

EXHIBIT X

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2022-3033138

AQUA STATEMENT NO. 4

DIRECT TESTIMONY OF

CHARLES R. JONES, JR.

CITY MANAGER

CITY OF BEAVER FALLS

**With Regard To:
A General Overview of the Transaction
The City's Sale Process
Information Provided to Residents
Benefits of the Proposed Transaction**

February 2023

CITY OF BEAVER FALLS, BEAVER COUNTY
DIRECT TESTIMONY OF CHARLES R. JONES, JR.

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1 **I. INTRODUCTION**

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

3 A. My name is Charles R. Jones, Jr. My business address is 715 15th Street, Beaver Falls,
4 PA 15010.

5
6 **Q. In what capacity are you affiliated with the City of Beaver Falls?**

7 A. I am the appointed City Manager for the City of Beaver Falls (the “City”). My duties as
8 defined by the City’s Home Rule Charter are to manage day-to-day operations and
9 oversee administrative functions of all City departments. I report directly to the Mayor of
10 the City and City Council.

11
12 **Q. Please provide a brief description of your education and work experience.**

13 A. I am a United States Air Force Veteran, with extensive training and experience with law
14 enforcement management and operations. I am a graduate of the F.B.I. National
15 Academy and currently serve on several local and regional boards, including my role as
16 an executive board member of our local Chamber of Commerce. I have an Associate’s
17 Degree in Criminal Justice and Police Technology. I have an undergraduate degree and
18 graduate degree in leadership and organizational management, and I am a recent recipient
19 of an honorary doctorate degree in leadership from Geneva College.

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

23 A. No.

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

A. I am testifying on behalf of the City, and in cooperation and support of Aqua Pennsylvania Wastewater, Inc.’s (“Aqua”) application to purchase the City’s wastewater collection, conveyance, and treatment system (the “Acquired Assets”).

Q. Please describe the purposes of your direct testimony and summarize the key points it will address.

A. The purpose of my testimony is to provide: (1) a description of the Acquired Assets, (2) a description of the anticipated benefits of the sale of the Acquired Assets in accordance with an Asset Purchase Agreement (“APA”) between the City and Aqua, and (3) a description of how the City sets its annual rates.

There are numerous benefits of the proposed transaction that are most important to the City and the customers who use the Acquired Assets, which include:

- The ability of the City to avoid Act 47 status and distressed community status, under the Municipalities Financial Recovery Act, Act of July 10, 1987, P.L. 246, No. 47 (“Act 47”), by improving the City’s financial condition and outlook and by paying down debt and funding unfunded pension liabilities which will provide budgetary relief.
- Avoid navigating stringent United States Environmental Protection Agency (“EPA”) and Pennsylvania Department of Environmental Protection (“DEP”) regulations and rules which have grown increasingly more challenging to comply with.

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- 1 • Ability to secure future financial stability for the City and its residents.
- 2 • The ability and flexibility to make necessary future capital investments
- 3 within the City that will benefit residents of the City.
- 4 • The ability to preserve all wastewater collection system jobs.
- 5 • Aqua’s ability as a Commission-regulated company to provide high
- 6 quality professional wastewater services to the public.
- 7 • Anticipated additional property on the City’s property tax rolls as a result
- 8 of more development opportunities.
- 9 • Benefitting from Aqua’s expertise, long-standing capital improvement
- 10 programs, and its experience in improving and investing in aging systems in need
- 11 of capital investments.
- 12 • Accessing Aqua’s well-established and accessible programs to provide
- 13 assistance for qualifying low-income customers.
- 14 • Improving the Acquired Assets’ defenses against cyber-security attacks
- 15 targeted at municipal-owned utilities with less sophisticated technology
- 16 infrastructure and defenses.
- 17 • Benefitting from enhanced customer service and operational functions
- 18 through expanded customer service center hours, more streamlined payment
- 19 options (including by phone), enhanced customer information and education
- 20 programs, access to Aqua’s customer assistance program, and Aqua’s team of
- 21 experienced water and wastewater professionals.
- 22 • Benefitting from Aqua’s proven record of environmental stewardship for
- 23 the operation of wastewater systems; and

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- 1 • Receiving the benefit of regulation by the Commission, which will ensure
2 regulatory oversight, require approval for all rate increases, and provide
3 significant consumer protections.
4

