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VIA e-Filing

July 17, 2023

Rosemary Chiavetta, Secretary
Commonwealth of Pennsylvania
Pennsylvania Public Utility Commission
Commonwealth Keystone Building, 2nd Floor
400 North Street
Harrisburg, PA 17120

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 and portions of the Townships of Franconia, Lower Salford and Worcester and the Borough of Lansdale, all in Montgomery County, Pennsylvania

Docket No: A-2023-3039900

Dear Secretary Chiavetta:

On May 15, 2023, Pennsylvania-American Water Company filed the above-referenced application and related filings for its acquisition 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 (collectively "Towamencin"). As part of that 1329 filing, direct testimony and accompanying exhibits were filed on behalf of Towamencin at Appendix A-13. Enclosed for filing with the Commission is Amended Statement No. 1 of the Direct Testimony of H. Charles Wilson, III, **Amended Appendix A-13-a.ii**.

A copy of Mr. Wilson's Amended Statement No. 1 is being served upon the advocates in accordance with the attached Certificate of Service and in accordance with the Commission's *Final Supplemental Implementation Order* entered February 28, 2019 at Docket No. M-2016-2543193.

Thank you for your attention to this matter. If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Teresa K. Harrold".

Teresa K. Harrold

Enclosure

cc: Certificate of Service

**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.*

**TOWNSHIP OF TOWAMENCIN
AMENDED STATEMENT NO. 1
DIRECT TESTIMONY OF H. CHARLES WILSON, III
CHAIRMAN OF THE BOARD OF SUPERVISORS
FOR THE TOWNSHIP OF TOWAMENCIN**

**With Regard To
Overview of the Township's Sale Process and Benefits of the
Proposed Transaction for the Township and its Residents**

July 14, 2023

1 **I. INTRODUCTION**

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

3 A. My name is H. Charles Wilson, III. My business address is 1090 Troxel Road, Lansdale,
4 Pennsylvania.

5 **Q. In what capacity are you affiliated with the Township of Towamencin?**

6 A. I am the Chairman of the Board of Supervisors (the “BOS”) for the Township of
7 Towamencin (the “Township”) and a member of the Sewer Advisory Committee formed to
8 consider the potential sale of the wastewater collection and treatment system (the “System”) owned
9 and operated by the Township and the Towamencin Municipal Authority (the “Authority”), and
10 to make recommendations to the BOS regarding same (the “Sewer Committee”). I am a member
11 of the Board of the Authority formerly known as the Upper Gwynedd Towamencin Municipal
12 Authority, which the Township jointly created with the Township of Upper Gwynedd (“Upper
13 Gwynedd”) to operate the wastewater collection and treatment system. Upper Gwynedd withdrew
14 from the Authority in 2015.

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

16 A. I graduated from North Penn High School and earned a Bachelor’s degree in Commerce
17 from the University of Virginia in 1978. I have lived in the Towamencin area for my entire adult
18 life and am currently retired. Prior to retiring, I was Director of Finance for Lower Gwynedd
19 Township, Montgomery County, Pennsylvania. I am a Certified Public Accountant with over 25
20 years of financial and administrative management experience, including serving as the Corporate
21 Controller of publicly traded companies. I have served as a Supervisor on the Township BOS
22 since 2002 and as its Chairman since 2015. I have been a member of the Township’s Finance

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1 Committee since 2002 and the Sewer Committee since 2004. I have served on the Board of the
2 Authority since 2011, and have been Treasurer of the Authority since 2011. While on the BOS, I
3 have served previously as the Rules Committee Chairman and currently as Finance Committee
4 Chairman of the Pennsylvania State Association of Township Supervisors, on the Township's
5 Police and Non-Uniform Pension Committees and I have been President of the Montgomery
6 County Association of Township Officials. I am a Management Committee Member of the
7 Montgomery County Tax Collection Committee, and served as its Chairman. I am also a Board
8 Member of the Montgomery County/Norristown Library System, and was Treasurer for twelve
9 years ending on December 31, 2022.

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

12 A. Yes. In addition to my experience described above, I serve on the Board of Directors for
13 the Morgan Log House and I am a Board Member at the North Penn YMCA.

