
Application of Aqua |
Pennsylvania |
Wastewater, Inc. pursuant | Docket No.
to Sections 1102 and | A-2023-3041695
1329 of the Public Utility |
Code for: approval of the |
acquisition by Aqua of |
the wastewater system assets |
of Greenville Sanitary |
Authority ("GSA") situated |
within the Borough of |
Greenville, Hempfield |
Township, and West Salem |
Township, Mercer County, |
Pennsylvania |
|
Call-In Telephonic |
Evidentiary Hearings

Pages 87 - 178

Judge's Chambers
Commonwealth Keystone
Building - Plaza Level
400 North Street
Harrisburg, PA

Thursday, August 15, 2024
Commencing at 9:04 a.m.

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Docket No. A-2023-3041695

Hearing Date: August 15, 2024

NUMBER

FOR IDENTIFICATION

IN EVIDENCE

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Application with Exhibits A

through DD-2 Public and **Confidential**

Aqua Exhibit Number 2 105 116

Letter to Secretary Chiavetta

with Responses, Supplemental

Information and Updates to

Information Request Numbers 1,

2, 12 through 17, 19 through

22, 25, and 27

Aqua Exhibit Number 3 106 116

Letter to Secretary Chiavetta

with Responses, Supplemental

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Hails and Roger Cathcart

EXHIBIT U

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

BOROUGH OF GREENVILLE STATEMENT NO. 1

**DIRECT TESTIMONY OF
JASSON UREY**

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

November 2023

BOROUGH OF GREENVILLE
DIRECT TESTIMONY OF JASSON UREY

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BOROUGH OF GREENVILLE, MERCER COUNTY
DIRECT TESTIMONY OF JASSON UREY

1 **I. INTRODUCTION**

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

3 A. My name is Jasson Urey. My business address is 125 Main Street, Greenville, PA 16125.

4

5 **Q. By whom are you employed and in what capacity?**

6 A. I am the Town Manager of the Borough of Greenville (“Borough” or “Greenville”). My
7 duties are managing day-to-day operations and overseeing all Borough departments’
8 administrative functions. I have been the Town Manager for 11 years. Through the
9 Greenville Sanitary Authority (“GSA”) Leaseback Agreement, the Borough provides the
10 day-to-day operations of the System, which also falls under my direct management.

11

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

13 A. I have a Bachelor's Degree in Business Management and have been the Manager of the
14 Borough since January 2012.

15

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

18 A. No.

19

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

21 A. I am testifying on behalf of the Borough and GSA and in cooperation and support of Aqua
22 Pennsylvania Wastewater, Inc.’s (“Aqua”) application to purchase the GSA wastewater
23 collection, conveyance, and treatment system (the “System”).

BOROUGH OF GREENVILLE
DIRECT TESTIMONY OF JASSON UREY

1 **Q. Please describe the purpose of your Direct Testimony and summarize the key points**
2 **it will address.**

3 A. The purpose of my Direct Testimony is to provide a description of (1) the System; (2) the
4 reasons for, and anticipated benefits of, the sale of the System pursuant to the Asset
5 Purchase Agreement (“APA”) between the GSA and Aqua; and (3) how the GSA sets its
6 annual rates.

7 There are numerous benefits of the proposed transaction; however, a summary of
8 those that are most important to the GSA and the customers who use the System are as
9 follows:

- 10 • The GSA has not been able to maintain the System and the sale avoids the
11 GSA having to navigate possible non-compliance with stringent United
12 States Environmental Protection Agency (“EPA”) and Pennsylvania
13 Department of Environmental Protection (“DEP”) regulations and rules,
14 which have grown increasingly more challenging to follow and implement;
- 15 • Secures future financial stability for the Borough and its residents, and
16 provides flexibility to make necessary future capital investments within the
17 Borough;
- 18 • Provides enhanced operational expertise through review of System
19 processes, the identification of deficiencies not previously known or
20 properly able to address.
- 21 • Preserves all jobs for the GSA employees;
- 22 • Provides service benefits through ownership by Aqua, a Commission-
23 regulated utility that provides high-quality professional wastewater services
24 to the public;
- 25 • With the anticipated sale proceeds, the Borough looks to invest in the
26 redevelopment efforts of the community to help bolster its tax base;
- 27 • Provides benefits from Aqua’s expertise, long-standing capital
28 improvement programs, and experience in improving and investing in aging
29 systems in need of capital investments;

BOROUGH OF GREENVILLE
DIRECT TESTIMONY OF JASSON UREY

- 1 • Provides access to Aqua’s customer assistance programs to provide
2 payment assistance for qualifying customers;

- 3 • Improves security of information systems against cyber-attacks targeted at
4 municipal-owned utilities with less sophisticated technology infrastructure
5 and defenses, as well as of physical assets due to Aqua’s security programs
6 and procedures;

- 7 • Provides enhanced customer service and operational functions through
8 expanded customer service center hours, more streamlined payment options
9 (including by phone), enhanced customer information and education
10 programs, and support provided by Aqua’s team;

- 11 • Recognizes benefits related to Aqua’s proven record of environmental
12 stewardship for the operation of wastewater systems; and

- 13 • Added protections for customers due to Aqua’s regulation by the
14 Commission, which will ensure regulatory oversight, require approval for
15 all rate increases, and provide significant consumer protections.

16

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

18 A. Yes. Appendix A to my Direct Testimony are a series of news articles concerning the
19 System and upgrades to the GSA wastewater treatment plant (“WWTP”).

20

21 **II. DESCRIPTION OF THE BOROUGH AND THE GSA SYSTEM**

22 **Q. Please provide a general overview of the Borough.**

23 A. Greenville is a Pennsylvania Borough located in Mercer County, approximately 80 miles
24 north of the City of Pittsburgh and 60 miles south of the City of Erie. The Borough is
25 governed by a Mayor and a Council of six members. In 2019, the residents of Greenville
26 voted to transition the Borough to a Home Rule municipality, and the Borough is currently
27 in the process of that transition. There are approximately 5,540 residents in the Borough,
28 with a median household income of \$51,719 (based on 2020 U.S. Census Data).

BOROUGH OF GREENVILLE
DIRECT TESTIMONY OF JASSON UREY

1 On February 20, 2002, the Borough petitioned the Department of Community and
2 Economic Development (“DCED”) for a determination of financial distress (“Act 47
3 Status”). After an assessment and public hearing, on May 8, 2002, the DCED declared the
4 Borough financially distressed. The Borough has made progress over the last 21 years to
5 exit Act 47 status on November 9, 2023. Even though the Borough was able to exit the
6 Act 47 program, the economic issues that contributed to its distressed status still exist. The
7 sale of the System will help the Borough focus all of its resources on its day-to-day
8 operations and the anticipated sale proceeds will help the community with its
9 redevelopment efforts to stabilize the local economy.

10
11 **Q. Please provide a description of the GSA System.**

12 A. The GSA was incorporated by the Borough of Greenville in 1956. The GSA owns,
13 operates, and maintains the Acquired Assets (as defined in the APA, which is attached to
14 the Application as Exhibit B), consisting of a sanitary wastewater collection and
15 conveyance system and the GSA WWTP. Along with the residents of Greenville, residents
16 of Hempfield Township (“Hempfield”) and West Salem Township (“West Salem”)
17 (together, the “Contributing Municipalities”) also contribute flows into the GSA’s System
18 that are treated at the WWTP. The GSA does not own any of the collection and conveyance
19 sewers of the Contributing Municipalities. However, the GSA operates the West Salem
20 sewer system. The GSA System includes approximately 29 miles of pipe serving
21 approximately 2,281 GSA customers and the two Contributing Municipalities.

22 A majority of the collection system was installed in the 1960s, with smaller
23 additions and upgrades installed in the 1980s and 1990s. The GSA does not have a short

BOROUGH OF GREENVILLE
DIRECT TESTIMONY OF JASSON UREY

1 term or long-term capital plan for the System. Since I have been with the Borough, there
2 has never been a capital plan for the wastewater system, and infrastructure replacement for
3 the System has been reactive. As we looked at the sale of the System in relation to the
4 capital planning, we did develop a preliminary capital plan should the GSA keep the
5 System. This gave us an idea of what capital needs we would be facing and the financial
6 resources needed to address them.

7

8 **Q. Do you believe the GSA’s wastewater assets are distressed, underfunded and non-**
9 **viable?**

10 A. Yes, I do. The GSA has performed reactive maintenance when it is necessary for the
11 wastewater assets. However, as mentioned above, there is no long-term capital planning
12 for the System, except for what was compiled as we looked at the viability of selling the
13 asset. If something breaks, then it is fixed. In some cases, it does not get fixed if it is not
14 urgent or necessarily crucial. Most assets are past their life expectancy and in need of
15 replacement or major repair.

16

17 **Q. Please describe further how the GSA deals with the wastewater infrastructure.**

18 A. Let me be clear, there is no long-term wastewater capital plan to provide in this proceeding
19 because one does not exist. Neither is there a one-year out wastewater capital plan. The
20 WWTP is over 60 years old and is in severe need of repair and replacement. The GSA has
21 done the best job it can while dealing with the overarching desire to keep wastewater rates
22 as low as possible over the last several decades and a lack of desire to spend on
23 infrastructure improvements. The reality is that, again with good intentions, the Borough

BOROUGH OF GREENVILLE
DIRECT TESTIMONY OF JASSON UREY

1 has focused on other issues including trying to exit out of Act 47 status. However, the
2 focus on Act 47 status and lack of a proactive maintenance and prudent replacement of
3 wastewater assets has resulted in wastewater infrastructure that is in desperate need of
4 replacement. As I referenced above, I believe the System is very troubled. The System
5 assets need consistent focus, attention and prudent investment going forward. With the
6 best of intentions, the Borough and the GSA has struggled to focus adequately on these
7 underground wastewater assets and the WWTP.

8 I would also highlight that we struggle with finding candidates to participate on the
9 GSA Board. One seat has been open for six months and none of the GSA Board members
10 currently seated have utility experience. The GSA meets on a quarterly basis which can
11 also be a challenge when issues arise in the System. For example, when a customer has an
12 issue with their bill and an adjustment needs to be made, it must go before the GSA Board.
13 When the GSA Board only meets on a quarterly basis, this causes a delay in resolving these
14 issues. These quarterly meeting also cause delays in performing repairs or replacing
15 equipment.

16
17 **Q. Has the Borough and the GSA considered the continued use of outside contractors to**
18 **help run the system?**

19 A. Yes, and that is not what the Borough or the GSA wants to do. While someone could
20 suggest that the GSA can simply hire outside consultants to provide support on capital
21 planning, building, operations and execution, that still takes time, focus and review for the
22 GSA that is not available and frankly, not wanted. A consultant needs a phone call from
23 the GSA, a consultant needs direction from the GSA, and a consultant needs pre-approval

BOROUGH OF GREENVILLE
DIRECT TESTIMONY OF JASSON UREY

1 for any work. In many instances, a bid is needed to do certain work creating delays and
2 further costs. The consultants we have utilized have been very good but going forward,
3 the GSA believes that a one stop shop where there are full time wastewater engineers
4 available who are consistently looking at and overseeing the System is in the best interest
5 of residents.

6

7 **Q. Can you provide examples of issues that have consistently come up related to the GSA**
8 **System?**

9 A. Yes, we experience significant inflow and infiltration (“I&I”) and overloading at the
10 WWTP. In the East and Second Avenues area, we have consistent sewer back ups in
11 customer homes. The wastewater mains have never been replaced and are insufficiently
12 sized to handle heavy flows. The vast majority of the collection system has not had any
13 maintenance or repairs made, which has added to the I&I problem and puts the System at
14 risk of catastrophic failures. The GSA board has continually talked about doing upgrades
15 at the WWTP in my 11-year tenure as manager; however, nothing has developed from
16 those discussions (see Appendix A). Due to the change over in board members and
17 looming significant rate increases, the board has not moved forward with any of the plant
18 and collection system upgrades.

19

20 **Q. Please describe how the GSA handles customer billing and customer service.**

21 A. The current system that the GSA uses for billing customers and customer service is a
22 contracted service with the Greenville Water Authority (“GWA”). Customers receive their
23 water and sewer bills on the same statement. There is an online payment option. The

BOROUGH OF GREENVILLE
DIRECT TESTIMONY OF JASSON UREY

1 problem that arises is there are not extended payment options or programs offered to
2 residents to assist them with making payments. If the bill goes unpaid, the water service
3 is shut off until the GSA bill is paid in full. All customer questions about billing are
4 handled by the GWA unless it pertains to rates. Customers are then directed to the Borough
5 with any questions or concerns. This creates frustration with customers as they feel they
6 are getting the run-around.

7
8 **Q. Why are the GSA wastewater rates so low?**

9 A. There has been very little investment in the System. To make this point, below is the
10 capital spend on wastewater assets for the past three years:

11 - 2022: \$0

12 - 2021: \$299,800. For replacing manholes along Columbia Avenue in coordination with
13 PennDOT.

14 - 2020: \$0

15
16 **Q. Can you please generally describe how the GSA and the Borough ensures safety for
17 its employees?**

18 A. The Borough (through the GSA leasback agreement for day-to-day operations) employs
19 six full-time employees. The bare minimum training is provided for those employees who
20 need to renew their licenses. No additional training is provided for the employees. There
21 are two licensed operators at the WWTP and the other four employees do not have
22 certification or formal training in wastewater operations.

23

BOROUGH OF GREENVILLE
DIRECT TESTIMONY OF JASSON UREY

1 **III. SALE PROCESS**

2 **Q. Please describe the GSA’s decision-making process in moving forward with a sale of**
3 **the System.**

4 A. As described above, the GSA has not kept up with the capital needs of the System. The
5 continuously changing EPA and DEP regulations have added to the growing capital needs
6 that the GSA has found challenging to maintain. In addition to the changing EPA and DEP
7 regulations, the GSA has struggled to simply maintain the System through periodic and
8 prudent infrastructure investment. The Borough struggles with development within the
9 community and does not have the technical expertise or the financial resources to assist
10 with any redevelopment efforts. Due to these reasons and the size and demographic of the
11 customer base, the GSA Board and Borough do not feel that the continued operation of the
12 System by the GSA is sustainable long-term.

13

14 **Q. Did the GSA or Borough request public input on the sale?**

15 A. Yes, multiple meetings were open to the public, and the local newspaper attended all. The
16 first meeting occurred on February 2, 2022, where the GSA Board heard from the
17 representatives of Aqua about their interest in the System. The second public meeting of
18 the GSA Board was held on July 28, 2022, where Aqua gave an update on their due
19 diligence research for the possible acquisition offer for the System. A third public meeting
20 of the GSA Board was held on October 27, 2022, where Aqua presented its acquisition
21 proposal to the GSA. No action on the proposal was taken at that meeting to give time for
22 the GSA to solicit additional public input. The last public meeting of the GSA Board was

BOROUGH OF GREENVILLE
DIRECT TESTIMONY OF JASSON UREY

1 held on November 10, 2022, where the public was able to ask questions of the GSA and
2 Aqua representatives.

3
4 **Q. Did the GSA hold a vote on the sale at a regularly scheduled public meeting, following**
5 **input from Borough residents?**

6 A. Yes, the GSA Board members decided that the Proposed Transaction was in the best
7 interests of the Borough and its customers. After public meetings, as detailed above, the
8 GSA Board voted to authorize the sale of the System to Aqua on November 10, 2022. To
9 be very clear, the GSA does not want or desire to own and operate the System any longer
10 and believes Borough residents will be better served an operator that is focused on
11 wastewater operations, reliability and the long term viability of the wastewater assets.

12
13 **IV. BENEFITS OF THE PROPOSED TRANSACTION**

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

15 A. As described earlier, by moving the operation and management of the System to a company
16 with the experience and resources to operate it more efficiently, the Borough can focus its
17 resources on redevelopment efforts. For several decades, the Borough has struggled with
18 very little development within the community. Not only will the sale to Aqua allow the
19 Borough to focus more time and attention on redevelopment, but it will also allow the
20 community to reinvest the sale proceeds from this transaction into these efforts. As the
21 Borough emerges from Act 47, the only item not accomplished in the Act 47 plan was
22 funding for community redevelopment.