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

6 A. No.
7

8 **II. DESCRIPTION OF THE CITY AND ITS WASTEWATER SYSTEM**

9 **Q. Please provide a general overview of the City.**

10 A. The City is a Home Rule Charter Municipality (as of January 3, 2022; the City was
11 formerly a City of the Third Class) located in Beaver County, Pennsylvania,
12 approximately 31 miles north of the City of Pittsburgh. The City is governed by a Mayor
13 and a City Council comprised of four members. There are approximately 9,005 residents
14 in the City (based on the 2020 U.S. Census). The City is approximately 2.317 square
15 miles. According to the 2020 American Community Survey by the U.S. Bureau of the
16 Census, the City’s median household income is \$35,951.
17

18 **Q. Please provide a description of the City’s wastewater system.**

19 A. The City owns, operates and maintains the Acquired Assets, consisting of a sanitary
20 wastewater collection and conveyance system and the Beaver Falls Sewage Treatment
21 Plant. Along with the residents of the City, a total of seven municipalities contribute flow
22 to be treated at the plant, including North Sewickley, Patterson Township, West Mayfield
23 Township, White Township, Patterson Heights Borough, Big Beaver Borough, and

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1 Eastvale Borough (the “Contributing Municipalities”). The City does not own any of the
2 collection and conveyance sewers of the Contributing Municipalities. The City’s
3 collection and conveyance system includes approximately 36.3 miles of pipe serving
4 approximately 3,190 customers within the City. The treatment plant has a hydraulic
5 design capacity of 4.8 million gallons per day.

6 A majority of the Acquired Assets’ sanitary sewer pipes were installed in the
7 1930s, with a few smaller sections installed in 1982 and 1996. The City does not have a
8 long-term capital plan for the Acquired Assets as a result of the City’s financial
9 condition.

10
11 **III. SALE PROCESS**

12 **Q. Please describe the City’s decision-making process in concluding that a sale of the**
13 **Acquired Assets was in the best interest of the City.**

14 A. The sale of the Acquired Assets was a result of extensive considerations and discussions
15 with City leadership, staff and with the public. The City conducted a thorough internal
16 review and solicited outside experts to review the Acquired Assets taking into account
17 future costs and the potential liabilities of managing the wastewater system.

18 An evaluation was conducted to determine both qualitative and quantitative
19 factors in reference to selling or maintaining ownership of the Acquired Assets.
20 The careful and well-thought-out decision to sell resulted from the following main
21 considerations. First, the City wanted to exit the business of providing sanitary sewer
22 service and instead focus on its core governmental functions while still ensuring that our

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1 residents would have safe and reliable service at affordable rates. Second, we wanted to
2 generate revenue that would help secure the City's financial stability in the coming years.

3 After City Council made the decision to sell the Acquired Assets based on the
4 above considerations, the City issued a Request for Qualifications to select a pool of
5 qualified buyers, and, after preparation of the APA, a Request for Bids. Once the City
6 reviewed the responses, we determined that Aqua, submitted a bid for our system that
7 was in the best interest of, and provided the greatest value to, the City and its residents.

8
9 **Q. Did the City request public input on the sale?**

10 A. Yes, multiple public meetings were held in the City to receive input from residents on the
11 state of the Acquired Assets and the advantages and disadvantages of the potential sale.
12 The potential sale was discussed at various public meetings throughout the process
13 including timely updates provided by the City's financial advisor, PFM Financial
14 Advisors, LLC.

15
16 **Q. Did the City Council hold a vote at a regularly schedule public meeting on the sale,
17 following input from the City residents?**

18 A. Yes, the duly elected members of City Council decided that the Proposed Transaction
19 was in the best interests of the City. After public meetings, as detailed above, the City
20 Council voted to authorize the City's solicitor to prepare an ordinance/resolution to
21 accept Aqua's bid. In compliance with the Third Class City Code, two readings of the
22 proposed ordinance to approve the APA were held on September 14th and September

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1 28th, 2021, after providing notice to City residents publication was made in the Beaver
2 County Times on September 22, 2021.

3

4 **Q. Please describe the process that the Township used to hire a Utility Valuation**
5 **Expert (“UVE”) for the Proposed Transaction.**

6 A. When City Council voted to unanimously approve the sale on September 28, 2021, it also
7 authorized the City Manager to select a Utility Valuation Expert. On October 1, 2020,
8 the City received a proposal from Gannett Fleming Valuation and Rate Consultants, LLC
9 (“Gannett Fleming”), which was accepted after confirming their qualifications. Gannett
10 Fleming is not otherwise affiliated with the City. The City authorized Gannett Fleming
11 to begin working on the fair market value appraisal on June 16, 2022.

