
EXHIBIT W

TESTIMONY OF JOHN NAGEL

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Aqua Pennsylvania Wastewater, : Docket No. A-2021-3026132
Inc. :

**TOWNSHIP OF EAST WHITELAND
AQUA STATEMENT NO. 3**

**DIRECT TESTIMONY OF
JOHN NAGEL
TOWNSHIP MANAGER
TOWNSHIP OF EAST WHITELAND**

**With Regard To
A General Overview of the Transaction
East Whiteland's Wastewater Collection and Treatment System and Operations
Benefits of the Proposed Transaction
East Whiteland's Rates**

July 2021

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1 **I. INTRODUCTION**

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

3 A. My name is John Nagel. My business address is 209 Conestoga Road, Frazer, PA 19355.

4

5 **Q. In what capacity are you affiliated with the Township of East Whiteland?**

6 A. I am the Township Manager for the Township of East Whiteland (the “Township” or
7 “East Whiteland”). The Township Manager is appointed by the East Whiteland Board of
8 Supervisors (the “Board”) and is responsible to the Board for the execution of its policies.

9 The Manager is designated as the Chief Administrative Officer of the Township and
10 directs all administrative departments, prepares the annual budget and recommends other
11 policies and procedures to the Board.

12

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

14 A. I attended the Temple University, where I received a bachelor’s degree in accounting. I
15 have served as the Township Manager since April 2015. As Manager, I oversee all day-
16 to-day operations and staff for all Township departments. I work to implement the
17 policies of our elected Board and coordinate with staff to bring the Board’s goals to
18 fruition. Additionally, I administer an annual budget of \$28.9 million including \$13.8
19 million in General Funds and \$7.3 million of Sewer Funds. Prior to my current position,
20 I served as the Director of Finance for Whitpain Township from September 2011 to April
21 2015, the Director of Administrative Services for the City of Reading, PA from February
22 2011 to September 2011, a Financial Advisor for Public Financial Management from

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1 October 2010 to December 2010, and Township Manager for the Montgomery Township
2 August 1999 to August 2010.

3
4 **Q. Have you testified before the Pennsylvania Public Utility Commission (“PUC” or**
5 **the “Commission”) before?**

6 A. No.

7
8 **Q. On whose behalf are you testifying in this proceeding?**

9 A. My testimony is on behalf of the Township and in support of the application of Aqua
10 Pennsylvania Wastewater, Inc. (“Aqua”) to purchase the Township’s wastewater
11 collection and conveyance system (the “System”) that provides sanitary wastewater
12 service to various customers in The Township.

13
14 **Q. What is the purpose of your direct testimony and summarize the key points?**

15 A. The purpose of my testimony is as follows: (1) to provide a description of the System,
16 (2) to describe the anticipated benefits of the sale of the System assets to Aqua under and
17 in accordance with an Asset Purchase Agreement dated January 8, 2021 between the
18 Township and Aqua (the “Proposed Transaction”), and (3) to describe how Township
19 sets its annual rates.

20 In particular, I will focus on the numerous benefits of the Proposed Transaction
21 that are most important to the Township and the customers who use the System,
22 including:

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- 1 • The Township can exit the sanitary sewer business and instead focus its resources
2 on other core government functions while ensuring safe, reliable, and professional
3 service at affordable rates for its residents;
- 4 • Receipt of sale proceeds will permit the Township to allocate these funds to
5 various projects in the Township;
- 6 • Benefits from Aqua’s expertise, long-standing capital improvement programs, and
7 its experience in improving systems throughout the Commonwealth to address
8 capital improvements needed over time in the Township;
- 9 • Township residents will benefit from enhanced customer service and operational
10 functions through expanded customer service hours, additional payment options
11 (including by phone or online), access to Aqua’s Helping Hand low-income
12 assistance program, and Aqua’s team of experienced water and wastewater
13 professionals;
- 14 • Aqua’s capability to make long-term investments in necessary capital
15 improvements to the wastewater system;
- 16 • Aqua’s proven record of environmental stewardship for the operation of
17 wastewater systems;
- 18 • Regulation of the service provided to Township’s customers will fall under PUC
19 jurisdiction, which will ensure regulatory oversight, require approval for all rate
20 increases, and provide significant consumer protections; and
- 21 • Enabling the Township to reallocate its administration time to focus on other key
22 initiatives of the Township.
- 23

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

2 A. No.

3

4 **II. DESCRIPTION OF THE TOWNSHIP AND ITS WASTEWATER SYSTEM**

5 **Q. Please provide a general overview of the Township of East Whiteland.**

6 A. The Township of Whiteland was founded in 1704. In 1732, Whiteland was divided into
7 East Whiteland and West Whiteland. The Township is located in Chester County, and
8 consists of approximately 10.9 square miles. The Township is governed by its five-
9 member Board. Presently, there are approximately 14,720 residents in the Township.

