



COMMONWEALTH OF PENNSYLVANIA

February 16, 2022

The Honorable Jeffrey A. Watson  
Administrative Law Judge  
Piatt Place, Suite 220  
201 Fifth Avenue  
Pittsburgh, PA 15222

**Re: Application of Aqua Pennsylvania Wastewater, Inc. pursuant to Sections 1102, 1329, 507 and 2102 of the Public Utility Code for Approval of its Acquisition of the Wastewater System Assets of Willistown Township / Docket No. A-2021-3027268**

Dear Judge Watson:

Enclosed please find the Direct Testimony and Exhibit of Brian Kalcic, labeled OSBA Statement No. 1, on behalf of the Office of Small Business Advocate (“OSBA”), in the above-captioned proceeding.

As evidenced by the enclosed Certificate of Service, all known parties will be served, as indicated.

If you have any questions, please do not hesitate to contact me.

Sincerely,

/s/ Erin K. Fure

Erin K. Fure  
Assistant Small Business Advocate  
Attorney ID No. 312245

*Enclosures*

cc: PA PUC Secretary Rosemary Chiavetta (Cover Letter & Certificate of Service only)  
Brian Kalcic  
Parties of Record

**OSBA STATEMENT NO. 1**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Application of Aqua Pennsylvania Wastewater, Inc. pursuant :  
to Sections 1102, 1329, 507 and 2102 of the Public Utility Code : Dk. No. A-2021-3027268  
for Approval of its Acquisition of the Wastewater :  
System Assets of Willistown Township :**

**Direct Testimony and Exhibit of**

**BRIAN KALCIC**

**On Behalf of the**

**Pennsylvania Office of Small Business Advocate**

**Date Served: February 16, 2022**

**Date Submitted for the Record: \_\_\_\_\_**

*Direct Testimony of Brian Kalcic*

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

2 A. Brian Kalcic, 7330 Dorset Avenue, St. Louis, Missouri 63130.

3

4 **Q. What is your occupation?**

5 A. I am an economist and consultant in the field of public utility regulation, and  
6 principal of Excel Consulting. My qualifications are described in the Appendix to  
7 this testimony.

8

9 **Q. On whose behalf are you testifying in this case?**

10 A. I am testifying on behalf of the Office of Small Business Advocate (“OSBA”),  
11 which is representing the small business customers served by Aqua Pennsylvania  
12 Wastewater, Inc. (“Aqua” or the “Company”).

13

14 **Q. What is the subject of your testimony?**

15 A. I will address certain rate provisions contained in Section 7.03 of the proposed  
16 Asset Purchase Agreement (“APA”) by and between the Township of Willistown,  
17 Chester County (“Willistown” or the “Township”) and Aqua.

18

19 **Q. Please summarize your recommendations.**

20 A. As a condition for approval of the Proposed Transaction, I recommend that the  
21 Commission:

22

- 1           • reject any base rate freeze for Willistown customers that would  
2           extend beyond the effective date of new rates in the Company’s first  
3           base rate case following the Close of the transaction; or  
4
- 5           • alternatively, direct Aqua to impute revenues to Willistown  
6           customers, as necessary, to make up for the revenue shortfall  
7           associated with any rate increase otherwise applicable to Willistown  
8           in the Company’s first base rate case following the Close of the  
9           transaction.  
10

11           **Section 7.03 of the APA**  
12

13   **Q. Mr. Kalcic, what does Section 7.03 of the APA address?**

14   A. Section 7.03 addresses the current and future wastewater rates applicable to  
15   Township customers under the terms of the APA.

16

17   **Q. What are the key provisions of Section 7.03?**

18   A. The key provisions of Section 7.03 are as follows: **1)** there shall be no change in  
19   the current effective rates paid by Township customers upon the close of the  
20   proposed transaction; **2)** Aqua shall not propose to implement a base rate increase  
21   for Township customers “until after the second anniversary of the Closing date” of  
22   the proposed transaction; **3)** Aqua shall apply, at and after Closing, its then-existing  
23   miscellaneous fees and charges, and rules and regulations for wastewater service as  
24   set forth in Aqua’s tariff within the Willistown service area; and **4)** Buyer shall  
25   include the rate provisions in Section 7.03(a) in its requested PaPUC Governmental  
26   Approval.  
27

1 **Q. Does Aqua consider the APA’s provision that prohibits a rate increase for**  
2 **Township customers until after the second anniversary of the Closing date of**  
3 **the proposed transaction a rate stabilization plan, as defined in Section**  
4 **1329(g), 66 Pa. C.S § 1329(g) of the Public Utility Code?**

5 A. No. On pages 10-11 of Aqua Statement No. 1, Mr. Packer argues the rate  
6 commitment in Section 7.03 of the APA does not constitute a rate stabilization plan  
7 since “[t]here is no language in Aqua’s proposed tariff requesting that rates be held  
8 constant or phased in over a period of time after the next rate case.”