12

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

14 **Q. Please describe the benefits of the Proposed Transaction for the City.**

15 A. The City will benefit from the Proposed Transaction in many ways, as its wastewater
16 collection and treatment system will be operated by a well-run public utility with a
17 history of providing excellent service and a proven track record. Furthermore, the key
18 benefits of the Proposed Transaction to the City and its residents are: (1) improve the
19 City’s financial condition and outlook, and (2) enable the City to reallocate its
20 administration time to focus on other key initiatives of the City.

21 First, the Proposed Transaction will greatly improve the City’s financial condition.
22 The City has historically experienced financial difficulties, particularly during periods of
23 economic recession, and is vulnerable to future economic downturns. This infusion of cash

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1 will help prevent the City from being named by the Commonwealth Department of
2 Community and Economic Development (“DCED”) to distressed community or Act 47
3 status, which indicates severe financial difficulties and could lead to the City being placed
4 in receivership.

5 Second, with respect to reallocating administrative time and expense, given the time
6 and economic impact on the City of dealing with the Acquired Assets, by reallocating City
7 administration time to focusing on other key initiatives of the City, the Proposed
8 Transaction will provide significant public benefits.

9 The purchaser took great care with explaining their commitment to assist lower
10 income residents and the importance of being a part of our community.

11
12 **Q. Please describe any further benefits from the Proposed Transaction.**

13 A. The City will realize many additional benefits from the sale of the Acquired Assets to
14 Aqua. These benefits include, but are not limited to, the following:

- 15 • Property will be added to the City’s property tax rolls through increased
16 development opportunities;
- 17 • Aqua can draw upon a broad range of engineering and operational
18 experience, as well as deeper financial resources than are available to the City, to
19 address the environmental compliance challenges of the wastewater system;
- 20 • The City will benefit from Aqua’s capital improvement programs, and its
21 experience in improving wastewater systems and correcting potential future
22 compliance issues that may arise;

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- 1 • City residents will benefit from enhanced customer service and
2 operational functions through expanded customer service center hours, additional
3 payment options (including by phone or online), enhanced customer information
4 and education programs, access to Aqua’s customer assistance program, and
5 Aqua’s team of experienced water and wastewater professionals;
- 6 • Aqua has the capability and experience to make long-term investments in
7 necessary capital improvements to the Acquired Assets;
- 8 • Aqua has a proven record of environmental stewardship for the operation
9 of wastewater systems; and
- 10 • The City will acquire a new corporate citizen. Aqua’s commitment to the
11 communities it serves through investment in the community is clear throughout
12 the Commonwealth.

13
14 **Q. Do you believe that the Proposed Transaction is in the public interest?**

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

18
19 **V. RATES**

20 **Q. How does the City of Beaver Falls set the rates it charges customers for wastewater
21 treatment and collection?**

22 A. Rates are governed by the Third Class City Code and the Home Rule Charter and are set
23 by City Council by ordinance and resolution after consideration of the costs of providing

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1 service. Any rate increases must be approved by City Council through an ordinance.
2 Rates to the inside City residents are billed based on a base and volumetric charge.
3 Customers within the City are mainly charged a quarterly service charge which includes
4 the first 3,000 gallons of consumption and a volumetric charge per additional 1,000
5 gallons used. Certain larger commercial and industrial customers are billed on a monthly
6 basis. City customers are billed quarterly by the Beaver Falls Municipal Authority, which
7 provides water service within the service area of the Acquired Assets. The Beaver Falls
8 Municipal Authority remits the sewer portion of residents' payments to the City. The
9 Contributing Municipalities are billed wholesale based on a set usage charge per 1,000
10 gallons of water used. The City's Sewage Department bills outside municipalities on a
11 wholesale basis based on water usage readings provided by the Beaver Falls Municipal
12 Authority.

13
14 **Q. How frequently does the City of Beaver Falls adjust rates?**

15 A. On November 8, 2022, the City adopted a rate ordinance confirming rates for residential
16 and commercial customers and for the Joint Sewer Users. As was the case with the
17 City's prior rate ordinance, this ordinance provides for late fees and an automatic 3%
18 increase on an annual basis in order to account for inflation and cost increases.

19
20 **VI. CONCLUSION**

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

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