DO YOU ANTICIPATE THAT THE ACQUISITION OF**
23 **THE SYSTEM WILL HAVE ON PAWC’S CORPORATE CREDIT RATINGS?**

1 A. As stated above, PAWC does not anticipate that the acquisition of the System will have a
2 significant impact on its credit ratings.

3

4

FAIR MARKET VALUE RATE BASE

5 **Q. PLEASE STATE THE RATE BASE REQUESTED IN THE APPLICATION**
6 **PURSUANT TO 66 PA. C.S § 1329.**

7 A. The negotiated purchase price for the acquired assets is \$17,560,000 and the average of the
8 appraisals of the buyer’s Utility Valuation Expert (“UVE”) and the seller’s UVE is
9 \$23,688,203. Accordingly, the negotiated purchase price of \$17,560,000 is the fair market
10 value for ratemaking purposes under Section 1329 (*i.e.* the lower of the negotiated purchase
11 price and the average of the UVEs’ appraisals). The fair market value as determined by
12 the Section 1329 process, in addition to the transaction and closing costs described below,
13 becomes part of PAWC’s rate base for ratemaking purposes. Note, however, that PAWC
14 reserves its right in future proceedings to make rate base claims related to the acquisition
15 as may otherwise be permitted under the Pennsylvania Public Utility Code (“Code”).

16

17

TRANSACTION IS IN THE PUBLIC INTEREST

18 **Q. PLEASE DISCUSS THE PUBLIC BENEFITS OF THE TRANSACTION.**

19 A. The System’s customers will be served by a large, financially sound company that has the
20 capability to finance necessary capital additions. PAWC is fit to provide safe and adequate
21 service to the Authority’s customers. Given its size, access to capital and its recognized
22 strengths in system planning, capital budgeting and construction management, PAWC is
23 well-positioned from a financial, managerial and technical perspective to ensure that high

1 quality wastewater service meeting all federal and state requirements is provided to the
2 Authority's customers and maintained for PAWC's existing customers. As discussed in the
3 testimony of PAWC witness Michael J. Guntrum, PAWC's Senior Project Engineer,
4 PAWC Statement No. 2, PAWC plans improvements in the service to the Authority's
5 customers over the next 5 years. Furthermore, the acquisition furthers the Commission's
6 goals of consolidation and regionalization of wastewater systems within the
7 Commonwealth. Approximately 97% of the Authority's customers are existing PAWC
8 water customers. As such, improvements in the wastewater service directly benefit these
9 existing PAWC customers.

10 The ratemaking rate base of the Transaction equates to approximately \$8,697 per
11 customer, on average.¹ This average rate base per customer is less than or similar to the
12 average per-customer ratemaking rate base approved by the Commission in other recent
13 PAWC acquisitions, including the acquisition of the wastewater system assets of Exeter
14 Township at \$10,205 per customer² and the acquisition of the water system assets of the
15 Steelton Borough Authority at \$8,293 per customer.³ The Commission approved both the
16 Exeter and Steelton acquisitions on October 3, 2019, finding the Settlements of the
17 application proceedings to be in the public interest.

¹ \$17,560,000 purchase price / 2,019 customers = \$8,697.

² Docket No. A-2018-3004933, Opinion and Order entered October 3, 2019. \$92 million ratemaking rate base approved (page 37) / 9,015 customers (page 9) = average rate base of \$10,205 per customer.

³ Docket No. A-2019-3006880, Opinion and Order entered October 3, 2019 ("*Steelton Order*"). \$20.5 million ratemaking rate base approved (page 36) / 2,472 customers (page 10) = average rate base of \$8,293 per customer.

1 **Q. WHAT IMPACT, IF ANY, WILL THERE BE ON THE RATES OF THE**
2 **AUTHORITY’S CUSTOMERS AS A RESULT OF THE ACQUISITION OF THE**
3 **SYSTEM?**

4 **A.** There is no immediate impact on the rates of the Authority’s customers because PAWC
5 has committed to adopt, upon closing of the Transaction, the Authority’s current minimum
6 charge and consumption charge then in effect at the time of closing. PAWC expects to
7 propose to move the Authority’s rates toward consolidated rates in future base rate cases.
8 Subject to Commission approval, PAWC anticipates allocating a portion of its wastewater
9 revenue requirement to the combined water and wastewater customer base, as permitted
10 by 66 Pa. C.S. § 1311(c). As PAWC customers, the cost of service to Authority customers
11 can be allocated among a larger group of customers, thereby mitigating the per-customer
12 impact of capital improvements and increases in operating costs.

13
14 **Q. WHAT IMPACT, IF ANY, WILL THERE BE ON THE RATES OF PAWC’S**
15 **CURRENT CUSTOMERS AS A RESULT OF THE ACQUISITION OF THE**
16 **SYSTEM?**

17 **A.** There is no immediate impact on the rates of PAWC’s current customers. PAWC expects
18 to include the Authority’s wastewater operations in PAWC’s future base rate filings. Any
19 impacts on the rates of PAWC’s existing customers would occur only upon Commission
20 approval as part of a base rate proceeding. A non-binding estimate of possible rate impacts
21 for existing customers is shown in **Appendix 18-d** and discussed in the Customer Notice
22 section below. The Authority’s customers, as part of PAWC’s overall customer base, will

1 become part of PAWC’s overall cost allocation. Nothing contained in the APA would bind
2 the Commission or other interested parties in future ratemaking proceedings.

3
4 **Q. DO YOU ANTICIPATE THE TRANSACTION HARMING PAWC’S FINANCIAL
5 STATUS IN ANY MANNER?**

6 **A.** No, not at all. PAWC does not anticipate that the acquisition of the System will have a
7 negative impact on PAWC’s cash flows, credit ratings or access to capital and, therefore,
8 will not deteriorate in any manner PAWC’s ability to continue to provide safe, adequate,
9 and reasonable service to its existing customers at just and reasonable rates.

10
11 **CUSTOMER NOTICE**

12 **Q. IS PAWC PROVIDING NOTICE TO CUSTOMERS OF THE ACQUISITION?**

13 **A.** Yes. PAWC is providing notice of the acquisition to existing PAWC water and wastewater
14 customers as well as to the Authority’s wastewater customers. The notices to PAWC
15 customers and Authority wastewater customers are attached to the application as **Appendix**
16 **18-d**. These notices contain a non-binding estimate of the potential rate impact of the
17 acquisition.

18
19 **Q. HOW WERE THE ESTIMATES OF POTENTIAL RATE IMPACTS
20 CALCULATED FOR THE NOTICES PROVIDED IN APPENDIX 18-D?**

21 **A.** These notices were prepared in accordance with the *Steelton Order*. This Order approved
22 a Settlement in which PAWC agreed to the form and calculation of the notices for future
23 Section 1329 acquisition proceedings (“Settlement”).

1 In the Settlement, the Joint Petitioners (PAWC, the Commission’s Bureau of
 2 Investigation & Enforcement, the Office of Consumer Advocate, the Office of Small
 3 Business Advocate and the Borough of Steelton) agreed to the form of the notices to be
 4 sent to existing PAWC water and wastewater customers and the notice to be sent to the
 5 customers of the system being acquired. The forms of the notices were attached to the
 6 Settlement as Appendix E and Appendix F.

7 The Joint Petitioners also agreed to the Rate Impact Calculations for these notices.
 8 Those calculations are discussed in more detail below.

9
 10 **Q. ARE THE NOTICES TO EXISTING PAWC CUSTOMERS AND THE**
 11 **CUSTOMERS OF THE SYSTEM BEING ACQUIRED SUBSTANTIALLY IN THE**
 12 **FORM INDICATED BY APPENDIX E AND APPENDIX F TO THE ABOVE-**
 13 **REFERENCED SETTLEMENT?**

14 **A.** Yes. These notices were prepared in compliance with the Settlement.

15
 16 **Q. PLEASE SUMMARIZE THE CALCULATION OF THE POTENTIAL RATE**
 17 **IMPACT SHOWN IN THE NOTICE TO THE AUTHORITY’S CUSTOMERS.**

18 **A.** As shown in **Appendix 18-d**, the notice to Authority customers shows the following
 19 information regarding the potential rate impacts of the acquisition:

Kane Borough Authority Wastewater Customers				
Rate Class	Average Usage	Average Monthly Bill at the Authority’s Rates at Closing	Potential Average Monthly Bill	Potential Increase
Residential	3,630 gal/month	\$51.87	\$75.99	46.5%
Commercial	22,000 gal/month	\$222.98	\$326.67	46.5%
Industrial	476,000 gal/month	\$3,849.62	\$5,639.69	46.5%

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The 46.5% percentage increase shown in the chart above is calculated as 100% of the revenue deficiency after the Act 11 allocation to water customers,⁴ divided by the Year One revenues of the System. The current average monthly bill is calculated using the Authority’s existing wastewater rates, which will be adopted by PAWC at closing.⁵ The potential average monthly bill after acquisition is calculated by increasing the current average monthly bill amounts by the 46.5% percentage increase. This methodology was used to comply with the Settlement at Docket No. A-2019-3006880 (Exhibit G). Please refer to **PAWC Exhibit RPN-1** for the calculation of the customer notice.

Q. PLEASE SUMMARIZE THE RATE IMPACT CALCULATION IN THE NOTICE TO PAWC WASTEWATER CUSTOMERS.

A. As shown in **Appendix 18-d**, the notice to PAWC’s existing wastewater customers shows the following information regarding the potential rate impacts of the acquisition:

PAWC Existing Wastewater Customers				
Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 Current Rates	Average Monthly Bill at PAWC Zone 1 Current Rate Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,630 gal/month	\$64.93	\$66.55	2.5%
Commercial	22,000 gal/month	\$280.22	\$287.23	2.5%
Industrial	476,000 gal/month	\$5,547.08	\$5,685.76	2.5%

15

⁴ The allocation of a portion of the wastewater revenue requirement to water customers pursuant to Act 11 of 2012 (66 Pa. C.S. § 1311(c)) is referred to in this testimony as the “Act 11 allocation.” For calculating the notice in this case, the Settlement requires PAWC to use the Act 11 allocation from wastewater to water from PAWC’s last base rate case. In PAWC’s last base rate case, 46% of the wastewater revenue requirement was allocated to water customers under Act 11. See Docket No. R-2017-2595853, Joint Petition for Settlement paragraph 35d and the Summary Proof of Revenues. The Settlement was approved by Order entered December 7, 2017.

⁵ The Authority’s existing rates are shown in **Appendix 18-a**.

1 The 2.5% percentage increase shown in the chart above is calculated by dividing
 2 100% of the revenue deficiency after the Act 11 allocation to water customers by total
 3 wastewater revenues. The “total wastewater revenues” include PAWC’s wastewater
 4 revenues from existing customers, which were determined to be \$26,935,197 in PAWC’s
 5 most recent base rate case, as well as the Year One revenues from the System (\$1,469,000
 6 as shown on **Appendix K**). This methodology was used to comply with the Settlement at
 7 Docket No. A-2019-3006880 (Exhibit G). Please refer to **PAWC Exhibit RPN-1** for the
 8 calculation of the customer notice.

9
 10 **Q. PLEASE SUMMARIZE THE CALCULATION OF THE POTENTIAL RATE**
 11 **IMPACT SHOWN IN THE NOTICE TO PAWC WATER CUSTOMERS.**

12 **A.** As shown in **Appendix 18-d**, the notice to PAWC’s existing water customers shows the
 13 following information regarding the potential rate impacts of the acquisition:

PAWC Existing Water Customers				
Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 Current Rates	Average Monthly Bill at PAWC Zone 1 Current Rate Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,630 gal/month	\$60.85	\$60.91	0.1%
Commercial	22,000 gal/month	\$291.80	\$292.09	0.1%
Industrial	476,000 gal/month	\$4,530.44	\$4,534.97	0.1%

14
 15 The 0.1% percentage increase shown in the chart above represents the potential
 16 impact on PAWC water customers of the Act 11 allocation to water customers. This
 17 allocation to water customers is divided by PAWC’s applicable water revenues, which
 18 were \$667,585,862 in PAWC’s most recent base rate case.

