

**PENNSYLVANIA PUBLIC UTILITY COMMISSION  
HARRISBURG, PENNSYLVANIA 17120**

**Application of Pennsylvania American  
Water Company for Approval of the  
Acquisition of the Borough of  
Brentwood Wastewater System**

**Public Meeting held February 22, 2024  
Agenda No. 3024058-OSA  
Docket No. A-2021-3024058**

**STATEMENT OF CHAIRMAN STEPHEN M. DeFRANK**

Before the Commission is the Application filed by Pennsylvania American Water Company (PAWC or the Company) and the Borough of Brentwood (Brentwood or the Borough). The Application was filed pursuant to Sections 1102 and 1329 of the Code seeking approval for PAWC's acquisition of Brentwood's wastewater conveyance system. The presiding Administrative Law Judge recommended denial of the Application.

It is incumbent on the Commission to balance the overall benefits of any 1329 application with the overall detriments to determine if the transaction offers substantial affirmative public benefits. This Application presents a unique set of circumstances in comparison to other 1329 proceedings I have supported. This is the case since Brentwood contracts its wastewater treatment with a third-party municipal entity, ALCOSAN. As such, Brentwood is simply a wastewater conveyance enterprise, comprised of mainly pipes and manholes and therefore the only improvement PAWC has to offer in these circumstances is the replacement of said pipes and manholes.

This then begs the question as to the condition of the Brentwood infrastructure. The record here shows that Brentwood currently has no direct issues of environmental non-compliance. Rather, Brentwood is an indirect party to a Modified Consent Decree (MCD) between ALCOSAN, the Environmental Protection Agency, the Pennsylvania Department of Environmental Protection, and the Allegheny County Health Department. The record indicates that Brentwood has been meeting the milestones required by the MCD. While I have no doubt that PAWC would meet these milestones, it cannot be ignored that this would simply be upholding the status quo and not an incremental improvement.

Moving on, I note the relative financial condition of Brentwood's conveyance system based on the difference between its original cost and its depreciated cost. The valuation experts calculated original cost figures of \$9,942,185 and \$9,942,191. The record indicates accrued depreciate reserves of \$3,016,883 and \$2,681,203 respectively. Such appraisals result in an average depreciated original cost of \$7,093,145, compared to an average original cost of \$9,942,188. I believe these financial metrics are indicative of a system that has been productively managed since it still includes a relatively significant amount of undepreciated asset value.

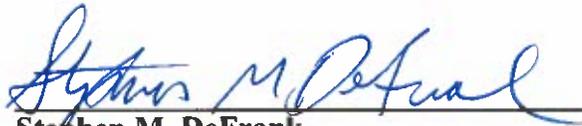
Finally, I highlight the proposed transaction cost in this Application of \$19,364,443. The 1329 statute clearly permits acquisitions to be made above the depreciated original cost (DOC), but the Commission is empowered to review the transaction price in its overall analysis of any application. I submit that the transaction price premium above DOC, which here comes to approximately 173%,

coupled with the concomitant rate impacts manifested from the transaction price support upholding the Recommended Decision here given the minimal public benefits that this transaction appears to offer.

In summary, balancing the numerous variables on the record with a particular focus on the issues highlighted above support denial of this application. While no single concern in the Application individually disqualifies the transaction from approval, the collective aggregate of each of these circumstances warrant a denial. More specifically, the 1329 price premium is not warranted when balanced with the operational circumstances and asset condition of the Borough of Brentwood's wastewater conveyance system. Therefore, I must concur with the Recommended Decision and vote to deny the Application.

Finally, I encourage PAWC and Brentwood to consider filing an 1102 application should they wish to further pursue this transaction.

**February 22, 2024**  
**Date**

  
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**Stephen M. DeFrank**  
**Chairman**