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

16 A. No.

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

18 A. My testimony is on behalf of the Township and the Authority, and in support of the
19 application of Pennsylvania-American Water Company (“PAWC” or the “Company”) to purchase
20 all the assets of the System and begin to furnish wastewater service to Township customers in this
21 proceeding (the “Proposed Transaction”).

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

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1 A. The purpose of my testimony is to provide: (1) a description of the Township and the
2 System, (2) an overview of the sale process, (3) an overview of the various public benefits of the
3 Proposed Transaction for the Township and its residents, and (4) a description of how the
4 Township sets its annual rates.

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

6 A. No.

7 **II. DESCRIPTION OF THE TOWNSHIP AND THE SYSTEM**

8 **Q. Please provide a brief description of the Township.**

9 A. Towamencin Township was established in 1728 and is centrally located in the middle of
10 Montgomery County. It is a successful mix of wide-open spaces, residential neighborhoods,
11 historic farmhouses and other historic buildings, rural development and commercial development.
12 The Township is a township of the second-class with a population of approximately 18,500
13 residents. The Township is governed by the BOS consisting of five members who are elected at-
14 large by the residents of the Township. The BOS meets twice monthly and is charged with the
15 general governance of the Township and the execution of legislative, executive and administrative
16 powers. Pursuant to the Second Class Township Code, the Chairman and other officers of the
17 BOS are elected at the organizational meeting of the BOS held at the first Monday in January. The
18 Chairman oversees all BOS meetings.

19 **Q. What is the Township's financial condition?**

20 A. Financially, the Township is not in distress. However, the Township's costs have increased
21 as we continue to weather the persistent effects related to the supply chain, inflation, and workforce
22 challenges stemming from the COVID-19 Pandemic. The Township's OPEB/Pension obligations

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1 are underfunded by approximately \$7 million and the Township and Authority have a combined
2 sewer related debt of \$17 million. The System will require an investment of \$37 million by 2031
3 and the Township has significant necessary capital projects to complete in the coming years.

4 The System has lost key employees and is facing the retirement of more employees in an
5 area and environment in which finding qualified employees is difficult. Also, the System lost a
6 substantial number of customers in connection with Upper Gwynedd’s decision to withdraw from
7 the System. The loss of these customers and the upcoming needed capital improvements will have
8 a meaningful impact on sewer rates which we predict will need to double over the next 8 to 10
9 years.

10 **Q. Please describe the System.**

11 A. The Authority and the Township own and operate the System. The System is currently
12 leased to the Township under a Lease and Service Agreement dated June 30, 2015, pursuant to
13 which the System provides sanitary sewer services to approximately 5,886 direct customers,
14 including approximately 22 customers situated in Lower Salford Township (“Lower Salford”) and
15 311 customers in Worcester Township (“Worcester”) and has indirect customers through five bulk
16 agreements. The Township provides bulk service to portions of Lower Salford, Franconia
17 Township (“Franconia”) and Lansdale Borough (“Lansdale”). The points of interconnection of the
18 System utilized to provide service in those three municipalities are not located in the Township
19 but instead are in those respective municipalities. The Township has filed an Application for a
20 Certificate of Public Convenience related to the service provided to the customers in Lower
21 Salford, Worcester, Franconia and Lansdale. (Filed May 12, 2023, Filing No. 2473967). In
22 addition to the bulk service arrangements referenced above, the Township also provides bulk

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1 service to Upper Gwynedd and Hatfield Township pursuant to bulk service agreements. The points
2 of interconnection of the System are located in Towamencin so these two municipalities are not
3 part of the Township’s Applied-For Service Territory.

4 The System is made up of collection and conveyance lines consisting of approximately
5 420,000 linear feet of sewage gravity conveyance piping, 27,000 linear feet of force mains and
6 three pump stations (Rittenhouse Road, Hollis Hills and Milestone). The collection and
7 conveyance system consists of 8 inch, 10 inch, 12 inch, 15 inch and 21 inch sewer pipes
8 constructed of various materials. There are approximately 2,000 manholes and 110,000 linear feet
9 of lateral pipes. A majority of the piping was installed between 1967 and 2015. There are
10 permanent flow meters on the conveyance line coming from Upper Gwynedd, which were installed
11 in 2015. The permanent flow meter for Lower Salford flows is planned to be upgraded by a Lower
12 Salford developer in 2023.

