

**Application of Pennsylvania-American Water Company for Acquisition of  
the Wastewater Assets of Valley Township  
66 Pa. C.S. § 1329  
Application Filing Checklist – Water/Wastewater  
Docket No. A-2020-3020178**

13. Seller Testimony
- a. Provide seller direct testimony supporting the application, if any.
  - b. Provide seller UVE direct testimony.

**RESPONSE:**

- a. See enclosed the Direct Testimony of Patrice Proctor, Chairwoman, Board of Supervisors on behalf of Valley Township, **VT Statement No. 1WW**.
- b. See enclosed the Direct Testimony of Harold Walker III, Manager – Financial Studies for Gannett Fleming on behalf of Valley Township, **VT Statement No. 2WW**.

**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 Valley :  
Township’s assets, properties and rights related to its :  
wastewater collection and conveyance : Docket No. A-2020-3020178  
system 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 Valley Township, and limited :  
portions of East Fallowfield Township, :  
Sadsbury Township and West Caln Township, :  
Chester County, Pennsylvania :

**VALLEY TOWNSHIP  
STATEMENT NO. 1 WW**

**DIRECT TESTIMONY OF**

**PATRICE PROCTOR**

**CHAIRWOMAN, BOARD OF SUPERVISORS**

**VALLEY TOWNSHIP**

**With Regard To**

**A General Overview of the Transaction**

**Valley’s Wastewater Collection and Treatment System and Operations**

**Benefits of the Proposed Transaction**

**Valley’s Rates**

**October 9, 2020**

VALLEY TOWNSHIP, CHESTER COUNTY  
DIRECT TESTIMONY OF PATRICE PROCTOR

1 I. **INTRODUCTION**

2 Q. **Please state your name and business address.**

3 A. My name is Patrice Proctor. My business address is 1145 West Lincoln Highway,  
4 Coatesville, PA 19320.

5  
6 Q. **In what capacity are you affiliated with Valley Township?**

7 A. I am the Chairwoman of the Board of Supervisors (the “Board”) for Valley Township  
8 (“Valley” or the “Township”). The Board is Valley’s governing body, comprised of five  
9 members who are elected to six-year terms. The Board appoints the members of the  
10 various advisory boards, commissions and authorities. An administrative staff, led by the  
11 Township Manager, coordinates and directs the work to various township departments  
12 and carries out the administrative policies of the Board.

13  
14 Q. **Please provide a brief description of your education and work experience.**

15 I graduated from Peirce College with an Associate of Science degree in 1978, and from  
16 Penn State University with a Bachelor of Science degree in 1980. I have served as one of  
17 Valley’s Supervisors since I was appointed to fill an unexpired term in 2002 before being  
18 elected to the Board for the first time in 2003. Prior to that, I worked as a Supervisor for  
19 Vanguard and for Providian Insurance.

20  
21 Q. **Have you testified before the Pennsylvania Public Utility Commission (“PUC” or  
22 “Commission”) before?**

23 A. No.

VALLEY TOWNSHIP, CHESTER COUNTY  
DIRECT TESTIMONY OF PATRICE PROCTOR

1 **Q. On whose behalf are you testifying in this proceeding?**

2 **A.** My testimony is on behalf of the Township and in support of the application of  
3 Pennsylvania-American Water Company (“PAWC”) to purchase the Township’s  
4 wastewater collection and treatment system (the “System”) in this proceeding.

5  
6 **Q. What are the purposes of your direct testimony and summarize the key points.**

7 **A.** The purpose of my testimony is as follows: (1) to provide a description of the System,  
8 (2) to describe the anticipated benefits of the sale of the System assets to PAWC under  
9 and in accordance with an Asset Purchase Agreement dated as of December 17, 2019  
10 between the Township and PAWC (the “Proposed Transaction”), and (3) to describe how  
11 Valley sets its annual rates.

12 In particular, I will focus on the numerous benefits of the Proposed Transaction that are  
13 most important to Valley and the customers who use the System, including:

- 14 • Improving Valley’s financial condition and outlook by increasing its reserve fund  
15 balance considerably, providing it with the ability to mitigate against the risk of  
16 revenue shortfalls, allowing it the flexibility to undertake necessary future non-  
17 System related capital projects, enabling redevelopment, eliminating debt, and  
18 potentially lowering the total cost of residency for residents through tax stabilization;
- 19 • Enabling Valley to reallocate its administration time to focus on other key initiatives  
20 of the Township;
- 21 • PAWC already provides wastewater treatment service to Township residents through  
22 its treatment plant in Coatesville, which provides synergies;
- 23 • The preservation of all jobs related to the System;

