

**Application of Pennsylvania-American Water Company for the Acquisition
of the Wastewater Collection and Treatment System Owned by the York City Sewer
Authority (the “Authority”) and Operated by the City of York (the “City”)
(collectively “York”)**

**66 Pa. C.S. § 1329
Application Filing Checklist – Water/Wastewater
Docket No. A-2021-3024681**

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

AMENDED RESPONSE:

- a. See enclosed the Direct Testimonies and Supplemental Testimony of PAWC witnesses as follows:
 - i. Direct Testimony and Supplemental Direct Testimony of Bernard J. Grundusky, Jr. Senior Director of Business Development, Pennsylvania-American Water Company, **PAWC Statement No. 1 and PAWC Statement No. 1-S.**
 - ii. Direct Testimony of Michael J. Guntrum, Senior Project Engineer, Pennsylvania-American Water Company, **PAWC Statement No. 2.**
 - iii. Direct Testimony and Supplemental Direct Testimony of Ashley E. Everette, Senior Director of Rates and Regulatory for the Mid-Atlantic Division, American Water Works Service Company, on behalf of Pennsylvania-American Water Company, **PAWC Statement No. 3 and PAWC Statement No. 3-S.**
- b. See enclosed Direct Testimony of Utility Valuation Expert, Jerome C. Weinert, P.E., Principal and Director for AUS Consultants, Inc. on behalf of Pennsylvania-American Water Company Utility, **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, to Pennsylvania-American :
Water Company, of substantially all of the assets, :
properties and rights related to the wastewater :
collection and treatment system owned by the York : Docket No. A-2021-3024681 *et al.*
City Sewer Authority and operated by the City of York, :
(2) the rights of Pennsylvania-American Water :
Company to begin to offer or furnish wastewater :
service to the public in the City of York, Pennsylvania, :
and to three bulk service interconnection points located :
in North York Borough, Manchester Township and :
York Township, York County, Pennsylvania, and (3) :
the rights of Pennsylvania-American Water Company to :
begin to offer and furnish Industrial Pretreatment :
Program to qualifying industrial customers in :
Manchester Township, Spring Garden Township and :
West Manchester Township, York County, :
Pennsylvania :

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**SUPPLEMENTAL DIRECT TESTIMONY OF
BERNARD J. GRUNDUSKY, JR.
ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER COMPANY**

Dated: August 6, 2021

PAWC Statement No. 1-S

**SUPPLEMENTAL DIRECT TESTIMONY OF
BERNARD J. GRUNDUSKY, JR.**

INTRODUCTION

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

A. My name is Bernard J. Grundusky, Jr. and my business address is 852 Wesley Drive, Mechanicsburg, Pennsylvania 17055.

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

A. I am employed by Pennsylvania-American Water Company (“PAWC”) as the Senior Director of Business Development.

Q. MR. GRUNDUSKY DID YOU SUBMIT TESTIMONY PREVIOUSLY IN THIS PROCEEDING

A. Yes, I previously submitted PAWC Statement No. 1 as part of the application filed on July 1, 2021.

Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT TESTIMONY?

A. The purpose of my supplemental direct testimony is to discuss the treatment of the accounts receivable under the Asset Purchase Agreement (“APA”), between the York City Sewer Authority, the City of York (collectively referred to as “York”) and PAWC.

Q. UNDER THE TRANSACTION, WILL PAWC ACQUIRE THE ACCOUNTS RECEIVABLE?

A. No, PAWC will not acquire the accounts receivable. Section 2.02(c) of the APA provides that “accounts receivable” are Excluded Assets. Because PAWC will not be acquiring the

1 accounts receivable as part of the transaction, Section 6.12 of the APA then provides the
2 mechanism for which PAWC will transmit any amounts due to the Seller and the City in
3 the instance that the final meter reading is completed prior to Closing. Per the terms of
4 the APA, the Seller and the City are entitled to all customer billings (accounts receivable)
5 prior to Closing, but because it might not be possible to complete the final meter reading
6 on the actual day of Closing, PAWC would remit this amount to the Seller and City per
7 Section 6.12. Pursuant to the APA Section 6.12, the Transaction will include the
8 Average Daily AR Payment. PAWC witness Ms. Ashley E. Everette will further address
9 the Average Daily AR Payment provision in PAWC Statement No. 3-Supp.