1 The current average monthly bill is shown at PAWC’s current Zone 1 rates and the
2 average usage for each customer class as reflected in the filing of PAWC’s most recent
3 base rate case (Docket No. R-2017-2595853). The average monthly bill for PAWC Zone
4 1 customers after acquisition is calculated by increasing the current average monthly bill
5 amounts by the 0.1% percentage increase, which was calculated as explained above. This
6 methodology was used to comply with the Settlement at Docket No. A-2019-3006880
7 (Exhibit G). Please refer to **PAWC Exhibit RPN-1** for the calculation of the customer
8 notice.

9
10 **Q. DO YOU HAVE ANY FURTHER COMMENTS ON THE CUSTOMER NOTICES**
11 **PAWC IS PROVIDING IN THIS PROCEEDING?**

12 **A.** Yes. As discussed above, the calculation of estimated potential rate impacts to PAWC and
13 Authority customers were performed in conformance with the Company’s Settlement at
14 Docket No. A-2019-3006880. Ultimately, any rate impacts of the acquisition will be
15 determined by the Commission in future base rate proceedings.

16
17 **TRANSACTION AND CLOSING COSTS**

18 **Q. PLEASE DESCRIBE THE ESTIMATED TRANSACTION AND CLOSING COSTS**
19 **FOR THE TRANSACTION.**

20 **A.** As set forth in the Commission’s *Final Implementation Order* at Docket No. M-2016-
21 2543193, transaction and closing costs include the UVE’s appraisal fee and the buyer’s
22 closing costs, including reasonable attorney fees. In accordance with the *Final*
23 *Implementation Order* and traditional ratemaking principles, reasonable transaction and

1 closing costs are not to be decided in this Application proceeding; instead, PAWC must
2 justify the costs by a “preponderance of the evidence” in a future base rate proceeding.

3 As a practical matter, the exact extent of such costs cannot be known at the time of
4 filing the Application and will not be finally known until after closing of the Transaction.
5 The costs depend on a number of variables, including whether this Application is settled
6 or fully-litigated. PAWC will track such costs and incorporate them into rate base in a
7 future base rate proceeding as appropriate. Nevertheless, attached to the Application, as
8 **Appendix A-10**, is PAWC’s estimate of the anticipated range of transaction and closing
9 costs (approximately \$787,000 to \$997,000).

11 **APA RATE PROVISIONS**

12 **Q. PLEASE PROVIDE AN OVERVIEW OF THE RATE PROVISIONS OF THE APA.**

13 **A.** Article 6.7 of the APA, dated as of November 4, 2019, contains provisions related to rates.
14 PAWC has committed to adopt, upon closing of the Transaction, the Authority’s current
15 customer charge and consumption charge then in effect at the time of closing.

16 The initial rates to be applicable to the former Authority wastewater customers are
17 set forth in the *pro forma* tariff supplement attached as **Appendix A-12** to the Application.
18 System customers will be governed by rates for new Kane Rate Zone “XX.” After PAWC
19 closes the Transaction, System customers will be subject to PAWC’s prevailing wastewater
20 tariff on file with the Commission with respect to all rates other than the customer charge
21 and consumption charge, including capacity reservation fees, reconnection fees and the
22 like, as well as non-rate related terms and conditions of service.

1 The Authority’s customers are currently billed monthly. PAWC is the water
2 provider within the Authority’s service area with the exception of 65 customers who are
3 on private wells.

4 PAWC will charge a capacity reservation fee of \$4,000 per new equivalent dwelling
5 unit for the allocation of treatment, pumping, and transmission, truck and interceptor main
6 capacity, commencing with the date of Closing. No capacity fee will be charged for any
7 applicant for wastewater service that meets the criteria of a Bona Fide Service Applicant,
8 as defined in 52 Pa. Code § 65.1 (excluding clause (iii) of that definition) if “wastewater”
9 were substituted for “water.”

10
11 **Q. DO THE RATE PROVISIONS OF THE APA INCLUDE A RATE**
12 **STABILIZATION PLAN AS DEFINED BY SECTION 1329?**

13 **A.** The APA does not set forth or require a “rate stabilization plan” as defined by Section
14 1329(g). Therefore, PAWC is not required under the *Final Implementation Order* at
15 Docket No. M-2016-2543193 to provide testimony, schedules, and work papers in support
16 of a rate stabilization plan.

17 Section 1329(g) defines a “rate stabilization plan” as “[a] plan that will hold rates
18 constant or phase rates in over a period of time after the next base rate case.” As detailed
19 in Article 6.7 of the APA, PAWC will be charging the Authority’s current rates (but not
20 other charges) as the Company’s base rates within the service territory.

21 Base rates for the Authority’s customers will be addressed and adjusted, as
22 appropriate and without any form of contractual restriction, in PAWC’s first base rate case

1 in which the System is included. Interested parties will have an opportunity to participate
2 in that rate case and address issues, including cost allocation, as appropriate.

3 PAWC was careful in negotiating the APA to respect the statutory authority of the
4 Commission to set just and reasonable rates.

5
6 **Q. DOES PAWC SEEK THE AUTHORITY TO CHARGE NON-BASE RATES PRIOR**
7 **TO PAWC'S FIRST BASE RATE CASE IN WHICH THE SYSTEM IS**
8 **INCLUDED?**

9 **A.** Yes. PAWC is requesting authority from the Commission to approve collection of a
10 distribution system improvement charge ("DSIC") related to the System in the future, prior
11 to the first base rate case in which the System plant-in-service is incorporated into rate
12 base. PAWC would not begin charging a DSIC until the eligible System plant is approved
13 by the Commission in PAWC's Long Term Infrastructure Improvement Plan for
14 wastewater.

15
16 **POST-ACQUISITION IMPROVEMENT COSTS**

17 **Q. PLEASE STATE YOUR UNDERSTANDING OF SECTION 1329 WITH RESPECT**
18 **TO POST-ACQUISITION IMPROVEMENT COSTS.**

19 **A.** I am advised by counsel that Section 1329(f) allows "an acquiring public utility's post
20 acquisition improvements that are not included in a distribution system improvement
21 charge [to] accrue allowance for funds used during construction ["AFUDC"] after the date
22 the cost was incurred until the asset has been in service for a period of four years or until
23 the asset is included in the acquiring public utility's next base rate case, whichever is

1 earlier.” Section 1329(f) also provides that “[d]epreciation on an acquiring public utility’s
2 post acquisition improvements that have not been included in the calculation of a
3 distribution system improvement charge shall be deferred for book and ratemaking
4 purposes.”

5
6 **Q. DOES PAWC INTEND TO ACCRUE AFUDC FOR POST-ACQUISITION**
7 **IMPROVEMENTS?**

8 **A.** Yes. As summarized in the Direct Testimony of PAWC Witness Michael J. Guntrum,
9 PAWC’s Senior Project Engineer, PAWC Statement No. 2, PAWC will be making post-
10 acquisition improvements to the System. As such, PAWC will likely accrue AFUDC
11 consistent with what is permitted under Section 1329. PAWC will address any claims for
12 AFUDC in the first base rate proceeding in which the Authority’s assets are included.

13
14 **Q. DOES PAWC INTEND TO DEFER DEPRECIATION ON NON-DSIC-ELIGIBLE**
15 **POST-ACQUISITION IMPROVEMENTS FOR BOOK AND RATEMAKING**
16 **PURPOSES?**

17 **A.** Yes. Section 1329(f) permits such deferral of depreciation. The statute appears to allow
18 deferral without specific Commission approval; however, out of an abundance of caution,
19 PAWC is specifically petitioning the Commission, as part of this Application proceeding,
20 for permission to defer the depreciation for book and ratemaking purposes.

21

1 AUTHENTICATION OF APPLICATION APPENDICES

2 **Q. ARE YOU FAMILIAR WITH THE APPLICATION FILED BY PAWC IN THIS**
3 **PROCEEDING?**

4 **A.** Yes, I helped to prepare several of the appendices in support of the Application and I have
5 reviewed the final version of the Application and the appendices.
6

7 **Q. PLEASE IDENTIFY WHICH APPLICATION APPENDICES WERE PREPARED**
8 **BY YOU OR UNDER YOUR SUPERVISION AND CONTROL?**

9 **A.** **Appendix A-10** is the Company's estimate of the anticipated range of transaction and
10 closing costs. The *pro forma* tariff supplement is attached as **Appendix A-12** to the
11 Application. In addition, based on financial statements provided by the Authority and on
12 PAWC's audited financial statements, the following appendices were prepared: **Appendix**
13 **C** (balance sheet of the Authority as of March 31, 2019), **Appendix D** (audited balance
14 sheet of PAWC as of December 31, 2018), **Appendix E** (income statement of the Authority
15 for the 12 months ended March 31, 2019), **Appendix F** (audited income statement of
16 PAWC for the 12 months ended December 31, 2018), **Appendix G** (*pro forma* balance
17 sheet of PAWC, giving effect to the transfer), **Appendix H** (*pro forma* consolidated income
18 statement of PAWC and the Authority for 12 months) and **Appendix K** (estimated annual
19 revenues and expenses).
20

21 **Q. HOW WERE APPENDICES A-10, A-12, APPENDICES C THROUGH H, AND**
22 **APPENDIX K PREPARED?**

1 A. I reviewed the financial information of PAWC, to which I have direct access, and I
2 reviewed the financial and rate information provided by the Authority, to which I received
3 access through the Transaction due diligence process.

4

5 **Q. ARE APPENDICES A-10, A-12, APPENDICES C THROUGH H, AND APPENDIX**
6 **K TRUE AND CORRECT TO THE BEST OF YOUR KNOWLEDGE,**
7 **INFORMATION, AND BELIEF?**

8 A. Yes.

9

10

CONCLUSION

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

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

Borough of Kane Authority Wastewater Customers

Wastewater

Rate Class	Average Usage	Average Monthly Bill at Borough of Kane Authority Rates at Closing	Potential Average Monthly Bill	Potential Increase
Residential	3,630 gal/month	\$51.87	\$75.99	\$24.12 or 46.5%
Commercial	22,000 gal/month	\$222.98	\$326.67	\$103.69 or 46.5%
Industrial	476,000 gal/month	\$3,849.62	\$5,639.69	\$1,790.07 or 46.5%

PAWC Current Customers

Wastewater

Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 Current Rates	Average Bill at PAWC Zone 1 Current Rates Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,630 gal/month	\$64.93	\$66.55	\$1.62 or 2.5%
Commercial	22,000 gal/month	\$280.22	\$287.23	\$7.01 or 2.5%
Industrial	476,000 gal/month	\$5,547.08	\$5,685.76	\$138.68 or 2.5%

Water

Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 Current Rates	Average Bill at PAWC Zone 1 Current Rates Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,630 gal/month	\$60.85	\$60.91	\$0.06 or 0.1%
Commercial	22,000 gal/month	\$291.80	\$292.09	\$0.29 or 0.1%
Industrial	476,000 gal/month	\$4,530.44	\$4,534.97	\$4.53 or 0.1%

Pennsylvania American Water Company
 Acquisition of Wastewater Assets of the Borough of Kane Authority
 Docket No. A-2019-3014248

Kane - Wastewater

Residential		
	Service Charge	
		\$41.11
20.00	0.0000	0.00
16.30	0.6600	10.76
36.30		
		\$51.87

Rate Impact 46.5%
 \$24.12
 Total \$75.99

PAWC - Wastewater

Zone 1 - Residential		
	Service Charge	
		\$10.00
36.30	1.5132	54.93
		\$64.93

Rate Impact 2.5%
 \$1.62
 Total \$66.55

PAWC - Water

Zone 1 - Residential		
5/8"	Service Charge	
		\$16.50
36.30	1.2217	44.35
		\$60.85