13 The System includes a Wastewater Treatment Plant (the “Plant”) located at 2225 Kriebel
14 Road in the Township near the confluence of the Towamencin Creek and Bustard Road. The
15 original plant facilities were constructed in 1966 with expansions in 1987 and 1989. The Plant
16 employs comminutors, influent pumping and metering, primary screening, pre-aeration
17 conventional activated sludge and contact stabilization activated sludge, intermediate clarification,
18 trickling filter treatment, final clarification, and disinfection by chlorination. The permitted
19 capacity of the Plant is 6.50 MGD.

20 **III. OVERVIEW OF THE SALE PROCESS**

21 **Q. Please describe the Township’s decision to explore a sale of the System and provide**
22 **an overview of the sale process.**

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1 A. The decision to sell the System was made by the Township and supported by the Authority
2 after a very thorough due diligence process led by the Township and careful consideration. As
3 mentioned above, the Township formed a Sewer Committee of five individuals to evaluate the
4 potential sale of the System and to make recommendations to the BOS. The Township hired PFM
5 Financial Advisors (“PFM”), the industry expert in Pennsylvania, to assist and provide financial
6 advice in this process. We also hired attorneys at Dilworth Paxson LLP as special counsel to the
7 Township (“Special Counsel”) with extensive experience in advising municipalities on legal
8 matters during the due diligence phase and throughout the sale of wastewater systems. Important
9 to my decision to recommend the hiring of PFM and Special Counsel was that they had advised
10 municipalities which have gone through the due diligence process and decided *not* to sell as well
11 as those that had decided to sell.

12 Throughout the exploration process, the Township’s main goals for the Township residents
13 were: (i) receive best in class sewer service at reasonable and competitive rates, (ii) allow the
14 Township to focus on core government functions, (iii) reduce known and unknown liabilities of
15 the Township (including but not limited to budgetary constraints, unfunded obligations, and the
16 risk of ever increasing federal and state regulatory mandates in a heavily regulated industry), and
17 (iv) provide for Township-wide anticipated capital expenditures for improvements that will
18 significantly benefit the residents.

19 Understanding the Township’s goals, PFM advised the Township to undergo a competitive
20 process to obtain a valuation of the System. The Township, led by the Sewer Committee, issued
21 a Request for Qualifications on February 12, 2021. Members of Township management and the
22 Sewer Committee including me met with each of the pre-qualified bidders. The Township issued

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1 a Request for Bids on December 23, 2021 to each of the pre-qualified bidders. Once bids were
2 received, PFM reviewed and analyzed the bids with me and other Township officials and then we
3 met with the bidders who provided the top two overall bids: NextEra Water Pennsylvania, LLC
4 (“NextEra”) and PAWC. After those meetings, the Township’s Sewer Committee recommended
5 and the BOS approved on May 25, 2022 an ordinance (the “Sewer Sale Ordinance”) approving the
6 sale of the System to NextEra and the execution of the Asset Purchase Agreement (as defined
7 below).

8 Throughout this process and before making the decision to approve the sale of the System,
9 the Township Solicitor and I presented the BOS’s recommendations and analysis to the Authority
10 Board during a public meeting on May 18, 2022. I and another member of the BOS also sit on the
11 Authority Board and we are members of the Sewer Committee. Thus we had extensive knowledge
12 of the System, the sale process, the pros and cons of selling and keeping the System, the bids and
13 bidders. After a thorough review of the information, the Authority Board held a vote on May 18,
14 2022 and unanimously approved by resolution the sale to NextEra and the Asset Purchase
15 Agreement (the “Authority Sewer Sale Resolution”).