VALLEY TOWNSHIP, CHESTER COUNTY  
DIRECT TESTIMONY OF PATRICE PROCTOR

- 1       • Adding property to Valley’s property tax rolls through increased development  
2       opportunities;
- 3       • Benefits from PAWC’s expertise, long-standing capital improvement programs, and  
4       its experience in improving and correcting systems with compliance issues;
- 5       • Township residents will benefit from enhanced customer service and operational  
6       functions through expanded customer service center hours, additional payment  
7       options (including by phone or online), enhanced customer information and education  
8       programs, access to PAWC’s customer assistance program, and PAWC’s team of  
9       experienced water and wastewater professionals;
- 10      • PAWC’s capability to make long-term investments in necessary capital  
11      improvements to the wastewater system;
- 12      • PAWC’s proven record of environmental stewardship for the operation of wastewater  
13      systems; and
- 14      • Regulation of the service provided to Valley’s customers will fall under PUC  
15      jurisdiction, which will ensure regulatory oversight, require approval for all rate  
16      increases, and provide significant consumer protections.

17

18   **Q.    Are you sponsoring any Exhibits with your testimony?**

19   **A.    No.**

20

21   **II.    DESCRIPTION OF VALLEY AND ITS WASTEWATER SYSTEM**

22   **Q.    Please provide a general overview of Valley.**

VALLEY TOWNSHIP, CHESTER COUNTY  
DIRECT TESTIMONY OF PATRICE PROCTOR

1    **A.**    Valley was formed in 1852. It is a Township of the Second Class located in Chester  
2           County, Pennsylvania. The size of the Township is approximately six (6) square miles.  
3           The Township is governed by its Board. Presently, there are approximately 7,600  
4           residents in the Township. According to the 2016 American Community Survey by the  
5           U.S. Bureau of the Census, the Township’s median household income is \$57,415.

6  
7    **Q.**    **Please provide a description of the Township’s wastewater system.**

8    **A.**    The Township owns, operates and maintains the System, consisting of a sanitary  
9           wastewater collection and conveyance system made up of approximately thirty-nine (39)  
10          miles of interceptors, force mains, and tributary collection sewers. Collected wastewater  
11          is transmitted to the treatment plant owned by PAWC in Coatesville, Pennsylvania (the  
12          Coatesville District Wastewater Treatment Plant).

13          The System serves approximately 3,164 customers. The System collects and conveys  
14          sanitary wastewater from Township residents, as well as 30 residents of West Caln  
15          Township, Sadsbury Township and East Fallowfield Township.

16  
17   **Q.**    **Please provide an overview of any compliance issues with the wastewater system**  
18          **experienced by the Township.**

19   **A.**    The Township currently has an Act 537 plan with the Pennsylvania Department of  
20          Environmental Protection (“DEP”), which identifies and documents the Township’s  
21          sewage disposal needs.

VALLEY TOWNSHIP, CHESTER COUNTY  
DIRECT TESTIMONY OF PATRICE PROCTOR

1   **III.   SALE PROCESS**

2   **Q.    Please describe the Township’s decision process in concluding that a sale of the**  
3       **wastewater system was in the best interest of the Township.**

4   **A.    The decision to sell the System (in addition to the Township’s water system) was the**  
5       **result of deliberate consideration by the Township, its administration and our residents.**

6       We undertook a thorough process, along with capable outside experts, to value the  
7       System, assess future costs of capital and revenue requirements, evaluate the ongoing  
8       time commitments of Township personnel to address System issues, and carefully  
9       consider from various stakeholder points of view the numerous qualitative and  
10      quantitative factors that weigh in favor of or against the Township keeping the  
11      System. We weighed and balanced issues at numerous public meetings and working  
12      sessions that addressed the Proposed Transaction.

13      Ultimately, the decision to sell resulted from three main considerations. First, the  
14      Township desired to exit the sanitary sewer business and instead focus its resources and  
15      energy on other core government functions while ensuring safe and reasonable service at  
16      affordable rates for its residents. Second, the System’s aging infrastructure will require  
17      additional investment over time, which we project will cause significant rate increases if  
18      the System remains with the Township. Third, the Township desired to generate  
19      significant up-front sale proceeds to be used for other Township purposes.

20      After the Township made the decision to sell the System based on these considerations,  
21      we issued a request for bids. PAWC submitted the only bid for the System in the amount  
22      of \$13,950,000.00 (along with a bid for \$7,325,000.00 for the Township’s water system).

