

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Aqua Pennsylvania, Inc. : Docket No. A-2022-3034143
(hereinafter referred to as “Aqua” or :
“Applicant”) pursuant to Sections 1102 and :
1329 of the Public Utility Code for: :

(1) approval of the acquisition by Aqua of :
the water system assets of the Borough of :
Shenandoah (“Shenandoah” or “Borough”) :
and the Municipal Authority of the Borough :
of Shenandoah (“MABS” or the :
“Authority”) situated within the Borough of :
Shenandoah, West Mahanoy Township, :
Mahanoy Township, Butler Township, :
Girardville Borough, and Union Township, :
Schuylkill County, Pennsylvania;

(2) approval of the right of Aqua to begin :
to offer, render, furnish and supply water :
service to the public in the Borough of :
Shenandoah, West Mahanoy Township, :
Mahanoy Township, Butler Township, and :
Girardville Borough, Schuylkill County, :
Pennsylvania; and

(3) an order approving the acquisition :
that includes the ratemaking rate base of the :
Borough and MABS water system assets :
pursuant to Section 1329(c)(2) of the Public :
Utility Code. :

Request for Approval of the Contract, :
between Aqua, the Borough and MABS, :
Pursuant to Section 507 of the Public Utility :
Code :
:
:

APPLICATION

To the Pennsylvania Public Utility Commission (“Commission”):

1. Applicant respectfully requests that the Commission issue an *Order* and *Certificates of Public Convenience* approving and addressing the items requested in this Application.
2. An **Application Filing Checklist** identifying topics addressed and the section, paragraph, and page number where they can be found is included with this Application.

I. BACKGROUND

3. The name and address of Applicant are:

Aqua Pennsylvania, Inc.
762 W. Lancaster Avenue
Bryn Mawr, PA 19010
4. The name, address and contact information for Applicant’s counsel are:

Courtney L. Schultz, Esq.
Saul Ewing Arnstein & Lehr, LLP
1500 Market Street
Centre Square West, 38th Floor
Philadelphia, PA 19102
Courtney.schultz@saul.com
Tel. No. (215) 972-7717
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5. Pursuant to Sections 1102 and 1329 of the Pennsylvania Public Utility Code (the “Code”), 66 Pa. C.S. §§ 1102 and 1329, Applicant hereby requests that the Commission: (1) approve Aqua’s acquisition of the water system assets (“**Assets**”) of the Borough of Shenandoah (“**Shenandoah**” or the “**Borough**”) and the Municipal Authority of the Borough of Shenandoah (“**MABS**” or “**Authority**”); (2) approve the right of Aqua to begin providing water service in the requested territory, as shown in the area outlined in red on the map attached hereto as **Exhibit A**

(the “**Requested Territory**”);¹ and (3) include, in its Order approving the acquisition, the ratemaking rate base of the Assets as determined under Section 1329(c)(2) of the Code.

6. The map of the Requested Territory includes a north arrow depicting map orientation, a graphic scale, the municipal boundaries of the Borough, and identification and depiction of all private and public roads relative to the Requested Territory. A bearing and angle description of the Requested Territory is included on **Exhibit A**. The Requested Territory is 2.64 square miles (1,689.6 acres).

7. Aqua, Shenandoah and MABS have reached an agreement regarding the acquisition of the Assets, as evidenced by the *Asset Purchase Agreement*, dated as of July 20, 2021 and attached hereto as **Exhibit B** (the “**Agreement**”).

II. AFFECTED ENTITIES

8. Aqua is a regulated public utility company, duly organized and existing under the laws of the Commonwealth of Pennsylvania. Aqua is engaged in the water service business and furnishes water service to approximately 448,000 customers, as reflected in documents already on file with the Commission. Aqua’s existing service territories cover various counties throughout Pennsylvania, including parts of Schuylkill County.

9. Shenandoah is a duly organized and validly existing borough of the Commonwealth of Pennsylvania. In 1941, the Borough created MABS, which is duly organized and existing under the Municipal Authorities Act, and thereafter transferred ownership of the water system to MABS, which provides water service to approximately 2,899 customers (as of December 31, 2021) in the Requested Territory.