Rate Impact 0.1%
 \$0.06
 Total \$60.91

Commercial		
	Service Charge	
		\$82.22
20.00	0.0000	0.00
80.00	0.6600	52.80
120.00	0.7330	87.96
220.00		
		\$222.98

Rate Impact 46.5%
 \$103.69
 Total \$326.67

Zone 1 - Commercial		
	Service Charge	
		\$25.00
220.00	1.1601	255.22
		\$280.22

Rate Impact 2.5%
 \$7.01
 Total \$287.23

Zone 1 - Commercial		
1"	Service Charge	
		\$41.60
160.00	1.2205	195.28
60.00	0.9153	54.92
220.00		
		\$291.80

Rate Impact 0.1%
 \$0.29
 Total \$292.09

Industrial		
	Service Charge	
		\$82.22
20.00	0.0000	0.00
80.00	0.6600	52.80
200.00	0.7330	146.60
4,460.00	0.8000	3,568.00
4,760.00		3,849.62

Rate Impact 46.5%
 \$1,790.07
 Total \$5,639.69

Zone 1 - Industrial		
	Service Charge	
		\$25.00
4,760.00	1.1601	5,522.08
		5,547.08

Rate Impact 2.5%
 \$138.68
 Total \$5,685.76

Zone 1 - Industrial		
2"	Service Charge	
		\$196.35
160.00	1.1843	189.49
4,600.00	0.9010	4,144.60
4,760.00		
		4,530.44

Rate Impact 0.1%
 \$4.53
 Total \$4,534.97

Pennsylvania American Water Company
Acquisition of Wastewater Assets of the Borough of Kane Authority
Docket No. A-2019-3014248

Estimated Rate Increase

Revenue Requirement Increase (Attachment page 2)	\$ 1,265,000
Act 11 Percentage (R-2017-2595853 Proof of Revenues)	46%
Amount of increase allocated to water through Act 11	581,900
Amount of increase allocated to wastewater customers	\$ 683,100

Full COS - 100% of Increase applied to Kane Borough Wastewater Customers	
Revenue Requirement Increase - After Act 11	\$ 683,100
Current Borough of Kane Authority wastewater revenues	1,470,000
Estimated Increase to wastewater customers	46.5%

Amount of increase allocated to wastewater customers and applied to the combined revenues of all PAWC wastewater customers and acquired customers:	
Revenue Requirement Increase	\$ 683,100
Current Borough of Kane Authority wastewater revenues	1,470,000
PAWC wastewater customers-excl. Scranton rev. (R-2017-2595853 Proof of Revenues excl. OWR)	26,162,360
Estimated Increase to wastewater customers	2.5%

Amount of increase allocated to water customers:	
Revenue Requirement Increase	\$ 581,900
PAWC water cust. rev. (R-2017-2595853 Proof of Revenues Excludes OWR & Contract Sales)	650,769,554
Estimated Increase to Water Customers	0.1%

Pennsylvania American Water Company						
R-2017-2595853 - Proof of Revenues						
Act 11 Allocation						
	Water Operations	Wastewater Excluding Scranton		Scranton Wastewater	Combined Wastewater	Total Company
Additional Annual Operating Revenue Before Act 11	\$ 51,581,090	\$ 5,290,300		\$ 4,977,893	\$ 10,268,193	\$ 61,849,283
ACT 11 Allocation - WW COS Recovered from Water	4,700,000	(2,383,000)	45%	(2,317,000)	(4,700,000)	46% \$ -
Additional Annual Operating Revenue	56,281,090	2,907,300	55%	2,660,893	5,568,193	54% 61,849,283

**Pennsylvania American Water Company
 Acquisition of Wastewater Assets of the Borough of Kane Authority
 Docket No. A-2019-3014248**

Revenue Requirement Increase

Rate Base	\$	17,560,000	Appendix A-11
Rate of Return %		7.14%	See Calculations
Rate of Return		<u>1,254,000</u>	
O&M		511,000	Appendix K
Taxes Other		38,000	Appendix K
Depreciation		625,000	Appendix K
Taxes		307,000	See Calculations
Revenue Requirement		<u>2,735,000</u>	
Kane Year-1 Revenues		1,470,000	Appendix K
Revenue Requirement Increase		1,265,000	

Pennsylvania American Water Company
 Acquisition of Wastewater Assets of the Borough of Kane Authority
 Docket No. A-2019-3014248

Summary

<u>Revenue Requirement</u>	
Rate Base	\$ 17,560,000
Pretax ROR %	8.89%
Pretax ROR	1,561,000
Plus: O&M Expense	511,000
Taxes Other	38,000
Depreciation	625,000
Total Revenue Requirement	2,735,000

<u>Income Tax Calculation</u>	
Revenues	\$ 2,735,000
Less: O&M Expense	511,000
Taxes Other	38,000
Depreciation	625,000
Interest	499,000
SIT Taxable Income	1,062,000
State Income Tax Rate	9.99%
State Income Tax	106,000
FIT Taxable Income	956,000
Federal Income Tax Rate	21.00%
Federal Income Tax	201,000
Total Income Taxes	307,000

<u>Interest</u>	
Rate Base	\$ 17,560,000
Weighted Cost of Debt (1.85% + 0.99%)	2.84%
	\$ 499,000

Wastewater	Capital Structure	Cost Rate	Weighted Cost	Revenue Multiplier	Revenue Requirement
Long-Term Debt	35.24%	5.25%	1.85%		1.85%
Wastewater Financing	21.51%	4.59%	0.99%		0.99%
Preferred Stock	0.13%	8.66%	0.01%	1.40631	0.01%
Common Equity	43.12%	9.95%	4.29%	1.40631	6.03%
			7.14%		8.89%

Cost of Equity for Distribution System Improvement Charge (DSIC) 9.95% M-2018-3006643
 Capital Structure based on PAWC last wastewater base rate case R-2017-2595853 PAWC Statement No. 13, Exhibit No. 13-A, Schedule 12.

<u>Revenue Multiplier</u>	
Statutory State Tax Rate	0.0999
Statutory Federal Tax Rate	0.21
1- State Tax Rate	0.9001
Fed Rate Times (1-State Tax Rate)	0.189021
Effective Tax Rate	0.288921
1-Eff Tax Rate	0.711079
Reciprocal	1.40631

VERIFICATION

I, Rod P. Neviraskas hereby state that the facts above set forth above are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements made herein are made subject to the penalties of 18 Pa. Cons. Stat. §4904 relating to unsworn falsification to authorities.



Rod P. Neviraskas, Senior Director of Rates and
Regulations

Dated: 11/26/19

APPENDIX A-14-b
PAWC STATEMENT NO. 4

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :
Company under Section 1102(a) of the Pennsylvania :
Public Utility Code, 66 Pa C.S. § 1102(a), for approval :
of (1) the transfer, by sale, of substantially all of the :
Borough of Kane Authority’s assets, properties and : Docket No. A-2019-3014248 *et al.*
rights related to its wastewater treatment, transportation :
and collection system facilities to Pennsylvania- :
American Water Company, and (2) the rights of :
Pennsylvania-American Water Company to begin to :
offer or furnish wastewater service to the public in the :
Borough of Kane and a portion of the Township of :
Wetmore, McKean County, Pennsylvania. :

**DIRECT TESTIMONY OF
JEROME C. WEINERT, PE, ASA, CDP UTILITY VALUATION EXPERT
ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER COMPANY**

DIRECT TESTIMONY OF JEROME C. WEINERT

1 **Q. Please state your name, business address, and occupation.**

2 **A.** My name is Jerome C. Weinert. My business address is 8555 West Forest Home Avenue,
3 Suite 201, Greenfield, WI 53228. I am employed by Associated Utility Services, Inc.
4 (“AUS”) as a Principal and Director of AUS’s consulting operation (“AUS Consultants”).
5 This testimony was prepared by me.

6
7 **Q. Please describe your qualifications and indicate if you are registered as a Utility
8 Valuation Expert with the Pennsylvania Public Utility Commission.**

9 **A.** A curriculum vitae (“CV”) for Jerome C. Weinert is attached to my report and this
10 testimony as **Appendix A**. AUS Consultants is a registered Utility Valuation Expert with
11 the Pennsylvania Public Utility Commission. We obtained that registration in 2016 and
12 were informed of our renewal by the Pennsylvania PUC Secretary on January 24, 2019.

13
14 **Q. What is the purpose of your testimony?**

15 **A.** This direct testimony provides clarification and explanation of the appraisal I provided to
16 Pennsylvania-American Water Company (“PAWC”), the Acquiring Public Utility
17 pursuant to 66 Pa. C.S. § 1329(a)(5) and in accordance with the Uniform Standards of
18 Professional Appraisal Practice 2018-2019 Edition (“USPAP”).

19
20 **Q. Are you advocating for any party or outcome?**

21 **A.** No. The Ethics Rule of the USPAP, applicable here pursuant to 66 Pa. C.S. § 1329(a)(3),
22 requires that I perform the appraisal with impartiality, objectivity, and independence, and
23 without accommodation of personal interests. In addition, the USPAP Ethics Rule requires

DIRECT TESTIMONY OF JEROME C. WEINERT

1 that I not perform the assignment with bias, that I must not advocate the cause or interest
2 of any party or issue and that I must not accept an assignment that includes the reporting
3 of predetermined opinions and conclusions.

4
5 **Q. Do you have any affiliation with either the Selling Utility or the Acquiring Public**
6 **Utility or Entity?**

7 **A.** No. Other than the current assignment to provide the subject appraisal, I have no business
8 or personal relationships with any party to the proposed acquisition.

9
10 **Q. What is your fee arrangement to deliver the appraisal?**

11 **A.** A copy of the fee arrangement is included with the Application as Appendix A-7.1. In
12 summary, AUS Consultants is to receive \$33,620 plus expenses in compensation for our
13 appraisal, which represents 0.2% of the proposed valuation.

14
15 **Q. Will you receive that fee regardless of whether the Commission approves the**
16 **proposed transaction or whether it closes?**

17 **A.** Yes. 66 Pa. C.S. § 1329(a)(3) mandates that I comply with the USPAP when developing
18 my appraisal. Under the USPAP, I cannot perform the appraisal with bias and acceptance
19 of a fee contingent on a particular outcome like closing or Commission approval would
20 violate that Ethics Rule.

21
22 **Q. Have you prepared any exhibits, schedules, or appendices to accompany your direct**
23 **testimony?**

DIRECT TESTIMONY OF JEROME C. WEINERT

1 **A.** Yes. The appraisal I submitted to PAWC pursuant to Section 1329(a)(5) is included in the
2 Application as Appendix A-5.1. The appraisal includes a narrative and supporting exhibits
3 in sections. All were prepared under my supervision and control. Also, as stated above,
4 attached to this testimony as Appendix A is my CV.

6 **Q.** **Please summarize your results of the application of the cost, market, and income
7 approaches to valuation.**

8 **A.** The summary results of the cost, income, and market approaches is presented below.

Appraisal Approach	Value Indicator	Weight	Wtd Value Indicator
Cost	29,015,055	50%	14,507,528
Income	17,980,846	40%	7,192,338
Market	27,915,385	10%	2,791,539
Appraisal Conclusion			24,491,405

10

11

12 **Q.** **Describe any assumptions, extraordinary assumptions, hypothetical conditions,
13 and/or limiting conditions that you applied to the valuation.**

14 **A.** The major assumptions and limiting conditions used in preparing my appraisal of the
15 Borough of Kane Authority’s Wastewater System are described in my appraisal report
16 “Fair Market Appraisal Report of The Borough of Kane Authority, Pennsylvania’s Sanitary
17 Wastewater System, as of September 30, 2019.” Beyond the above described assumptions
18 there are no extraordinary¹ or hypothetical² assumptions (as defined in USPAP).