VALLEY TOWNSHIP, CHESTER COUNTY  
DIRECT TESTIMONY OF PATRICE PROCTOR

1           We determined that this bid was in the best interest of, and provided the greatest value to,  
2           Valley, and so it was accepted.

3

4   **Q.    Did the Township request public input on the sale?**

5   **A.    Yes, multiple public meetings were held in the Township to receive input from residents**  
6           **on the state of the System and the advantages and disadvantages of the potential sale.**

7           The potential sale was discussed at a public Board meeting at every significant juncture  
8           in the Proposed Transaction process, including prior to engaging PFM Financial Advisors  
9           LLC (“PFM”) as our consultant, prior to releasing the request for bid from qualified  
10          firms, shortly after the bidding deadline occurred, and when the Board unanimously  
11          chose to accept PAWC’s bid.

12          A full chronology of the public process undertaken regarding the potential sale is as  
13          follows:

- 14           •   June 4, 2019: The Board publicly entered into an agreement with PFM for “Phase  
15                II and III” evaluations and services, in which PFM undertook outreach to  
16                potential investors and/or system operators to confirm market interest in candidate  
17                assets, establishment of a timeline for potential transactions, and identification of  
18                key issues;
- 19           •   October 1, 2019: Following pre-qualifications of interested purchasers, the Board  
20                publicly authorized PFM to proceed with the release of a request for bids;
- 21           •   October 18, 2019: The Township released its Request for Bids;



VALLEY TOWNSHIP, CHESTER COUNTY  
DIRECT TESTIMONY OF PATRICE PROCTOR

- 1           • November 18, 2019: PAWC submitted a bid for the purchase of Township water  
2           and sanitary sewer systems in the amount of \$21,275,000 (\$13,950,000 for the  
3           sanitary sewer system; and \$7,325,000 for the water system);
- 4           • December 3, 2019: The Board held a public meeting where it provided an update  
5           on the PAWC bid and authorized the delivery of a letter to all Township residents  
6           regarding the proposed Board action to be taken with respect to the sale; and
- 7           • December 17, 2019: After a presentation from PFM and public comment from  
8           Township residents, the Board accepted PAWC's bid.

9

10 **Q. Did the Board hold a vote at a regularly scheduled public meeting on the sale,**  
11 **following input from Township residents?**

12 **A.** Yes, the Board decided that the Proposed Transaction is in the best interests of the  
13 Township. After numerous public meetings, as detailed above, the Board unanimously  
14 voted on December 17, 2019 to accept PAWC's bid.

15

16 **Q. Please describe the process that the Township used to hire a Utility Valuation**  
17 **Expert ("UVE") for the transaction.**

18 **A.** When the Board voted to unanimously accept PAWC's bid on December 17, 2019, it also  
19 authorized me to take all steps necessary to effectuate the award, including seeking  
20 proposals from and selecting a UVE. On May 28, 2020, the Township received a  
21 proposal from Gannett Fleming Valuation and Rate Consultants, LLC ("Gannett  
22 Fleming"), which was accepted after review and consideration. Gannett Fleming is not  
23 affiliated with the Township.

VALLEY TOWNSHIP, CHESTER COUNTY  
DIRECT TESTIMONY OF PATRICE PROCTOR

1 **IV. BENEFITS OF THE PROPOSED TRANSACTION**

2 **Q. Please describe the benefits of the Proposed Transaction for Valley.**

3 **A. Valley will benefit from the Proposed Transaction as it will transfer its wastewater assets**  
4 **to a long-standing and well-run utility – PAWCWC. There are three key benefits of the**  
5 **Proposed Transaction to the Township and its residents. The sale will (1) improve the**  
6 **Township’s financial condition and outlook, (2) enable the Township to reallocate its**  
7 **administration time to focus on other key initiatives of the Township, and (3) provide for**  
8 **synergies given that PAWC already provides a portion of the Township’s water and treats**  
9 **the Township’s wastewater.**

10 **First, the Proposed Transaction will greatly improve the Township’s financial condition.**  
11 **Most notably, the proceeds of the sale will provide the Township with a significantly**  
12 **increased reserve fund balance. Currently, the Township’s reserve fund is approximately**  
13 **\$1,166,367.43. The proceeds of the Proposed Transaction would increase this amount by**  
14 **\$13,950,000 – an amount that is more than 2.9 times the Township’s typical yearly**  
15 **revenue (approximately \$4,760,455). Not only will this provide the Township with great**  
16 **flexibility, but it also provides significant liquidity to allow the Township to weather any**  
17 **sort of emergency it may face. At the time the Proposed Transaction was contemplated,**  
18 **such an emergency was purely theoretical. However, in these uncertain times, and facing**  
19 **a pandemic, the need for liquidity in order to weather the storm is all too real due to**  
20 **anticipated future revenue shortfalls. The sale of the System would provide the**  
21 **Township with the security blanket that simply can no longer be taken for granted. In the**  
22 **event that these funds can be allocated elsewhere, they would help allow for**  
23 **redevelopment opportunities that would otherwise not be attainable. This is significant**