¹ A CONFIDENTIAL facilities map is included with the Asset Inventory as addressed *infra*.

10. Applicant incorporates into this Application other information on file with the Commission, which establishes that Aqua is qualified to provide adequate public water service. Aqua will supplement this Application with all additional information the Commission may require. Balance Sheet and Income Statement reports from Aqua's financial system for 2021 are attached hereto as **Exhibit C**.

III. PLANT-IN-SERVICE

11. Aqua will acquire the Shenandoah/MABS water system and assets as defined in the Agreement. All assets are located in the Borough, except the MABS Water Treatment Plant ("WTP") located in West Mahanoy Township, the Swatara Road Standpipe and the Kehly Run Tank located in West Mahanoy Township, two dams located in Union Township (Ringtown Dam No. 6 and Ringtown Dam No. 5), two dams located in West Mahanoy Township (Raven Run Dam No. 2 and Raven Run Dam No. 3), water mains located in West Mahanoy Township, Butler Township, Girardville Borough, and Mahanoy Township.

12. An Engineering Assessment with Original Cost Estimate of the Shenandoah Water System (the "**System**"), prepared by Pennoni Associates, Inc., Consulting Engineers ("**Asset Inventory**"), is attached hereto as **Exhibit D**. The facilities map included with the Asset Inventory is considered CONFIDENTIAL.

13. The Asset Inventory explains that the Shenandoah/MABS System has approximately 49 miles of water mains, in sizes ranging from 1 inch to 24 inches in diameter. The Asset Inventory also details the System contains 4 dams, 4 booster pump stations, 4 water storage tanks, and the water treatment plant ("WTP").

14. A list of non-depreciable property is presented in Section 7 of the Asset Inventory. The System has no plant held for future use, but there is non-utility property (caretaker house and wells and springs located on caretaker property) noted in the Asset Inventory.

15. All component facilities are installed. The approximate time of installation of component facilities is addressed in Section 7 of the Asset Inventory and in Mr. Brennan T. Kelly's testimony.

16. MABS owns one WTP, located in Shenandoah, PA, which treats water for customers of the System. Pursuant to the DEP Water allocation permit issued on November 21, 2017, attached hereto as **Exhibit E**, MABS is authorized to withdraw 1.5 million gallons per day ("MGD") Average Annual from Ringtown No. 6 (Whiskey Mill Run), 2.0 MGD Average Annual from Ringtown No. 5 (Dreshers Run), and 2.05 MGD Average Annual from Raven Run No. 2 for a total withdraw not to exceed 2.05 MGD Average Annual as measured below Raven Run No. 2 at the influent raw water meter to the WTP.

17. For customers of MABS, wastewater service is provided by the Shenandoah Municipal Sewer Authority (for water customers in the Borough, West Mahanoy, and Mahanoy), by the Girardville Area Municipal Authority (for water customers in Girardville), by the Girardville Area Municipal Authority and Schuylkill County Municipal Authority (for water customers located in Butler Township), and by private septic.

18. Elevation of the Shenandoah/MABS water system service area varies:

EL 1,000 to EL 1,050 along the western boundary.

EL 1,116 to EL 1,214 along the southern boundary.

EL 1,083 to EL 1,148 along the northern boundary.

EL 1,280 to EL 1,608 along the eastern boundary.

19. The original cost, by year and major plant category, of Shenandoah/MABS's used and useful plant in service is \$19,385,970.92 with a related calculation depreciation reserve of \$8,595,893.

20. Tentative journal entries to record the transaction are presented in Section IV.

IV. THE ASSET PURCHASE AGREEMENT

21. The Agreement is dated July 20, 2021. The purchase price is Twelve Million Dollars (\$12,000,000.00).

22. The purchase price is based on arm's length negotiations. Aqua is not affiliated with Shenandoah and/or MABS.

23. Aqua will use short term debt initially for the purchase of the Assets with the expectation that the short term debt will be converted to long term debt and equity capital at a later date.