¹ “Extraordinary assumption: an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser’s opinions or conclusions.” USPAP 4.

² “Hypothetical condition: a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but used for the purpose of analysis.” USPAP 4.

DIRECT TESTIMONY OF JEROME C. WEINERT

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Q. How was each assumption used and what was its result?

A. The assumptions are detailed in my appraisal report and are discussed further in this testimony.

Q. How did you develop the weighting applied to each approach in your appraisal and why are the individual weights you chose appropriate for this proposed transaction?

A. For the cost approach, I chose a weighting of 50%. It is my opinion that this weighting is appropriate for the cost approach because the major purpose of this appraisal is to be an input to the Commission’s establishment of cost for future ratemaking and the cost approach conclusion is directly reflective of the property cost.

For the market approach, I chose a weighting of 10%. It is my opinion that this weighting is appropriate for the market approach because, while the market approach provides some information as to the value of the property, establishing comparability between the individual sales to the subject property is difficult and uncertain, therefore requiring less weight for the market approach. The 10% weight accomplishes that objective.

For the income approach, I chose a weighting of 40%. It is my opinion that this weighting is appropriate for the income approach because the income approach reflects the value of the property’s return to the property’s owner. The 40% weight accomplishes that objective.

DIRECT TESTIMONY OF JEROME C. WEINERT

1 **Q. Did you conduct an on-site inspection of the Selling Utility assets and, if so, what was**
2 **its result on the appraisal?**

3 A. Yes. AUS Consultants conducted an on-site inspection of the Borough of Kane Authority’s
4 wastewater assets on October 16, 2019. The on-site inspection was mainly used to provide
5 an overview of the collection system and verify its condition.

6

7 **Q. What Utility Earnings Report was used to create the capital structure used in your**
8 **appraisal?**

9 A. As discussed below, I considered the Pennsylvania Public Utility Commission’s Bureau of
10 Technical Utility Services’ Report on Quarterly Earnings of Jurisdictional Utilities for
11 Year-ending March 31, 2019, but ultimately used a capital structure based on a market
12 analysis (detailed in the Cost of Capital/Required Return portion of my appraisal report).
13 Information used in developing the market capital structure was obtained from financial
14 statistics reported in Value Line Investment Survey for the water/wastewater industry
15 published in their July 12, 2019 issue.

16

17 **Q. What capital structure was used in your appraisal?**

18 A. The capital structure used in my appraisal is shown below.

DIRECT TESTIMONY OF JEROME C. WEINERT

Water and Wastewater Cost of Capital							
Third Quarter 2019 (9-30-2019)							
As an Investor-Owned Utility							
Weighted Cost of Capital (Discount Rate)							
(1)	(2)	(2a)	(3)	(3a)	(4)	(4a)	(5)
	Portion of Capital	Type of Data	Capital Cost	Type of Data	Tax Rate	Tax affect on cost of capital	After-tax Market Capital Cost
	AUS Input		AUS Input				(2)*(3)*(4a)
Debt	30%	Market	4.45%	Market	28.89%	71.11%	0.95%
Equity	70%	Market	9.95%	Market	0.0%	100.0%	6.97%
Total Capital r	100.0%						7.92%
Growth (g)							1.52%
Rate without Growth: [(1+r)/(1+g)]-1							6.31%

1

2 **Cost Approach**

3 **Q. Regarding your application of the cost approach, what method did you use to**
 4 **determine the cost approach result (e.g. original cost, replacement cost, reproduction**
 5 **cost)?**

6 **A.** I used the replacement cost method.

7

8 **Q. Please explain why you chose the replacement cost method.**

9 **A.** I chose the replacement cost method because it is considered the proper starting point for
 10 a cost approach. Replacement cost reflects the appraisal date cost of providing the
 11 property’s functionality and capacity at the appraisal date cost using recognized materials
 12 and labor costs.

13

14 **Q. What index did you use for that method?**

15 **A.** I used the Handy Whitman Index of Public Utility Construction Costs for the Water
 16 Industry (North Eastern US Region), AUS Telephone Index (General Plant), and various
 17 United States Bureau of Labor Statistics cost index series.

DIRECT TESTIMONY OF JEROME C. WEINERT

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Q. Under your application of the cost approach what assets did you value or trend differently from other assets and why was that necessary?

A. I costed each property account with cost trends appropriate for the property contained in the account. As such, the costing of each property account may differ from account to account. It is my opinion that an accurate appraisal requires each property account be costed with cost trends reflective of the property contained in the account.

Q. Under your application of the cost approach, what year-end date did you use for calculating the depreciation reserve?

A. I used the date of September 30, 2019.

Q. How did you determine the depreciation parameters of survival/retirement characteristics and service lives for the utility property under the cost approach?

A. I determined those parameters based on my experience in preparing depreciation studies for the water and wastewater industry and my experience appraising water and wastewater properties.

Q. Why are those parameters appropriate?

A. Those parameters are appropriate because the parameters used in my experience reflect the survival/retirement characteristics of normal and functional service lives of water and wastewater properties.

1 **Market Approach**

2 **Q. Regarding your application of the market approach, what methods did you use to**
3 **determine the market approach result?**

4 **A.** I used the comparable sales of water and wastewater properties in the Commonwealth of
5 Pennsylvania subsequent to the passage of Section 1329 and financial market value ratios
6 of publicly traded water and wastewater companies as reported in the July 12, 2019 issue
7 of Value Line Investment Survey.

8

9 **Q. What assumptions, analyses, and/or adjustments did you make under each method?**

10 **A.** Under the comparable sales method, it is my opinion that sales amount to depreciated
11 replacement cost is the best indicator in arriving at the appraised value of physical assets
12 operating as a wastewater collection system. Under the financial market value ratios
13 method, I believe that an accurate result depends on using the weighted mean of the ratio
14 of the market debt and equity to book debt and equity.

15

16 **Q. What were the results of each analysis you performed?**

17 **A.** The comparable sales analysis produced a result of \$27,915,385. The financial market
18 value ratios analysis produced a result of \$24,503,024.

19

20 **Q. Which results were used to determine your market approach result? Please explain**
21 **why these results were used.**

DIRECT TESTIMONY OF JEROME C. WEINERT

1 **A.** I used the results of \$27,915,385 because I believe those results represent an accurate
2 assessment and it was based on the relationship of market comparable sales to the
3 replacement cost less depreciation of those properties.

4
5 **Q.** **What was the calculation you used to determine your overall market approach**
6 **results?**

7 **A.** The calculation I used consisted of the ratio of the market sales to their replacement cost
8 new applied to the replacement cost new less depreciation of the Borough of Kane
9 Authority's property.

10
11 **Q.** **What comparable transactions or comparable sales did you evaluate to develop your**
12 **market approach?**

13 **A.** As stated above, I used comparable sales of water and wastewater properties in the
14 Commonwealth of Pennsylvania subsequent to the passage of Section 1329 because these
15 are valid comparisons to the instant transaction. Specifically, I examined the following
16 transactions to develop the result of my market approach:

17

DIRECT TESTIMONY OF JEROME C. WEINERT

Pennsylvania American Water Company Borough of Kane Authority Wastewater Collection and Treatment System Investor-Owned Utility As of September 30, 2019										
Comparable Sales Approach										
Market Sales Basis										
Description	New Garden Wastewater System	McKeesport Wastewater System	Limerick Wastewater System	Mahoning Water System	Mahoning Wastewater System	East Bradford Wastewater Collection System	Sadsbury Wastewater Collection System	Exeter Wastewater Collection System	Steeltown Water System	Cheltenham Wastewater Collection System
System Description										
Type of System	Wastewater Collection & Treatment	Wastewater Collection & Treatment	Wastewater Collection & Treatment	Water Treatment & Distribution	Wastewater Collection & Treatment	Wastewater Collection Only	Wastewater Collection Only	Wastewater Collection & Treatment	Water Treatment & Distribution	Wastewater Collection Only
System Attributes										
Purchase Price	29,500,000	159,000,000	75,100,000	4,734,800	4,765,200	5,000,000	9,250,000	96,000,000	22,500,000	50,250,000
Proportion of Purchase Price to Total	6%	35%	16%	1%	1%	1%	2%	21%	5%	11%
Proportion of Purchase Price to Outlier Adjusted Total	7%	36%	17%				2%	22%	5%	11%
Acquirer	Aqua-PA	PA-American	Aqua-PA	SUEZ PA	SUEZ PA	Aqua-PA	PA-American	PA-American	PA-American	Aqua-PA
Date	Aug-16	Sep-16				20-Dec-17		29-May-18	14-Nov-18	Jun-18
Customers										
Original Cost										
Depreciated Original Cost (AUS Consultants) OCLD	18,567,728	101,915,080	46,153,867			5,383,591	6,128,876	40,057,634	14,433,435	15,784,463
Purchase Price to OCLD	1.5888	1.5601	1.6272			0.9287	1.5092	2.3965	1.5589	3.1835
Variance to Simple Mean	-0.2053	-0.234	-0.1669			-0.8654	-0.2849	0.6024	-0.2352	1.3894
Variance to Wtd Mean	-0.2472	-0.2759	-0.2088			-0.9073	-0.3268	0.5605	-0.2771	1.3475
Replacement Cost New less Depreciation RCNLD	30,615,410	160,301,491	86,086,756	8,899,336	7,991,234	9,236,581	8,517,587	99,589,819	23,921,473	49,940,486
Purchase Price to RCNLD	0.9636	0.9919	0.8724	0.532	0.5963	0.5413	1.086	0.964	0.9406	1.0062
Variance to Simple Mean	0.1142	0.1425	0.023	-0.3174	-0.2531	-0.3081	0.2366	0.1146	0.0912	0.1568
Variance to Wtd Mean	0.0234	0.0517	-0.0678	-0.4082	-0.3439	-0.3989	0.1458	0.0238	0.0004	0.066
Customers	2,100	20320	5,434			1,248	984			

1

2 **Income Approach**

3 **Q. Regarding your application of the income approach, what method did you use to**
 4 **determine the income approach result?**

5 **A.** I used the discounted cash flow method.

6

7 **Q. What assumptions did you employ to develop your income approach result?**

8 **A.** Under the income approach, it is my opinion that the results of the future operations of the
 9 Borough of Kane Authority’s Wastewater System must be considered. I believe that an
 10 accurate result depends on adjusting recent results of the system’s operation to better reflect
 11 how those results will migrate over future periods under the operation as a rate regulated
 12 wastewater system subject to the jurisdiction of the Pennsylvania PUC.

13

14 **Q. What discount rate did you use to calculate your income approach?**

15 **A.** I used a discount rate of 7.92% and 6.31% capitalization rate.

16

DIRECT TESTIMONY OF JEROME C. WEINERT

1 **Q. Please explain how you developed the discount rate.**

2 **A.** In each case, the discount rate was a market discount rate at the appraisal date and was
3 determined using the weighted average cost of capital (“WACC”) of both debt and equity.
4 The inputs to the WACC determination (capital structure, cost of debt, cost of equity, and
5 income tax rate (state and federal)) were determined based on an analysis of Value Line
6 Investment Surveys, Mergent Bond Record (formerly Moody’s Bond Record), Standard
7 and Poor’s Bond Guide (no longer published), and the Ibbotson Stock, Bonds, Bills, and
8 Inflation (Ibbotson SBBI) 2019 Edition (SBBI activity over the period 1926 through 2018).
9 The cost of debt was determined at September 30, 2019 based on the Mergent Bond
10 Record. The cost of equity was based on the capital asset pricing model (“CAPM”) and
11 the Dividend Growth Model (“DGM”), two recognized cost of equity estimating models
12 and the Pennsylvania Public Utility Commission’s Bureau of Technical Utility Services’
13 Report on Quarterly Earnings of Jurisdictional Utilities for Year-ending March 31, 2019.
14 The above described data for the Borough of Kane Authority appraisal can be found in the
15 exhibits to my appraisal report in the section entitled Cost of Capital/Required Return.