9

10 **Q. Has Aqua explained why it agreed not to propose to increase the Township’s**  
11 **rates for a period of two years following the Closing of the proposed**  
12 **transaction?**

13 A. Yes. In response to OSBA-I-1, Aqua states that “[it] believed providing a two year  
14 rate freeze, which was an option in the Request For Bids response, would make its  
15 bid competitive.”

16

17 **Q. When does Aqua expect the proposed transaction to close, if approved by the**  
18 **Commission?**

19 A. Aqua expects the Commission to issue its decision in this matter at its June 16,  
20 2022 public meeting, with the Closing to occur “soon after a final Commission  
21 decision.”<sup>1</sup>

22

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<sup>1</sup> See Aqua’s response to OSBA-I-2.

1 **Q. Does Aqua currently have a base rate case pending before the Commission?**

2 A. Yes. Aqua filed for an increase in water and wastewater rates on August 20, 2021,  
3 at Docket Nos. R-2021-3027385 and R-2021-3027386. The Commission is  
4 expected to issue its decision in the Company's rate case in May 2022.

5

6 **Q. How do the current rates paid by Township customers compare to those paid  
7 by Aqua's existing wastewater system customers?**

8 A. As shown in Table 1 below, the *current* average monthly bills are very similar.  
9 More specifically, the current bill of a residential customer in Willistown, using  
10 four thousand gallons per month, is \$63.63. The monthly bill paid by a residential  
11 wastewater customer located in the Company's Rate Zone 1 service area, using the  
12 same four thousand gallons per month, is \$64.47 at present rates. As such, the  
13 average monthly bill paid by (metered-service) residential customers in the  
14 Township is presently 1.3% lower than Aqua's Rate Zone 1 equivalent residential  
15 bill.

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**Table 1**

Monthly Wastewater Bill of Residential Customer, using 4,000 gallons,  
Present Aqua Rate Zone 1 versus Willistown Metered Service

Description	Aqua Rate Zone 1	Valley Forge System
Customer Charge	\$31.00	\$41.55
Consumption @ \$7.60 / 1000g	<u>30.40</u>	
Consumption @ \$5.52 / 1000g		<u>22.08</u>
Subtotal	\$61.40	\$63.63
DSIC @ 5.0%	<u>3.07</u>	<u>n.a.</u>
Total Bill	\$64.47	\$63.63

Source: Aqua & Willistown current tariffs.

**Q. How do the current rates paid by Township customers compare to the proposed rates applicable to Aqua’s Rate Zone 1 wastewater system customers in the Company’s pending base rate case?**

A. As shown in Table 2 below, the monthly bill to be paid by a residential wastewater customer located in the Company’s Rate Zone 1 service area, using four thousand gallons per month, is \$77.49 at proposed rates. Accordingly, the average monthly bill paid by (metered-service) residential customers in the Township is currently 17.9% lower than Aqua’s proposed Rate Zone 1 equivalent residential bill.

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**Table 2**

Monthly Wastewater Bill of Residential Customer, using 4,000 gallons,  
Proposed Aqua Rate Zone 1 versus Willistown Metered Service

Description	Aqua Rate Zone 1	Valley Forge System
Customer Charge	\$39.10	\$41.55
Consumption @ \$9.598 / 1000g	<u>38.39</u>	
Consumption @ \$5.52 / 1000g		<u>22.08</u>
Subtotal	\$77.49	\$63.63
DSIC @ 0.0%	<u>0.00</u>	<u>n.a.</u>
Total Bill	\$77.49	\$63.63

Source: Aqua proposed & Willistown current tariffs.

**Q. Could Aqua’s commitment to freeze the base rates for Willistown customers for two years following the Closing date hold the Township’s rates constant for a period of time of time *beyond* the effective date of new rates that results from the Company’s first base rate case following the Closing of the proposed transaction?**

A. Yes, depending on the timing of the Company’s next rate filing. For example, assuming that the Closing date of the proposed transaction were to be June 30, 2022, the proposed base rate freeze for Willistown customers would remain in place until June 30, 2024. If Aqua were to file its next base rate case on or before September 30, 2023, the Township’s rate freeze would extend beyond the effective date of new rates in Aqua’s next rate proceeding.