BOROUGH OF GREENVILLE
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1 **Q. Have you reviewed Mr. Martin's Direct Testimony?**

2 A. Yes.

3

4 **Q. Do you agree with the recommendations and plans as described in Mr. Martin's**
5 **Direct Testimony?**

6 A. Yes.

7

8 **Q. Please expand on a long term benefit of the sale.**

9 A. Through the consummation of this transaction, I believe knowing that the same issues of
10 the past will not repeat themselves is a benefit to our Greenville customers. In selling to
11 Aqua, we will be assured that the problem of avoidance of infrastructure upgrades at the
12 risk of any increase in rates will not repeated. I believe a professional utility that is focused
13 on utility operations, like Aqua, will prudently invest in the infrastructure and over time
14 gradually increase rates commensurate with that prudent investment. I believe Aqua can
15 bring consistent, prudent investment and cost recovery in a gradual way going forward.

16

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

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

21

BOROUGH OF GREENVILLE
DIRECT TESTIMONY OF JASSON UREY

1 V. **RATES**

2 **Q. How does the GSA set the rates it charges customers for wastewater treatment and**
3 **collection?**

4 A. Every year in October, the Borough evaluates the anticipated revenue and expenditures for
5 the current year. It then projects the income and expenses for the coming year. This
6 practice helps the Borough review current and anticipated customer rates to determine
7 whether a rate change is needed. Any rate changes become effective on January 1st of the
8 following year.

9 Through inter-municipal agreements with Hempfield and West Salem, both
10 townships bill their own customers and remit the total amount collected to the GSA, less a
11 15% reduced amount which is held for administrative billing purposes. On top of the 15%,
12 Hempfield withholds an additional 10% to maintain its collection system. The Borough
13 conducts the maintenance of the West Salem collection system, thus, no further
14 withholding is made from their remittance.

15

16 **Q. How frequently does the GSA adjust rates?**

17 A. Rates are typically adjusted annually. Recently, GSA adopted a new resolution on October
18 23, 2023, Resolution 2023-22 of the Borough Council, which was done to match the current
19 billing practice and to make clear the gallonage blocks for the per 1,000 gallon rates.

20

BOROUGH OF GREENVILLE
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Minimum Charge (up to the first 500 gallons)	\$10.50 Per Month Per Unit*
	Per 1,000 gallons
For next 2,000 gallons	\$3.84
For next 2,000 gallons	\$4.05
For next 3,500 gallons	\$4.13
For next 24,500 gallons	\$4.18
For next 117,500 gallons	\$4.26
For next 100,000 gallons	\$4.40
For next 75,000 gallons	\$4.47
Anything over 325,000 gallons	\$4.69
Well users flat charge	\$30.41 Per Month Per Unit*

1 **Per Unit – All structures with multiple units will be billed per each individual unit.

2 There is also a Sewer Debt Service Fee of \$6.96 per Equivalent Dwelling Unit
3 (“EDU”), but I understand that Aqua will not be adopting this charge. A copy of the sewer
4 rates resolution is attached to the Application as Exhibit H. For the average wastewater
5 customer, they pay approximately \$23 per month. The GSA has not changed its rates in
6 over 10 years.

7
8 **Q. Based on your experience, has the GSA been focused on replacing the aging
9 wastewater infrastructure?**

10 A. As stated above, the GSA has not been focused on the wastewater assets and there has not
11 been a desire to increase wastewater rates to fund any improvements for the System. I
12 believe the wastewater rates reflect the lack of investment in the System.

13
14 **Q. What is your understanding of the rate impacts on GSA customers in your
15 community if the Commission approves the sale?**

16 A. I understand that on a stand alon basis, rates could potentially increase to \$64.84 per month.

BOROUGH OF GREENVILLE
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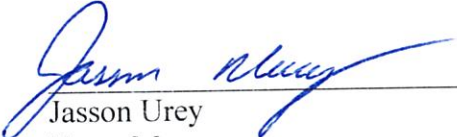
1 VI. **CONCLUSION**

2 Q. **Does this conclude your Direct Testimony?**

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

VERIFICATION

I, Jasson Urey, Town Manager of the Borough of Greenville, hereby state that the facts set forth in my Direct Testimony, Greenville Statement No. 1 in the matter at PaPUC Docket No. A-2023-3041695, 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).



Jasson Urey
Town Manager
Borough of Greenville

Dated: August 14, 2024

The Record-Argus RecordArgusNews.com

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Authority won't partner with PennDOT again after seeing the bill

October 29, 2021

By CALEB STRIGHT
cstright@recordargusnews.com



As PennDOT began planning its big 2020 paving project of the length of Columbia Avenue, Greenville Sanitary Authority thought it would partner with the state agency.

The authority could complete its Columbia manhole work before the road gets a new surface, and authority leaders anticipated saving a little money having the project bid with the larger paving project.

"We're probably not going to partner on a project like that with them again," Town Manager Jasson Urey said.

The authority's engineers estimated the work at \$140,000, but its bill from PennDOT was nearly \$300,000 — more than double.

Urey said contractors bid on the work — PennDOT's paving, the authority's manhole work and others — as a package, with the authority having no option to accept or reject the bid.

So, as the authority looks to take on work on Clarksville Street (Route 18) ahead of PennDOT paving work there, it doesn't plan to partner with the state agency. It instead will be looking to work with Greenville Water Authority, which also looks to replace lines there.

With some residents questioning how the \$75 annual storm water utility fee is used, Paul Hamill — who is a board member of the authority and president of town council — said revenue from that fund will go toward storm water work on Clarksville.

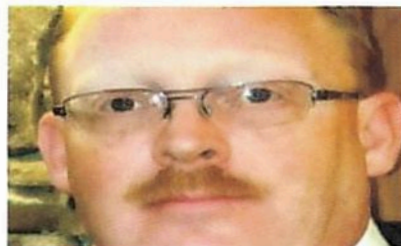
The sanitary authority's next scheduled meeting is 6 p.m. Jan. 27.

Related Stories by Record Argus



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Greenville sewer bills likely to rise with plant overhaul

July 31, 2021

By MARIA ELLIOTT

melliott@recordargusnews.com



Urey

Sewer bills will likely be going up in Greenville, and West Salem and Hempfield townships, as Greenville Sanitary Authority moves forward with a \$20 million overhaul of the Greenville Wastewater Treatment Plant.

The authority unanimously voted Wednesday to recommend the town council raise monthly rates as early as January 2022, under the suggestion of Town Manager Jasson Urey.

The monthly rates would raise by \$2.71 beginning in January 2022 and \$6.69 in January 2023 per equivalent dwelling unit, or EDU, should council approve the hike. The \$6.69 increase would stay in place for five years, which is the lifetime of the loan.

An EDU refers to the amount of sanitary sewer service used by one household. Multi-family homes or commercial buildings can have more than one EDU, because they have a higher usage of the services.

The borough charges a flat rate to the townships and to some Greenville residents, but more depending on water usage if the residence has a water meter.

The authority first approved a motion to take out the loan in April but will only be making payments on the interest of the loan until the full amount has been disbursed.

The loan is being "drawn down," or more money is being borrowed in portions, to avoid overborrowing for the project.

There will only be five drawdowns of the loan this year, adding up to about \$38,000 in interest, which is why rates are only expected to rise by a couple dollars next year.

Urey estimated the full amount of the loan will be taken out near the end of 2022, once design plans for the project have been finalized when rates are expected to raise the full \$6.69 a month.

"I don't think anyone's excited about raising the rates," said Sanitary Authority Chairman Jonathan Bailey. "It's a logical process, I think, and it explains what we're doing."

Sewer rates were last raised in 2011 to fund a project for the authority but were lowered again after the project had been completed.

John Mowry, an engineer with K LH Engineers, said material costs have risen significantly over the last year, but hopes those will be down by the time the project breaks ground in 2024.

Mowry said there will likely be a cost re-assessment on the project to determine if more funds will need to be secured.

"Next year, we're going to have to re-do our cost estimate and look at where we are," he said. "If it's going to come in over the \$20 million, then we've got to come up with it."

The authority was placed under a consent order several months ago by the Pennsylvania Department of Environmental Protection, according to Mowry. The wastewater treatment plant was not able to meet new DEP standards of chlorine residuals for disinfectant purposes.

Urey said the consent order shows why the upgrade of the plant is necessary, because the plant cannot continue to keep up with rising standards with outdated equipment.

"Our plant is over 50 years old. It's well beyond the life expectancy of a lot of the equipment," Urey said. "We knew we had to try to get ahead of this and this is why we need to try to do these upgrades to this plant."

The consent order was put in place to allow upgrades to be made to the sewage treatment facility to meet those higher standards put in place by the DEP.

Lyle Huffman, assistant town manager, also noted that the wastewater plant has a new interim foreman. The interim foreman, Isaiah Vernon, will be present for August's meeting to give updates on the new management of the plant.

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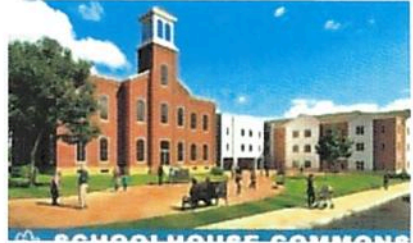
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The Record-Argus

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With plant project, sewer bills could double

April 15, 2016

By CALEB STRIGHT
cstright@recordargusnews.com



Shaw

As the Greenville Sanitary Authority continues toward its \$27 million plant overhaul, most recent projections show bills for authority customers roughly doubling because of the work. Those estimates would put Greenville sewer rates at around \$40 to \$45 per month by the end of the project.

"That's a substantial increase," authority Chair Don Shaw said.

"And the borough's not exactly prosperous," board member Henry Mueller added.

The board voted Thursday to advertise the plan, but engineer Sam Gibson, of KLH Engineers, said any hikes are still years off, and may be smaller as the board pursues funding options.

Once the authority advertises the plan — called an Act 537 plan — the public will have 30 days to comment on it, after which Gibson plans to send it on to the Department of Environmental Protection to review, likely in June. From there, the authority has estimated that the project won't break ground for at least two years.

Current plans for the \$27 million project would convert the plant's current trickle filtration system to a membrane bioreactor.

To put the need for the project in perspective, Greenville Director of Public Services Lyle Huffman has pointed out that the plant's sludge pumps are 61 years old.

"We've got to look at it from both sides," Shaw said. "If this thing drops tomorrow, we're really in trouble."

To help finance the project, the authority will be looking into the Pennsylvania Infrastructure Investment Authority, which could offer grants or low-interest loans, options that could trim away from the projected rate increase.

"I want to thank KLH for the long fought battle for the Act 537 plan," Huffman said, of work on the plan, which began in 2013.

When factoring in the borough's other projects — including the Storm Water Utility, which will ultimately repair much of the storm water system — "the borough will be in a good place soon," Huffman said.

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Greenville Sanitary Authority engineers research potential monthly bills after plant upgrade

February 12, 2016

By CALEB STRIGHT

cstright@recordargusnews.com

As the Greenville Sanitary Authority inches closer to a multi-million-dollar plant upgrade, its engineers have begun work on what monthly bills for authority customers might look like.

KLH Engineers are suggesting a \$27 million project that the firm believes — in very early estimates — could leave sewer bills at \$40 to \$50 per month for the average customer.

With the project still years off, John Mowry of KLH said that number could change in either direction.

"The cost of construction goes up," he said. "Things change."

A rate change caused by the project could be at least four years off.

KLH is recommending a project that would install a membrane bioreactor, which although isn't the least expensive option on the table, the engineers argue, it's the most cost-effective.

The least expensive would be installing headworks, which wouldn't provide a denitrification process that Mowry said the state may soon require out of the plant. To add denitrification afterward would require another costly project.

While it's not the cheapest, engineer Sam Gibson said other options would cost millions more.

While a project will cost the authority and its customers, both the board and its engineers agreed the plant needs work.

"Sooner or later, you're going to have to bite the bullet," Mowry said. "And it's not going to get any cheaper."

To put the need for the project in perspective, Greenville Director of Public Services Lyle Huffman pointed out that the plant's sludge pumps are 61 years old.

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Sanitary board: Contentious renegotiations inevitable

June 12, 2015

By CALEB STRIGHT

cstright@recordargusnews.com



Shaw

As the Greenville Sanitary Authority continues work toward big upgrades at its plant, it's finding it will likely have to tackle what could be contentious renegotiations with Hempfield and West Salem townships. "It's going to be ugly, but (the question is) when are you going to talk about it?" HRG engineer Chad Hanley said.

Hanley encouraged the board to renegotiate its intermunicipal agreements with the townships because the documents are "awkward."

They're awkward, he explained, because the West Salem agreement includes multiple amendments which make interpreting the agreement difficult; both townships bill based on units that the townships — not the authority — established; and both townships pay in what the board called a tail-wagging the-dog arrangement.

"They're telling us what they owe us," authority board President Don Shaw said.

The sanitary board argues that because it owns the plant that treats the townships' waste water, the sanitary authority should be dictating the bill.

"I say it's going to be inevitable," Shaw said of renegotiating.

"I encourage the neighboring municipalities to be open to the process," Public Service Director Lyle Huffman said. "We don't expect everyone to like it."

Hanley's suggestion comes as the sanitary authority continues work on an Act 537 plan, a process it's embarked on to organize major upgrades to its plant.

The sanitary authority is pouring big money into repairing the 60-year-old plant each year, Huffman said, and if it continues on the same trajectory, the plant will inevitably, at some point, shut down.

"If that plant goes down, it's not just Greenville," he said. "West Salem and Hempfield go down, too."

"To the credit of the authority," Huffman added, "they're not willing to let that happen."

The board said the plant will likely need a \$7 million to \$35 million overhaul, which is at a minimum five years away.

Hanley's recommendation came while presenting his audit on the townships' payments to the authority.

"You're most likely receiving pretty close to the revenue you're supposed to be receiving," he said.

The board plans to look further at the issue including at one of Shaw's concerns — he expects that some West Salem residents living at the end of a street of mostly Greenville homes are tapped into the Greenville system but aren't being billed.

Hanley encouraged Huffman to provide specific examples of suspect houses so that he could look into it.

The Record-Argus RecordArgusNews.com

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Big projects could lead to bigger sewer bills

August 15, 2014

By CALEB STRIGHT
cstright@recordargusnews.com

With large portions of Greenville's waste water treatment plant nearing or exceeding their life expectancies, the Greenville Sanitary Authority is looking at projects that could cost between \$10 million and \$28 million, and in a worst-case scenario, raise customer bills at least \$7.25 per month to replace or improve a portion of them.

Because potential price tags are so large, the authority plans to present their three options to the two other municipalities that use the system — Hempfield and West Salem townships — but Chad Hanley, the authority's engineer, is concerned it may not be an easy sell. Whereas projects these size usually come out of Department of Environmental Protection demands, the Greenville authority is working proactively.

Those DEP demands exist, Hanley said, because "places let plants fall apart. They run them three, four, five years in violation. On the engineering side, that's what we see a lot more of."

Greenville's plant workers, on the other hand, have kept their facility in shape, but with portions of the equipment at 22 years of a 25-year lifespan, Hanley said he couldn't guarantee how much longer they'll run.

Hanley and borough representatives have whittled down the list of options to three, the smallest project of which would build a headworks. It's something the plant doesn't currently have, would remove inorganic matter at the beginning of treatment and "cleans up a lot of the causes we face downstream of the process," borough Public Services Director Lyle Huffman said.

The headworks alone would cost just shy of \$11 million, Hanley said, and in a worst-case scenario, cost customers \$7.25 more per month on their sewer bills.

That option is the least expensive, but if the authority doesn't take on work beyond that, Hanley said he couldn't guarantee the authority wouldn't have to take on another big project in a matter of years.

The second option would build the headworks as well as build and replace portions of the plant that include a clarifier distribution box and drying beds, as well as converting the plant's process to ultraviolet disinfection.

The option would run \$26.1 million and raise bills \$26 per month in Hanley's worst-case estimates.

The third option would also build the headworks and a membrane bioreactor, which Hanley said would prepare the system for stricter nutrient limits that are currently in place in other portions of the region and could eventually make their way here.

That option would run \$28 million and could raise bills \$28 per month.

The Record-Argus

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New project could hike rates

October 12, 2012

By CALEB STRIGHT

cstright@recordargusnews.com

A project on the horizon for the Greenville Sanitary Authority could be large enough to nudge up sewer bills.

At the authority's meeting Thursday, authority engineer Chad Hanley recommended the roughly \$5 million headworks replacement project because inflow pumps at the authority's wastewater treatment plant are "shot."

The project would build a new headworks, which removes larger material from incoming wastewater, and would also construct a new structure on the plant's property for the new inflow pumps.

The current inflow pumps are in the plant's basement, and for all intents and purposes, would be abandoned.

The authority board gave Hanley the nod Thursday night to begin initial investigations into the project, including establishing a firmer cost estimate and timeline.

If the authority goes ahead with the \$4 million to \$5 million project, its bill for the loan would be about a quarter-million dollars each year, or about \$22,000 each month.

