

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water Company under Sections 1102(a) and 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S. §§ 1102(a) and 1329, 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 and operated by Towamencin Township and Towamencin Municipal Authority, and (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in the Township of Towamencin, portions of the Townships of Lower Salford, Franconia and Worcester and the Borough of Lansdale, all in Montgomery County, Pennsylvania

Docket Nos. A-2023-3039900 *et al.*

TOWAMENCIN MUNICIPAL AUTHORITY

STATEMENT NO. 1

**DIRECT TESTIMONY OF JOHN MINIHAN
VICE CHAIRMAN OF THE BOARD OF THE
TOWAMENCIN MUNICIPAL AUTHORITY**

**With Regard To
Overview of TMA's Sale Process and
Benefits of the Proposed Transaction for the Customers**

May 15, 2023

1 **I. INTRODUCTION**

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

3 A. My name is John Minihan. My business address is 2225 Kriebel Road, Lansdale, PA.

4 **Q. In what capacity are you affiliated with the Towamencin Municipal Authority?**

5 A. I am the Vice Chairman of the Board (the “Board”) of the Towamencin Municipal
6 Authority (“TMA” or “Authority”).

7 **Q. Please provide a brief description of your education and professional experience.**

8 A. I graduated from Pennsylvania State University in 1984 with a Bachelor’s degree in Forest
9 Science. I then went to the Temple University School of Law and earned my Juris Doctor in 1990.
10 Other than when I was a Machinist’s Mate Second Class in the U.S. Navy from 1975-1981, I have
11 lived in the Towamencin area since I was 3 years old and I am currently retired. Prior to retiring,
12 I worked for the Department of Environmental Protection for 6 years, and subsequently worked at
13 a Philadelphia law firm. I then worked for TMS International, LLC, a steel service company,
14 retiring as their general counsel after 24 years. I have served on the Board of the Authority since
15 January 2014. I was also on the Towamencin Environmental Advisory Committee since its
16 inception, until I started serving on the Board of the Authority in 2014.

17 **Q. Other than your professional experience, do you have any other experience in the**
18 **Towamencin community?**

19 A. Yes. I was involved with the Towamencin Youth Association, as a soccer coach for 6 years.

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

22 A. No.

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

2 A. My testimony is on behalf of the Authority and in support of the application of
3 Pennsylvania-American Water Company (“PAWC” or the “Company”) to purchase all the assets
4 of the wastewater collection and treatment system (the “System”) owned and operated by the
5 Authority and the Township and to begin to furnish wastewater service to the System’s customers
6 (the “Proposed Transaction”).

7 **Q. Can you please describe the relationship between the Township and the Authority?**

8 A. The Authority is governed by a five member board and each member is appointed by the
9 Township’s Board of Supervisors (the “BOS”). The System is currently leased to the Township
10 through a Lease and Service Agreement dated June 30, 2015. As of April 30, 2023, the System
11 directly served about 5,886 customers and indirectly served additional customers through five
12 intermunicipal agreements. Bulk service is provided to portions of Franconia, Hatfield, Lower
13 Salford and Upper Gwynedd Townships and Lansdale Borough.

14 **Q. What is the purpose of your direct testimony?**

15 A. The purpose of my testimony is to: (1) discuss the sale process and (2) provide an overview
16 of the various public benefits of the Proposed Transaction.

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

18 A. No.

19 **II. OVERVIEW OF THE SALE PROCESS**

20 **Q. Please describe the Authority’s decision process in concluding that a sale of the**
21 **System was in the best interest of its customers.**

22 A. The decision to sell the System was made by the Township and supported by the Authority
23 after much deliberation and careful consideration by the Board of the Authority (the “Authority

1 Board”), the BOS and the residents of the Township. The BOS, in cooperation with the Authority
2 Board, led the due diligence process. Testimony provided by H. Charles Wilson III, the Chairman
3 of the BOS (“Chairman Wilson”), Towamencin Township Statement No. 1, will provide the details
4 of the due diligence and decision-making process the Township undertook. Throughout this
5 process and before making the decision to approve the sale of the System, Chairman Wilson and
6 the Township Solicitor presented the BOS’s recommendations and analysis to the Authority Board
7 during a public meeting on May 18, 2022. After a thorough review of the information, the
8 Authority Board held a vote on May 18, 2022 and unanimously approved by resolution the sale to
9 NextEra Water Pennsylvania, LLC (“NextEra”) and the Asset Purchase Agreement (the
10 “Authority Sewer Sale Resolution”). Two members of the Authority Board are members of the
11 BOS, including Chairman Wilson and Richard Marino both of whom sit on the Sewer Committee
12 and thus had extensive knowledge of the System, the sale process, the pros and cons of selling and
13 keeping the System, the bids and bidders.

14 After the approval by the BOS and the Authority Board, the Township, the Authority and
15 NextEra entered into the Asset Purchase Agreement on June 14, 2022 (the “APA”). However,
16 several months after the execution of the APA, NextEra decided to withdraw from the wastewater
17 business and sell its Pennsylvania assets. NextEra’s decision to withdraw from the business was
18 completely unforeseen by the Authority when it approved the Authority Sewer Sale Resolution
19 and executed the APA. Had we known this, we would have chosen PAWC which had the second
20 best overall bid to NextEra. On March 23, 2023 after being fully briefed by Chairman Wilson and
21 the Township Solicitor, the Authority Board approved the First Amendment to the APA, the
22 Assignment and Assumption Agreement and a resolution replacing the original Authority Sewer
23 Sale Resolution with a new sewer sale resolution (“Replacement Resolution”).