16
17 **Q. What capital structure inputs differ from those identified in capital structure set forth
18 earlier in your testimony?**

19 **A.** None. As described in the previous discussion of the capital structure, we utilized a market
20 required capital structure based on analysis of the water/wastewater industry’s market
21 capital structure as defined by analysis of market financials as published in Value Line
22 Investment Survey (July 12, 2019). The theory in appraisal is to estimate the value of a
23 property in an arm’s length transaction wherein the purchaser finances the purchase with

DIRECT TESTIMONY OF JEROME C. WEINERT

1 capital (debt and equity) available in the financial markets at the appraisal date. Those are
2 the current (appraisal date) financial markets.

3

4 **Q. What is the source and basis of the alternative input you propose in the income
5 approach?**

6 **A.** As discussed above, we used Value Line Investment Survey to develop a market required
7 capital structure. Please see Application Exhibit R (AUS Appraisal) Income Approach
8 section, pages 2 of 58 for the cost of capital and Cost of Capital/Required Return pages 1
9 of 58 through 58 of 58 for the basis of the Cost of Capital/Required Return.

10

11 **Q. If you used a terminal value in your discounted cash flow analysis what is the number
12 of years over which the cash flows are considered?**

13 **A.** I considered those cash flows over 19 periods with period 20 representing all future periods.

14

15 **Q. What is the basis for using this number of years?**

16 **A.** It is my opinion that the use of 19 periods is a reasonable number of periods for the forecast
17 revenues and expenses to stabilize because it allows a reasonable period for operations to
18 stabilize.

19

20 **Q. What number of Selling Utility customers or equivalent dwelling units did you use to
21 value the Seller's system and how did you develop that number?**

DIRECT TESTIMONY OF JEROME C. WEINERT

1 **A.** I did not use customers/EDUs in developing the forecasted revenues and expense forecast.
2 Instead, I used past and budgeted results from operations to establish forecasted operating
3 results.

4
5 **Q.** **Did you make any updates to your appraisal after it was submitted to the Buyer, and**
6 **if so, what was the update, when was it made, and why was it necessary?**

7 **A.** I did update my initial appraisal after it was submitted to PAWC since additional years of
8 financials (2018 & 2019) were available and a final Engineers Assessment was available
9 which I received on September 19, 2019.

10
11 **Q.** **Does this conclude your direct testimony?**

12 **A.** It does. However, by filing this direct testimony, I understand that I may have the
13 opportunity to submit additional testimony responsive to challenges to my appraisal.

Curriculum Vitae (CV) of Jerome C. Weinert, P.E., CDP, ASA

Mr. Weinert is currently Principal and Director of AUS Consultants, Depreciation and Valuation. He has forty-six (2018-1972) years experience in valuation and depreciation consulting and management. AUS, with offices across the country, has provided consulting services to the regulated utility industry nationally for over thirty-nine years. A partial list of services provided includes valuations depreciation studies, rate of return studies, cost of service studies, and rate design.

Prior to joining AUS in 1987, Mr. Weinert was employed by American Appraisal Associates, Inc. (American) for sixteen years in their Regulated Industries Group. He held various positions at American, the last being supervising appraiser. Among his other valuation responsibilities, he directed the firm's utility industry capital recovery studies and AUS Consultant's valuation of communication company assets and businesses.

Mr. Weinert graduated from the Milwaukee School of Engineering with a Bachelor of Science degree in Mechanical Engineering and received a master's in business administration from Marquette University. He is a registered professional engineer (1976) (by examination) in the state of Wisconsin as well as a senior member (1982) of the American Society of Appraisers in the public utility valuation field. This latter designation is obtained by written examination primarily in the areas of utility valuation, depreciation, and the economics of regulated firms. He is also a Certified Depreciation Professional (1997) (CDP) and founding member of the Society of Depreciation Professionals and the Society's 1995 President and sponsor of the Society's Certification and re-certification program; as such Mr. Weinert developed these programs and oversaw their initial introduction into the Society. He also worked in conjunction with Society members in the development of the Society's training programs which as of 2003 has become the only such formalized depreciation training program in the North America and is an instructor in several of its courses.

During his professional career related to valuations and depreciation matters Mr. Weinert has testified before various courts and public service commissions on these subjects. He has also assisted numerous utilities in preparing capital recovery plans which specifically address the issues of plant replacement. Mr. Weinert has also presented expert testimony on valuation matters. Mr. Weinert has testified before the Pennsylvania Public Utility Commission on regulatory matters associated with Pennsylvania Section 1329 matters. On matters related to eminent domain issues, Mr. Weinert has presented expert testimony in the Massachusetts Superior Court, the Court of Common Pleas, Fayette County, Ohio, the New Hampshire Public Utilities Commission, the Twentieth Judicial Court (deposition only) in Charlotte County, Florida, the Nineteenth Judicial Circuit Court in St. Lucie County, Florida (deposition only). In regard to ad valorem taxation, Mr. Weinert has presented study results to the New York State Board of Equalization and Assessment (now the New York Office of Real Property Services (NY ORPS)), pertaining to useful life and net salvage values for all types of utility property subject to the Board's mass appraisal model. Mr. Weinert has appeared before the Valuation Adjustment Board in Florida for Duval, Hillsborough, Okeechobee, and Palm Beach counties, the Twelfth Judicial Circuit Sarasota County, Florida, the California Board of Equalization and Assessment, the Arizona Board of Assessment, the Missouri Board of Taxation, the Colorado and Texas Departments of Review, the Massachusetts Tax Appeal Court, the Superior Court of the State of Arizona in the County of Maricopa, the State Tax Appeal Board of the State of Montana and the New York City Tax Commission.

Mr. Weinert has appeared before regulatory bodies in Alaska, Arkansas, Illinois, Indiana, Iowa, Missouri, Nevada, Nebraska, North Carolina, Ohio, Oregon, Pennsylvania, and South Carolina in support of rate-base valuation determination and capital recovery. He has presented testimony on depreciation matters before the Canadian Radio-Television and Telecommunications Commission (CRTC) and the United

States Federal Energy Regulatory Commission (FERC). In terms of water and wastewater acquisitions and applications for regulatory approval of rate base Mr. Weinert has testified for two investor-owned acquisitions of municipal wastewater authorities one representing the municipality and secondly for the acquiring investor-owned utility. He has submitted study results to the State Commissions of Alabama, Alaska, Arkansas, Idaho, Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, North Carolina, Oregon, Pennsylvania, South Carolina, Washington, and Wisconsin, and the Federal Communications Commission.

Mr. Weinert has presented papers on valuation and depreciation topics to professional and utility industry trade organizations. He also directed AUS Consultants' semi-annual week-long depreciation training programs (1988-1997). These specialized training courses, offered at basic and advanced levels, teach depreciation study techniques to public utility and public service commission staff specialists. The training includes depreciation theory and concepts and hands-on experience with personal computer-based analytical depreciation programs.

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
2019				
AT&T Communications	North America	2018	2019	Ad Valorem Tax Appraisal
AT&T Communications	California	2018	2019	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2018	2019	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2018	2019	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2018	2019	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2018	2019	Ad Valorem Tax Appraisal
Cheltenham Township, PA	Cheltenham Wastewater	2018	2019	Fair Market Value 1329
Pennsylvania American Water Company	Steelton Water	2018	2019	Fair Market Value 1329
Pennsylvania American Water Company	Exeter Wastewater	2018	2019	Fair Market Value 1329
East Norriton Township, PA	East Norriton Wastewater	2018	2019	Fair Market Value 1329
Zayo Group, LLC	NYC Private Property	2018	2019	Ad Valorem Tax Appraisal
2018				
AT&T Communications	North America	2017	2018	Ad Valorem Tax Appraisal
AT&T Communications	California	2017	2018	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2017	2018	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2017	2018	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2017	2018	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2017	2018	Ad Valorem Tax Appraisal
Level 3 Communications, LLC	North America	2017	2018	Ad Valorem Tax Appraisal
Level 3 Communications, LLC	California	2017	2018	Ad Valorem Tax Appraisal
CenturyLink Communications, LLC	North America	2017	2018	Ad Valorem Tax Appraisal
CenturyLink Communications, LLC	California	2017	2018	Ad Valorem Tax Appraisal
East Bradford Township, PA	East Bradford Wastewater	2018	2018	Fair Market Value 1329
Pennsylvania American Water Company	Sadsbury Wastewater	2017	2018	Fair Market Value Appraisal
Pennsylvania American Water Company	Kane Wastewater	2017	2018	Fair Market Value Appraisal
2017				
AT&T Communications	North America	2016	2017	Ad Valorem Tax Appraisal
AT&T Communications	California	2016	2017	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2016	2017	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2016	2017	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2016	2017	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2016	2017	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2016	2017	Ad Valorem Tax Appraisal
Level 3 Communications	North America	2016	2017	Ad Valorem Tax Appraisal
Level 3 Communications	California	2016	2017	Ad Valorem Tax Appraisal
Whitpain Township, PA	Whitpain Wastewater	2016	2017	Appraisal for Planning
Plymouth Township, PA	Plymouth Wastewater	2016	2017	Appraisal for Planning
East Norriton Township, PA	East Norriton Wastewater	2016	2017	Appraisal for Planning
Pennsylvania American Water Company	Sadsbury Wastewater	2016	2017	Fair Market Value Appraisal
Pennsylvania American Water Company	McKeesport Wastewater	2016	2017	Fair Market Value Appraisal
Intermountain Gas Company	Idaho	2016	2017	Depreciation Study
2016				
AT&T Communications	North America	2015	2016	Ad Valorem Tax Appraisal
AT&T Communications	California	2015	2016	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2015	2016	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2015	2016	Ad Valorem Tax Appraisal

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Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
Embarq Florida, Inc.	Florida	2015	2016	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2015	2016	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2015	2016	Ad Valorem Tax Appraisal
Level 3 Communications	North America,	2015	2016	Ad Valorem Tax Appraisal
Level 3 Communications	California	2015	2016	Ad Valorem Tax Appraisal
New Garden Township, PA	New Garden Wastewater	2016	2016	Fair Market Value Appraisal
2015				
AT&T Communications	North America	2014	2015	Ad Valorem Tax Appraisal
AT&T Communications	California	2014	2015	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2014	2015	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2014	2015	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2014	2015	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2014	2015	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2014	2015	Ad Valorem Tax Appraisal
Level 3 Communications	North America,	2014	2015	Ad Valorem Tax Appraisal
Level 3 Communications	California	2014	2015	Ad Valorem Tax Appraisal
Verizon Wireless	Nationwide	2014	2015	Ad Valorem Tax Appraisal
2014				
AT&T Communications	North America	2013	2014	Ad Valorem Tax Appraisal
AT&T Communications	California	2013	2014	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2013	2014	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2013	2014	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2013	2014	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2013	2014	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2013	2014	Ad Valorem Tax Appraisal
Level 3 Communications	North America,	2013	2014	Ad Valorem Tax Appraisal
Level 3 Communications	California	2013	2014	Ad Valorem Tax Appraisal
Cascade Natural Gas Corporation	Oregon & Washington	2013	2014	Depreciation Study
Intermountain Gas Company	Idaho	2013	2014	Depreciation Study
Virgin Islands Telephone Corporation	US Virgin Islands	2013	2014	Depreciation Study
Verizon Wireless	Nationwide	2013	2014	Ad Valorem Tax Appraisal
2013				
AT&T Communications	North America	2012	2013	Ad Valorem Tax Appraisal
AT&T Communications	California	2012	2013	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2012	2013	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2012	2013	Ad Valorem Tax Appraisal
AT&T - Michigan Bell Telephone Company	Michigan	2012	2013	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2012	2013	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2012	2013	Ad Valorem Tax Appraisal
Verizon Communications	New England - Mass	2012	2013	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2012	2013	Ad Valorem Tax Appraisal
Level 3 Communications	North America,	2012	2013	Ad Valorem Tax Appraisal
	California			
Sprint Nextel Corporation	North America	2012	2013	Ad Valorem Tax Appraisal
Verizon Wireless	Palm Beach, Florida	2012	2013	Ad Valorem Tax Appraisal
Verizon Communications	New England Mass	2002-2007	2013	Ad Valorem Tax Appraisal