With that in mind, the authority's board said it may need to slightly increase its rates to cover the costs, but Borough Manager Jasson Urey was confident that bump wouldn't be a large one.

Hanley said the pumps are in good condition for their age, but they are approximately 50 years old.

And in recent months, he said, the age of the pumps has caused numerous breakdowns, which have "become a real hardship on everyone."

He estimated that the project would take two and a-half years.

In addition to the pumps and headworks, the authority board gave the go-head to bid out a project to smoke test the lines in the West Salem Township portion of the system.

To test the 120,000 feet of pipe will cost approximately \$40,000.

EXHIBIT V

(Updated)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

BOROUGH OF GREENVILLE STATEMENT NO. 2

**DIRECT TESTIMONY OF
DYLAN W. D'ASCENDIS**

November 2023

Updated April 2024

BOROUGH OF GREENVILLE
DIRECT TESTIMONY OF DYLAN W. D'ASCENDIS

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BOROUGH OF GREENVILLE
DIRECT TESTIMONY OF DYLAN W. D'ASCENDIS

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

3 A. My name is Dylan W. D'Ascendis. My business address is 3000 Atrium Way, Suite 200,
4 Mount Laurel, NJ 08054.

5

6 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

7 A. I am employed by ScottMadden, Inc. ("ScottMadden") as Partner.

8

9 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EDUCATION AND EXPERIENCE.**

10 A. I offer expert testimony on behalf of investor-owned utilities on rate of return issues and
11 class cost of service issues. I am a Utility Valuation Expert ("UVE") (Utility Code
12 9919278) in the Commonwealth of Pennsylvania approved by the Pennsylvania Public
13 Utility Commission (the "Commission" or "PUC"). I also assist in preparing rate filings,
14 including, but not limited to, revenue requirements and original cost and lead/lag studies.
15 I am a graduate of the University of Pennsylvania, where I received a Bachelor of Arts
16 degree in Economic History. I also hold a Master of Business Administration from Rutgers
17 University with a concentration in Finance and International Business, which was
18 conferred with high honors. I am a Certified Rate of Return Analyst ("CRRRA") and a
19 Certified Valuation Analyst ("CVA"). My full professional qualifications, including my
20 expert witness appearances, are provided in Attachment A.

21

BOROUGH OF GREENVILLE
DIRECT TESTIMONY OF DYLAN W. D'ASCENDIS

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

2 A. Yes. I have testified before the Commission on several occasions as shown on Attachment
3 A.

4 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
5 **PROCEEDING?**

6 A. The purpose of my Direct Testimony is to describe the fair market value appraisal of the
7 wastewater system (the “System”) owned by the Greenville Sanitary Authority (“GSA”)
8 that I performed at the request of the Town of Greenville (the “Town” or “Greenville”).
9 The GSA is selling the System to Aqua Pennsylvania Wastewater, Inc. (“Aqua”), a
10 subsidiary of Essential Utilities, Inc. ScottMadden’s Valuation Report is entitled
11 “Valuation Report for the Town of Greenville, updated as of October 6, 2023.” The
12 appraisal and its report were developed to meet the criteria established in Section 1329 of
13 the Pennsylvania Public Utility Code (“Code”), 66 Pa. C.S. § 1329 (“Determination of the
14 fair market value of water and wastewater assets”).

15 In its 2015-2016 legislative session, the Pennsylvania Legislature passed Act 12 of
16 2016 and Governor Wolf signed into law Section 1329 of the Code establishing the
17 legislative guidelines facilitating the acquisition of municipal water and wastewater
18 systems by private investor-owned utilities and other entities which are rate-regulated by
19 the PUC.

20

BOROUGH OF GREENVILLE
DIRECT TESTIMONY OF DYLAN W. D'ASCENDIS

1 **II. QUALIFICATION AS UTILITY VALUATION EXPERT**

2 **Q. ARE YOU ON THE COMMISSION'S REGISTRY OF UTILITY VALUATION**
3 **EXPERTS?**

4 A. Yes. I am an UVE in the Commonwealth of Pennsylvania approved by the PUC (Utility
5 Code 9919278).

6

7 **Q. PLEASE DESCRIBE THE PROCESS BY WHICH SCOTTMADDEN WAS**
8 **PLACED ON THE COMMISSION'S REGISTRY OF UTILITY VALUATION**
9 **EXPERTS.**

10 A. After passage of Section 1329 of the Code, the Commission established an application
11 process by which the Commission would approve and designate firms to be placed on the
12 Commission's "Registry of Utility Valuation Experts." ScottMadden submitted its
13 application and the required proof of experience on October 13, 2016 and received
14 confirmation and approval from the Commission of ScottMadden's placement on the
15 Commission's UVE Registry on December 7, 2016. ScottMadden has met the
16 requirements to remain on the Commission's registry ever since.

17

18 **Q. HAVE YOU EVER HAD YOUR PROFESSIONAL CREDENTIALS REVOKED**
19 **OR SUSPENDED?**

20 A. No.

21

BOROUGH OF GREENVILLE
DIRECT TESTIMONY OF DYLAN W. D'ASCENDIS

1 **Q. DO YOU HAVE SPECIFIC EXPERIENCE WITH THE VALUATION AND**
2 **APPRAISAL OF UTILITY ASSETS?**

3 A. Yes. Please see Attachment A for the details of my valuation assignments.
4

5 **Q. HAVE YOU, SCOTTMADDEN, OR ANY OF ITS STAFF DERIVED ANY**
6 **MATERIAL FINANCIAL BENEFIT FROM THE SALE OF THE SYSTEM'S**
7 **ASSETS OTHER THAN FEES FOR YOUR SERVICES RENDERED?**

8 A. No.
9

10 **Q. ARE YOU, SCOTTMADDEN, OR ANY OF ITS STAFF AN IMMEDIATE**
11 **FAMILY MEMBER OF A DIRECTOR, OFFICER, OR EMPLOYEE OF AQUA,**
12 **KLH ENGINEERS, INC. OR GREENVILLE?**

13 A. No.
14

15 **Q. IS SCOTTMADDEN IN COMPLIANCE WITH APPLICABLE PENNSYLVANIA**
16 **LAWS?**

17 A. Yes.
18

19 **Q. DOES SCOTTMADDEN HAVE THE FINANCIAL AND TECHNICAL FITNESS,**
20 **INCLUDING PROFESSIONAL LICENSES AND TECHNICAL**
21 **CERTIFICATIONS, TO PERFORM A FAIR MARKET VALUATION OF THE**
22 **SYSTEM'S ASSETS?**

23 A. Yes.

BOROUGH OF GREENVILLE
DIRECT TESTIMONY OF DYLAN W. D'ASCENDIS

1 **Q. ARE YOU AWARE OF ANY FACT, INCLUDING BUT NOT LIMITED TO ANY**
2 **POTENTIAL CONFLICT OF INTEREST, WHICH WOULD CAST DOUBT UPON**
3 **YOUR ABILITY TO PROVIDE A THOROUGH, OBJECTIVE, UNBIASED, AND**
4 **FAIR VALUATION IN THIS PROCEEDING?**

5 A. No.

6

7 **Q. ARE YOU ADVOCATING FOR ANY PARTY OR OUTCOME?**

8 A. No.

9

10 **Q. DID YOU MAKE ANY UPDATES TO YOUR APPRAISAL AFTER IT WAS**
11 **SUBMITTED TO GREENVILLE, AND IF SO, WHAT WAS THE UPDATE,**
12 **WHEN WAS IT MADE, AND WHY WAS IT NECESSARY?**

13 A. Yes. I originally submitted my appraisal on September 22, 2023, but identified a
14 discrepancy in the return on equity data, which was corrected and the appraisal updated on
15 October 6, 2023. The correction eliminated a size adjustment to the recommended cost of
16 common equity cost rate used in the income approach. I also revised the original appraisal
17 updated on October 6, 2023 to incorporate the February 2024 inventory revision in the
18 Engineers Assessment. This revised version is reflected in Aqua's Exhibit R to the
19 Application.

20

BOROUGH OF GREENVILLE
DIRECT TESTIMONY OF DYLAN W. D'ASCENDIS

1 **III. FEES PAID FOR UTILITY VALUATION EXPERT SERVICES**

2 **Q. HOW IS SCOTTMADDEN BEING COMPENSATED FOR ITS SERVICES IN**
3 **THIS MATTER?**

4 A. ScottMadden is being compensated on a fee basis, which includes a fixed fee upon delivery
5 of the initial valuation report, and hourly rates for any services rendered thereafter. True,
6 correct, and complete copies of ScottMadden's invoices to Greenville for this matter, as of
7 the date of Application filing, are attached to Aqua's Application as Appendix S2 and I
8 incorporate those invoices in my Direct Testimony as if set forth in their entirety.

9

10 **Q. WILL SCOTTMADDEN RECEIVE FEES FOR ITS SERVICES REGARDLESS**
11 **OF WHETHER THE COMMISSION APPROVES THE PROPOSED**
12 **TRANSACTION OR WHETHER IT CLOSES?**

13 A. Yes.

14

15 **Q. ARE THESE FEES CONSISTENT WITH COMPENSATION RECEIVED FOR**
16 **SIMILAR SERVICES PROVIDED TO OTHER CLIENTS?**

17 A. Yes.

18

19 **IV. FAIR MARKET VALUATION OF THE SYSTEM'S ASSETS**

20 **Q. PLEASE IDENTIFY APPENDIX R TO THE APPLICATION IN THIS**
21 **PROCEEDING?**

22 A. Appendix R of Aqua's Application includes my appraisal report dated October 6, 2023,
23 which I prepared for Greenville to be filed in this proceeding.

BOROUGH OF GREENVILLE
DIRECT TESTIMONY OF DYLAN W. D'ASCENDIS

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Q. HOW DO YOU RECOGNIZE IT?

A. I personally prepared and supervised ScottMadden personnel in preparing the report and recognize it as ScottMadden's work product.

Q. IS APPLICATION APPENDIX R A TRUE, COMPLETE, AND ACCURATE COPY OF YOUR VALUATION REPORT?

A. Yes, and I incorporate it into my Direct Testimony as if set forth in its entirety.

Q. PLEASE DESCRIBE THE PROCESS BY WHICH YOU PREPARED THE VALUATION REPORT.

A. In accordance with Section 1329 of the Code, Greenville and Aqua engaged KLH Engineers, Inc. ("KLH") as the licensed engineer to conduct an assessment of the System's tangible assets. Greenville engaged ScottMadden to prepare the fair market valuation report for the System. Greenville provided financial statements regarding their operations and also provided a copy of the KLH Greenville Facilities Engineering Assessment (the "Engineering Assessment"), developed by KLH as required by Section 1329(a)(4). After those activities and data gathering, we developed the appraisal.

The appraisal contains a letter of transmittal; a narrative report explaining our methodology and conclusions; a statement of assumptions and limiting conditions; a statement of the Valuation Analyst's Representations; a statement of the professional qualifications of Dylan W. D'Ascendis, CVA, CRRA and Paul Scarinci; and various schedules and appendices.

BOROUGH OF GREENVILLE
DIRECT TESTIMONY OF DYLAN W. D'ASCENDIS

1 The intent of the valuation report is to provide the appraisal results, as well as the
2 entire appraisal work file, in sufficient detail to satisfy the parties' and Commission's
3 review requirements of Section 1329 and the Commission's Final Implementation Order,
4 *In re: Implementation of Section 1329 of the Public Utility Code*, Docket No. M-2016-
5 2543193 (Order entered October 27, 2016). In addition to a copy of my appraisal report, I
6 have provided supporting workpapers for the appraisal report. The relevant workpapers
7 have been submitted to the Commission with the Application and provided to the Public
8 Advocates in live electronic format. ScottMadden considers the live electronic files, which
9 are in Excel format, to be CONFIDENTIAL.

10
11 **Q. IS THERE ANYTHING THAT YOU WOULD CHANGE IN THE VALUATION**
12 **REPORT SINCE ITS PREPARATION AND UPDATE?**

13 A. No.

14
15 **Q. WAS THE FAIR MARKET VALUATION OF THE SYSTEM'S ASSETS**
16 **DETERMINED IN COMPLIANCE WITH THE UNIFORM STANDARDS OF**
17 **PROFESSIONAL APPRAISAL PRACTICE ("USPAP")?**

18 A. Yes. Included in ScottMadden's cover letter is a statement of our valuation report's
19 compliance with USPAP.

20
21 **Q. DID YOU EMPLOY THE COST, MARKET AND INCOME APPROACHES IN**
22 **PREPARING YOUR VALUATION?**

BOROUGH OF GREENVILLE
DIRECT TESTIMONY OF DYLAN W. D'ASCENDIS

1 A. Yes. We developed our appraisal utilizing the cost, market, and income approaches as
2 required by USPAP and Section 1329 of the Code. These approaches are summarized
3 below.

4 **Table 1: Summary of Indicated Values**

Valuation Approach	Indicated Value
Cost Approach	\$18,460,465
Market Approach	\$18,136,695
Income Approach	\$19,372,669

5

6 **Q. DID YOU RELY UPON A LICENSED ENGINEERING ASSESSMENT OF THE**
7 **TANGIBLE ASSETS OF THE SYSTEM IN PERFORMING YOUR VALUATION?**

8 A. Yes. As stated above, Greenville and Aqua engaged KLH as the licensed engineer to
9 conduct an assessment of the System's tangible assets. Greenville provided a copy of the
10 Engineering Assessment developed by KLH as required by Section 1329(a)(4). A copy of
11 the Engineering Assessment is included as Appendix D to the Application.

12

13 **Q. DID THE ENGINEERING ASSESSMENT INCLUDE AN INVENTORY OF THE**
14 **USED AND USEFUL UTILITY PLANT ASSETS TO BE TRANSFERRED**
15 **COMPILED BY YEAR AND ACCOUNT?**

16 A. Yes.

17

18 **Q. DID THE ENGINEERING ASSESSMENT LIST ALL NON-DEPRECIABLE**
19 **PROPERTY SUCH AS LAND AND RIGHTS-OF-WAY?**

20 A. Yes.

BOROUGH OF GREENVILLE
DIRECT TESTIMONY OF DYLAN W. D'ASCENDIS

1 **Q. TO THE BEST OF YOUR KNOWLEDGE, WAS THE ENGINEERING**
2 **ASSESSMENT DEVELOPED FROM AVAILABLE RECORDS, MAPS, WORK**
3 **ORDERS, DEBT ISSUE CLOSING DOCUMENTS FUNDING CONSTRUCTION**
4 **PROJECTS, AND OTHER SOURCES TO ENSURE AN ACCURATE LISTING OF**
5 **UTILITY PLANT INVENTORY BY UTILITY ACCOUNT?**

6 A. Yes.

7

8 **Q. DO YOU HAVE ANY REASON TO DOUBT THE ACCURACY OF THE**
9 **ENGINEERING ASSESSMENT INVENTORY OF THE ASSETS?**

10 A. No.

11

12 **Q. DID YOU INCORPORATE THE ENGINEERING ASSESSMENT INTO YOUR**
13 **COST APPROACH IN DEVELOPING YOUR VALUATION?**

14 A. Yes.

15

16 **Q. DID YOU HAVE TO EXERCISE PROFESSIONAL DISCRETION IN**
17 **DEVELOPING ANY ASPECT OF YOUR VALUATION?**

18 A. Yes. The use of professional discretion is detailed throughout Application Appendix R,
19 where applicable.

20

BOROUGH OF GREENVILLE
DIRECT TESTIMONY OF DYLAN W. D'ASCENDIS

1 **Q. PLEASE DESCRIBE ANY ASSUMPTIONS, EXTRAORDINARY**
2 **ASSUMPTIONS, HYPOTHETICAL CONDITIONS, AND/OR LIMITING**
3 **CONDITIONS THAT YOU APPLIED TO THE VALUATION.**

4 A. The Statement of Assumptions and Limiting Conditions and the Valuation Analyst's
5 Representations are provided in Appendices A and B to Appendix R of the Application.

6 Three examples of the limiting conditions for this valuation are:

- 7 • Original costs were not available for all assets, and as such, ScottMadden relied
8 on estimated replacement costs as outlined in the KLH Greenville Facilities
9 Engineering Assessment as the basis for estimating original costs in certain
10 instances;
- 11 • Consumption data and equivalent domestic unit ("EDU") calculations by
12 different sources were inconsistent; and
- 13 • Detailed breakdowns of revenues and expenses were not available in the income
14 approach.