24. The water system assets to be transferred are the "Acquired Assets" and have the meaning specified in Section 2.01 of the Agreement. The Acquired Assets include the assets, properties and rights of the Borough/MABS used in the system and all pipes, services, valves, hydrants, pumping stations, reservoirs, dams, storage tanks, improvements, fixtures, manholes, and pipelines and any billing and collections related assets necessary to run the system.

25. Aqua will be taking assignment of one contract identified on Schedule 4.15 of the Agreement ("Assigned Contracts") attached hereto as Exhibit F.

26. The Acquired Assets also include all Authorizations and Permits of or held by the Borough/MABS (to the extent transferrable to Aqua under applicable law), including all Authorizations and Permits which are environmental permits, other operating permits and those items listed or described on Schedule 4.14 of the Agreement.

27. "Excluded Assets," which are those assets not being transferred to Aqua, has the meaning specified in Section 2.02 of the Agreement. Excluded Assets include contracts that are not Assigned Contracts; breached dams including, Kehly Run Dam No. 5, Kehly Run Dam No. 6,

and Kehly Run Reservoir No. 3; cash and cash equivalents; and the assets, properties and rights set forth in Schedule 2.02(g) of the Agreement.

28. “Assumed Liabilities” has the meaning specified in Section 2.04(a) of the Agreement and includes all liabilities and obligations arising out of or relating to Aqua’s ownership or operation of the water system and the Acquired Assets on or after Closing.

29. The tentative journal entries to record the transfer in Aqua’s accounts are:

	Debit	Credit
Utility Plant Purchased	\$12,000,000	
Cash/Short Term Debt		\$12,000,000

V. CUSTOMERS

30. As of December 31, 2021, Shenandoah/MABS provides water service to 2,899 customers of which 2,652 are residential, 200 are commercial, 5 are industrial, and 39 are public.

31. Water flow for Shenandoah/MABS customers was approximately 153,637,419 gallons for 2021. A breakdown of gallons treated by customer class is presented in Mr. Kelly’s testimony.

32. There are 188 hydrants in the System: 180 public hydrants and 8 private hydrants.

33. The Borough/MABS does not project any significant growth of customers over the next five years.

34. All customers in the requested territory are metered, except four fire companies that do not have a meter on 2-inch service lines. As explained in Mr. Stephen Clark’s testimony, the Company will install meters on those 2-inch service lines within the first three months of ownership.

VI. RATES

35. After Closing, Aqua will implement MABS water rates in effect at closing as reflected on Schedule 7.04(a) of the Agreement. Aqua and Borough/MABS have agreed that rates

shall not be increased until Aqua's next base rate case following Closing, and that Aqua's Distribution System Improvement Charge will not be applied to MABS customers until calendar year 2023. MABS presently bills on a monthly and quarterly basis. Aqua will convert MABS customers to monthly billing at Closing. A schedule of rates tariff page implementing monthly rates for MABS customers post-Closing is attached hereto as **Exhibit G**.

36. As presented in Schedule 7.04(a) of the Agreement, MABS bills customers with a 5/8", 5/8 x 3/4", 3/4", or 1" meter a minimum charge of \$61.46 quarterly for the first 3,000 gallons of water usage; \$20.49 on the next 3,000 gallons (4,000-6,000); \$10.96 for the next 3,000 gallons (7,000-9,000 gallons); \$4.83 for the next 12,000 gallons (10,000-21,000 gallons); and \$10.96 for all in excess of 21,000 gallons. Customers having a 2-inch meter or greater are billed monthly at a fixed charge up to a stated allowance, then \$3.92 on the next 500,000 gallons (per 1,000 gallons) and \$1.89 per 1,000 gallons on the balance. MABS enacted a resolution to formalize the rates charged to its customers on September 1, 2022. The resolution did not change or increase the rates of customers, but set its currently effective rates, which were last increased on October 1, 2020. A copy of MABS' resolution is attached hereto as **Exhibit H**, which sets forth rates and miscellaneous fees and charges.