16 After the approval by the BOS and the Board of the Authority, the Township, the Authority
17 and NextEra entered into the Asset Purchase Agreement on June 14, 2022 (the “APA”). However,
18 several months after the execution of the APA, NextEra decided to withdraw from the wastewater
19 business and sell its Pennsylvania assets. NextEra’s decision to withdraw from the business was
20 completely unforeseen by the Township when it approved the Sewer Sale Ordinance and executed
21 the APA. Had we known this, we would have chosen PAWC which had the second best overall
22 bid to NextEra. We were always confident PAWC would be an excellent provider of sewer

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1 services to our customers while accomplishing the goals for our residents, but the BOS chose
2 NextEra instead because NextEra’s bid included a purchase price which was \$25 million higher
3 than the price offered by PAWC. Witnesses for PAWC will discuss this in more detail in their
4 testimony, but it is my understanding that NextEra contacted PAWC in December of 2022 and
5 then began negotiating the assignment and assumption of the APA in early 2023. I was informed
6 that NextEra had come to an agreement with PAWC in writing in early March 2023. Given this
7 information, the March 8, 2023 BOS meeting agenda was amended, by a majority vote of the BOS,
8 in accordance with the Pennsylvania Sunshine Law to allow the BOS to consider authorization of
9 the Township Solicitor and Special Counsel to take all needed actions to facilitate this ownership
10 change including preparing: (1) an amendment to the APA; (2) an Assignment and Assumption
11 Agreement (the “Assignment Agreement”); and (3) an amendment to the Sewer Sale Ordinance.
12 On March 22, 2023, the BOS approved the First Amendment to the APA (“the APA Amendment”)
13 and the Assignment Agreement, and adopted the Sewer Sale Ordinance Amendment.

14 On March 23, 2023 after being fully briefed by me and the Township Solicitor, the Board
15 of the Authority approved the First Amendment, the Assignment Agreement and a resolution
16 replacing the original Authority Sewer Sale Resolution with a new sewer sale resolution
17 (“Replacement Resolution”).

18 **Q. What material changes were made to the APA by the First Amendment?**

19 A. The sale price was revised to \$104 million, which is just below the average of the two
20 utility valuation expert appraisals. While the revised sale price is \$11 million less than the original
21 sale price, it is \$11,600,000 more than PAWC originally bid. The two-year rate freeze was
22 removed which ultimately we thought would have little effect based on the delay in the sale process

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1 caused by NextEra’s decision to exit the wastewater business. The “Additional Deposit” under
2 the APA of \$10 million was returned to NextEra and the “Outside Date” definition was changed
3 to accommodate for any unforeseen events that may arise. The Amendment also provided for
4 NextEra to pay \$500,000 consideration to the Township and the Township was not required to
5 return the “Deposit” in the amount of \$100,000 NextEra had previously paid to the Township
6 pursuant to Section 3.01(1)(i) of the APA.

7

8 **Q. Did the Township request and consider public input on the sale of the System?**

9 A. Yes. Agendas for every BOS meeting are made available to the public in advance and
10 members of the public are invited in the beginning of every BOS meeting to provide comments on
11 any agenda item or any matter of concern, official action or deliberation which is or may be before
12 the BOS. The public is also invited to submit written comments to the BOS by 4:30pm the day of
13 the meeting which are read into the Minutes at the beginning of the BOS meeting. Furthermore,
14 the media is invited to tape record the meetings so long as the representative from the media
15 announces their name and informs all attendees that the media is tape-recording the meeting.

16 The Township posted twelve monthly updates to its website, starting February 2021
17 through January 2022, which provided the public with a status update and the progress that was
18 made each month. Early in the process, the Township also added a data room for the System to
19 the Township’s website, where an abundance of information was available to keep the public
20 informed (<https://www.towamencin.org/information/sewer-system-sale/access-data-room/>). The
21 information on the Township’s website also included all of the presentations by PFM to the Sewer
22 Committee and the BOS.

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1 The Township mailed all residential households three letters regarding the sale on: (i)
2 October 19, 2021, describing our position, the benefits of exploring the sale, and urging all
3 residents to stay informed about the process; (ii) March 11, 2022 announcing the Town Hall
4 meetings described below, and (iii) October 3, 2022 providing clarification and correct information
5 to clear up misinformation spreading through the Township.