15

16 **Q. HOW DID YOU DEVELOP THE WEIGHTING APPLIED TO EACH APPROACH**
17 **IN YOUR APPRAISAL AND WHY ARE THE INDIVIDUAL WEIGHTS YOU**
18 **CHOSE APPROPRIATE FOR THE PROPOSED TRANSACTION?**

19 A. No method of valuation will produce the exact value of a business. A valuation study
20 cannot incorporate market conditions at the time of sale or predict a potential investor's
21 desire, or lack thereof, to acquire the business. Greenville's desire to sell additional assets
22 to the potential acquirer may increase the desire of some investors, and as a result, increase
23 the value of both sets of assets. Our valuation and report cannot incorporate these
24 considerations.

25 I have determined the range of values of System assets based on the relative
26 weighting of the three valuation methods. The weightings indicate the value placed on

BOROUGH OF GREENVILLE
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1 each appraisal method from the valuation expert. In my opinion, the Income and Market
2 Approaches should each receive 40% weight and the Cost Approach 20% weight. The
3 reason for this is the Cost Approach does not accurately represent the System's value as it
4 cannot reflect the revenues from outside of the boundaries of the Town, and more
5 specifically, from West Salem and Hempfield. In this instance, the value of the System is
6 not only reflected in its physical assets, but its flow volumes from outside the Town. The
7 indicated result based on the Cost Approach would remain the same regardless of whether
8 Greenville's assets continue to serve outside the boundaries or not. In lieu of valuing
9 Greenville's contracts with a customer base outside of Greenville as intangible assets,
10 ScottMadden has simply assigned less weight to the results of the Cost Approach. The
11 ranges of values and relative weightings of the valuation approaches for each scenario are
12 set forth in Table 2, below:

Table 2: Conclusion of Value for the System

Valuation Approach	Indicated Value	Weight	Weighted Value
Cost	\$18,460,465	1/5	\$3,692,093
Market	\$18,136,695	2/5	\$7,254,678
Income	\$19,372,669	2/5	\$7,749,068
Indicated Value		100%	\$18,695,839

15
16 A. Cost Approach

17 **Q. REGARDING YOUR APPLICATION OF THE COST APPROACH, WHAT**
18 **METHOD DID YOU USE TO DETERMINE THE COST APPROACH RESULT?**

19 A. I used a trended original cost method to determine the original cost new, less depreciation
20 ("RCNLD") of the System's assets. In order to arrive at the Reproduction Cost New for

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1 the System's assets, I began with the original cost of the assets provided by the Engineering
2 Assessment and used the Handy-Whitman Index ("HW Index") to determine the current
3 reproduction value. The HW Index is prepared specifically for electric, gas, and water
4 utilities, and is the only publication of its kind available to the public. The HW Index has
5 been published continuously since 1924. The HW Index is comprised of historical index
6 values for various accounts prescribed by the NARUC Uniform System of Accounts, as
7 well as for construction, material, and labor, by geographic region of the United States.
8 For assets not included in the HW Index (specifically computer servers, electrical
9 equipment, office equipment, and utility vehicles), ScottMadden used the Producer Pricing
10 Index.

11 The trended original cost method consists of the development of adjustment factors
12 from the time when the asset was put into service to the current date. For example, an
13 average main (NARUC account 331) placed into service in 1985 with an original cost of
14 \$100,000 would be trended forward by the ratio of the HW Index value at the current date
15 divided by the HW Index value at the time of installation. The HW Index value of NARUC
16 account 331 in January 2023 is 1080.00, and the HW Index value in 1985 when the assets
17 were installed was 254.00, which means the ratio applied to the original cost of the main
18 would be 4.25.¹ This would translate into a current cost for that main of \$425,000.²

19 The next step in deriving the RCNLD for the System's assets is to quantify the
20 amount of physical deterioration, functional obsolescence, and economic obsolescence of
21 the assets. Physical deterioration is caused by use, wear and tear, and the aging process.

¹ 1080.00 / 254.00 = 4.25.

² (1080.00 / 254.00) x \$100,000 = \$425,000.

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1 Functional obsolescence is caused by changes in design or construction to create
2 efficiencies not present in the current asset. Economic obsolescence is a loss in value due
3 to external factors not in the control of Greenville, such as economic conditions. The most
4 common measure of physical deterioration is the reserve held for depreciation, which is
5 based on the asset's remaining life versus its average useful life. Functional obsolescence
6 is measured by comparing the subject asset to a replacement asset with current technology.
7 The Engineering Assessment found no significant functional obsolescence for System
8 assets. Economic obsolescence is usually measured by market conditions, which have been
9 supportive towards the water and wastewater industries in the recent past, as well as
10 prospectively, so I do not believe there is significant economic obsolescence present in the
11 System's assets. Since the only applicable measure of loss of value is physical
12 deterioration, the useful lives for each asset were determined, and reserves for depreciation
13 were calculated for each System asset.

14
15 **Q. HOW DID YOU CALCULATE THE DEPRECIATION RESERVE FOR EACH**
16 **ASSET?**

17 A. First, I determined the useful life for each asset,³ then I reduced the original cost of each
18 asset each year by 1/useful life until the asset was fully depreciated or through July 2023,
19 whichever one came first, and put that value into the depreciation reserve.

20

³ Useful lives are based on the System of Accounts for Water and Wastewater Utilities – with 200 or more connections from the Public Utility Commission of Texas with three exceptions. I used a 75-year useful life for mains as determined by the PUC in Docket No. A-2019-3008491, a 50-year useful life for structures, and a 10-year useful life for transportation equipment. My use of both 50 and 10-year useful lives for structures and transportation equipment was not challenged by PUC Staff in Docket No. A-2019-3015173.

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1 **Q. WHAT IS THE INDICATED VALUE OF THE SYSTEM'S ASSETS BASED ON**
2 **THE COST APPROACH?**

3 A. Using the HW Index, and the Producers and Consumers Pricing Indices to trend the original
4 cost, less depreciation of the System's assets forward, I derived a Reproduction Cost New
5 minus depreciation of \$18,460,465, as shown on Schedule 1 of Appendix R.

6 As stated above, the value derived from the cost approach is based solely on the
7 System's underlying assets, which means it does not take into account the expected cash
8 flows of these assets. For the System, this difference is significant. The System derives
9 approximately 29% and 14% of its historical and expected revenues from Hempfield
10 Township and West Salem Township, respectively. Additionally, even though the HW
11 Index takes into account the changes in the cost of various factors over time in different
12 regions throughout the country, it cannot take into account intricacies such as terrain (e.g.,
13 mountains in Appalachia versus farmland in Pennsylvania) or changes in development and
14 zoning since original installation. All else remaining equal, different terrains or changes
15 in laws will translate into different timeframes to complete the project, which will directly
16 affect costs.

17

18 B. Market Approach

19 **Q. REGARDING YOUR APPLICATION OF THE MARKET APPROACH, WHAT**
20 **METHODS DID YOU USE TO DETERMINE THE MARKET APPROACH**
21 **RESULT?**

22 A. I used the market value of invested capital to net plant multiple and comparable sales
23 methods.

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1 **Q. PLEASE DISCUSS THE MARKET VALUE OF INVESTED CAPITAL TO NET**
2 **PLANT METHOD.**

3 A. The market value of invested capital to net plant method applies a market value of invested
4 capital to net plant ratio of a comparable risk group to the original cost less depreciation
5 (“OCLD”) of the subject company to derive an indicated market value. As shown on page
6 2 of Schedule 2 of Appendix R, market value of invested capital to net plant ratios of the
7 water utility proxy group used to derive the weighted average cost of capital (“WACC”) in
8 the income approach range from 1.4063x to 2.1924x. Using the System’s OCLD of
9 \$4,534,638,⁴ indicated values range from \$6,377,159 and \$9,941,548 with an average
10 value of \$7,640,914 as shown on page 3 of Schedule 2 of Appendix R.

11

12 **Q. PLEASE DESCRIBE THE COMPARABLE SALES METHOD.**

13 A. I also researched transactions involving companies who acquired 100% of a water or sewer
14 interest since 2016. That research returned 135 results from around the country, 35 of
15 which were acquisitions in Pennsylvania, which are contained on pages 4-6 of Schedule 2
16 of Appendix R. A common ratio which can be used to determine the System’s market
17 value is transaction value per equivalent domestic unit (“EDU”). The purchase price per
18 EDU ratios for the relevant transactions are shown on page 6 of Schedule 2 of Appendix
19 R. As shown on page 6 of Schedule 2 of Appendix R, the nationwide average purchase
20 price to EDU is 4.41x, while the Pennsylvania average purchase price to EDU is 6.31x.
21 Given the 4,037 EDUs served by the System,⁵ indicated values using this approach are

⁴ As shown on Column [2] of page 1 of Schedule 1.

⁵ As noted above, consumption data and EDU calculations for Greenville were inconsistent between sources (KLH engineers provided data, as did Greenville, Hempfield Township, and West Salem Township). As such, ScottMadden relied on the data provided by KLH Engineers, who have a long-time institutional

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1 \$17,803,395 using the nationwide multiple and \$25,467,183, using the Pennsylvania
2 multiple, with an average of \$21,635,289 for the comparable sales method.

3
4 **Q. WHAT WERE THE RESULTS OF EACH ANALYSIS YOU PERFORMED?**

5 A. The market value of invested capital to net plant analysis produced an indicated value of
6 \$7,640,914. The comparable sales method produced a result of \$21,635,289.

7
8 **Q. WHICH RESULTS WERE USED TO DETERMINE YOUR MARKET**
9 **APPROACH RESULT? PLEASE EXPLAIN WHY THESE RESULTS WERE**
10 **USED.**

11 A. As noted above, the System's underlying assets do not reflect the cash flows generated
12 from outside of the boundaries of the Town. As such, the market value of invested capital
13 to net plant multiple method does not represent the total value of the System because the
14 net plant figure for Greenville does not factor in customers in West Salem or Hempfield,
15 which both meaningfully contribute to Greenville revenues. On the other hand, the
16 comparable sales method better reflects the true value of the System because customers
17 and revenues from West Salem and Hempfield are represented in its calculation. I therefore
18 applied a weight of 25% to the market value of invested capital to net plant approach, and
19 a weight of 75% to the comparable sales approach. Applying those weights results in an
20 indicated value of \$18,136,695 for the System as shown on page 1 of Schedule 2 of
21 Appendix R.

22
knowledge of the System. The EDU count provided by KLH includes 2,343 from Greenville; 1,167 from
Hempfield; and 527 from West Salem, for a total of 4,037 EDUs.

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1 C. Income Approach

2 **Q. WHAT ASSUMPTIONS DID YOU EMPLOY TO DEVELOP YOUR INCOME**
3 **APPROACH RESULT?**

4 A. In determining the indicated value using the income approach, I made assumptions
5 regarding the System's operating revenue, operating expenses, and capital requirements.

6 The vast majority of the System's revenues are tied to fees for wastewater service.
7 As such, revenues are dependent on two factors: population growth and rate increases.
8 Upon review of U.S. census data, I conclude that the population served by the System will
9 be decreasing going forward at a rate of 0.56% per year. Based on this, I did not apply a
10 population growth factor in the income approach.

11 In regard to rate increases, ScottMadden applied rate increases of 20% for each of
12 the years from 2024-2029. These rate increases are based on the need to recover significant
13 capital improvement outlays from 2024-2043 as relayed to me by Greenville management
14 and as reported in the Greenville Sanitary Sewer Capital Improvements Plan 2023-2043
15 ("Capital Improvement Plan").⁶ Beginning in 2030, I assumed rate increases will occur at
16 a rate of 6% every year, in perpetuity.

17 General operating expenses for the System are comprised of collection & disposal
18 and administrative & general expenses. All expenses are assumed to increase at the
19 projected level of the Consumer Price Index⁷ ("CPI").

20 The projected capital improvements for the System for the period 2024 through
21 2043 are based on those identified by Greenville, as noted in the Capital Improvement Plan,

⁶ See Appendix E of the ScottMadden Valuation Report.

⁷ I employed a CPI projection of 2.20% per year, based on the long-term CPI projection published by *Blue Chip Financial Forecasts*. See, *Blue Chip Financial Forecasts*, Vol. 42, No. 6, June 1, 2023 at 14; Appendix G, at 19.

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1 and are based on projected cost estimates from KLH, adjusted for inflation. Over the 2024-
2 2043 horizon, the total capital expenditures are \$51,415,000. Specifically, the capital plan
3 indicates a need for a major plant upgrade with an estimated cost of \$45,600,000 to
4 construct and rehabilitate the plant. The project is expected to begin in 2024, with a
5 completion date in 2026. The sanitary collection system, which includes main lines,
6 maintenance holes, and pump stations, needs significant upgrades that will cost
7 approximately \$6,840,000 between 2023 and 2042. The Town also expects to replace a
8 Ford F550, a Ford F150, and a Sewer Jet Truck by 2042, which will cost a total of
9 \$475,000. This resulted in a 2042 capital spend of \$295,750, which I continued to grow
10 by the projected CPI into perpetuity.

11
12 **Q. WHAT DISCOUNT RATE DID YOU USE TO CALCULATE YOUR INCOME**
13 **APPROACH?**

14 A. The discount rate is the investor-required expected rate of return on the assets. An investor
15 in any company needs to be compensated for the risk of that investment, and a higher level
16 of risk equates to a higher required rate of return. The overall rate of return in this instance
17 is defined by the WACC. I have calculated a discount rate which relates to the traditional
18 method of financing for publicly-traded water companies, which uses an equal mix
19 between debt and equity capital.

20 For the common equity cost rate, I applied the Discounted Cash Flow, Risk
21 Premium and Capital Asset Pricing Models to a proxy group of publicly traded water
22 companies. Application of these cost of common equity models to these groups resulted

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1 in an indicated cost of common equity of 9.96%, which is presented in Appendix G of the
2 ScottMadden Valuation Report.

3 The representative capital structure is a hypothetical capital structure based on the
4 range of capital structures for fiscal year 2022 of the publicly traded proxy group
5 companies used to derive the cost of common equity.⁸ For the debt cost rate used in the
6 WACC calculation, I used a 30-day average Moody's A2 public utility bond rate of 5.40%.⁹
7 Table 3 below illustrates the assumed WACC of an investor-owned water utility.

8 **Table 3: Assumed WACC for Water Utility Company**

9

Type of Capital	Cost Rate	Ratio	Weighted Cost
Long-Term Debt	5.40%	50.00%	2.70%
Common Equity	9.96%	<u>50.00%</u>	<u>4.98%</u>
Total		100.00%	7.68%

10

11 **Q. IF YOU USED A TERMINAL VALUE IN YOUR DISCOUNTED CASH FLOW**
12 **ANALYSIS, WHAT IS THE NUMBER OF YEARS OVER WHICH THE CASH**
13 **FLOWS ARE CONSIDERED?**

14 **A.** I considered those cash flows over 27 years (2023 – 2050).

15

⁸ The range of equity ratios of the proxy group companies were from 40.70% to 61.35% at 2022 fiscal year end.

⁹ ScottMadden Valuation Report, Appendix G, at 2.

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1 **Q. WHAT IS THE INDICATED VALUE OF THE SYSTEM USING THE INCOME**
2 **APPROACH?**

3 A. Inputting the estimated revenue, expense, and capital expenditure data into the model
4 resulted in an indicated value of \$19,372,669.

5
6 **V. CONCLUSION**

7 **Q. WHAT IS YOUR CONCLUSION REGARDING THE FAIR MARKET VALUE OF**
8 **THE SYSTEM'S ASSETS TO BE PURCHASED BY AQUA?**

9 A. The fair market value of the System's assets is \$18,757,633 as of October 6, 2023. The
10 results of my appraisal and conclusions are summarized in the following table:

11 **Table 4: Conclusion of Value for the System**

12

Valuation Approach	Indicated Value	Weight	Weighted Value
Cost	\$18,460,465	1/5	\$3,692,093
Market	\$18,136,695	2/5	\$7,254,678
Income	\$19,372,669	2/5	\$7,749,068
Indicated Value		100%	\$18,695,839

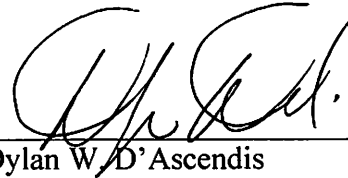
13

14 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

15 A. Yes, it does; however, I reserve the right to supplement my Direct Testimony as additional
16 issues and facts arise during the course of the proceeding.

VERIFICATION

I, Dylan W. D'Ascendis, Partner of ScottMadden, Inc., hereby state that the facts set forth in my Direct Testimony, Greenville Statement No. 2 in the matter at PaPUC Docket No. A-2023-3041695, 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).



Dylan W. D'Ascendis
Partner
ScottMadden, Inc.