37. Upon Commission approval of this Application and completion of the proposed transaction, Aqua will begin to provide water service in its name to the customers in the Requested Territory. It will implement its *Rules and Regulations* to govern the provision of water service in the Requested Territory, as those *Rules and Regulations* are in effect from time to time for Aqua.

38. Copies of the notices that will be sent to customers of Aqua and to customers of MABS describing the filing and the anticipated impact on rates are attached hereto as **Exhibit I1** and **Exhibit I2**.

VII. COST OF SERVICE

39. Copies of MABS Annual Financial Report for the years ended September 30, 2019 and 2020 are attached hereto as **Exhibit J1** and **Exhibit J2**, respectively. For the year-ended September 30, 2020, MABS had approximately \$6,088,197 of long-term debt.

40. Copies of MABS Adopted Annual Budgets for 2021 and 2022 are attached hereto as **Exhibit J3** and **Exhibit J4**, respectively.

41. A copy of a summary of outstanding MABS loans is attached hereto as **Exhibit J5**.

42. A copy of MABS most recent annual report filed with the Department of Community and Economic Development is attached hereto as **Exhibit K**.

43. Aqua projects annual revenue of \$1,927,789 from the MABS customers based on MABS current rate schedule, calculated as follows:

<i>Address Type</i>	<i>Service</i>	<i>Billed Dollars</i>	<i>Billed Non-Meter Dollars</i>	<i>Adjust Dollars *</i>
Residential	Monthly Water-small	\$90,995	\$0	\$0
	Monthly Water-large	\$23,530	\$0	\$0
	Quarterly Water	\$1,286,835	\$0	\$123,842
	Sprinkler Quarterly	\$0	\$13,920	\$0
	Sprinkler Yearly	\$0	\$5,168	\$0
	Hydrant-3 Months	\$0	\$3,059	\$0
	Hydrant-6 Months	\$0	\$57	\$0
	Hydrant-Quarterly	\$0	\$3,645	\$0
Residential Total		\$1,401,360	\$25,849	\$123,842
Commercial	Monthly Water-small	\$131,453	\$0	\$0
	Monthly Water-large	\$22,353	\$0	\$0
	Quarterly Water	\$22,474	\$0	\$0
	Monthly Water Large Meter	\$0	\$14,391	\$0
Commercial Total		\$176,281	\$14,391	\$0
Industrial	Monthly Water-small	\$2,450	\$0	\$0
	Monthly Water-large	\$60,602	\$0	\$0
Industrial Total		\$63,052	\$0	\$0
Public	Monthly Water-small	\$9,663	\$0	\$0
	Monthly Water-large	\$79,894	\$0	\$0
	Quarterly Water	\$685	\$0	\$0
	Monthly Water Large Meter	\$0	\$1,323	\$0

<i>Address Type</i>	<i>Service</i>	<i>Billed Dollars</i>	<i>Billed Non-Meter Dollars</i>	<i>Adjust Dollars *</i>
Public Total		\$90,241	\$1,323	\$0
Subtotal Metered Service Revenue		\$1,730,934	\$41,564	\$123,842

* Adjustment made to annualize Quarterly Revenue Customers not billed for 4 periods

<i>Address Type</i>	<i>Service</i>	<i>Billed Dollars</i>	<i>Billed Non-Meter Dollars</i>
Residential	Residential DEP Fee	\$0	\$29,007
	Commercial DEP Fee	\$0	\$12
Residential Total		\$0	\$29,019
Commercial	Residential DEP Fee	\$0	\$12
	Commercial DEP Fee	\$0	\$2,036
Commercial Total		\$0	\$2,048
Industrial	Commercial DEP Fee	\$0	\$60
Industrial Total		\$0	\$60
Public	Commercial DEP Fee	\$0	\$322
Public Total		\$0	\$322
Subtotal Non-Metered Revenue		\$0	\$31,449

Total Present Rates - Existing Revenue for Appendix A =>

\$1,927,789

44. Aqua estimates annual operating and maintenance expenses of \$1,203,215 based on MABS operating expenses presented in the 2020 financial statements, as adjusted by Aqua.