1 **Q. Would it be appropriate to freeze the Township's rates for any period of time**  
2 **beyond the effective date of new rates in the Company's next base rate**  
3 **proceeding?**

4 A. No.

5

6 **Q. Why not?**

7 A. In the OSBA's view, *all* of the Company's base wastewater rates should be  
8 evaluated in each of Aqua's base rate proceedings. To the extent that the average  
9 rate paid in a given rate area, such as Willistown, is less than the Company's system  
10 average rate for wastewater service, wastewater rates in that rate area should be  
11 subject to increase in a base rate proceeding. Moreover, all rate areas should  
12 exhibit movement toward to the system average wastewater rate in each rate case  
13 (i.e., toward cost of service), consistent with the Commission's long-standing policy  
14 of implementing single tariff pricing.

15

16 **Q. In the context of Aqua's next base rate proceeding, what would be the**  
17 **consequence of freezing the wastewater rates paid by a subset of customers**  
18 **that are, at that time, paying less than the system average rate for wastewater**  
19 **service?**

20 A. In that instance, such customers would not only continue to receive a subsidy from  
21 Aqua's remaining wastewater service customers, their annual subsidy received from  
22 general ratepayers would *increase* at the conclusion of the Company's next rate  
23 case.

1

2 **Q. Should the Commission approve a rate freeze period for Willistown customers**  
3 **that extends beyond the effective date of new rates in the Company's next base**  
4 **rate case?**

5 A. No. As a condition for approval of the proposed acquisition, the Commission  
6 should reject any rate freeze for Willistown customers that extends beyond the  
7 effective date of new rates in the Company's next base rate case.

8

9 **Q. Do you have an alternative recommendation with respect to the proposed rate**  
10 **freeze for Willistown customers?**

11 A. Yes. As an alternative, the Commission should direct Aqua to impute revenues to  
12 Willistown customers, as necessary, to make up for the revenue shortfall associated  
13 with any rate increase otherwise applicable to Willistown in the Company's first  
14 base rate case following the Close of the transaction. In that way, Aqua's  
15 shareholders rather than general ratepayers would bear the cost associated with  
16 Aqua's commitment to freeze Willistown's rates.

17

18 **Q. Does this conclude your direct testimony?**

19 A. Yes.



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February 28, 2022

The Honorable Jeffrey A. Watson  
Administrative Law Judge  
Piatt Place, Suite 220  
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**Re: Application of Aqua Pennsylvania Wastewater, Inc. pursuant to Sections 1102, 1329, 507 and 2102 of the Public Utility Code for Approval of its Acquisition of the Wastewater System Assets of Willistown Township / Docket No. A-2021-3027268**

Dear Judge Watson:

Enclosed please find the Surrebuttal Testimony of Brian Kalcic, labeled OSBA Statement No. 1-S, on behalf of the Office of Small Business Advocate (“OSBA”), in the above-captioned proceeding.

As evidenced by the enclosed Certificate of Service, all known parties will be served, as indicated.

If you have any questions, please do not hesitate to contact me.

Sincerely,

/s/ Erin K. Fure

Erin K. Fure  
Assistant Small Business Advocate  
Attorney ID No. 312245

*Enclosures*

cc: PA PUC Secretary Rosemary Chiavetta (Cover Letter & Certificate of Service only)  
Brian Kalcic  
Parties of Record

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Application of Aqua Pennsylvania Wastewater, Inc. pursuant :  
to Sections 1102, 1329, 507 and 2102 of the Public Utility Code : Dk. No. A-2021-3027268  
for Approval of its Acquisition of the Wastewater :  
System Assets of Willistown Township :**

**Surrebuttal Testimony of**

**BRIAN KALCIC**

**On Behalf of the**

**Pennsylvania Office of Small Business Advocate**

**Date Served: February 28, 2022**

**Date Submitted for the Record: \_\_\_\_\_**

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

2 A. Brian Kalcic, 7330 Dorset Avenue, St. Louis, Missouri 63130.

3

4 **Q. Have you previously submitted direct testimony in this proceeding?**

5 A. Yes.

6

7 **Q. What is the subject of your surrebuttal testimony?**

8 A. I will response to the rebuttal testimony of William C. Packer on behalf of the Company.

9

10 **Company Witness Packer**

11

12 **Q. On pages 6-7 of Aqua Statement No. 1-R, Mr. Packer argues that the Commission**  
13 **should reject the OSBA's recommendation that it deny any rate freeze for**  
14 **Willistown customers that extends beyond the effective date of new rates in Aqua's**  
15 **next base rate case, as a condition for approval of the proposed acquisition. In**  
16 **support of his position, Mr. Packer maintains that: 1) the OSBA's request is**  
17 **speculative in nature, dependent upon the timing of the Company's next rate case;**  
18 **2) the OSBA's conclusion that rates for Willistown customers could remain**  
19 **unchanged beyond the effective date of new rates in Aqua's next base rate case is**  
20 **unlikely to occur, based on the Company's current three-year filing cycle; and 3)**  
21 **the OSBA's request is unnecessary, as demonstrated by the Company's treatment of**  
22 **the acquired Tobyhanna Sewer System in Aqua's 2018 base rate case. What is your**  
23 **response?**