Dated: August 14, 2024

Summary

Dylan is an experienced consultant and a Certified Rate of Return Analyst (CRRA) and Certified Valuation Analyst (CVA). Dylan joined ScottMadden in 2016 and has become a leading expert witness with respect to cost of capital and capital structure. He has served as a consultant for investor-owned and municipal utilities and authorities for 15 years. Dylan has testified as an expert witness on over 150 occasions regarding rate of return, cost of service, rate design, and valuation before more than 35 regulatory jurisdictions in the United States and Canada, an American Arbitration Association panel, and the Superior Court of Rhode Island. He also maintains the benchmark index against which the Hennessy Gas Utility Mutual Fund performance is measured. Dylan holds a B.A. in economic history from the University of Pennsylvania and an M.B.A. with concentrations in finance and international business from Rutgers University.

Areas of Specialization

- Regulation and Rates
- Rate of Return
- Valuation
- Mutual Fund Benchmarking
- Capital Market Risk
- Regulatory Strategy
- Cost of Service

Recent Expert Testimony Submission/Appearance

- Regulatory Commission of Alaska – Capital Structure
- Federal Energy Regulatory Commission – Rate of Return
- Public Utility Commission of Texas – Return on Equity
- Hawaii Public Utilities Commission – Cost of Service / Rate Design
- Pennsylvania Public Utility Commission - Valuation

Recent Assignments

- Provided expert testimony on the cost of capital for ratemaking purposes before numerous state utility regulatory agencies
- Sponsored valuation testimony for a large municipal water company in front of an American Arbitration Association Board to justify the reasonability of their lease payments to the City
- Co-authored a valuation report on behalf of a large investor-owned utility company in response to a new state regulation which allowed the appraised value of acquired assets into rate base

Recent Articles and Speeches

- Co-Author of: “Decoupling, Risk Impacts and the Cost of Capital”, co-authored with Richard A. Michelfelder, Ph.D., Rutgers University and Pauline M. Ahern. The Electricity Journal, March, 2020
- Co-Author of: “Decoupling Impact and Public Utility Conservation Investment”, co-authored with Richard A. Michelfelder, Ph.D., Rutgers University and Pauline M. Ahern. Energy Policy Journal, 130 (2019), 311-319
- “Establishing Alternative Proxy Groups”, before the Society of Utility and Regulatory Financial Analysts: 51st Financial Forum, April 4, 2019, New Orleans, LA
- “Past is Prologue: Future Test Year”, Presentation before the National Association of Water Companies 2017 Southeast Water Infrastructure Summit, May 2, 2017, Savannah, GA.
- Co-author of: “Comparative Evaluation of the Predictive Risk Premium Model™, the Discounted Cash Flow Model and the Capital Asset Pricing Model”, co-authored with Richard A. Michelfelder, Ph.D., Rutgers University, Pauline M. Ahern, and Frank J. Hanley, The Electricity Journal, May, 2013

- “Decoupling: Impact on the Risk and Cost of Common Equity of Public Utility Stocks”, before the Society of Utility and Regulatory Financial Analysts: 45th Financial Forum, April 17-18, 2013, Indianapolis, IN

Sponsor	Date	Case/Applicant	Docket No.	Subject
Regulatory Commission of Alaska				
ENSTAR Natural Gas Company	08/22	ENSTAR Natural Gas Company	Docket No. TA334-4	Rate of Return
Cook Inlet Natural Gas Storage Alaska, LLC	07/21	Cook Inlet Natural Gas Storage Alaska, LLC	Docket No. TA45-733	Capital Structure
Alaska Power Company	09/20	Alaska Power Company; Goat Lake Hydro, Inc.; BBL Hydro, Inc.	Tariff Nos. TA886-2; TA6-521; TA4-573	Capital Structure
Alaska Power Company	07/16	Alaska Power Company	Docket No. TA857-2	Rate of Return
Alberta Utilities Commission				
AltaLink, L.P., and EPCOR Distribution & Transmission, Inc.	02/23	AltaLink, L.P., and EPCOR Distribution & Transmission, Inc.	Proceeding ID. 27084	Determination of Cost-of-Capital Parameters
AltaLink, L.P., and EPCOR Distribution & Transmission, Inc.	01/20	AltaLink, L.P., and EPCOR Distribution & Transmission, Inc.	2021 Generic Cost of Capital, Proceeding ID. 24110	Rate of Return
Arizona Corporation Commission				
Arizona Water Company	12/22	Arizona Water Company – Eastern Group	Docket No. W-01445A-22-0286	Rate of Return
EPCOR Water Arizona, Inc.	08/22	EPCOR Water Arizona, Inc.	Docket No. WS-01303A-22-0236	Rate of Return
EPCOR Water Arizona, Inc.	06/20	EPCOR Water Arizona, Inc.	Docket No. WS-01303A-20-0177	Rate of Return
Arizona Water Company	12/19	Arizona Water Company – Western Group	Docket No. W-01445A-19-0278	Rate of Return
Arizona Water Company	08/18	Arizona Water Company – Northern Group	Docket No. W-01445A-18-0164	Rate of Return
Arkansas Public Service Commission				
Southwestern Electric Power Co.	07/21	Southwestern Electric Power Co.	Docket No. 21-070-U	Return on Equity
CenterPoint Energy Resources Corp.	05/21	CenterPoint Arkansas Gas	Docket No. 21-004-U	Return on Equity
California Public Utilities Commission				
San Gabriel Valley Water Company	05/23	San Gabriel Valley Water Company	Docket No. A23-05-001	Return on Equity
Colorado Public Utilities Commission				
Atmos Energy Corporation	08/22	Atmos Energy Corporation	Docket No. 22AL-0348G	Rate of Return
Summit Utilities, Inc.	04/18	Colorado Natural Gas Company	Docket No. 18AL-0305G	Rate of Return
Atmos Energy Corporation	06/17	Atmos Energy Corporation	Docket No. 17AL-0429G	Rate of Return
Commission of the Canada Energy Regulator				
Trans-Northern Pipelines Inc.	11/22	Trans-Northern Pipelines Inc.	Docket No. C-22197	Cost of Capital
Delaware Public Service Commission				
Artesian Water Company, Inc.	04/23	Artesian Water Company, Inc.	Docket No. 23-0601	Rate of Return
Delmarva Power & Light Co.	12/22	Delmarva Power & Light Co.	Docket No. 22-0897 (Electric)	Return on Equity
Delmarva Power & Light Co.	01/22	Delmarva Power & Light Co.	Docket No. 22-002 (Gas)	Return on Equity
Delmarva Power & Light Co.	11/20	Delmarva Power & Light Co.	Docket No. 20-0149 (Electric)	Return on Equity
Delmarva Power & Light Co.	10/20	Delmarva Power & Light Co.	Docket No. 20-0150 (Gas)	Return on Equity
Tidewater Utilities, Inc.	11/13	Tidewater Utilities, Inc.	Docket No. 13-466	Capital Structure
Public Service Commission of the District of Columbia				

Sponsor	Date	Case/Applicant	Docket No.	Subject
Washington Gas Light Company	04/22	Washington Gas Light Company	Formal Case No. 1169	Rate of Return
Washington Gas Light Company	09/20	Washington Gas Light Company	Formal Case No. 1162	Rate of Return
Federal Energy Regulatory Commission				
LS Power Grid California, LLC	10/20	LS Power Grid California, LLC	Docket No. ER21-195-000	Rate of Return
Florida Public Service Commission				
Peoples Gas System, Inc.	04/23	Peoples Gas System, Inc.	Docket No. 20230023-GU	Rate of Return
Tampa Electric Company	04/21	Tampa Electric Company	Docket No. 20210034-EI	Return on Equity
Peoples Gas System, Inc.	09/20	Peoples Gas System, Inc.	Docket No. 20200051-GU	Rate of Return
Utilities, Inc. of Florida	06/20	Utilities, Inc. of Florida	Docket No. 20200139-WS	Rate of Return
Hawaii Public Utilities Commission				
Launiupoko Irrigation Company, Inc.	12/20	Launiupoko Irrigation Company, Inc.	Docket No. 2020-0217 / Transferred to 2020-0089	Capital Structure
Lanai Water Company, Inc.	12/19	Lanai Water Company, Inc.	Docket No. 2019-0386	Cost of Service / Rate Design
Manele Water Resources, LLC	08/19	Manele Water Resources, LLC	Docket No. 2019-0311	Cost of Service / Rate Design
Kaupulehu Water Company	02/18	Kaupulehu Water Company	Docket No. 2016-0363	Rate of Return
Aqua Engineers, LLC	05/17	Puhi Sewer & Water Company	Docket No. 2017-0118	Cost of Service / Rate Design
Hawaii Resources, Inc.	09/16	Laie Water Company	Docket No. 2016-0229	Cost of Service / Rate Design
Illinois Commerce Commission				
Ameren Illinois Company d/b/a Ameren Illinois	01/23	Ameren Illinois Company d/b/a Ameren Illinois	Docket No. 23-0082 (Electric)	Return on Equity
Ameren Illinois Company d/b/a Ameren Illinois	01/23	Ameren Illinois Company d/b/a Ameren Illinois	Docket No. 23-0067 (Gas)	Return on Equity
Utility Services of Illinois, Inc.	02/21	Utility Services of Illinois, Inc.	Docket No. 21-0198	Rate of Return
Ameren Illinois Company d/b/a Ameren Illinois	07/20	Ameren Illinois Company d/b/a Ameren Illinois	Docket No. 20-0308	Return on Equity
Utility Services of Illinois, Inc.	11/17	Utility Services of Illinois, Inc.	Docket No. 17-1106	Cost of Service / Rate Design
Aqua Illinois, Inc.	04/17	Aqua Illinois, Inc.	Docket No. 17-0259	Rate of Return
Utility Services of Illinois, Inc.	04/15	Utility Services of Illinois, Inc.	Docket No. 14-0741	Rate of Return
Indiana Utility Regulatory Commission				
Aqua Indiana, Inc.	03/16	Aqua Indiana, Inc. Aboite Wastewater Division	Docket No. 44752	Rate of Return
Twin Lakes, Utilities, Inc.	08/13	Twin Lakes, Utilities, Inc.	Docket No. 44388	Rate of Return
Kansas Corporation Commission				
Atmos Energy Corporation	07/19	Atmos Energy Corporation	19-ATMG-525-RTS	Rate of Return
Kentucky Public Service Commission				
Bluegrass Water Utility Operating Company	02/23	Bluegrass Water Utility Operating Company	2022-00432	Return on Equity
Atmos Energy Corporation	07/22	Atmos Energy Corporation	2022-00222	PRP Rider Rate
Water Service Corporation of KY	06/22	Water Service Corporation of KY	2022-00147	Rate of Return

Sponsor	Date	Case/Applicant	Docket No.	Subject
Atmos Energy Corporation	07/21	Atmos Energy Corporation	2021-00304	PRP Rider Rate
Atmos Energy Corporation	06/21	Atmos Energy Corporation	2021-00214	Rate of Return
Duke Energy Kentucky, Inc.	06/21	Duke Energy Kentucky, Inc.	2021-00190	Return on Equity
Bluegrass Water Utility Operating Company	10/20	Bluegrass Water Utility Operating Company	2020-00290	Return on Equity
Louisiana Public Service Commission				
Utilities, Inc. of Louisiana	05/21	Utilities, Inc. of Louisiana	Docket No. U-36003	Rate of Return
Southwestern Electric Power Company	12/20	Southwestern Electric Power Company	Docket No. U-35441	Return on Equity
Atmos Energy	04/20	Atmos Energy	Docket No. U-35535	Rate of Return
Louisiana Water Service, Inc.	06/13	Louisiana Water Service, Inc.	Docket No. U-32848	Rate of Return
Maine Public Utilities Commission				
Northern Utilities, Inc. d/b/a Unitil	05/23	Northern Utilities, Inc. d/b/a Unitil	Docket No. 2023-00051	Return on Equity
Summit Natural Gas of Maine, Inc.	03/22	Summit Natural Gas of Maine, Inc.	Docket No. 2022-00025	Rate of Return
The Maine Water Company	09/21	The Maine Water Company	Docket No. 2021-00053	Rate of Return
Maryland Public Service Commission				
Washington Gas Light Company	05/23	Washington Gas Light Company	Case No. 9704	Rate of Return
FirstEnergy Corporation	03/23	Potomac Edison Company	Case No. 9695	Rate of Return
Washington Gas Light Company	08/20	Washington Gas Light Company	Case No. 9651	Rate of Return
FirstEnergy Corporation	08/18	Potomac Edison Company	Case No. 9490	Rate of Return
Massachusetts Department of Public Utilities				
Unitil Corporation	12/19	Fitchburg Gas & Electric Co. (Elec.)	D.P.U. 19-130	Rate of Return
Unitil Corporation	12/19	Fitchburg Gas & Electric Co. (Gas)	D.P.U. 19-131	Rate of Return
Liberty Utilities	07/15	Liberty Utilities d/b/a New England Natural Gas Company	D.P.U. 15-75	Rate of Return
Minnesota Public Utilities Commission				
Northern States Power Company	11/01	Northern States Power Company	Docket No. G002/GR-21-678	Return on Equity
Northern States Power Company	10/21	Northern States Power Company	Docket No. E002/GR-21-630	Return on Equity
Northern States Power Company	11/20	Northern States Power Company	Docket No. E002/GR-20-723	Return on Equity
Mississippi Public Service Commission				
Great River Utility Operating Co.	07/22	Great River Utility Operating Co.	Docket No. 2022-UN-86	Rate of Return
Atmos Energy	03/19	Atmos Energy	Docket No. 2015-UN-049	Capital Structure
Atmos Energy	07/18	Atmos Energy	Docket No. 2015-UN-049	Capital Structure
Missouri Public Service Commission				
Confluence Rivers Utility Operating Company, Inc.	01/23	Confluence Rivers Utility Operating Company, Inc.	Case No. WR-2023-0006/SR-2023-0007	Rate of Return
Spire Missouri, Inc.	12/20	Spire Missouri, Inc.	Case No. GR-2021-0108	Return on Equity
Indian Hills Utility Operating Company, Inc.	10/17	Indian Hills Utility Operating Company, Inc.	Case No. SR-2017-0259	Rate of Return
Raccoon Creek Utility Operating Company, Inc.	09/16	Raccoon Creek Utility Operating Company, Inc.	Case No. SR-2016-0202	Rate of Return
Public Utilities Commission of Nevada				
Southwest Gas Corporation	09/23	Southwest Gas Corporation	Docket No. 23-09012	Return on Equity