VIII. PROOF OF COMPLIANCE

45. Aqua will operate and manage the Borough/MAB water system as a standalone system within Aqua's footprint from its Southeastern Division Office in Bryn Mawr, Pennsylvania, with operations support from Aqua's Roaring Creek Division Office in Shamokin, Pennsylvania. The system is approximately 14 miles from the Roaring Creek Division Office and a portion of the system overlaps with Aqua's closest water system. Mr. William M Grutza will be the assigned Certified Water Operator for the system. Mr. Grutza's currently effective Water Operator's License is attached hereto as **Exhibit L**.

46. The Public Water Supply (“PWS”) permits for the WTP are attached as **Exhibit M1**. The National Pollution Discharge Elimination System Permit for the WTP is attached hereto as **Exhibit M2**. The Water Allocation Permit for the System, as stated above is included as Exhibit E to the Application. Copies of Consumer Confidence Reports (“CCRs”) for the System, from 2017 through 2021, are attached hereto as **Exhibit N1**, **Exhibit N2**, **Exhibit N3**, **Exhibit N4**, and **Exhibit N5**, respectively.

47. A list of violations for the MABS System within the last five years along with actions taken to address those violations is attached hereto as **Exhibit O**.

48. DEP Correspondence related to deficiencies in the MABS dams are attached hereto as **Exhibit P**.

49. Aqua is a Class A utility. It is in good standing with the DEP and in general compliance with the DEP with regard to the provision of water service.

50. The Borough of Shenandoah does not have a separate Comprehensive Plan and adopts the Schuylkill County Comprehensive Plan.² Aqua is not proposing to expand service beyond the existing plant footprint.

51. Aqua has an existing operational presence and water professionals in close proximity to the Requested Territory. Aqua provides water service in Schuylkill County, as well as in the neighboring counties of Berks, Carbon, Columbia, Lehigh and Northumberland. The acquisition will easily fold into Aqua’s existing water operations. A listing of Aqua’s nearby territory and facilities is as follows:

² The web address for the Schuylkill County Comprehensive Plan is:
<https://www.co.schuylkill.pa.us/Offices/PlanningZoning/Plans/CompPlan/ComprehensivePlan2006opt50.pdf>.

Aqua Facilities	Location	Distance from MABS System (miles)
Roaring Creek Division Office	Shamokin, PA	14
Girardville System	Girardville, PA	0
Eagle Rock System	Hazleton, PA	5
Mt. Carmel		6

52. Aqua is planning to interconnect the System with its Roaring Creek system to provide redundancy, improve water quality, and provide additional emergency supply as a result of the acquisition. As discussed further in the Direct Testimony of Stephen Clark, this interconnection will occur only after Aqua has had an opportunity to conduct, review and analyze the results of hydraulic and water compatibility studies to determine any appropriate steps required prior to interconnection are followed. Aqua is not planning any other physical, operational, or managerial changes as a result of this transaction.

53. Planned capital improvements are addressed in Mr. Kelly’s testimony.

IX. AFFECTED PERSONS

54. Aqua currently has water service territory that overlaps with service provided by MABS in a small portion of Girardville. Through this transaction no competitive condition will be created by approval of this Application, and in fact will clean up any service territory issues. Water and wastewater service providers abutting or within one mile of the Requested Territory are as follows:

- i. Within neighboring West Mahanoy Township, water service MABS, Pennsylvania-American Water Company (“PAWC”) and private wells. Wastewater service is provided by Shenandoah Municipal Sewer Authority, Frackville Area Municipal Authority, and private septic systems.
- ii. Within neighboring Mahanoy Township, water service is provided by MABS, Schuylkill County Municipal Authority, PAWC, Mahanoy Township Authority, Hazleton City Authority, and private wells. Wastewater service is provided by Mahanoy City Sewer Authority, Schuylkill County Municipal Authority, and private septic systems.