10

11 **Q. Please provide a description of the Township's wastewater system.**

12 A. The Township owns and operates the System, which consist of twelve (12) pump
13 stations, about 329,072 linear feet of gravity and force mains, approximately 1,506
14 manholes, associated infrastructure and appurtenances, and related land and land rights.
15 The System's pump stations are: Deer Run; Flat Road; Hillbrook Circle; King Road;
16 Lapp Road; Lee Boulevard; Malvern Hunt; Meadowview; Mill Lane; Planebrook Road;
17 Westgate; and Wilburdale.

18 The System currently provides service to 3,895 residential and commercial
19 customers, and services approximately 7,908 Equivalent Dwelling Units ("EDU").
20 EDUs are estimated to increase by nearly 2,500 EDUs through 2025.

21 East Whiteland is responsible for the safe collection and transmission of over
22 1.062 million gallons of wastewater per day that is generated in southeastern
23 Pennsylvania. The System accepts flows and collects sewer rental fees from the

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1 adjoining municipalities of East Goshen Township, Charlestown Township and Malvern
2 Borough. In turn, the Township pays sewer rental fees to neighboring Tredyffrin
3 Township and East Goshen Township, and a company for conveyance and to the Valley
4 Forge Sewer Authority Wastewater Treatment Plant—where the Township has purchased
5 capacity.

6
7 **Q. Please provide an overview of any compliance issues with the wastewater system**
8 **experienced by the Township.**

9 A. The Township currently has an Act 537 plan with the Pennsylvania Department of
10 Environmental Protection (the “DEP”) originally dated May 2, 1995, and subsequently
11 amended as recently as March 2020.

12 From 2013 to 2014, the Township was under a Corrective Action Plan (“CAP”)
13 with the DEP that required various improvements to be made to the Mill Lane and Sidley
14 Collection System, the Lee Boulevard Pump Station, and the sanitary sewer on
15 Conestoga Road. Additionally, the Township installed approximately 3,780 linear feet of
16 new piping to replace the existing deteriorating sewer. In 2015, the DEP lifted the CAP
17 once the Township completed the gravity sewer main replacement from the Mill Lane
18 Pump Station to Lee Boulevard. Lastly, in the past five (5) years, the Township has
19 experienced only three (3) sanitary sewer Overflows (SSO’s). All were immediately
20 addressed.

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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 was the result of deliberate consideration by the
5 Township, its administration and our residents. Beginning in April 2019, we undertook a
6 thorough process, along with capable outside experts, to review the System, assess future
7 costs of capital and revenue requirements, evaluate the ongoing time commitments of
8 Township personnel to address System issues, and carefully consider from various
9 stakeholder points of view the numerous qualitative and quantitative factors that weigh in
10 favor of or against the Township keeping the System. We weighed and balanced issues
11 at numerous public meetings and working sessions that addressed the Proposed
12 Transaction.

13 Ultimately, the decision to sell resulted from two primary goals. First, the
14 Township wanted to exit the business of providing sanitary sewer service and instead
15 focus on its core governmental functions while simultaneously ensuring that our residents
16 would have safe and reliable service at affordable rates. The System's aging
17 infrastructure will require additional investment over time, which we project will cause
18 increases in rates if the System remains with the Township. Second, the Township
19 desired to address other Township purposes with the sale proceeds.

20 After the Board made the decision to sell the System based on these
21 considerations, we issued a Request for Qualifications and a Request for Bids. Once we
22 reviewed the responses, we determined that Aqua submitted a bid that was in the best

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1 interest of, and provided the greatest value to, the Township and its residents, and
2 accepted that bid.

3

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

5 A. Yes. The deliberative process undertaken by the Township in deciding to sell the System
6 was public and involved an opportunity for public comment at the November 11, 2020
7 meeting where the Township, its financial advisors, and Aqua all presented the goals and
8 benefits of the Proposed Transaction.

9

10 **Q. Please describe the process by which the Township solicited bids for the System.**

11 A. On January 31, 2020, the Township released its Request for Qualifications, and received
12 the responses on February 20, 2020. The Township held various management meetings
13 and asset tours throughout mid-July 2020. The Township continued its due diligence
14 through August 2020, and pre-qualified four (4) potential bidders based on industry
15 established criteria for the possible execution of an agreement for the sale of the System.
16 On September 15, 2020, the Township issued its Request for Bids, and received the
17 responses on October 13, 2020.