Sponsor	Date	Case/Applicant	Docket No.	Subject
Southwest Gas Corporation	09/21	Southwest Gas Corporation	Docket No. 21-09001	Return on Equity
Southwest Gas Corporation	08/20	Southwest Gas Corporation	Docket No. 20-02023	Return on Equity
New Hampshire Public Utilities Commission				
Aquarion Water Company of New Hampshire, Inc.	12/20	Aquarion Water Company of New Hampshire, Inc.	Docket No. DW 20-184	Rate of Return
New Jersey Board of Public Utilities				
Middlesex Water Company	05/23	Middlesex Water Company	Docket No. WR23050292	Rate of Return
FirstEnergy Corporation	03/23	Jersey Central Power & Light Co.	Docket No. ER23030144	Rate of Return
Atlantic City Electric Company	02/23	Atlantic City Electric Company	Docket No. ER20120746	Return on Equity
Middlesex Water Company	05/21	Middlesex Water Company	Docket No. WR21050813	Rate of Return
Atlantic City Electric Company	12/20	Atlantic City Electric Company	Docket No. ER20120746	Return on Equity
FirstEnergy Corporation	02/20	Jersey Central Power & Light Co.	Docket No. ER20020146	Rate of Return
Aqua New Jersey, Inc.	12/18	Aqua New Jersey, Inc.	Docket No. WR18121351	Rate of Return
Middlesex Water Company	10/17	Middlesex Water Company	Docket No. WR17101049	Rate of Return
Middlesex Water Company	03/15	Middlesex Water Company	Docket No. WR15030391	Rate of Return
The Atlantic City Sewerage Company	10/14	The Atlantic City Sewerage Company	Docket No. WR14101263	Cost of Service / Rate Design
Middlesex Water Company	11/13	Middlesex Water Company	Docket No. WR1311059	Capital Structure
New Mexico Public Regulation Commission				
Southwestern Public Service Co.	11/22	Southwestern Public Service Co.	Case No. 22-00286-UT	Return on Equity
Southwestern Public Service Co.	01/21	Southwestern Public Service Co.	Case No. 20-00238-UT	Return on Equity
North Carolina Utilities Commission				
Carolina Water Service, Inc.	07/22	Carolina Water Service, Inc.	Docket No. W-354 Sub 400	Rate of Return
Aqua North Carolina, Inc.	06/22	Aqua North Carolina, Inc.	Docket No. W-218 Sub 573	Rate of Return
Carolina Water Service, Inc.	07/21	Carolina Water Service, Inc.	Docket No. W-354 Sub 384	Rate of Return
Piedmont Natural Gas Co., Inc.	03/21	Piedmont Natural Gas Co., Inc.	Docket No. G-9, Sub 781	Return on Equity
Duke Energy Carolinas, LLC	07/20	Duke Energy Carolinas, LLC	Docket No. E-7, Sub 1214	Return on Equity
Duke Energy Progress, LLC	07/20	Duke Energy Progress, LLC	Docket No. E-2, Sub 1219	Return on Equity
Aqua North Carolina, Inc.	12/19	Aqua North Carolina, Inc.	Docket No. W-218 Sub 526	Rate of Return
Carolina Water Service, Inc.	06/19	Carolina Water Service, Inc.	Docket No. W-354 Sub 364	Rate of Return
Carolina Water Service, Inc.	09/18	Carolina Water Service, Inc.	Docket No. W-354 Sub 360	Rate of Return
Aqua North Carolina, Inc.	07/18	Aqua North Carolina, Inc.	Docket No. W-218 Sub 497	Rate of Return
North Dakota Public Service Commission				
Northern States Power Company	09/21	Northern States Power Company	Case No. PU-21-381	Rate of Return
Northern States Power Company	11/20	Northern States Power Company	Case No. PU-20-441	Rate of Return
Public Utilities Commission of Ohio				
Aqua Ohio, Inc.	11/22	Aqua Ohio, Inc.	Case No. 22-1094-WW-AIR	Rate of Return
Duke Energy Ohio, Inc.	10/21	Duke Energy Ohio, Inc.	Case No. 21-887-EL-AIR	Return on Equity
Aqua Ohio, Inc.	07/21	Aqua Ohio, Inc.	Case No. 21-0595-WW-AIR	Rate of Return
Aqua Ohio, Inc.	05/16	Aqua Ohio, Inc.	Case No. 16-0907-WW-AIR	Rate of Return
Pennsylvania Public Utility Commission				
Columbia Water Company	05/23	Columbia Water Company	Docket No. R-2023-3040258	Rate of Return

Sponsor	Date	Case/Applicant	Docket No.	Subject
Borough of Ambler	06/22	Borough of Ambler – Bureau of Water	Docket No. R-2022-3031704	Rate of Return
Citizens' Electric Company of Lewisburg	05/22	C&T Enterprises	Docket No. R-2022-3032369	Rate of Return
Valley Energy Company	05/22	C&T Enterprises	Docket No. R-2022-3032300	Rate of Return
Community Utilities of Pennsylvania, Inc.	04/21	Community Utilities of Pennsylvania, Inc.	Docket No. R-2021-3025207	Rate of Return
Vicinity Energy Philadelphia, Inc.	04/21	Vicinity Energy Philadelphia, Inc.	Docket No. R-2021-3024060	Rate of Return
Delaware County Regional Water Control Authority	02/20	Delaware County Regional Water Control Authority	Docket No. A-2019-3015173	Valuation
Valley Energy, Inc.	07/19	C&T Enterprises	Docket No. R-2019-3008209	Rate of Return
Wellsboro Electric Company	07/19	C&T Enterprises	Docket No. R-2019-3008208	Rate of Return
Citizens' Electric Company of Lewisburg	07/19	C&T Enterprises	Docket No. R-2019-3008212	Rate of Return
Steelton Borough Authority	01/19	Steelton Borough Authority	Docket No. A-2019-3006880	Valuation
Mahoning Township, PA	08/18	Mahoning Township, PA	Docket No. A-2018-3003519	Valuation
SUEZ Water Pennsylvania Inc.	04/18	SUEZ Water Pennsylvania Inc.	Docket No. R-2018-000834	Rate of Return
Columbia Water Company	09/17	Columbia Water Company	Docket No. R-2017-2598203	Rate of Return
Veolia Energy Philadelphia, Inc.	06/17	Veolia Energy Philadelphia, Inc.	Docket No. R-2017-2593142	Rate of Return
Emporium Water Company	07/14	Emporium Water Company	Docket No. R-2014-2402324	Rate of Return
Columbia Water Company	07/13	Columbia Water Company	Docket No. R-2013-2360798	Rate of Return
Penn Estates Utilities, Inc.	12/11	Penn Estates, Utilities, Inc.	Docket No. R-2011-2255159	Capital Structure / Long-Term Debt Cost Rate
South Carolina Public Service Commission				
Blue Granite Water Co.	12/19	Blue Granite Water Company	Docket No. 2019-292-WS	Rate of Return
Carolina Water Service, Inc.	02/18	Carolina Water Service, Inc.	Docket No. 2017-292-WS	Rate of Return
Carolina Water Service, Inc.	06/15	Carolina Water Service, Inc.	Docket No. 2015-199-WS	Rate of Return
Carolina Water Service, Inc.	11/13	Carolina Water Service, Inc.	Docket No. 2013-275-WS	Rate of Return
United Utility Companies, Inc.	09/13	United Utility Companies, Inc.	Docket No. 2013-199-WS	Rate of Return
Utility Services of South Carolina, Inc.	09/13	Utility Services of South Carolina, Inc.	Docket No. 2013-201-WS	Rate of Return
Tega Cay Water Services, Inc.	11/12	Tega Cay Water Services, Inc.	Docket No. 2012-177-WS	Capital Structure
South Dakota Public Service Commission				
Northern States Power Company	06/22	Northern States Power Company	Docket No. EL22-017	Rate of Return
Tennessee Public Utility Commission				
Piedmont Natural Gas Company	07/20	Piedmont Natural Gas Company	Docket No. 20-00086	Return on Equity
Public Utility Commission of Texas				
Southwestern Public Service Co.	02/23	Southwestern Public Service Co.	Docket No. 54634	Return on Equity
CSWR – Texas Utility Operating Company, LLC	02/23	CSWR – Texas Utility Operating Company, LLC	Docket No. 54565	Rate of Return
Oncor Electric Delivery Co. LLC	05/22	Oncor Electric Delivery Co. LLC	Docket No. 53601	Return on Equity
Southwestern Public Service Co.	02/21	Southwestern Public Service Co.	Docket No. 51802	Return on Equity
Southwestern Electric Power Co.	10/20	Southwestern Electric Power Co.	Docket No. 51415	Rate of Return

Sponsor	Date	Case/Applicant	Docket No.	Subject
Texas Railroad Commission				
Atmos Pipeline – Texas, a Division of Atmos Energy Corporation	05/23	Atmos Pipeline – Texas, a Division of Atmos Energy Corporation	Docket No. OS-23-00013758	Return on Equity
Virginia State Corporation Commission				
Washington Gas Light Company	06/22	Washington Gas Light Company	PUR-2022-00054	Return on Equity
Virginia Natural Gas, Inc.	04/21	Virginia Natural Gas, Inc.	PUR-2020-00095	Return on Equity
Massanutten Public Service Corporation	12/20	Massanutten Public Service Corporation	PUE-2020-00039	Return on Equity
Aqua Virginia, Inc.	07/20	Aqua Virginia, Inc.	PUR-2020-00106	Rate of Return
WGL Holdings, Inc.	07/18	Washington Gas Light Company	PUR-2018-00080	Rate of Return
Atmos Energy Corporation	05/18	Atmos Energy Corporation	PUR-2018-00014	Rate of Return
Aqua Virginia, Inc.	07/17	Aqua Virginia, Inc.	PUR-2017-00082	Rate of Return
Massanutten Public Service Corp.	08/14	Massanutten Public Service Corp.	PUE-2014-00035	Rate of Return / Rate Design
Public Service Commission of West Virginia				
FirstEnergy Corporation	05/23	Monongahela Power Company and The Potomac Edison Company	Case No. 23-0460-E-42T	Return on Equity
FirstEnergy Corporation	12/21	Monongahela Power Company and The Potomac Edison Company	Case No. 21-0857-E-CN (ELG)	Return on Equity
FirstEnergy Corporation	11/21	Monongahela Power Company and The Potomac Edison Company	Case No. 21-0813-E-P (Solar)	Return on Equity

Valuation Engagements

Sponsor	Date	Assets Valued	Description
Artesian Water Resources	12/2022	Water Operations	Authored Valuation Report for internal purposes
Confidential	11/2022	Electric Transmission Operations	Authored Valuation Report for internal purposes
Aqua Pennsylvania, Inc.	09/2022	Wastewater Operations	Authored Valuation Report, which will be a part of an Act 12 Filing
Towamencin Township	09/2022	Wastewater Operations	Authored valuation report for inclusion in a fair market value filing
Borough of Shenandoah	08/2022	Water Operations	Authored valuation report for inclusion in a fair market value filing
Southwest Water Company	08/2022	Water Operations	Authored valuation report for inclusion in a fair market value filing
Confidential	02/2022	Electric Distribution System	Co-authored valuation report for Internal purposes
Confidential	10/2021	Water Operations	Co-authored valuation report for Internal purposes
Confidential	10/2021	Water & Wastewater Operations	Co-authored valuation report for Internal purposes
City of York, PA	06/2021	Wastewater Operations	Co-authored Valuation Report, which will be a part of an Act 12 Filing

Sponsor	Date	Assets Valued	Description
Aqua New Jersey, Inc.	05/2021	Confidential Water and Wastewater Operations in NJ	Authored Valuation Report for internal purposes
Aqua New Jersey, Inc.	05/2021	Confidential Water and Wastewater Operations in NJ	Authored Valuation Report for internal purposes
Aqua Ohio, Inc.	05/2021	Confidential Water Operations in OH	Authored Valuation Report for internal purposes
Aqua Pennsylvania, Inc.	04/2021	Confidential Wastewater Operations in PA	Authored Valuation Report for internal purposes
Aqua New Jersey, Inc.	04/2021	Confidential Wastewater Operations in NJ	Authored Valuation Report for internal purposes
Aqua Pennsylvania, Inc.	02/2021	Confidential Wastewater Operations in PA	Authored Valuation Report for internal purposes
Artesian Water Company, Inc.	01/2021	Wastewater Operations for Delaware City, DE	Authored valuation report for internal purposes
EPCOR Distribution and Transmission, Inc., Alberta Canada	12/2020	Fiber Optic Cable Assets	Fiber optic cable available for lease for Internal purposes
EPCOR Distribution and Transmission, Inc., Alberta Canada	12/2020	Duct Bank Assets	Duct banks available for lease for Internal purposes
Borough of Lewistown, PA	08/2020	Water Operations	Authored valuation report for internal purposes
Artesian Water Company, Inc.	06/2020	Wastewater Operations for Town of Frankford, DE	Authored valuation report for internal purposes
Foster Township, PA	04/2020	Water Operations	Authored valuation report for internal purposes
City of Erie, PA	04/2020	Water Operations	Authored valuation report for internal purposes
Delaware County Regional Water Quality Control Authority	02/2020	Wastewater Operations	Authored Valuation Report, which is part of an Act 12 Filing
Aqua North Carolina, Inc.	02/2020	Confidential Water Operations in NC	Authored Valuation Report for internal purposes
Aqua New Jersey, Inc.	02/2020	Confidential Water Operations in NJ	Authored Valuation Report for internal purposes
Aqua Ohio, Inc.	11/2019	Confidential Wastewater Operations in OH	Authored Valuation Report for internal purposes
Steelton Water Authority	06/2018	Water Operations	Authored Valuation Report, which is part of an Act 12 Filing
Sara Golvinveaux McGinnes Trust	04/2018	Electric Operations of Block Island Power Company	Authored Valuation Report for Superior Court Trial
Mahoning Township, PA	09/2017	Water and Sewer Assets	Authored Valuation Report, which is part of an Act 12 Filing
Atmos Energy Corporation	09/2016	Intrastate Natural Gas Pipeline	Authored Valuation for internal purposes.
Springfield Township, PA	08/2014	Water and Sewer Assets	Co-Authored Valuation Report, which was part of House Bill 1379 Filing (similar to PA Act 12)
Aqua Illinois, Inc.	07/2014	Village of Glenview, IL (North Maine Utilities) Sewer Assets	Co-Authored Valuation report for internal purposes



Attachment A: Professional Qualifications of
Dylan W. D'Ascendis, CRRA, CVA
Partner

Sponsor	Date	Assets Valued	Description
Erie City Water Authority, Erie, PA	12/2013	Water Assets	Sponsored Valuation Testimony in Arbitration Hearing
City of Allentown, PA	12/2012	Water and Sewer Assets	Assisted in the generation of Valuation Report

**Application of Aqua Pennsylvania Wastewater, Inc.
for Acquisition of the Wastewater Collection and Treatment System Assets
of the Greenville Sanitary Authority**

Dockey No: A-2-23-3041695

Rebuttal Testimony

of

**Jasson Urey
(Greenville No. 1-R)**

**Greenville Sanitary Authority
Borough of Greenville**

August 2, 2024

GREENVILLE SANITARY AUTHORITY AND THE BOROUGH OF GREENVILLE
REBUTTAL TESTIMONY OF JASSON UREY

1 concluded; the exact opposite to be true. Both the Borough and the GSA strongly and
2 confidently believe that this proposed sale will result in substantial public benefits.

3 **Q. CAN YOU DETAIN THESE PUBLIC BENEFITS?**

4 A. Yes. Ms. Hoover testified about the net value of the system as opposed to the proposed
5 purchase price and the impact this difference will have on consumer rates. This impact
6 was a concern for both the Borough and the Authority members. However, the applicable
7 law was considered, and they concluded that an increase in rates, while important, was not
8 to be the determining factor in our decision. We decided to identify the potential benefits
9 of the proposed sale and to weigh those benefits against the potential rate increase. We do
10 not see that Ms. Hoover and the other parties accounted for any of the following benefits:

11 *GSA was established to own and facilitate funding efforts to construct the
12 system. The system was then leased to the Borough to operate. The burden
13 of running the system falls entirely upon the Borough.

14 *In 2002, the Borough was identified as a distressed community and placed
15 in the Act 47 program. This designation and the ensuing restrictions have
16 caused the Borough to limit its staff and to place increasing amounts of
17 responsibility on the remaining staff. Simply stated, the Borough does not
18 have the resources, time or expertise to continue to operate the system. To
19 remove this obligation from the Borough would enable us to focus more
20 time and resources on managing our Borough responsibilities without
21 having to increase our staff with funds we do not have. Add to that the
22 difficulty we have finding and retaining employees to operate the system,
23 given that qualified individuals have many options available to them. The
24 Board concluded this employment component alone was a substantial
25 benefit to our public and justified the proposed sale.

26 *The assumption that our system is running reasonably well overlooks the
27 realities of the ever-increasing complexities of running a Borough and of
28 running a Borough and the Authority. The cost of maintaining the status
29 quo is to include the toll it takes on the Borough staff, to the detriment of
30 their other responsibilities.

31 Ms. Hoover's Direct Testimony is thorough when discussing the impact, the sale will have
32 on sewer rates, but there is scant discussion on the impact of maintaining the status quo.

33 **Q. OTHER THAN RELIEVING THE BOROUGH OF THE BURDEN OF RUNNING**
34 **THE WASTEWATER SYSTEM, ARE THERE OTHER BENEFITS TO THE**
35 **PUBLIC?**

36 A. Yes. There are a number of additional benefits.

GREENVILLE SANITARY AUTHORITY AND THE BOROUGH OF GREENVILLE
REBUTTAL TESTIMONY OF JASSON UREY

1 Volunteer boards in a community of our size often have difficulty finding board members.
2 The boards have continuous turnover in members with many being what we refer to as
3 “seat warmers.” They put in little or no effort. This is the reality of small towns. Many
4 boards, including our Authority Boards of the past, lack foresight in managing system
5 assets, and instead, only react to problems. While we have been able to keep our rates low
6 for our consumers, that has come at the cost of neglecting prudent investment in our system.
7 We are now left with an outdated system under a Consent Order in need of significant
8 investment. To continue the current course of bare minimum investment, the eventual need
9 to address shortcomings is likely. The failure to establish and follow through with a long-
10 term capital improvement plan has placed us in a difficult and costly position. To keep rates
11 lower is not in the public interest if it is at the cost of updating the system and keeping rates
12 low absent a sale is not going to be a reality. The reality is that if the sale does not go
13 through, customer’s rates are likely to increase similarly to pursue the capital
14 improvements needed. We believe that private ownership by a regulated company will
15 provide our public with a much better maintained system.