- iii. Within neighboring Butler Township, water service is provided by MABS, Schuylkill County Municipal Authority, and private wells. Wastewater service is provided by Butler Township Municipal Authority, Girardville Area Municipal Authority, Schuylkill County Municipal Authority, and private septic systems.
- iv. Within neighboring Girardville Borough, water service is provided by Aqua and MABS. Wastewater service is provided by Girardville Area Municipal Authority.
- v. Within neighboring Union Township, water service is provided by Ringtown Borough and private wells. Wastewater service is provided by Ringtown Sewer Authority and private septic systems.

X. REASONS SUPPORTING THIS APPLICATION

55. Approval of this Application is necessary or proper for the service, accommodation, convenience or safety of the public. As summarized below and discussed further in the testimonies of Mr. Packer, Mr. Kelly, and Mr. Clark, and Mr. Matthew Marchisello, which as identified in Section XI below, are attached hereto as **Exhibit U**, **Exhibit V**, **Exhibit W**, and **Exhibit X**:

a. Aqua has the technical, regulatory, financial and legal fitness to operate the Assets of the Borough/MABS, and to maintain the operations and make improvements to meet continuing and future customer needs.³ The proposed transaction will not have an adverse effect on the service provided to existing customers of Aqua;

b. The Borough/MABS has agreed to sell its Assets. The public interest and need will be served by allowing Aqua, in lieu of MABS, to provide water service in the Requested Territory and to address the issues of regulatory requirements and capital expenditures. The MABS system will benefit from the support of water professionals throughout Aqua's organization;

³ As a certificated provider of utility service, Aqua's fitness is presumed. *See Re Pennsylvania-American Water Company*, 85 PA PUC 548 (1995).

c. The acquisition is consistent with the Commission’s long-standing policy supporting the consolidation/regionalization of water/wastewater systems. Through consolidation/regionalization, the utility industry has a better chance to realize the benefits of better management practices, economies of scale, and the resulting greater environmental/economic benefits. The Commission has previously stated that “acquisitions of smaller systems by larger more viable systems will likely improve the overall long-term viability of the water and wastewater industry.”⁴ The benefits of consolidation/regionalization, ultimately, inure to customers both existing and acquired;

d. Aqua provides utility service to approximately 448,000 water customers and has years of experience operating water systems in a safe, reliable and efficient manner. Aqua has the managerial, technical, and financial resources to improve the operations of MABS;

e. In *McCloskey v. Pa. P.U.C.*, 195 A.3d 1055 (Pa. Commw. Ct. 2018), *petition for allowance of appeal denied* No. 703 MAL 2018 (April 23, 2019), the Commonwealth Court held that Commission findings: (i) that Aqua, as the owner of numerous water and wastewater systems has sufficient operational expertise and ability to raise capital to support system operations; and (ii) that the Commission has a policy of consolidation/regionalization of wastewater system assets that allows for increased maintenance, upgrade and expansion of public sewer and water facilities, are substantial evidence, consistent with *Popowsky v. Pa. P.U.C.*, 937 A.2d 1040 (Pa. 2007), to support a

⁴ Pennsylvania Public Utility Commission, Final Policy Statement on Acquisitions of Water and Wastewater Systems, Docket No. M-00051926, Final Order at 18 (Aug. 17, 2006).

conclusion that there is a public benefit to a transaction such as the one that is the subject of this proceeding;

f. The acquisition of the Borough/MABS system will increase Aqua's customer base by approximately 0.6%. With a larger customer base, future infrastructure investments, Statewide, will be shared at a lower incremental cost per customer for all Aqua customers; and

g. The acquisition will not have any immediate impact on the rates of either existing customers of Aqua or MABS customers. As discussed in the testimony of Mr. Packer and presented in the Notice to customers, the increase in rate base may ultimately require an increase in revenue. The hypothetical impact on rates is outweighed by the recognized benefits of Aqua's ownership including its expertise and ability to raise capital; the furtherance of consolidation/regionalization of water services; and the spreading of costs over a larger customer base. Perhaps more significantly, the acquisition furthers the objective of the General Assembly with the enactment of Section 1329. While *McCloskey* concludes that rate impact should be addressed, it recognizes that it is not dispositive in the Commission's determination of substantial affirmative benefits.