VALLEY TOWNSHIP, CHESTER COUNTY  
DIRECT TESTIMONY OF PATRICE PROCTOR

1 given the limited development opportunities at present in the Township. Moreover, this  
2 financial stability would help both eliminate debt and mitigate against the risk of future  
3 revenue shortfalls.

4 Second, with respect to reallocating administrative time and expense, given the time and  
5 economic impact on the Township of dealing with the System, by reallocating Township  
6 administration time to focus on other key initiatives of the Township, the Proposed  
7 Transaction will provide significant public benefits.

8 Finally, PAWC already provides a portion of the Township's water and treats the  
9 Township's wastewater. My understanding is that because of this, the Proposed  
10 Transaction will allow for synergies, such as the fact that the water and wastewater  
11 operations in Valley will both be supported by common shared support services. These  
12 benefits include more efficient combined billing processes and capital replacement  
13 planning and execution.

14  
15 **Q. Please describe any further benefits from the Proposed Transaction.**

16 **A.** The Township will realize many additional benefits from the sale of its wastewater  
17 system to PAWC. These benefits include, but are not limited to, the following:

- 18 • The preservation of all jobs related to the System;
- 19 • Adding property to the Township's property tax rolls through increased development  
20 opportunities;
- 21 • PAWC can draw upon a broad range of engineering and operational experience, as  
22 well as deeper financial resources than are available to the Township, to address the  
23 environmental compliance challenges of the wastewater system such as: the retrofit

VALLEY TOWNSHIP, CHESTER COUNTY  
DIRECT TESTIMONY OF PATRICE PROCTOR

1 and maintenance of aging pump stations; the installation of pump station meters and  
2 flow data loggers; sanitary sewer inflow and infiltration elimination; industrial  
3 pretreatment program management; fats, oils and grease (FOG) maintenance  
4 program management; sanitary sewer pipe capacity upgrades; and permitting.

- 5 • The Township will benefit from PAWC's capital improvement programs, and its  
6 experience in improving and correcting systems with compliance issues.
- 7 • Valley residents will benefit from enhanced customer service and operational  
8 functions through expanded customer service center hours, additional payment  
9 options (including by phone or online), enhanced customer information and  
10 education programs, access to PAWC's customer assistance program, and PAWC's  
11 team of experienced water and wastewater professionals;
- 12 • PAWC's capability to make long-term investments in necessary capital  
13 improvements to the wastewater system; and
- 14 • PAWC's proven record of environmental stewardship for the operation of  
15 wastewater systems.

16  
17 **Q. Do you believe that the Proposed Transaction provides affirmative public benefits of**  
18 **a substantial nature and is in the public interest?**

19 **A.** Yes. For the reasons set forth above, I believe that the Proposed Transaction provides  
20 substantial affirmative public benefits and is in the public interest. I urge the  
21 Commission to promptly approve the Proposed Transaction.

VALLEY TOWNSHIP, CHESTER COUNTY  
DIRECT TESTIMONY OF PATRICE PROCTOR

1 V. RATES

2 Q. How does Valley set the rates it charges wastewater customers?

3 A. Rates are governed by the Valley Township Code, and are set by the Board by ordinance  
4 after consideration of the costs of providing service. Any rate increases must be approved  
5 by the Board through an ordinance.

6

7 Q. How frequently does Valley adjust rates?

8 A. Rates have only been increased when necessary. Over the past decade, Valley adjusted  
9 rates three (3) times: the quarterly sewer rates were raised twice in 2011 and once again  
10 in 2012, from \$160.14 per quarter to \$220.00 per quarter.

11

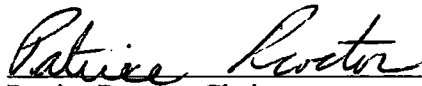
12 VI. CONCLUSION

13 Q. Does this conclude your testimony?

14 A. Yes, it does. However, I reserve the right to file additional testimony at a later date as  
15 may be necessary or appropriate.

**VERIFICATION**

I, Patrice Proctor 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.



Patrice Proctor, Chairwoman  
Valley Township Board of Supervisors

Dated: 10-7-2020