16 Second, as Borough Manager, my training and experience is not in wastewater treatment.
17 A percentage of my time is devoted to managing the system. Furthermore, I have only a
18 few key employees. Should one of us leave the Borough’s employment, we will have a
19 difficult time finding a replacement. We have learned in prior searches that it is difficult
20 to find and keep an interested candidate willing to manage a small, distressed community,
21 who must also have experience managing a wastewater treatment facility. Private
22 ownership by a capable utility, like Aqua, who employs qualified full-time individuals
23 ready to step up, if necessary, would be a benefit to our customers. While we are unable
24 to quantify this benefit, we deem it to be significant.

25 Third, when you are running a stand-alone facility, you are frequently faced with difficult
26 decisions and equipment-related issues and problems. For example, even if we rarely use
27 a piece of equipment, we must own it (and keep it on hand) for the few times that we do
28 need it. A private, regional owner has the ability to share needed equipment like generators
29 and skilled employees that a small community cannot afford. This results in savings for
30 the customer and an increase in the timeliness and quality of service.

31 Fourth, as a stand-alone system, we do not have the same leverage as a regional owner
32 when it comes to materials, parts, labor, equipment and chemicals. These items can be
33 purchased in a larger volume by a regional operator at a savings to the consumer.

34 Finally, the expertise that Aqua brings far exceeds that which we have currently. Although
35 significant, this is not limited to just the operation of the system. Their expertise includes
36 areas such as legal, accounting, human resources, and other areas. The quality of available
37 expert resources will improve with the proposed sale.

GREENVILLE SANITARY AUTHORITY AND THE BOROUGH OF GREENVILLE
REBUTTAL TESTIMONY OF JASSON UREY

1 **Q. ON PAGE 12 OF MS. HOOVER’S DIRECT TESTIMONY, SHE EXPRESSES**
2 **CONCERN ABOUT THE IMPACT THIS TRANSACTION WOULD HAVE ON**
3 **THE AUTHORITY’S STORM WATER SYSTEM. DO YOU SHARE THOSE**
4 **CONCERNS?**

5 A. No. That system is maintained entirely by separate Borough employees and will not be
6 impacted by the sale of the GSA and the employees that work on the sanitary system.

7 **Q. CAN YOU ADDRESS IN DETAIL WHY YOU BELIEVE THE GSA SYSTEM IS**
8 **“DISTRESSED, UNDERFUNDED OR NON-VIABLE”?**

9 A. Yes. In hindsight, I probably could have gone into more detail on that statement, maybe
10 even phrasing it differently in my Direct Testimony. Our system is antiquated but
11 functioning at the present time. It is at the end of its design life. Because we have not been
12 addressing the aging system’s problems in the past, a substantial amount of work needs to
13 be performed for the system to remain functional into the foreseeable future. The Board
14 decided that the system was outdated and struggled to maintain with efficiency the quality
15 of service needed for its customers. The system is stressed and could eventually fail to
16 meet our customers’ needs. Ignoring the situation and avoiding rate increases is no longer
17 an option. The system may be viable in the short term but will not be going forward.

18 The Authority Board consulted with its engineers and explored feasible options going
19 forward given our circumstances. After thorough discussion and consideration, it was the
20 consensus of the board that the most cost-effective way forward was to overhaul the system
21 to address the Consent Order and to make improvements to accommodate not only the
22 current needs but the needs of the community we serve in the future. The estimates for this
23 overhaul are upwards of 46 million dollars. The Authority Board was proceeding with
24 these improvements when the offer by Aqua was made. If Aqua’s application is rejected,
25 that plan (which is far more costly than the approximate 20-million-dollar capital
26 investment plan proposed by Aqua) will be pursued. This means rates will go up regardless
27 and will do so without the associated benefits of a sale to Aqua.

28 **Q. HAS GSA EVER SUGGESTED THAT IT IS INCAPABLE OF MAKING THE**
29 **NEEDED IMPROVEMENTS TO ITS INFRASTRUCTURE?**

30 A. While the GSA may be able to undertake improvements to its infrastructure, which it has
31 done on an as needed basis without proper long-term planning, the challenges that I have
32 discussed above and also in my Direct Testimony, have limited the Borough’s ability to
33 consistently improve its system.

34 **Q. DO YOU HAVE AN OPINION AS TO WHETHER OR NOT THE PROPOSED**
35 **ACQUISITION IS “NECESSARY OR PROPER FOR THE SERVICE,**
36 **ACCOMMODATION, COMMERCE OR SAFETY OF THE PUBLIC?”**

GREENVILLE SANITARY AUTHORITY AND THE BOROUGH OF GREENVILLE
REBUTTAL TESTIMONY OF JASSON UREY

1 A. On behalf of myself, the Authority Board and the Borough Council, I can say without any
2 reservation that we believe the proposed acquisition by Aqua of our system is “proper for
3 the service, accommodation, commerce or safety of the public.”

4 The Borough no longer desires to be in the utility business for the reasons previously
5 addressed. Aqua is in the business and desires to take on our system. Aqua has the
6 experience, expertise and capability to provide equal or better service to our customers.
7 Therefore, we believe the acquisition to be proper and to meet the public interest standard.

8 As the Borough manager responsible for the operation of the wastewater system, I believe
9 that the benefits that Aqua will provide to our customers, the Borough and the Authority
10 are superior to the system as it is currently operated. To us, as sellers, the increasing of
11 rates is inevitable (not just a possibility), regardless of who operates the system, so to focus
12 on that aspect of this transaction is also misguided.

13 **Q. WHAT AFFIRMATIVE PUBLIC BENEFITS DO THE GREENVILLE**
14 **CUSTOMERS RECEIVE BECAUSE OF AQUA OPERATING OTHER SYSTEMS**
15 **IN THE REGION?**

16 Having other systems in the area is a significant benefit. While Aqua may not maintain a
17 local office in Greenville, the resources that Aqua brings to the table for the system will be
18 an improvement. The ability to access expertise, personnel, equipment and software is
19 substantial and affirmative.

20 We, therefore, dispute Ms. Hoover’s allegations that ‘the change in ownership will not
21 provide a perceptible change in service or quality.’”

22 **Q. ON PAGE 22 OF HER DIRECT TESTIMONY, MS. HOOVER STATES THAT**
23 **SHOULD THE ACQUISITION BE APPROVED, THE GSA WILL PAY HIGHER**
24 **RATES. DO YOU AGREE?**

25 A. I do not agree as she suggests, but when one looks at the totality of the circumstances and
26 options, the assumption that the customers will suffer financial harm due to resulting rate
27 increases, is in my opinion overstated.

28 Until the sale was proposed, GSA was proceeding with a project with an estimated cost of
29 over \$40,000.00. Whether the Protesters like it or not, that is the Authority’s and its
30 customer’s reality. The rates would go up regardless. To focus upon an increase of \$40.00
31 per month using a percentage calculation of 180% is misleading.

32 **Q. ON PAGE 23 OF MS. HOOVER’S DIRECT TESTIMONY, SHE SUGGESTS THAT**
33 **GSA CUSTOMER’S RECEIVE GREATER BENEFITS PER DOLLAR UNDER**
34 **MUNICIPAL CONTROL THAN THEY WOULD UNDER PRIVATE CONTROL.**
35 **DO YOU AGREE?**

GREENVILLE SANITARY AUTHORITY AND THE BOROUGH OF GREENVILLE
REBUTTAL TESTIMONY OF JASSON UREY

1 A. I do not agree. This view looks at the public's interest as being its wastewater rates. When
2 you look at the overall picture, Ms. Hoover overlooks the practical, everyday operation of
3 a municipal entity. It is correct that private ownership incurs certain tax liabilities that
4 municipalities do not HAVE. However, municipalities incur a plethora of expenses and
5 costly regulatory requirements and measures that private owners do not. The following list
6 is not intended to be exhaustive, but such requirements include:

7 *The requirement to use the public bidding process for purchases and contracts, which at
8 first glance appears as a cost saving measure, it frequently turns out otherwise. Awarding
9 contracts to low bidders often results in less experienced and/or qualified contractors being
10 retained, less familiarity with the contractor's work, resulting litigation, failures to receive
11 bids, etc., all of which increase costs of operation.

12 *Mutual ownership often requires bidders to pay their workers prevailing wage rates,
13 adhere to requirements to use certain products (like American-made steel), to follow
14 mandatory action hiring practices, etc.

15 *Compliance with the Separations Act, which requires multiple general contractors, often
16 drives up costs and creates work coordination issues amongst contractors, as it frequently
17 results in significantly elevated bids for work that a private owner can subcontract.

18 *Demolition/removal costs are elevated for municipalities. Whilt it is very difficult to
19 calculate the additional costs of the private owner's tax obligation, it is equally difficult to
20 calculate the costs incurred by municipalities under the conditions and constraints I note
21 above which private owners are not required to operate within. As an example, a private
22 owner can demolish a building for approximately half of what it would cost a municipality.

23 The requirement to use American-made steel almost always raises the cost of construction.

24 **Q. DO YOU HAVE CONCERNS ABOUT THE CURRENT BILLING**
25 **ARRANGEMENT?**

26 A. Yes. Presently, THE Water Authority bills the customers, not GSA. The Borough does not
27 have the staff or the software to perform this task and so it subcontracts it. Should the
28 Borough's Water Authority be sold, or simply decline to handle the Borough's billing,
29 Greenville Borough does not have the capacity to assume the billing responsibilities.

30 **Q. ARE THERE ANY OTHER BENEFITS THAT THE GSA'S CUSTOMERS WILL**
31 **RECEIVE AS A RESULT OF THE PROPOSED SALE?**

32 A. Yes. Aqua's proposed customer assistance program is a nice benefit for our customers. We
33 currently have no such system available.

34 Lastly, and possibly most importantly, private ownership results in oversight. The current
35 municipal ownership has very little oversight. The Borough Council and the GSA Board

GREENVILLE SANITARY AUTHORITY AND THE BOROUGH OF GREENVILLE
REBUTTAL TESTIMONY OF JASSON UREY

1 both feel comfortable that the Commission will do a better job for the community over time
2 than a board of inexperienced volunteers. Also, despite Mr. Kubas of I&E claims, the
3 Borough and the GSA are not seeking political cover by shifting responsibility to the
4 Commission. The Commission provides oversight of public utilities.

5 **Q. DO YOU HAVE ANY CLOSING COMMENTS?**

6 A. Yes. I have read through the Direct Testimony of all witnesses and have considered their
7 input. While much of the content of the testimony was not persuasive, there were some
8 comments which have provided helpful insight to myself, my staff and our Board members.
9 Even given this plethora of information our position remains unchanged. The two different
10 groups representing our constituency, the Council and the Authority Board, have both
11 voted, after significant public input, to take advantage of the many benefits of private
12 ownership of the wastewater system and to sell the system to Aqua.

13 When negotiating the terms of the sale of the Authority members carefully considered their
14 obligations to the public in selling the Authority's property. This obligation was and is
15 taken very seriously by the Authority members who are also customers who partake in the
16 wastewater services.

17 The Borough Council and the Authority members also take very seriously the obligation to
18 maintain reasonable rates for the customers.

19 **Q. DO YOU HAVE ANY CONCLUDING THOUGHTS ON THE PUBLIC BENEFITS
20 FOR THE TRANSACTION?**

21 A. This proposed sale will very clearly be a benefit to the public as far as the services which
22 will be provided. The public will benefit greatly from the infusion of capital, as well.

23 The public has spoken on the issue of this sale and as was evident from the public hearing,
24 has overwhelmingly approved of the sale, despite the potential for a rate hike. The
25 Protestors are raising issues upon which the public has already spoken.

26 In conclusion, as an analogy, municipalities frequently outsource services. Electric and
27 natural gas are often cited examples, but we also outsource garbage services and
28 cable/internet services to third parties who are for-profit providers.

29 It is my opinion and that of the Council for the Borough of Greenville and the Greenville
30 Sanitary Authority Board members that the Borough should not be in the business of
31 providing services that can be competently provided by other entities who are better
32 equipped and regulated.

33 The GSA customers have indicated their preference for the sale and therefore Aqua's
34 application should be approved.

GREENVILLE SANITARY AUTHORITY AND THE BOROUGH OF GREENVILLE
REBUTTAL TESTIMONY OF JASSON UREY

1 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY**

2 A. Yes, it does. However, I reserve the right to supplement my Rebuttal Testimony as
3 additional issues and facts arise during the course of the proceeding.

4

5

6

7

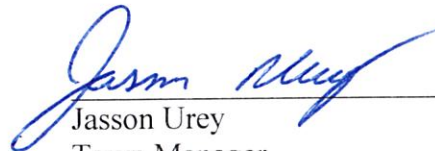
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9

10

VERIFICATION

I, Jasson Urey, Town Manager of the Borough of Greenville, hereby state that the facts set forth in my Rebuttal Testimony, Greenville Statement No. 1-R in the matter at PaPUC Docket No. A-2023-3041695, 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).



Jasson Urey
Town Manager
Borough of Greenville

Dated: August 14, 2024

**Application of Aqua Pennsylvania Wastewater, Inc.
for Acquisition of the Wastewater Collection and Treatment System Assets
of the Greenville Sanitary Authority**

Dockey No: A-2-23-3041695

Rebuttal Testimony

of

**Dylan W. D'Ascendis
(Greenville No. 2-R)**

**Greenville Sanitary Authority
Borough of Greenville**

August 2, 2024

BOROUGH OF GREENVILLE
REBUTTAL TESTIMONY OF DYLAN W. D'ASCENDIS

1 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS FOR THE**
2 **RECORD.**

3 A. My name is Dylan W. D'Ascendis. I am employed by ScottMadden, Inc. ("ScottMadden")
4 as Partner. My business address is 3000 Atrium Way, Suite 200, Mount Laurel, NJ 08054.

5
6 **Q. ARE YOU THE SAME DYLAN W. D'ASCENDIS THAT FILED DIRECT**
7 **TESTIMONY IN THIS PROCEEDING?**

8 A. Yes, I provided Direct Testimony with Aqua Pennsylvania Wastewater, Inc.'s ("Aqua")
9 Application filed on November 17, 2023.

10

11 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

12 A. The purpose of my Rebuttal Testimony is to respond to the Direct Testimonies of Messrs.
13 Jason Hails and Roger Cathcart, witnesses for the Pennsylvania Office of Small Business
14 Advocate ("OSBA"), and Joseph Kubas, witness for the Pennsylvania Public Utility
15 Commission's Bureau of Investigation and Enforcement ("I&E"), as it relates to
16 ScottMadden's Valuation Report of the Greenville Sanitary Authority ("GSA").

17

18 **RESPONSE TO OSBA WITNESSES HAILS AND CATHCART**

19 **Q. PLEASE SUMMARIZE MESSRS. HAILS' AND CATHCART'S CONCERNS**
20 **WITH YOUR VALUATION OF GSA?**

21 A. Messrs. Hails and Cathcart conclude that the agreed upon purchase price of \$18,000,000
22 is not reasonable as compared to GSA's net book value of \$4,534,638.¹ In their Direct

¹ OSBA Statement No. 1, Hails and Cathcart Direct, at 10.

BOROUGH OF GREENVILLE
REBUTTAL TESTIMONY OF DYLAN W. D'ASCENDIS

1 Testimony, they comment on certain of the assumptions in ScottMadden's Valuation
2 Report, specifically: (1) the relative weightings of the comparable sales method and the
3 market value of invested capital to net plant ("MVIC/net plant") method in determining the
4 indicated value based on the Market Approach; (2) the consideration of both Pennsylvania
5 and national purchase price to customer count in the Market Approach; and (3)
6 ScottMadden's assumptions of revenues and capital expenditures in the Income
7 Approach.²

8
9 **Q. IS NET BOOK VALUE AN ACCEPTABLE VALUATION APPROACH WHEN**
10 **DETERMINING THE FAIR MARKET VALUE IN THIS CASE?**

11 A. No, it is not. In using the Cost Approach, the appraiser is comparing the subject property
12 to the property that could actually replace it at today's prices. The net book value is at
13 historical prices and is therefore not comparable.

14
15 **Q. IS THERE REASON TO QUESTION THE WEIGHTING APPLIED TO THE**
16 **COMPARABLE SALES METHOD IN DETERMINING THE INDICATED**
17 **RESULT UNDER THE MARKET APPROACH?**

18 A. No, there is not. As stated in ScottMadden's Valuation Report, the value derived using the
19 MVIC/net plant method is based on the underlying assets of GSA and does not reflect the
20 expected cashflows of those assets.³ Because GSA derives 29% and 14% of its historical
21 and expected revenues from Hempfield Township and West Salem Township, respectively

² Id. at 8-9.