1 Much of the Authority's motivation for the sale was based on the responsibility of the
2 Authority to provide all customers with best in class sewer services at reasonable and competitive
3 rates. We considered what would be necessary to ensure the viability of our aging System
4 infrastructure while also addressing the Township's and the Authority's financial liabilities and
5 obligations, and determined that the System and our customers would be better served by selling
6 the System to a public utility. Ultimately, given the estimated cost of the capital investments to
7 the System by 2031 of \$37 million, the Township and the Authority agreed that the reduction of
8 known and unknown liabilities of the Township, including but not limited to budgetary constraints,
9 unfunded obligations, and the risk of ever increasing federal and state mandates in a heavily
10 regulated industry, plus the opportunity to make the capital improvements throughout the
11 Township as described in the Chairman Wilson's testimony, was an opportunity that the Township
12 and the Authority could not forego.

13 The sale of the System allows the Authority and the Township to pay off all sewer debt
14 and also reduces or eliminates the need for the Township to increase property real estate taxes over
15 the next five to ten years and permits an increase in the homestead exclusion for Township
16 residents from an estimated \$50,000 to \$76,000 per household per year. I found it particularly
17 compelling that the real estate tax relief coupled with the increase in the homestead exclusion
18 would offset most, if not all of the rate increases per household over the next ten years that could
19 be anticipated if PAWC operates the System.

1 **Q. Did the Authority request and consider public input on the sale of the System?**

2 A. Since the Township led the process, the Authority relied on the public input solicited by
3 the Township in addition to the input received from the public at the meetings of the Authority
4 Board. The Authority complied with all notice requirements that are established by law prior to
5 approval of the Authority Sewer Sale Resolution and the Replacement Resolution.

6 **III. BENEFITS OF THE PROPOSED TRANSACTION**

7 **Q. Please state the benefits of the Proposed Transaction from the Authority's**
8 **perspective.**

9 A. The Proposed Transaction offers numerous benefits for the System, the Township and the
10 Authority. From the Authority's perspective, and for purposes of my testimony, I will focus on the
11 benefits of this partnership with PAWC.

12 PAWC is an industry expert with extensive technical experience in upgrading, operating
13 and maintaining sewer systems, and has the capacity necessary to finance our estimated \$37
14 million capital additions and improvements to the System that will benefit our customers. The
15 System has a history of permit exceedances and failure to meet Whole Effluent Toxicity testing
16 requirements. PAWC, given its proven record of environmental stewardship in the operation of
17 wastewater systems, its ability to draw upon a broad range of engineering and operational
18 experience, and its deeper financial resources is better positioned to address any compliance
19 challenges of the System. For these same reasons, PAWC is better equipped to handle storm water
20 issues. The Authority and the Township do not currently have the ability to respond to System
21 emergencies or make improvements to the System to prevent emergencies as PAWC does.

22 As explained in detail in Chairman Wilson's testimony, the Township has extensive capital
23 projects it would like to undertake throughout the community that will substantially benefit the

1 residents. I believe the use of proceeds as proposed by the Township from the Proposed
2 Transaction was very compelling and would be transformational for our Township and thus our
3 residents.

4

5 **Q. You detailed several benefits for the customers. Are there any benefits to the**
6 **employees of the Authority?**

7 A. Yes. PAWC has agreed to retain Authority employees following the Closing, under
8 substantially similar terms and benefits, as it was agreed upon in the APA.

9 **Q. Are you aware of any other benefits to the Proposed Transaction?**

10 A. Yes, aside from the benefits I have previously mentioned, there are various other benefits
11 under the Proposed Transaction, if approved. These benefits include, but are not limited to:

12 a) Residents will benefit from enhanced customer service and
13 operational functions through expanded customer service center hours, additional payment options
14 (including by phone or online), and enhanced customer information and education programs.

15 b) Our low-income residents will have access to PAWC's well-
16 established and accessible assistance programs to assist with paying their bills.

17 c) There will not be an immediate impact on rates for the System's
18 customers because PAWC will continue to charge the same rates to the customers after closing on
19 the Proposed Transaction.

20 d) The Township will acquire a new corporate citizen. PAWC has a
21 proven track record of investing in the communities it serves and has committed to do the same
22 for the Township.

1 **Q. Do you believe that the Proposed Transaction provides substantial affirmative public**
2 **benefits and is in the public interest?**

3 A. Yes. For the reasons I have set forth above, I believe that the Proposed Transaction provides
4 substantial affirmative public benefits and is in the public interest.

5 **IV. CONCLUSION**

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

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

COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

IN RE: APPLICATION OF
TOWAMENCIN TOWNSHIP,
PURSUANT TO 66 PA. C.S. § 1102(A),
FOR A CERTIFICATE OF PUBLIC
CONVENIENCE TO OFFER,
FURNISH, RENDER, AND SUPPLY
WASTEWATER SERVICE TO THE
PUBLIC IN CERTAIN PORTIONS OF
WORCESTER TOWNSHIP, LOWER
SALFORD TOWNSHIP, FRANCONIA
TOWNSHIP AND LANSDALE
BOROUGH, ALL IN MONTGOMERY
COUNTY, PENNSYLVANIA

DOCKET A-2023-

VERIFICATION

I, John Minihan, hereby state that the facts set forth in my Direct Testimony 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).

Dated: 5-11-23



John Minihan