6 The Township also mailed three general newsletters to all of its residential households,
7 each of which included information regarding the sewer sale and provided how to contact the
8 Township: Fall 2021, Fall 2022, April 2023 (to address the changes in the sale of the System).

9 Additionally, before signing the APA, the Township held two Town Hall meetings on April
10 6, 2022 (3 hours long) and April 20, 2022 (3.5 hours long) to discuss the potential sale or lease of
11 the System. The Town Hall meetings were also available to the public via Zoom, for those who
12 were not able to attend in person. PFM provided the results of the bidding process and the public
13 benefits of selling the System as well as the anticipated use of proceeds from the sale at these
14 meetings. The public was provided with an opportunity to ask questions and speak directly with
15 the BOS regarding feedback about the potential sale. Officials from NextEra attended the April
16 20, 2022 Town Hall and responded to questions from the public about the proposed sale of the
17 System.

18 The Township posted multiple Frequently Asked Questions (“FAQs”), which were
19 routinely updated to address the public’s questions regarding the sale process. The latest FAQ
20 related to the sale process was posted April 18, 2023, and it is available for viewing through this
21 link: <https://www.towamencin.org/resources/news/article/?id=5704>.

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1 After consideration of all of the public input which had been encouraged through multiple
2 means by the Township, and after a lengthy and thorough due diligence process, on May 25, 2022,
3 after providing notice to the Township residents, including publication in The Reporter, our local
4 newspaper, the BOS voted to pass the Sewer Sale Ordinance. Prior to voting to approve the APA
5 Amendment at the March 22, 2023 BOS meeting, the BOS allowed time for public comment.

6 The Authority complied with all notice requirements established by law prior to the
7 approval of the Authority Sewer Sale Resolution and the Replacement Resolution. Since the
8 Township led the process, the Authority relied on the public input solicited by the Township and
9 the input received from the public at its Board meetings. I regularly updated members of the Board
10 of the Authority about the public feedback received by the Township.

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

12 **Q. Please state the benefits of the Proposed Transaction from the Township's**
13 **perspective.**

14 A. The Proposed Transaction offers numerous benefits of a substantial nature to the Township
15 and all its customers as it will transfer its System assets to a long-standing and well-run
16 Pennsylvania utility, PAWC. I will focus on the benefits to the Township and its residents that will
17 be realized as a result of the Proposed Transaction.

18 From the Township's perspective, there are three primary benefits of the Proposed
19 Transaction, as described in more detail below. The sale of the System to PAWC: (1) will provide
20 for anticipated and necessary Township-wide capital expenditures that will significantly benefit
21 residents, (2) will extinguish all Township and Authority debt and enhance existing pension funds
22 and create an OPEB fund, and (3) will improve our System by engaging an industry expert while

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1 maintaining reliable wastewater service and managing the inevitable rate increases for our
2 residents due to the approximately \$37 million in necessary investments in the System by 2031.

3 **Q. Please describe how the Township proposes to use the proceeds for anticipated and**
4 **necessary Township-wide capital expenditures that will significantly benefit residents.**

5 A. Although the Township has not reached any final decisions about the use of the proceeds
6 from the Proposed Transaction, other than the required pay off of sewer debt, as it does not have
7 the potential proceeds yet, the Township, with the advice of PFM, has given considerable thought
8 to the capital expenditures it will need to make as an investment in the future of the Township.

9 In addition to realizing budgetary savings, a large portion of the proceeds from the
10 Proposed Transaction would go into important reserves for beneficial capital projects that would
11 generate annual income to avoid any need for near term tax increases or a new stormwater fee
12 imposed on residents. Assuming estimated investment rates over the term of the reserves, the
13 funds could generate an average of approximately \$2,300,000 of additional annual income to the
14 Township over the long term to contribute to various capital initiatives and leverage grant
15 opportunities. We would like the reserves to be perpetual and are considering establishing the
16 capital reserve funds as follows: (i) an Open Space and Parks Reserve Fund, (ii) a Fire Service
17 Infrastructure/Equipment Fund, (iii) a Stormwater Upgrades/MS4 Requirements Fund, (iv) a
18 Transportation and Roadway Projects Fund, and (v) a Facilities and Major Equipment Fund, to
19 fund Township-wide initiatives, which are necessary and vital to the needs of the community.