10 **CONCLUSION**

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

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

**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, to Pennsylvania-American Water : Docket No. A-2021-3024681 *et al.*
Company, of substantially all of the assets, properties and :
rights related to the wastewater collection and treatment :
system owned by the York City Sewer Authority and :
operated by the City of York, (2) the rights of :
Pennsylvania-American Water Company to begin to offer :
or furnish wastewater service to the public in the City of :
York, Pennsylvania, and to three bulk service :
interconnection points located in North York Borough, :
Manchester Township and York Township, York :
County, Pennsylvania, and (3) the rights of Pennsylvania- :
American Water Company to begin to offer or furnish :
Industrial Pretreatment Program to qualifying industrial :
customers in Manchester Township, Spring Garden :
Township and West Manchester Township, York County, :
Pennsylvania :

**SUPPLEMENTAL DIRECT TESTIMONY OF
ASHLEY E. EVERETTE ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER COMPANY**

Date: August 5, 2021

PAWC Statement No. 3-S

1 SUPPLEMENTAL DIRECT TESTIMONY OF
2 ASHLEY E. EVERETTE

3
4 INTRODUCTION

5 **Q. WHAT IS YOUR NAME AND ADDRESS?**

6 **A.** My name is Ashley E. Everette, and my business address is 852 Wesley Drive,
7 Mechanicsburg, Pennsylvania 17055.

8
9 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

10 **A.** I am employed by American Water Works Service Company (the “Service Company”) as
11 the Senior Director of Rates and Regulatory. I work in the Mechanicsburg office of
12 Pennsylvania-American Water Company (“PAWC” or “the Company”).

13
14 **Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS PROCEEDING?**

15 **A.** Yes. I provided direct testimony filed with the application filed on July 1, 2021.

16
17 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?**

18 **A.** The purposes of my supplemental testimony is to further address the Average Daily AR
19 Payment provision of the Asset Purchase Agreement (“APA”) between the York City
20 Sewer Authority, the City of York (collectively referred to as “York”) and PAWC.

21
22 **Q. PLEASE DISCUSS THE AVERAGE DAILY AR PAYMENT PROVISION OF THE**
23 **ASSET PURCHASE AGREEMENT.**

24 **A.** As discussed in my direct testimony in this proceeding, pursuant to Section 6.12 of the
25 APA, the Transaction will include the Average Daily AR Payment. The Average Daily AR

1 Payment is a payment the Company will make to York for the period between the final
2 meter reading and closing. PAWC, in turn, will bill its newly acquired customers for the
3 usage between the final meter reading and closing. This billing will be done at the rates
4 provided for in the approved tariff supplement, which are equivalent to the rates currently
5 charged by York.

6
7 **Q. Please discuss how PAWC will bill for the amount discussed above.**

8 A. Upon acquisition, PAWC's first billing to the York customers will include metered usage
9 between the final meter reading prior to Closing and the first meter reading following
10 Closing. Usage will not be delineated into "pre closing" and "post closing" amounts, and
11 PAWC's normal billing procedures and tariff will apply to the billed amounts.

12
13 **Q. What will be the amount of the Average Daily AR Payment?**

14 A. The amount of the Average Daily AR Payment will be the average daily System revenue,
15 determined based on the City's most recent audited financial statement, for the period from
16 the final meter read through the Closing Date. The amount of the Average Daily AR
17 Payment cannot be determined at this time because it is unknown what the time period will
18 be between the final meter reading and Closing.

19 As shown on page 10 of the 2018 Audited Financial Statements, the sewer revenues
20 in the most recent audited financial statement are \$18,233,331, composed of \$9,290,350 of
21 intermunicipal sewer fund revenues and \$8,942,981 of sewer fund revenues (**Appendix A-**
22 **19-a.4**). If, hypothetically, the final pre-Closing meter read occurred on the same day for
23 all meters in the York system, the daily amount would be \$49,954 ($\$18,233,331 / 365$)

1 days). As a hypothetical example, if all meters were read 3 days prior to closing, the total
2 amount of the Average Daily AR Payment would be \$149,863.

3 The amount of the Average Daily AR Payment will be recorded by the Company
4 as accrued revenues. Please refer to Amended Appendix A-15-f for the tentative journal
5 entry for this transaction.

6
7 **CONCLUSION**

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

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