18 After receiving the bids, the Board conducted a public meeting on November 11,
19 2020. At this meeting, the Township Manager and its financial advisors presented to the
20 Board and the public the reasons the Township explored the sale of the System and the
21 benefits that Township residents may realize from the sale, including uses of the sale
22 proceeds. The Township stated that it would discuss the specific uses of the proceeds in
23 the coming nine (9) to twelve (12) months. After careful consideration of the bids and

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1 public participation, the Township decided that the sale was in the best interest of the
2 Township, and the Board unanimously voted to accept Aqua’s bid at the November 11,
3 2020 meeting.

4
5 **Q. Please describe the process that the Township used to hire a Utility Valuation**
6 **Expert for the transaction.**

7 A. When the Board approved the sale on November 11, 2020, it also authorized me to seek
8 proposals from and select a Utility Valuation Expert. On May 27, 2021, the Township
9 received a proposal from AUS Consultants (“AUS”), which was accepted that same day
10 after review and consideration. AUS is not affiliated with the Township.

11
12 **IV. BENEFITS OF THE PROPOSED TRANSACTION**

13 **Q. Please describe the benefits of the Proposed Transaction for the Township.**

14 A. The Township will benefit from the Proposed Transaction as it will transfer its
15 wastewater assets to a long-standing and well-run public utility – Aqua. There are two
16 key benefits of the Proposed Transaction to the Township and its residents. The sale will
17 (1) permit the Township to exit the business of providing sanitary sewer service and
18 instead focus on its core governmental functions while simultaneously ensuring that our
19 residents would have safe and reliable service at affordable rates, and (2) the sale
20 proceeds will allow the Township to address improvements and projects throughout the
21 Township and benefit the Township’s overall financial position.

22 First, given the time and economic impact on the Township of dealing with the
23 System, the Proposed Transaction permits the Township to reallocate its time to focus on

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1 other key initiatives of the Township. For example, due to additional investment required
2 for our aging System, we project that wastewater rates will increase in the coming years
3 regardless if the Township retains ownership of the System. As such, we believe that the
4 sale to Aqua provides the best opportunity for the Township to focus its resources on
5 other core government function while ensuring safe, reliable, and professional service at
6 affordable rates for its residents.

7 Additionally, the Proposed Transaction will provide the Township with the ability
8 to make improvements within the Township. The Township has identified, *inter alia*, the
9 following potential uses for the proceeds: the reduction of debt; development of the
10 Township Campus, including the construction of a new police station, renovation of the
11 current administration building, etc.; and the implementation of roadway projects to
12 improve traffic flow in the Township.

13
14 **Q. Please describe any further benefits from the Proposed Transaction.**

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

- 17 • The Township will benefit from Aqua's capital improvement programs, and its
18 experience in improving and correcting systems with compliance issues.
- 19 • Township residents will benefit from enhanced customer service and operational
20 functions through expanded customer service hours, additional payment options
21 (including by phone or online), access to Aqua's Helping Hand low-income
22 assistance program, and Aqua's team of experienced water and wastewater
23 professionals;

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- 1 • Aqua’s capability to make long-term investments in necessary capital improvements
2 to the aging System; and
- 3 • Aqua’s proven record of environmental stewardship for the operation of wastewater
4 systems.

5

6 **Q. Do you believe that the Proposed Transaction provides affirmative public benefits**
7 **and is in the public interest?**

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

11

12 **V. RATES**

13 **Q. How does Township set the rates it charges customers for wastewater treatment and**
14 **collection?**

15 A. Rates are governed by the Township Code. Pursuant to the Code, the Township is
16 currently divided into five sanitary sewer districts based on geographic boundaries. The
17 Board may establish additional districts by ordinance. The applicable rate for any given
18 district is established by resolution of the Board, and may be amended as the Board
19 deems appropriate. While the rates throughout any given district must be uniform, the
20 rates may vary from district to district. Furthermore, the Township establishes distinct
21 sewer rates for any commercial or industrial user whose total quarterly sewage or water
22 consumption exceeds 100,000 gallons, also referred to as “high volume customers.”

23

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1 **Q. How frequently does Township adjust rates?**

2 A. Rates have only been increased when necessary. For example, the rates for Districts A
3 through E were last raised in 2016 and the rates for “high volume customers” were last
4 raised in 2018.

5

6 **VI. CONCLUSION**

7 **Q. Does this conclude your testimony?**

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