20 We believe an estimated \$17 million reserve in an Open Space and Parks Reserve Fund
21 would be transformational for the future of the Township and would produce an estimated
22 \$510,000 per year in annual interest earnings. We would like to use these funds for: (i) critical

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1 open space acquisitions throughout the Township and updating the Open Space Needs Analysis
2 which was last completed in 2006, (ii) funding a Towamencin Youth Association annual capital
3 request for athletic field improvements at \$50,000 per year, (iii) funding infrastructure investment
4 for the Township’s Community Pool averaging \$50,000 per year, and (iv) implementing a Parks
5 and Trails Evaluation over the next ten years.

6 With respect to the Fire Service Infrastructure/Equipment Fund, we are considering
7 establishing this reserve with a deposit of approximately \$9 million of the proceeds of the Proposed
8 Transaction which would produce an estimated \$270,000 per year in annual interest earnings.
9 These funds could be used to: (i) assist the Fire Company with the upgrade of the Main Fire
10 Station and equipment, (ii) replace the Township’s two Pumper Trucks every 10 years , (iii) replace
11 the Township’s Rescue Truck every 25 years, and (iv) replace the Tanker Truck and support
12 vehicles as needed.

13 We are considering an approximately \$17 million reserve in a Stormwater Upgrades/MS4
14 Requirements Fund which would produce an estimated \$510,000 per year in annual interest
15 earnings. The funds could be used for: (i) funding the Township’s share of the Skippack Creek
16 Alliance Pollution Reduction Plan over the next five years and additional five-year cycles, (ii)
17 complete the Strategic Stormwater Management Plan adopted in March 2021, and (iii) replace
18 150,000 linear feet of corrugated storm water pipe over the next 15 years. The creation of these
19 reserves eliminates the need for a separate annual storm water fee charged to our residents in the
20 future.

21 We would like to create a Transportation and Roadway Projects Fund with approximately
22 \$20 million of proceeds of the Proposed Transaction which would produce an estimated \$600,000

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1 per year in annual interest earnings. The funds would be used to fund the Township's planned and
2 anticipated intersection improvements, such as Welsh and Orvilla Roads, Sumneytown Pike and
3 Valley Forge Road, Sumneytown Pike and Troxel Road and Sumneytown Pike and Kriebel Road.

4 Finally, we would like to deposit approximately \$13 million of the proceeds of the
5 Proposed Transaction into a Facilities and Major Equipment Fund which we estimate would have
6 annual interest earnings of \$390,000 per year. These reserves could be used to fund Township
7 vehicles and Township equipment replacement as well as capital repairs and upgrades to non-park
8 Township facilities as needed.

9 The use of the proceeds of the sale by the Township for capital investments has been
10 carefully and thoroughly considered. The Township recognizes that the ability to accomplish those
11 above-referenced projects hinges on the sale of the System to PAWC. Without the sale proceeds,
12 the Township may still be able to make some of the investments but it will require the issuance of
13 additional debt which will put the Township in a weaker financial position long term than if it sold
14 the System to PAWC.

15 **Q. Discuss the potential use of sale proceeds to extinguish debt and how this will benefit**
16 **the residents.**

17 The Township and the Authority have debt obligations that are roughly \$17 million and
18 the Township has underfunded OPEB/Pension obligations of approximately \$7 million. As
19 mentioned above, the System requires at least a \$37 million investment by 2031. To help fund that
20 investment, the Township is estimating current sewer rates will at least double in the next eight to
21 ten years. As a result of the Proposed Transaction, all Authority and Township debt will be paid
22 and the Township will be able to enhance existing pension funds and create an OPEB fund, which

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1 will return approximately \$1.5 million to the Township’s budget annually. The sale of the System
2 reduces or eliminates the need for the Township to increase property real estate taxes over the next
3 five to ten years and increases the homestead exclusion for our residents from an estimated \$50,000
4 to \$76,000 per household per year. The real estate tax relief coupled with the increase in the
5 homestead exclusion offsets most, if not all of the rate increases per household over the next ten
6 years that could occur if PAWC operates the System.