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Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
2012				
AT&T Communications	North America	2011	2012	Ad Valorem Tax Appraisal
AT&T Communications	California	2011	2012	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2011	2012	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2011	2012	Ad Valorem Tax Appraisal
AT&T - Michigan Bell Telephone Company	Michigan	2011	2012	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2011	2012	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2011	2012	Ad Valorem Tax Appraisal
Verizon Communications	New England - Mass	2011	2012	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2011	2012	Ad Valorem Tax Appraisal
Level 3 Communications	North America, California	2011	2012	Ad Valorem Tax Appraisal
Sprint Nextel Corporation	North America	2011	2012	Ad Valorem Tax Appraisal
Verizon Wireless	Palm Beach, Florida	2011	2012	Ad Valorem Tax Appraisal
MetroPCS	Palm Beach, Florida	2011	2012	Ad Valorem Tax Appraisal
Verizon Communications	Florida - revised	2008	2012	Ad Valorem Tax Appraisal
Verizon Wireless	Palm Beach, Florida	2012	2012	Ad Valorem Tax Appraisal
2011				
AT&T Communications	North America	2010	2011	Ad Valorem Tax Appraisal
AT&T Communications	California	2010	2011	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2010	2011	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2010	2011	Ad Valorem Tax Appraisal
AT&T - Michigan Bell Telephone Company	Michigan	2010	2011	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2010	2011	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2010	2011	Ad Valorem Tax Appraisal
Verizon Communications	New England - Mass	2010	2011	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2010	2011	Ad Valorem Tax Appraisal
Level 3 Communications	North America, California	2010	2011	Ad Valorem Tax Appraisal
Global Crossing	North America	2010	2011	Ad Valorem Tax Appraisal
Intermountain Gas Company	Idaho	2010	2011	Depreciation Study
Sprint Nextel Corporation	North America	2010	2011	Ad Valorem Tax Appraisal
Verizon Wireless	Palm Beach, Florida	2010	2011	Ad Valorem Tax Appraisal
MetroPCS	Palm Beach, Florida	2010	2011	Ad Valorem Tax Appraisal
Verizon Communications	Florida - revised	2008	2011	Ad Valorem Tax Appraisal
Intermountain Gas Company	Idaho	2010	2011	Depreciation Study
Virgin Islands Telephone Corporation	US Virgin Islands	2010	2011	Technical Update of Depreciation Study
2010				
AT&T Communications	North America	2009	2010	Ad Valorem Tax Appraisal
AT&T Communications	California	2009	2010	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2009	2010	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2009	2010	Ad Valorem Tax Appraisal
AT&T - Michigan Bell Telephone Company	Michigan	2009	2010	Ad Valorem Tax Appraisal
AT&T - Southwestern Bell Telephone Company	Arkansas, Kansas, Missouri, Oklahoma, Texas	2009	2010	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2009	2010	Ad Valorem Tax Appraisal
Embarq Missouri, Inc.	Missouri	2009	2010	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2009	2010	Ad Valorem Tax Appraisal

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Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
Verizon Communications	Northwest	2009	2010	Ad Valorem Tax Appraisal
Verizon Communications	New England - Mass	2009	2010	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2009	2010	Ad Valorem Tax Appraisal
Level 3 Communications	North America, California	2009	2010	Ad Valorem Tax Appraisal
Global Crossing	North America	2009	2010	Ad Valorem Tax Appraisal
MetroPCS	Palm Beach, Florida	2009	2010	Ad Valorem Tax Appraisal

2009

AT&T Communications	North America	2008	2009	Ad Valorem Tax Appraisal
AT&T Communications	California	2008	2009	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2008	2009	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2008	2009	Ad Valorem Tax Appraisal
AT&T - Michigan Bell Telephone Company	Michigan	2008	2009	Ad Valorem Tax Appraisal
AT&T - Wisconsin Bell Telephone Company	Wisconsin	2008	2009	Ad Valorem Tax Appraisal
AT&T - Southwestern Bell Telephone Company	Arkansas, Kansas, Missouri, Oklahoma, Texas	2008	2009	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2008	2009	Ad Valorem Tax Appraisal
Embarq Texas, Inc.	Texas	2008	2009	Ad Valorem Tax Appraisal
Embarq Missouri, Inc.	Missouri	2008	2009	Ad Valorem Tax Appraisal
Embarq Northwest	Washington	2008	2009	Ad Valorem Tax Appraisal
Embarq Virginia	Virginia	2008	2009	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2008	2009	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2008	2009	Ad Valorem Tax Appraisal
Verizon Communications	New England - Mass	2008	2009	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2008	2009	Ad Valorem Tax Appraisal
Level 3 Communications	North America, California, Michigan & Arizona	2008	2009	Ad Valorem Tax Appraisal
Global Crossing	North America	2008	2009	Ad Valorem Tax Appraisal
AboveNet, Inc	North America/California	2003	2009	Ad Valorem Tax Appraisal
Verizon Wireless	Ohio Properties	2004-2005	2009	Ad Valorem Tax Appraisal
Virgin Islands Telephone Corporation	US Virgin Islands	2008	2009	Depreciation Study
Sprint Nextel Corporation	North America	2008	2009	Ad Valorem Tax Appraisal

2008

AT&T Communications	North America	2007	2008	Ad Valorem Tax Appraisal
AT&T Communications	California	2007	2008	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2007	2008	Ad Valorem Tax Appraisal
AT&T - Michigan Bell Telephone Company	Michigan	2007	2008	Ad Valorem Tax Appraisal
AT&T - Wisconsin Bell Telephone Company	Wisconsin	2007	2008	Ad Valorem Tax Appraisal
AT&T - Southwestern Bell Telephone Company	Arkansas, Kansas, Missouri, Oklahoma, Texas	2007	2008	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2007	2008	Ad Valorem Tax Appraisal
Embarq Texas, Inc.	Texas	2007	2008	Ad Valorem Tax Appraisal
Embarq Missouri, Inc.	Missouri	2007	2008	Ad Valorem Tax Appraisal
Embarq Northwest	Washington	2007	2008	Ad Valorem Tax Appraisal
Embarq Virginia	Virginia	2007	2008	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2007	2008	Ad Valorem Tax Appraisal
Verizon Communications	California	2007	2008	Ad Valorem Tax Appraisal

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Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
Verizon Communications	Northwest	2007	2008	Ad Valorem Tax Appraisal
Verizon Communications	New England Mass	2002-2007	2008	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2007	2008	Ad Valorem Tax Appraisal
Level 3 Communications	North America, California, Michigan & Arizona	2007	2008	Ad Valorem Tax Appraisal
Global Crossing	North America	2007	2007	Ad Valorem Tax Appraisal
Intermountain Gas Company	Idaho	2007	2008	Depreciation Study
2007				
AT&T Communications	North America	2006	2007	Ad Valorem Tax Appraisal
AT&T Communications	California	2006	2007	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2006	2007	Ad Valorem Tax Appraisal
AT&T - Michigan Bell Telephone Company	Michigan	2006	2007	Ad Valorem Tax Appraisal
AT&T - Wisconsin Bell Telephone Company	Wisconsin	2006	2007	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2006	2007	Ad Valorem Tax Appraisal
Embarq Texas, Inc.	Texas,	2006	2007	Ad Valorem Tax Appraisal
Embarq Missouri, Inc.	Missouri	2006	2007	Ad Valorem Tax Appraisal
Embarq North Carolina	North Carolina	2006	2007	Ad Valorem Tax Appraisal
Embarq Virginia	Virginia	2006	2007	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2006	2007	Ad Valorem Tax Appraisal
Verizon Communications	California	2006	2007	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2006	2007	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2006	2007	Ad Valorem Tax Appraisal
Qwest Communications Corporation	North America	2006	2007	Ad Valorem Tax Appraisal
	California			
Level 3 Communications	North America, California, Michigan, & Arizona	2006	2007	Ad Valorem Tax Appraisal
Level 3 Communications	Arizona	2002 - 2006	2007	Ad Valorem Tax Appraisal
Global Crossing	North America	2006	2007	Ad Valorem Tax Appraisal
Alaska Communications System, Inc. (ACS)	ACS of Alaska ACS of Anchorage ACS of Fairbanks ACS of the Northland	2006	2007	Depreciation Studies
Intermountain Gas Company	Idaho	2006	2007	Depreciation Study
2006				
AT&T Communications	Palm Beach Florida	2000 - 2003	2006	Ad Valorem Tax Appraisal
AT&T Communications	North America	2005	2006	Ad Valorem Tax Appraisal
AT&T Communications	California	2005	2006	Ad Valorem Tax Appraisal
Sprint Florida, Inc.	Florida	2005	2006	Ad Valorem Tax Appraisal
Sprint Texas, Inc.	Texas,	2005	2006	Ad Valorem Tax Appraisal
Sprint Missouri, Inc.	Missouri	2005	2006	Ad Valorem Tax Appraisal
Sprint North Carolina	North Carolina	2005	2006	Ad Valorem Tax Appraisal
Sprint Virginia	Virginia	2005	2006	Ad Valorem Tax Appraisal
Embarq Nevada	Nevada	2005	2006	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2005	2006	Ad Valorem Tax Appraisal
Verizon Communications	California	2005	2006	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2005	2006	Ad Valorem Tax Appraisal

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Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
Verizon Business (formerly MCI)	Massachusetts	2002-2--5	2006	Ad Valorem Tax Appraisal
Level 3 Communications	North America	2005	2006	Ad Valorem Tax Appraisal
Level 3 Communications	Arizona	2002-2006	2006	Ad Valorem Tax Appraisal
Global Crossing	North America	2005	2006	Ad Valorem Tax Appraisal
Indianapolis Power & Light	IPL	2005	2006	Depreciation Study
2005				
AT&T Communications	North America	2004	2005	Ad Valorem Tax Appraisal
AT&T Communications	California	2004	2005	Ad Valorem Tax Appraisal
Sprint Florida, Inc.	Florida	2004	2005	Ad Valorem Tax Appraisal
Sprint PCS	North America	2004	2005	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2004	2005	Ad Valorem Tax Appraisal
Verizon Communications	California	2004	2005	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2004	2005	Ad Valorem Tax Appraisal
Sprint Communications, LP	North America	2004	2005	Ad Valorem Tax Appraisal
Level 3 Communications	North America	2004	2005	Ad Valorem Tax Appraisal
Global Crossing	North America	2004	2005	Ad Valorem Tax Appraisal
Global Crossing	New York Special Franchise Property	2003 & 2004	2005	Ad Valorem Tax Appraisal
Indianapolis Power & Light	IPL	2004	2005	Depreciation Study
2004				
Sprint Florida, Inc.	Florida	2003	2004	Ad Valorem Tax Appraisal
Verizon Communications	California	2003	2004	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2003	2004	Ad Valorem Tax Appraisal
Verizon Communications	New England	2003	2004	Ad Valorem Tax Appraisal
Sprint Communications, LP	North America	2003	2004	Ad Valorem Tax Appraisal
Level 3 Communications	North America	2003	2004	Ad Valorem Tax Appraisal
Global Crossing	North America	2003	2004	Ad Valorem Tax Appraisal
Sprint PCS	Cost Indexes	2003	2004	Ad Valorem Tax Appraisal
AT&T Communications	North America	2003	2004	Ad Valorem Tax Appraisal
AT&T Communications	California	2003	2004	Ad Valorem Tax Appraisal
Intermountain Gas Company	Idaho	2003	2004	Depreciation Study
2003				
Sprint Florida, Inc.	Florida	2002	2003	Ad Valorem Tax Appraisal
Verizon Communications	California	2002	2003	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2002	2003	Ad Valorem Tax Appraisal
Sprint Communications, LP	North America	2002	2003	Ad Valorem Tax Appraisal
Level 3 Communications	North America	2002	2003	Ad Valorem Tax Appraisal
Sprint PCS	Cost Indexes	2002	2003	Ad Valorem Tax Appraisal
AT&T Communications	North America	2002	2003	Ad Valorem Tax Appraisal
AT&T Communications	California	2002	2003	Ad Valorem Tax Appraisal
Global Crossing	North America	2002	2003	Ad Valorem Tax Appraisal
Verizon Wireless	Broward County, FL	1998 through 2002	2003	Ad Valorem Tax Appraisal
2002				
Sprint Florida, Inc.	Florida	2001	2002	Ad Valorem Tax Appraisal
Verizon Communications	California	2001	2002	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2001	2002	Ad Valorem Tax Appraisal