XI. ADDITIONAL INFORMATION REQUIRED BY SECTION 1329 OF THE CODE AND THE COMMISSION'S 1329 CHECKLIST

56. Aqua and the Borough/MABS have agreed to use the process presented in Section 1329 of the Code, 66 Pa. C.S. § 1329, to determine the fair market value of the Assets and the ratemaking rate base. Aqua's verified statement that it selected Gannett Fleming Valuation and Rate Consultants, LLC ("**Gannett Fleming**") as its Utility Valuation Expert ("**UVE**") is attached hereto as **Exhibit CC1**. Shenandoah's verified statement that it selected ScottMadden, Inc. ("**ScottMadden**") as its UVE is attached hereto as **Exhibit CC2**.

57. As required by Section 1329(d)(1)(i), copies of the Fair Market Value (“FMV”) Appraisal Reports of UVEs Gannett Fleming and ScottMadden are attached hereto as **Exhibit Q** and **Exhibit R**, respectively. Confidential and Proprietary Work Paper Files, in Excel Format, of Gannett Fleming and ScottMadden are provided with the Application.

58. Applicant states that the purchase price of the Assets of the selling utility as agreed to by Aqua and the Borough is \$12,000,000.

59. The ratemaking rate base determined pursuant to Section 1329(c)(2) of the Code is \$12,000,000, being the lesser of the purchase price of \$12,000,000 negotiated by Aqua and the Borough/MABS and the average of the FMV appraisals which is \$21,660,654 – determined by \$25,221,000 presented in the appraisal of Gannett Fleming and \$18,100,307 presented in the appraisal of ScottMadden.

60. Aqua will incur transaction and closing costs of approximately \$457,000, which it will include in its rate base.

61. A schedule of rates tariff page implementing rates equal to the rates of MABS at the time of closing is attached hereto as **Exhibit G**, as previously stated.

62. Applicant verifies that Gannett Fleming was selected by Aqua, the acquiring public utility, and that ScottMadden was selected by the Borough/MABS, the selling municipality.

63. The UVEs were paid \$45,977.50 for the completed FMV Appraisal Reports. Documentation of the fees paid to Gannett Fleming and ScottMadden⁵, including the valuation service agreements and all associated invoices, are attached hereto as **Exhibit S1** and **Exhibit S2**,

⁵ Please see Aqua Statement No. 7, Direct Testimony of Dylan D’Ascendis, at 6. ScottMadden will invoice for \$15,000 on the completion of the appraisal, and another \$15,000 within 180 days of the delivery its appraisal. The ScottMadden appraisal was completed in September and will be invoiced in October.

respectively. Fees paid to the UVEs did not exceed 5% of the fair market value of the selling utility.

64. Statements of Gannett Fleming and of ScottMadden verifying that they have no affiliation with Aqua or the Borough/MABS as specified in Section 1329; that their Appraisals determined FMV in compliance with the most recent edition of the Uniform Standards of Professional Appraisal Practice as of the date of their report, employing the cost, market and income approaches; and that they applied applicable jurisdictional exceptions to their submitted Appraisal are attached hereto as **Exhibit T1** and **Exhibit T2**, respectively.

65. The testimony of William C. Packer, in support of this Application is attached hereto as **Exhibit U**. Mr. Packer's testimony explains that Aqua is not presenting a rate stabilization plan. Aqua is proposing to implement MABS' existing rates after Closing and to maintain those rates until the next Aqua rate proceeding.

66. The testimony of Brennan T. Kelly, in support of this Application is attached hereto as **Exhibit V**.

67. The testimony of Stephen Clark, in support of this Application is attached hereto as **Exhibit W**.

68. The testimony of Matthew Marchisello, in support of this Application is attached hereto as **Exhibit X**.⁶

69. The testimony of Leo Pietkiewicz, Vice President of the Borough of Shenandoah Council, in support of the Application is attached hereto as **Exhibit Y**.