*Surrebuttal Testimony of Brian Kalcic*

1 A. I have several comments. First, with regard to the alleged speculative nature of the  
2 OSBA’s request, Mr. Packer appears to suggest that it is premature to discuss  
3 Willistown’s future rates outside of the context of the Company’s next base rate  
4 proceeding, the timing of which is uncertain at this time. I would normally agree –  
5 except for the fact that Aqua proposes to do just that by including rate commitments to  
6 Willistown in Section 7.03 of the APA that would otherwise impact future Willistown  
7 rates outside of the context of a base rate case.

8           Second, I would emphasize that the OSBA’s recommendation that is at issue here  
9 was made in response to *Aqua’s commitment in the APA* to implement a rate freeze for  
10 Willistown customers for a period of two years following the closing date of the  
11 proposed acquisition. Based on the language in Section 7.03 of the APA, I went on to  
12 explain in my direct testimony that Aqua’s proposed two-year rate freeze could actually  
13 continue beyond the effective date of new rates in Aqua’s first rate case after Closing,  
14 depending on the exact timing of Aqua’s next rate filing.<sup>1</sup> The fact that the Company’s  
15 current rate case filing cycle would appear to render the OSBA’s rate freeze concerns  
16 “unlikely” is immaterial, in as much as the Company (i) has not committed to  
17 maintaining a three-year period between rate case filings and (ii) is not currently subject  
18 to a stay-out requirement that would render the OSBA’s concerns moot.

19           Finally, with regard to Mr. Packer’s claim that the OSBA’s concerns are  
20 misplaced since Aqua “would likely” treat Willistown’s proposed rate freeze in the same  
21 manner that was used to address the rate freeze applicable to the acquired Tobyhanna  
22 Sewer System in Aqua’s 2018 rate case, I would point out that I offered this exact

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<sup>1</sup> See OSBA Statement No. 1 at page 6.

*Surrebuttal Testimony of Brian Kalcic*

1 remedy for resolving the OSBA's rate freeze concerns as an alternative recommendation  
2 in my direct testimony.<sup>2</sup> As such, to resolve this issue to the satisfaction of all parties,  
3 Aqua need only *commit* to address Willistown's rate freeze in the same manner used for  
4 the acquired Tobyhanna Sewer System in the Company's first base rate proceeding  
5 following the Close of the proposed transaction.

6

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

8 A. Yes.

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<sup>2</sup> See OSBA Statement No. 1 at page 8.

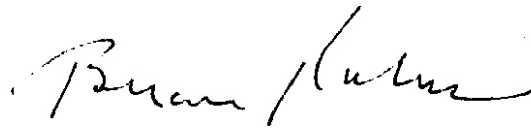
**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Application of Aqua Pennsylvania Wastewater, Inc.** :  
**Pursuant to Sections 1102, 1329, 507 and 2102 of the** : **Dk. No. A-2021-3027268**  
**Public Utility Code for Approval of its Acquisition of the** :  
**Wastewater System Assets of Willistown Township** :

**VERIFICATION**

I, Brian Kalcic, hereby state that the facts set forth in my Surrebuttal Testimony labeled OSBA Statement No. 1-S 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 herein are made subject to the penalties of 18 Pa. C.S. §4904 (relating to unsworn falsification to authorities).

Date: February 28, 2022



(Signature)

Brian Kalcic



**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Application of Aqua Pennsylvania** :  
**Wastewater, Inc. pursuant to Sections 1102,** :  
**1329, 507 and 2102 of the Public Utility Code** : **Docket No. A-2021-3027268**  
**for Approval of its Acquisition of the** :  
**Wastewater System Assets of Willistown** :  
**Township** :

**CERTIFICATE OF SERVICE**

I hereby certify that true and correct copies of the foregoing have been served via email (*unless other noted below*) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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/s/ Erin K. Fure

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Erin K. Fure  
Assistant Small Business Advocate  
Attorney ID # 312245

Dated: February 28, 2022