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
Sprint Communications, LP	North America	2001	2002	Ad Valorem Tax Appraisal
Level 3 Communications	North America	2001	2002	Ad Valorem Tax Appraisal
Global Crossing	North America	2001	2002	Ad Valorem Tax Appraisal
AT&T Wireless	Plymouth, MI	2001	2002	Ad Valorem Tax Appraisal
Sprint PCS	Cost Indexes	2001	2002	Ad Valorem Tax Appraisal
AT&T Communications	North America	2001	2002	Ad Valorem Tax Appraisal
Intermountain Gas Company	Idaho	2001	2002	Depreciation Study
AT&T Communications	California	2001	2002	Ad Valorem Tax Appraisal
2001				
Verizon	Verizon - New York	2001	2001-2	Functional Obsolescence & Useful Life studies for valuation
Sprint Florida, Inc.	Sprint Florida, Inc.	2000	2001	Ad Valorem Tax Appraisal
Verizon Communications	California	2000	2001	Ad Valorem Tax Appraisal
Sprint Communications, LP	North America	2000	2001	Ad Valorem Tax Appraisal
Global Crossing	North America	2000	2001	Ad Valorem Tax Appraisal
Sprint PCS	Cost Indexes	2000	2001	Ad Valorem Tax Appraisal
Sprint Corporation	Centel - Nevada	2000	2001-2	Depreciation Study
Alaska Communications System, Inc. (ACS)	ACS of Alaska	2000	2001	Depreciation Study
	ACS of Anchorage			
	ACS of Fairbanks			
	ACS of the Northland			
	ACS Holdings			
2000				
Sprint PCS	BTS Equipment	2000	2000	Economic Life Study
Telus Communications	Telus - Alberta & British Columbia	2000	2000	Depreciation study Phase III Price Caps
Sprint Florida, Inc.	Florida	1999	2000	Ad Valorem Tax Appraisal
Verizon Communications	California	1999	2000	Ad Valorem Tax Appraisal
Sprint Communications, LP	North America	1999	2000	Ad Valorem Tax Appraisal
1999				
Sprint Corporation	Centel - Nevada	1998	1999	Depreciation Study
Intermountain Gas Company	Intermountain Gas Company	1998	1999	Depreciation Study
Sprint Florida, Inc.	Florida	1998	1999	Ad Valorem Tax Appraisal
Sprint Communications, LP	North America	1998	1999	Ad Valorem Tax Appraisal
1998				
Frontier Corporation	Frontier Telephone of Rochester	1998	1997	Valuation depreciation Lives and Net Salvage Parameters
Pacific Telecom, Inc.	Telephone Utilities of Washington	1997	1998	Depreciation Study
Sprint Florida, Inc.	Florida	1997	1998	Ad Valorem Tax Appraisal
Verizon Communications	Florida	1997	1998	Ad Valorem Tax Appraisal
Sprint Communications, LP	North America	1997	1998	Ad Valorem Tax Appraisal

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Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
Sprint Corporation	United Telephone Company of South Carolina	1998	1998	Depreciation Expense Universal Service Fund
Sprint Corporation	Carolina Telephone and Telegraph and Central Telephone of North Carolina	1998	1998	Depreciation Expense Universal Service Fund
Telus Communications	Telus - Edmonton (TCE)	1997	1998	Depreciation Study Phase II Price Caps
1997				
Sprint Corporation	Centel - Nevada	1997	1997	Unbundling/ Inter-connection Depreciation Study
Pacific Telecom, Inc.	Telephone Utilities of Oregon	1996	1997	Depreciation Study
Pacific Telecom, Inc.	Telephone Utilities of Alaska 1996 And the Northland		1997	Depreciation Study
Telus Communications	Telus - TCI formerly AGT	1996	1997	Depreciation Study Phase II Price Caps
Indianapolis Power & Light	IPL	1996	1997	Depreciation Study
Sprint Florida, Inc.	Florida	1996	1997	Ad Valorem Tax Appraisal
Verizon Communications	Florida	1996	1997	Ad Valorem Tax Appraisal
Pacific Telecom, Inc.	Eagle Telephone (Colorado) 1996		1997	Depreciation Study
1996				
Intermountain Gas Company	Intermountain Gas Company	1995	1996	Depreciation Study
Sprint Florida, Inc.	Florida	1995	1996	Ad Valorem Tax Appraisal
Century Telephone	Century Telephone of Ohio, Inc.	1995	1996	Depreciation Study
Telus Communications	AGT Limited (Alberta Government Telephones)	1995	1996	Depreciation Study
Johnson County Kansas Office of the Assessor	Useful Life of Computer Equipment	1995	1995	Useful/Market Life Analysis
Milwaukee Metropolitan Sewerage District	Milwaukee Metropolitan Sewerage District	1995	1996	Depreciation Study
Sprint Corporation	Long Distance Division	1995	1995	Depreciation/Recovery Status Study
Sprint Corporation	Cellular Division	1995	1995	Depreciation/Recovery Status Study
Pacific Telecom, Inc.	Alascom, Inc.	1994	1995	Depreciation Study
Pacific Telecom, Inc.	Telephone Utilities of the			

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
	Northland	1993	1994	Depreciation Study
	Telephone Utilities of Alaska	1993	1994	Depreciation Study
Indiana Energy	Indiana Gas Company	1993	1994	Depreciation Study
Columbia Gas Transmission	Gas Pipeline Property in Sullivan County, NY	1993	1993	Useful Life Study
United Telephone - Midwest Group	United Telephone Company of Missouri	1993	1993	Modernization/ Depreciation Study
Intermountain Gas Co.	Intermountain Gas Co.	1992	1993	Depreciation Study
Pacific Telecom, Inc.	Alascom, Inc.	1992	1993	Depreciation Study
	Telephone Utilities of Oregon, Inc.	1991	1992	Depreciation Study
	Telephone Utilities of Washington, Inc.	1991	1992	Depreciation Study
Small Telephone Company Coalition	Oregon Small Telephone Companies	1991	1992	Depreciation Support
United Telephone Systems	United Telephone Co. of Pennsylvania	1991	1992	Instructional Depreciation Study
New York State Division of Equalization and Assessment	Electric, Gas, Water, Telephone, Pipeline, Steam, CATV	1991	1992	Useful Lives and Net Salvage Values
Rochester Telephone Company	Enterprise Telephone	1991	1992	Study Review
Indiana Energy	Indiana Gas/Richmond Gas/ Terre Haute Gas	1990	1991	Depreciation Study
American Electric Power	Indiana/Michigan Power Co.	1990	1991	Depreciation Study
Rochester Telephone Company	Rochester Telephone Co.	1990	1991	Study Review
United Telephone Systems	United Telephone Co. of Florida	1990	1991	Instructional Depreciation Study
United Telephone Systems	United Telephone Co. of Oregon	1989	1990	Study Review
Telephone and Data Systems, Inc.	Quincy Telephone Company	1990	1991	Depreciation Study
Telephone and Data	Wolverine Telephone	1989	1990	Depreciation Study

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Year</u>	<u>Study Performed</u>	<u>Year</u>	<u>Activity</u>
Systems, Inc.	Company				
Indiana Energy	Indiana Gas Company, Inc.	1989	1990		Depreciation Study
Intermountain Gas Co.	Intermountain Gas Co.	1989	1990		Remaining Life/Net Salvage Support
North-West Telephone Company	North-West Telephone Company	1989	1990		Study Review
United Telephone System	United of Texas	1989	1990		Instructional Depreciation Study
	United of Missouri	1989	1990		Instructional Depreciation Study
Milwaukee Water	Milwaukee Water	1989	1990		Depreciation Study
Indiana Natural Gas Corp.	Indiana Natural Gas Corp.	1989	1990		Depreciation Study
Pacific Telecom	Telephone Utilities of the Northland	1989	1990		Depreciation Study
	Telephone Utilities of Alaska	1989	1990		Depreciation Study
	Alascom	1989	1990		Depreciation Study
	Telephone Utilities of Washington, Inc.	1988	1989		Depreciation Study
WICOR	Wisconsin Gas Company	1988	1989		Depreciation Study
ALLTEL	ALLTEL - Kentucky, Inc.	1987	1989		Depreciation Study
	ALLTEL - Ohio, Inc.	1988	1989		Depreciation Study
	Western Reserve Telephone Company	1988	1989		Depreciation Study
Milwaukee Metropolitan Sewer District	Milwaukee Metropolitan Sewer District	1988	1989		Depreciation Study
United Telephone	United of Ohio	1988	1989		ELG Support
Telephone Company	Telephone Company	1988	1989		ELG Support
United Telecom	U.S. Sprint	1988	1988		Useful Life Study

**Utility Industries
Capital Recovery Activities Client List**

<u>Company</u>	<u>Property</u>	<u>Year</u>	<u>Study Performed</u>	<u>Year</u>	<u>Activity</u>
Pacific Telecom	Telephone Utilities of Oregon	1987	1988		Depreciation Study
	Telephone Utilities of Eastern Oregon	1987	1988		Depreciation Study
	Rose Valley Telephone Company	1987	1988		Depreciation Study
United Telephone	United of Minnesota	1987	1988		Capital Planning Support
Wisconsin Southern Gas	Wisconsin Southern Gas	1987	1988		Depreciation Study
Pacific Telecom	Glacier State Telephone Company	1986	1987		Depreciation Study
	Sitka Telephone Co.	1986	1987		Depreciation Study
	Juneau-Douglas Tel Company	1986	1987		Depreciation Study
Pacific Telecom	Telephone Utilities of Alaska	1986	1987		Depreciation Study
	Alascom	1986	1987		Depreciation Study
Lincoln Telecommunications	Lincoln Telephone and Telegraph Company	1986	1987		Digital Switching Service Life
Northwest Natural Gas Corporation	Northwest Natural Gas Corporation	1985	1986		Depreciation Study
ALLTEL	Western Reserve Telephone Company	1984	1985		Depreciation Study
	ALLTEL - Ohio	1984	1985		Depreciation Study
	ALLTEL - Alabama	1984	1985		Depreciation Study
Gulf Telephone Co.	Gulf Telephone Company	1984	1985		Depreciation Study
United Telephone Systems, Inc.	United of Iowa	1984	1985		Depreciation Study
	United of Arkansas	1984	1985		Depreciation Study
Pacific Telecom	Telephone Utilities of Washington	1983	1984		Depreciation Study
	Telephone Utilities of Eastern Oregon	1983	1984		Depreciation Study
Pacific Telecom	Telephone Utilities of	1983	1984		Depreciation Study