⁶ Portions of Mr. Marchisello's Direct Testimony have been marked as CONFIDENTIAL. As such a public version has been filed with this Application and a Confidential Version will be provided separately.

70. The testimony of Harold Walker, III, in support of the Gannett Appraisal is attached hereto as **Exhibit Z**.

71. The testimony of Dylan W. D'Ascendis in support of the ScottMadden Appraisal is attached hereto as **Exhibit AA**.

72. Answers to the Section 1329 Application Standard Data Requests are attached hereto as **Exhibit BB**.

73. All customers in the System have metered water service, except four fire companies. Please see Exhibit W, the testimony of Stephen Clark, for a discussion on the unmetered connections and Aqua's metering plan.

XII. SECTION 507 APPROVAL OF ASSIGNMENT OF CONTRACTS

74. Section 507 of the Code provides that, except for contracts between a public utility and a municipal corporation to furnish service at tariff rates, no contract or agreement between a public utility and a municipal corporation shall be valid unless filed with the Commission at least 30 days prior to its effective date.

75. Aqua requests that that the Commission, to the extent necessary, issue certificates for filing, pursuant to Section 507, for the APA between Aqua, the Borough and MABS, included as Exhibit B.

XIII. OTHER APPROVALS, CERTIFICATES, REGISTRATIONS AND RELIEF, IF ANY

76. Aqua asks that the Commission issue such other approvals, certificates, registrations and relief, if any, that may be required with respect to Aqua's acquisition of the Shenandoah water system assets.

XIV. CONCLUSION

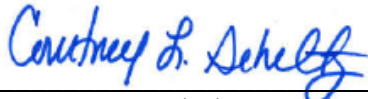
WHEREFORE, Aqua requests that the Public Utility Commission approve this Application, filed pursuant to Sections 1102 and 1329, and 507 of the Code, and:

- a. Issue *Certificates of Public Convenience* under Section 1102 of the Code:
 - (1) Authorizing Aqua to acquire, by purchase, the water system assets of the Borough/MABS; and
 - (2) Authorizing Aqua to begin to offer, render, furnish and supply water service to the public in the Requested Territory covered by this Application;
- b. Authorize Aqua to file tariff revisions, effective upon one day's notice, to:
 - (1) Include within its territory all the Requested Territory covered by this Application;
 - (2) Adopt and apply MABS' rates as set forth in this Application as Aqua's Base Rates within the Requested Territory; and
 - (3) Apply Aqua's *Rules and Regulations* within the Requested Territory;
- c. Enter an *Order* approving this Application and Aqua's acquisition of the Acquired Assets and, as part of that *Order* include the ratemaking rate base of the Borough/MABS as \$12,000,000 pursuant to Section 1329(c)(2) of the Public Utility Code;
- d. Approve the Contract, between Aqua, the Borough, and MABS, pursuant to Section 507 of the Public Utility Code;

f. Issue such other approvals, certificates, registrations and relief, if any, under the Code that may be required with respect to Aqua's acquisition of the Borough/MABS water system assets.

Respectfully submitted,

AQUA PENNSYLVANIA, INC.

By  _____

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Counsel for Aqua Pennsylvania, Inc.

Date: October 6, 2022

VERIFICATION

I, William C. Packer, Vice President, Regulatory Accounting and Regional Controller of Aqua Pennsylvania, Inc., hereby state that the facts set forth in the foregoing Application of Aqua Pennsylvania, Inc., pursuant to Sections 1102, 1329, and 507 of the Public Utility Code, for approvals and an order relating to the acquisition of the water system assets of the Municipal Authority of the Borough of Shenandoah 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).

A handwritten signature in black ink, appearing to read "William C. Packer", written over a horizontal line.

William C. Packer
Vice President, Regulatory
Accounting and Regional Controller
Aqua Pennsylvania, Inc.

Dated: October 6, 2022