7 **Q. How will engaging an industry expert like PAWC be a benefit for the residents?**

8 A. As a large, long-established public utility, PAWC brings industry leading expertise and has
9 extensive technical experience in upgrading, operating and maintaining sewer systems as well as
10 has the capacity necessary to finance capital additions and improvements that will benefit
11 customers. The Township will benefit from PAWC’s capital improvement programs, and its
12 experience in improving wastewater systems.

13 PAWC has a proven record of environmental stewardship in the operation of wastewater
14 systems and can draw upon a broader range of engineering and operational experience than can
15 the Township. PAWC has deeper financial resources than are available to the Township to address
16 the environmental compliance challenges of our System. The System has a history of permit
17 exceedances and failures to meet Whole Effluent Toxicity testing requirements which PAWC is
18 well equipped to remedy.

19 PAWC has extensive experience in improving the ability of wastewater systems to handle
20 the increased flows from storm events and handling storm water issues as they arise. PAWC
21 provides rapid response teams to handle overflows and breakages. Currently, the Township does

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1 not have an emergency response team. The Authority sends an operator to assess the situation
2 who then must hire independent contractors to handle emergencies that he/she cannot handle.

3 Our residents will benefit from enhanced customer service and operational functions
4 through expanded customer service center hours, additional payment options (including by phone
5 or online), and enhanced customer information and education programs available through PAWC.
6 Our low-income residents will have access to PAWC’s well-established and accessible assistance
7 programs to assist with paying their bills.

8 Because of the broader range of expertise, economies of scale and financial resources of
9 PAWC, the Proposed Transaction will provide (i) improvements to the System’s defenses against
10 cyberattacks targeted at municipal-owned utilities with less sophisticated technology infrastructure
11 and (ii) improvements to the Plant’s facilities to ensure that the wastewater processed by the
12 System meets all environmental requirements.

13 **Q. Aside from those benefits already mentioned, are you aware of any other benefits to**
14 **the Proposed Transaction?**

15 A. Additional benefits include, but are not limited to, the following:

16 a) There will not be an immediate impact on rates for the Township’s
17 direct customers. PAWC has committed to adopt, upon closing of the Proposed Transaction (the
18 “Closing”), the System’s rates in effect at the time of the Closing.

19 b) PAWC has agreed to retain Authority employees following the
20 Closing, under substantially similar terms and benefits, as was agreed upon in the Asset Purchase
21 Agreement.

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1 c) The Township will be relieved of the administrative burden both in
2 time and expense of running the System, thus freeing up Township personnel to focus on key
3 initiatives and core governmental functions.

4 d) The Township will benefit from increased tax revenue from PAWC
5 which will be required to pay taxes related to owning and operating the System. The Authority
6 does not pay taxes.

7 e) The Township will acquire a new corporate citizen. PAWC has a
8 proven track record of investing in the communities it serves and has committed to do the same
9 for the Township.

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

12 A. Yes. For the reasons set forth above, I believe that the Proposed Transaction provides
13 substantial affirmative public benefits and is in the public interest. I am confident that the proceeds
14 from the Proposed Transaction will allow the Township to allocate the funding necessary to
15 substantially enhance our community and improve our residents' day-to-day lives while putting
16 the Township in a strong financial position for many years to come.

17

18 **V. RATES**

19 **Q. How does the Township set the rates it charges customers for wastewater treatment**
20 **and collection?**

21 The Township's rates are governed by the Second Class Township Code and are set by the
22 BOS by ordinance and resolution after consideration of the costs of providing service. Any rate

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1 increase must be approved by the BOS through a resolution. The Township currently bills its
2 residential customers a flat annual sewer rental charge of \$450 per equivalent dwelling unit
3 (“EDU”). Commercial customers are billed bi-annually in one of two ways: (i) a flat rate of \$225
4 per EDU per billing cycle, or (ii) a metered rate equal to \$0.04611 per cubic foot of water
5 consumption with a minimum fee of \$225 per EDU per billing cycle.