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
	Oregon			
	Northwestern Telephone Systems, Inc., Oregon	1983	1984	Depreciation Study
	Rose Valley Telephone Company	1983	1984	Depreciation Study
United Telecommunications	All United Telephone Companies	1983	1984	Capital Recovery Strategy
Lincoln Telecommunications	Lincoln Telephone & Telegraph Company	1983	1984	Depreciation Study
ALLTEL	ALLTEL - Mississippi	1982	1983	Depreciation Study
	ALLTEL - Michigan	1982	1983	Depreciation Study
North Carolina Natural Gas Corp.	North Carolina Natural Gas Corporation	1982	1983	Depreciation Study
Mid Continent Telephone (Currently ALLTEL)	Western Reserve Telephone	1982	1983	Depreciation Study
	Mid Ohio Telephone	1982	1982	Depreciation Study
	Florence Telephone Company	1980	1981	Depreciation Study
	Leeds Telephone Co.	1980	1981	Depreciation Study
	Elmore Coosa Tel Company	1980	1981	Depreciation Study
	Brookville Telephone Company	1980	1981	Depreciation Study
	Mid Pennsylvania Telegraph	1980	1981	Depreciation Study
Telephone Utilities (Currently Pacific Telecom)	Telephone Utilities of Oregon	1979	1980	Depreciation Study
	Telephone Utilities of Eastern Oregon	1979	1980	Depreciation Study
	Northwestern Telephone Systems, Inc.-Oregon	1979	1980	Depreciation Study
	Rose Valley Telephone Company	1979	1980	Depreciation Study
United Telephone Systems, Inc.	United of Ohio	1979	1980	Depreciation Study
Telephone Utilities	Telephone Utilities of	1978	1979	Depreciation Study

Papers and Seminars

	Washington			
United Telephone Systems, Inc.	United of Ohio	1978	1979	Depreciation Study
Rochester Telephone	Rochester Telephone (Indiana)	1977	1978	Depreciation Study
United Telephone Systems, Inc.	United of Ohio	1977	1978	Depreciation Study
Princeton Telephone	Princeton Telephone (Indiana)	1976	1977	Depreciation Study
Northwestern Telephone	Northwestern Telephone (Illinois)	1975	1976	Depreciation Study

Papers and Seminars

- 2011 Training Instructor Depreciation Basics Sessions A & B and Life and Salvage Analysis
Society of Depreciation Professionals 25th Annual Meeting
Atlanta, GA September, 20-22, 2011
- 2010 Will the Real Cost Approach Please Stand Up?
National Association of Property Tax Representatives Transportation, Energy, & Communications (NAPTR-TEC)
Scottsdale, Arizona October 25-27, 2010
- Issues Affecting Assessment of Regulated Industries
Institute for Professionals in Taxation (IPT) Property Tax Symposium
Austin, Texas October 31 – November 3, 2010
- 2009 (Valuing) Intangibles
Appraisal for Ad Valorem Taxation, Wichita State University
Wichita, Kansas July 28, 2009
- Fair Value Accounting (Appraisal Panelist)
Appraisal for Ad Valorem Taxation, Wichita State University
Wichita, Kansas July 29, 2009
- 2008 Valuation Issues Valuation of Assets and the Impact of Depreciation
Society of Depreciation Professionals Annual Meeting
Greenville, SC September 21-26, 2008
- Obsolescence in the Long-Distance and Local Transport Networks
Technology Futures Inc. Asset Valuation Conference
Austin Texas February 8, 2008
- 2007 Communications Industry Issues
National Association of Property Tax Representative – Transportation, Energy, & Communications
New Orleans, LA October 30, 2007
- 2006 Appraisal Procedures & Issues in a Changing communications Industry
Florida Chapter International Association of Assessing Officers' Tangible Personal Property Conference
Ocala, Florida January 12, 2006
- Valuation of Intangibles
Appraisal for Ad Valorem Taxation, Wichita State University
Wichita, Kansas July 25, 2006
- SDP 20 years of History and Beyond
Society of Depreciation Professionals 20th Annual Meeting
Long Beach, CA September, 18, 2006
- 2005 Valuation in a World with Asset Impairments
Appraisal for Ad Valorem Taxation, Wichita State University
Wichita, Kansas August 1, 2005

Papers and Seminars

- 2004 Depreciation in the Valuation of Assets
Society of Depreciation Professionals' Eighteenth Annual Meeting
Washington, D.C., September 13, 2004
- 2003 Cost Approach and the Use of Appraisal Guidelines
Institute for Professionals in Taxation – Property Tax Symposium
Fort Lauderdale, FL, September 17, 2003
- Cost Approach – Obsolescence and Depreciation
Appraisal for Ad Valorem Taxation, Wichita State University
Wichita, Kansas, July 28, 2003
- 2000 Appraisal Issues Associated with Technological Change in the Wireline Telecommunications Industry
Appraisal for Ad Valorem Taxation, Wichita State University
Wichita, Kansas, July 31, 2000
- The Impact of Advancing Technology and the Changing Regulatory Environment on Obsolescence
Calculations for Ad Valorem Valuation Purposes
Journal of Property Tax Management, Spring 2000
- 1996 How to Develop a Reproduction/Replacement Cost New Less Depreciation Approach to Value
Appraisal for Ad Valorem Taxation, Wichita State University
Wichita, Kansas, August 4, 1996
- 1995 Valuation Method, Techniques and Strategies (How to Quantify Stranded Investment) (Market, Income, & Cost Approach
AGA Depreciation Committee Meeting
Denver, Colorado, August 6-9, 1995, jointly presented with Earl Robinson of AUS Consultants
- 1994 Integrating Future Expectations for the Telephone Industry into Historical Depreciation Analysis
United States Telephone Association (USTA's 1994 Capital Recovery Seminar)
Scottsdale, Arizona, September 12-13, 1994
- 1994 Capital Recovery: United States versus Canada
Canadian Telephone Industry's Annual Capital Recovery Seminar
Edmonton, Alberta, Canada June 14-15, 1994
- 1990 Capital Recovery: Methods, Terminology, Procedures, and Record Keeping
United States Telephone Association (USTA)'s
1990 Non-FCC Subject and Small Company Capital Recovery Seminar
Minneapolis, Minnesota April 10_11, 1990
- Integration of Technology Forecasting Into Historical Life Studies
29th Iowa State Regulatory Conference
Ames, Iowa May 15_17, 1990
- The 1990's and the Second Wave of Major Plant Retirements in the Communications Industry
NARUC's Seventh Biennial Information Conference
Columbus, Ohio September 12_14, 1990

Papers and Seminars

How Do We Incorporate Change Into the Study Filing Procedures?
USTA's 1990 Capital Recovery Seminar
Chicago, Illinois October 16_17, 1990

1989 Plant Modernization: Capital Planning and Capital Recovery
Midwest Utilities Conference
Chicago, Illinois September 11_14, 1989

Price Indexes Today: Procedures, Uses, and Misuses
Society of Depreciation Professionals' Third Annual Meeting
New Orleans, Louisiana December 6_7, 1989

1988 Plant Modernization: Capital Planning and Capital Recovery
National Association of Regulatory Utility Commissioners (NARUC)'s
Sixth Biennial Regulatory Information Conference
Columbus, Ohio September 14_16, 1988

Papers and Seminars

- 1997 Sprint Corporation - West Finance Center
Overland Park, Kansas, August 1997
- 1997 Rochester Telephone Corporation
Rochester, New York, April 1997
- 1996 Sprint-Florida-Vista United Telecommunications
Altamonte Springs, Florida August 27-29, 1996
- 1994 Saskatchewan Telecommunications
Regina, Saskatchewan, Canada, June 1994
- 1994 AUS Consultants/Leroy J. Murphy and Associates 1994 Capital Recovery Seminar
May 1994
- 1993 Manitoba Telephone System, Winnipeg, Manitoba, December 1993
- 1993 Society of Depreciation Professionals Annual Meeting
Charleston, South Carolina September 30, 1993
- 1993 SPRINT - Local Telephone Division
Atlanta, Georgia August 11-12, 1993
- 1993 AUS Consultants/Leroy J. Murphy and Associates 1993 Capital Recovery Seminar
Chicago, Illinois May 11 - 13, 1993
- 1993 Canadian Telephone Capital Recovery Seminar
Halifax, Nova Scotia April 20 - 22, 1993
- 1993 United Telephone, Midwest Group
Overland Park, Kansas January 20, 1993
- 1992 BellSouth Corporation
Birmingham, Alabama November 23, 1992
- 1992 Sprint - Local Telephone Division
Kansas City, Kansas November 18 - 20, 1992
- 1992 Society of Depreciation Professionals Annual Meeting
San Antonio, Texas September 9 - 10, 1992
- 1992 AUS Consultants/Leroy J. Murphy and Associates 1992 Capital Recovery Seminar
Chicago, Illinois October 6 - 8, 1992
- 1991 Society of Depreciation Professionals Annual Meeting
Nashville, Tennessee November 20-22, 1991
- 1991 ALLTEL Corporation Microcomputer Depreciation Studies System Training
Hudson, Ohio October 14-16, 1991

Capital Recovery Training

- 2016 Society of Depreciation Professionals
Annual Training
Charleston, South Carolina, September 18-23, 2016
- 2015 Society of Depreciation Professionals
Annual Training
Charleston, South Carolina September 23-25, 1991
- 2014 Society of Depreciation Professionals
Annual Training
Charleston, South Carolina September 23-25, 1991
- 2013 Society of Depreciation Professionals
Annual Training
Charleston, South Carolina September 23-25, 1991
- 2012 Society of Depreciation Professionals
Annual Training
Minneapolis, Minnesota, September 16-18, 2012
- 1991 United Telecommunications, Inc., Capital Recovery/Microcomputer Depreciation
Studies System Training
Kansas City, Kansas September 23-25, 1991
- 1991 AUS Consultants/Leroy J. Murphy and Associates 1991 Capital Recovery Seminar
Lake Geneva, Wisconsin September 17_19, 1991
- 1991 Rochester Telephone Corporation, Capital Recovery/Microcomputer Depreciation Studies
System Training, Rochester, New York September 3-7, 1991
- 1991 Ameritech Services, Microcomputer Depreciation Studies System Training
Chicago, Illinois May 16-17, 1991
- 1991 AUS Consultants/Leroy J. Murphy and Associates 1991 Capital Recovery Seminar
Washington, D.C. April 9_11, 1991
- 1990 United Telecommunications, Inc., Capital Recovery Seminar
Overland Park, Kansas December 1990
- 1990 AUS Consultants/Leroy J. Murphy and Associates 1990 Capital Recovery Seminar
Chicago, Illinois September 24_27, 1990
- 1990 AUS Consultants/Leroy J. Murphy and Associates 1990 Capital Recovery Seminar
Chicago, Illinois January 29-February 1, 1990
- 1990 United Telecommunications, Inc., Capital Recovery/Microcomputer Depreciation Studies
System Training, Chicago, Illinois July 1990
- 1989 United Telecommunications, Inc., Capital Recovery/Microcomputer Depreciation Studies
System Training, Chicago, Illinois July 1989

Capital Recovery Training

- 1989 AUS Consultants/Leroy J. Murphy and Associates 1989 Capital Recovery Seminar
 Chicago, Illinois March 6_9, 1989
- 1988 AUS Consultants/Leroy J. Murphy and Associates 1988 Capital Recovery Seminar
 Chicago, Illinois July 25_28, 1988
- 1988 United Telecommunications, Inc., Microcomputer Depreciation Studies System Training
 Kansas City, Kansas January 1988

VERIFICATION

I, Jerome C. Weinert, P.E., hereby state that the facts above set forth above are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements made herein are made subject to the penalties of 18 Pa. Cons. Stat. §4904 relating to unsworn falsification to authorities.

Jerome C. Weinert

Jerome C. Weinert, P.E. Principal and Director
AUS Consultants, Inc.

Dated:

11/25/19