6 In addition, pursuant to a Court Order and Stipulation and Settlement of Case dated March
7 30, 1987 by the Montgomery County Court of Common Pleas, the Township agreed to provide
8 sanitary sewer services to several customers in Worcester, in particular customers in the Milestone
9 development. The rates for these residential customers were set at a 20% surcharge in excess of
10 the annual sewer treatment rates and charges calculated on the same basis as other districts in the
11 Township. This arrangement, as set forth in the settlement of the lawsuit, was codified by
12 Township Ordinance 89-12.

13 The Township also passed Ordinance 89-7, under which the Township began providing
14 wastewater services to customers living in the Hollis Hills development in Worcester, because
15 Worcester did not have sewer services in that part of the township, and the rate for these customers
16 was set at a \$290 annual surcharge in excess of the rates paid by Township residents.

17 As mentioned above, the Township also provides services to 22 customers in Lower
18 Salford and the rates for these customers included a \$50 annual surcharge in excess of the rates
19 paid by the Township residents.

20 The additional costs to the Worcester and Lower Salford customers was attributed to the
21 additional administrative costs and expenses and for additional review procedures that are required
22 to provide service to these customers above what is typically required for a Township resident.

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1 On May 10, 2023 the Township passed Ordinance 23- 04 repealing provisions in prior ordinances
2 and resolutions that provided for the Worcester and Lower Salford residential customers to pay
3 any charges above the rates Towamencin residents pay, thereby equalizing the rates for all
4 residential customers of the System.

5 **Q. How frequently does the Township adjust rates?**

6 A. Rates have been increased only when necessary and in accordance with the Second Class
7 Township Code.

8 Due to the loss of a significant number of customers to the System in connection with the
9 planned withdrawal of Upper Gwynedd from the Authority and the System, the BOS implemented
10 a rate increase effective January 1, 2022 increasing the flat annual sewer rental charge to \$450 per
11 EDU for residential customers and as described above for commercial customers. To meet
12 increased operating and capital costs, in part driven by inflationary pressures, the Township
13 expects the BOS to implement the following rates effective January 1, 2024: (A) for residential
14 customers, a flat annual sewer rental charge of \$590 per EDU and (B) for commercial customers,
15 they will be billed bi-annually in one of two ways: (i) a flat rate of \$295 per EDU per billing cycle,
16 or (ii) a metered rate equal to \$0.06045 per cubic foot of water consumption with a minimum fee
17 of \$295 per EDU per billing cycle.

18 **VI. CONCLUSION**

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

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

**COMMONWEALTH OF PENNSYLVANIA
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.*

VERIFICATION

I, H. Charles Wilson, III, hereby state that the facts set forth in my Amended 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: 7/14/23



H. Charles Wilson, III

**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 and portions of the Townships of Franconia, Lower Salford and Worcester and the Borough of Lansdale, all in Montgomery County, Pennsylvania

Docket No. A-2023-3039900

In re: Application of Pennsylvania-American Water Company under Section 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S. § 1329, for approval of the use for ratemaking purposes of the lesser of the fair market value or the negotiated purchase price of the assets related to the wastewater collection and treatment system owned and operated by Towamencin Municipal Authority and the Township of Towamencin

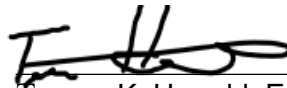
Docket No. A-2023-_____

In re: Petition of Pennsylvania-American Water Company, related to its acquisition of the wastewater collection and treatment system owned and operated by Towamencin Municipal Authority and the Township of Towamencin, for approval under Section 1329 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1329, to (i) collect a distribution system improvement charge, (ii) for book and ratemaking purposes, accrue Allowance for Funds Used During Construction for post-acquisition improvements not recovered through the distribution system improvement charge, (iii) for book and ratemaking purposes, defer depreciation related to post-acquisition improvements not recovered through the distribution system improvement charge, and (iv) include, in its next base rate case, a claim for transaction and closing costs.

Docket No. P-2023-_____

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