³ Application Exhibit R (Updated), ScottMadden Valuation Report, at 7.

BOROUGH OF GREENVILLE
REBUTTAL TESTIMONY OF DYLAN W. D'ASCENDIS

1 (43% in total), in which they do not own assets, GSA's net plant (and MVIC/net plant
2 indicated value) significantly understates the value of GSA's operations.⁴ Because there
3 are revenues coming into GSA without the underlying physical assets, one would need to
4 value the expected future cash flows between the Hempfield Township and West Salem
5 Township and GSA as intangible assets and then add that value to GSA's net plant to derive
6 an accurate indicated value based on the MVIC/net plant method for GSA. In lieu of
7 valuing those intangible assets and applying those values, ScottMadden simply applied less
8 weight to the indicated MVIC/net plant result. Inversing the weightings to apply 75% to
9 the MVIC/net plant approach as noted by Messrs. Hails and Cathcart would further
10 exacerbate the extent to which the approach understates the value of GSA.

11
12 **Q. IS IT APPROPRIATE TO CONSIDER PENNSYLVANIA AND NATIONAL**
13 **AVERAGE MULTIPLES IN YOUR COMPARABLE SALES ANALYSIS?**

14 A. Yes. Given that GSA is based in Pennsylvania, it is necessary to include a Pennsylvania-
15 specific multiple in the analysis. ScottMadden's inclusion of the national average multiple
16 makes the indicated value from this approach a conservative measurement, and is required
17 by the Additional Guidelines for Utility Valuation Experts.

18
19 **Q. WOULD IT BE CORRECT TO RELY ON AQUA'S CAPITAL EXPENDITURE**
20 **PLAN IN DETERMINING THE VALUE FOR GSA?**

21 A. No, it would not. The premise of value for GSA is that of a Going Concern, which means
22 that the value is determined as if the utility is operated by GSA into perpetuity.

⁴ Id.

BOROUGH OF GREENVILLE
REBUTTAL TESTIMONY OF DYLAN W. D'ASCENDIS

1 ScottMadden relied on information in the KLH Engineering Assessment and from GSA
2 management for guidance on capital expenditures, and then made assumptions regarding
3 necessary rate increases to cover those expenditures. If the anticipated capital expenditures
4 were less than expected, Messrs. Hails and Cathcart would be correct that rate increases
5 would be lower, but the value of GSA would not be significantly affected (*i.e.*, revenues
6 and expenses are matched in either case, leaving only cash flow). As such, the hypothetical
7 cost savings or capital expenditures under Aqua management is irrelevant to the value
8 contemplated in the ScottMadden Valuation Report for GSA.

9
10 **Q. DID MESSRS. HAILS AND CATHCART PERFORM AN APPRAISAL OF GSA'S**
11 **WASTEWATER SYSTEM ASSETS?**

12 A. No.

RESPONSE TO I&E WITNESS KUBAS

13
14 **Q. PLEASE SUMMARIZE MR. KUBAS' POSITION AS IT RELATES TO**
15 **UNIDENTIFIED EASEMENTS FOR GSA.**

16 A. Mr. Kubas states that if GSA is not able to identify and convey to Aqua all easements and
17 rights-of-way, then the assumption that GSA would do so is void, and ScottMadden's
18 Valuation Report may be rendered invalid.⁵ While GSA has engaged an engineer to
19 identify any missing easements and property rights, Mr. Kubas further states that until the
20 time all easements and rights-of-way are identified any "presumptive valuation...is
21 potentially flawed or inaccurate."⁶

⁵ I&E Statement No. 1, Kubas Direct, at 17-18.

⁶ Id.

BOROUGH OF GREENVILLE
REBUTTAL TESTIMONY OF DYLAN W. D'ASCENDIS

1 **Q. PLEASE RESPOND.**

2 A. Mr. Kubas' position is inconsequential to ScottMadden's indicated value of GSA. As
3 described in the response to discovery request OCA-V-7, ScottMadden calculated the
4 original cost of each easement at \$1, as shown on Schedule 1, page 2 of the ScottMadden
5 Valuation Report, reflecting a total value of \$276. The inclusion of all of the easements
6 would not materially affect ScottMadden's indicated value, and therefore, is a moot issue.

7

8 **Q. DID MR. KUBAS PERFORM AN APPRAISAL OF GSA'S WASTEWATER**
9 **SYSTEM ASSETS?**

10 A. No.

11

12 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

13 A. Yes. However, I reserve the right to supplement my Rebuttal Testimony as additional
14 issues and facts arise during the course of the proceeding.

VERIFICATION

I, Dylan W. D'Ascendis, Partner of ScottMadden, Inc., hereby state that the facts set forth in my Rebuttal Testimony, Greenville Statement No. 2-R in the matter at PaPUC Docket No. A-2023-3041695, 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).



Dylan W. D'Ascendis
Partner
ScottMadden, Inc.

Dated: August 14, 2024

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Aqua Pennsylvania :
Wastewater, Inc. Pursuant to Sections 507, :
508, 1102 and 1329 of the Public Utility Code : Docket No. A-2023-3041695
for Approval of its Acquisition of the :
Wastewater System Assets of Greenville :
Sanitary Authority :

PUBLIC VERSION

Direct Testimony
of
Christine Maloni Hoover

on Behalf of
the Pennsylvania Office of Consumer Advocate

Date Served: July 26, 2024

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1 **Introduction**

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

3 A. My name is Christine Maloni Hoover. My business address is 555 Walnut Street, Forum
4 Place, 5th Floor, Harrisburg, Pennsylvania 17101.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by the Office of Consumer Advocate (OCA) currently with the title Of
7 Counsel. When I retired on March 31, 2024, I was the Deputy Consumer Advocate.

8 **Q. Have you previously provided testimony before the Pennsylvania Public Utility
9 Commission?**

10 A. Yes. I provided testimony in Pennsylvania-American Water Company's base rate cases at
11 Docket Nos. R-2023-3043189 (water) and R-2023-3043190 (wastewater). Prior to those
12 cases, my appearances before the Commission have been as an attorney on behalf of the
13 Office of Consumer Advocate.

14 **Q. What are your qualifications to provide this testimony in this case?**

15 A. I was employed by the OCA since 1987 in increasingly responsible roles as an attorney, a
16 senior attorney, and then as the Deputy Consumer Advocate. Upon my retirement in
17 March 2024, I returned to the OCA in late May 2024 in a part time role as Of Counsel. I
18 also served as the Interim Acting Consumer Advocate for slightly more than 6 months
19 from June 2021 through mid-December 2021. I have concentrated my legal career on
20 cases and public policy issues that have been before the Public Utility Commission (PUC
21 or Commission). I also have been involved in public policy issues at the state and federal
22 level, concentrating on water and wastewater issues. During my career at OCA, I had
23 increasing responsibilities and had a role in setting the OCA's policy positions on a wide

1 range of utility issues. In addition, during my career at OCA I was responsible for
2 supervising the technical staff and the support staff of the office, and responsible for the
3 operations of the office.

4 During my career, I developed expertise relating to the regulation of public
5 utilities. I have presented many times relating to regulatory issues and have prepared
6 testimony for the legislature. I have participated as a faculty member in educational
7 programs for the Institute of Public Utilities at Michigan State University and presented
8 before the American Water Works Association (AWWA), the Society of Utility and
9 Regulatory Financial Analysts, the National Conference of Regulatory Attorneys, and the
10 Pennsylvania Bar Institute.

11 **Q. Do you have any experience that is particularly relevant to the issues in these cases?**

12 A. Yes, I do. During my career at OCA, I developed specific expertise in the regulation of
13 water and wastewater issues. In addition to my case work on water and wastewater
14 utilities, including appellate work, I was involved in several activities that are not tied to
15 specific legal proceedings. I was the OCA's representative on the Department of
16 Environmental Protection's Technical Assistance Center. I participated on behalf of the
17 National Association of State Utility Consumer Advocates (NASUCA) in negotiations
18 for rulemakings on Stage 2 Disinfection By Products, Total Coliform Rule, and the
19 National Drinking Water Advisory Committee's Small Systems Implementation Working
20 Group. I was a member and chair of American Water Works Association (AWWA)'s
21 Public Interest Advisory Forum for many years. I also served as a consumer
22 representative on the Water Research Foundation's Public Council. I was a member of,
23 and past chair of, NASUCA's Water Committee.

1 **Q. Have you prepared Exhibits to accompany your testimony?**

2 A. Yes, I have Exhibits CMH-1 through CMH-22 attached to my testimony.

3 **Q. Do you have any other preliminary matters to address?**

4 A. Yes, there are occasions where I may refer to decisions by regulatory agencies, courts,
5 statutes and regulations. This should not be considered a legal opinion as I am not acting
6 as an attorney for the OCA in this proceeding. Any reference or citation would be related
7 to supporting my opinion about the public policy that I discuss below.

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

9 A. I am testifying on behalf of the OCA.

10 **Purpose of Direct Testimony**

11 **Q. What is the purpose of your Direct Testimony in this proceeding?**

12 A. The purpose of my Direct Testimony is to provide my recommendations regarding the
13 Application and supporting documents submitted by Aqua Pennsylvania Wastewater, Inc.
14 (Aqua or Company) for the acquisition of the assets, properties and rights related to the
15 wastewater collection and treatment system (Assets) of Greenville Sanitary Authority
16 (GSA). I provide an analysis of whether the acquisition, if approved by the Commission,
17 would provide substantial affirmative public benefits. Ultimately, I conclude that there is
18 insufficient evidence of substantial affirmative public benefits that would result from this
19 transaction and, as such, the Commission should deny the application. If the Commission
20 approves the application, it should impose the conditions that I outline below.

1 **Q. Does the OCA recommend adjustments to the UVE appraisals ?**

2 A. No. The OCA has reviewed the Utility Valuation Engineer (UVE) valuations and would
3 recommend reasonable adjustments to both appraisals under all three valuation
4 approaches. The OCA does not anticipate that those adjustments would reduce the
5 average of the appraisals below the purchase price that Aqua would use for ratemaking
6 rate base pursuant to its election to proceed under Section 1329 of the Public Utility
7 Code. The OCA has determined not to address the valuations, based on the facts and
8 circumstances of this proceeding, but that does not constitute the OCA's acceptance or
9 agreement with the methods, inputs and assumptions used by the UVEs.

10 **Overview of Application**

11 **Q. Please describe the general nature of Aqua's application.**

12 A. Aqua seeks approval to acquire the Assets of the GSA system for a purchase price of
13 \$18,000,000. (Section IV, ¶ 22 of Aqua's Application).

14 **Q. In addition to the purchase price of \$18,000,000, what other expenses will Aqua
15 record for ratemaking purposes with respect to its Section 1329 Application?**

16 A. Aqua witness William C. Packer stated that "The UVE fees for Aqua's appraisals
17 received as of the date of the Application totaled \$20,442. The Company's UVE fees will
18 be included in the transaction and closing costs of this Proposed Transaction as stated
19 below" (Aqua Statement 3, p. 22, ln. 2-4). Mr. Packer also stated that "Based on the
20 scope of work, the methods used as accepted industry practice, and that the UVEs' fees
21 were less than 5% of the fair market value benchmark noted in the Final Implementation
22 Order and FSIO, I believe the fees are reasonable" (Application Exhibit Y-Updated,

1 Aqua Statement 3, p. 22, ln. 4-7). Aqua will incur transaction and closing costs of
2 approximately \$487,250, which it will include in its rate base. (Section X, p. 16, ¶ 58 of
3 the Aqua's Application).

4 **Q. Do you have any recommendations regarding Aqua's claim for transaction and**
5 **closing costs?**

6 A. Yes. Under Section 1329(d)(1)(iv), Aqua is required to estimate its transaction and
7 closing costs, but the actual costs cannot be known until closing. If this application is
8 approved, in its next base rate case, the actual costs claimed will be reviewed. To help
9 that review, Aqua should be required to separately identify all of its closing costs by cost
10 category, including any outside legal fees when it makes a claim for recovery in its next
11 base rate case. Also, Aqua should not be permitted to claim any transaction and closing
12 costs incurred by GSA. Section 1329 does not allow transaction and closing costs
13 incurred by the *selling* utility to be included in the acquiring utility's ratemaking rate
14 base.

15 **Q. What is the net book value of the GSA system Assets that are being acquired by**
16 **Aqua?**

17 A. Aqua provided the Engineering Assessment submitted by KLH Engineers, Inc. as Exhibit
18 D to the Application. According to Section III, ¶ 20 of the Application, and as shown on
19 page 5 of the Engineering Report, the original cost of the system is \$13,638,921. With the
20 calculated accrued depreciation reserve of \$6,784,482, the net book value of the GSA
21 wastewater assets is \$6,854,439.¹

¹ Net book value under Section 1329 does not reflect an offset for contributed plant or capital as is done in ratemaking. 66 Pa. C.S. § 1329(d)(5).

1 **Q. By how much does the purchase price exceed the net book value?**

2 A. Aqua agreed to pay \$18,000,000 for the GSA system, or \$11,145,561 over the average
3 net book value. The purchase price is 2.63² times higher than the net book value.

4 **Q. How will the acquisition impact Aqua's revenues?**

5 A. Aqua witness Packer calculates that for Year 1 (2023), the proposed transaction will
6 create an annual revenue deficiency of \$2,223,000. (Aqua Statement 3, Appendix A, p.1).
7 In other words, the Year 1 revenue requirement³ or cost to serve the GSA customers,
8 including the return on and of the ratemaking rate base (in this case the purchase price of
9 \$18 million), as well as the operation and maintenance expenses, and taxes is \$2,223,000
10 million more annually than the revenues that Aqua will receive from those same
11 customers each year. If Aqua holds the GSA customers' rates at the current levels, the
12 gap between the cost to serve those customers and what is recovered from them will
13 continue to grow due to: 1) the \$20.4 million capital expenditure commitments (Aqua St.
14 No. 2 at 10), and 2) any rate increases that are imposed on Aqua's existing customers, as
15 will be discussed below. Aqua provided a schedule showing a breakdown of projected
16 capital investments for Years 1-10 in Appendix A to Aqua Statement No. 2. This is
17 attached to my testimony as OCA Exh. CMH-1. Below is a summary of the total
18 projected expenditures for each year.

² $(\$18,000,000 / \$6,854,439) = 2.63$

³ Year 1 revenue requirement also includes \$1,588,000 of the promised capital expenditures of \$20.4 million. Aqua St. No. 3, App. A; Aqua St. No. 2 at 10.

	Addition to Rate Base	Cumulative Addition to Rate Base Since Acquisition
Year 0	\$ 18,000,000	\$ 18,000,000
Year 1	\$ 1,460,000	\$ 19,460,000
Year 2	\$ 2,860,000	\$ 22,320,000
Year 3	\$ 1,485,000	\$ 23,805,000
Year 4	\$ 735,000	\$ 24,540,000
Year 5	\$ 1,335,000	\$ 25,875,000
Year 6	\$ 2,485,000	\$ 28,360,000
Year 7	\$ 4,485,000	\$ 32,845,000
Year 8	\$ 4,485,000	\$ 37,330,000
Year 9	\$ 585,000	\$ 37,915,000
Year 10	\$ 485,000	\$ 38,400,000

1

2

In some years, the projected investment is nearly two and three times the investment in

3

Year 1. As such, the rate impact for Year 1 is not fully representative of the projected rate

4

impact of the proposed transaction in the short term (and near term).

5 **Q. How many customers does the GSA wastewater system serve?**

6 A. GSA provides wastewater service to 2,283 customers, which includes 2,082 residential,

7 183 commercial, 2 industrial, and 14 public within the Requested Territory, and bulk

8 service to 2 Contributing Municipalities. GSA provides bulk treatment to 1,646

9 customers in the Contributing Municipalities. (Section V, ¶ 31 of the Application). GSA

10 projects growth of 85 Equivalent Dwelling Units (EDUs) within the service territory and

11 50 EDUs in Contributing Municipalities over the next five years. (Section V, ¶ 33 of the

12 Application).

13 **Q. What are GSA's current rates?**

14 A. GSA currently charges a monthly base fee of \$10.50 per unit, which includes an

15 allowance of 500 gallons and an inclining consumption charge per 1,000 gallons. GSA

1 well users are charged a flat rate of \$30.41 per month per unit. The Contributing
2 Municipalities bill their own residents at their established rates, however, West Salem
3 retains 15% of the revenue collected and Hempfield retains 25% of the revenue collected,
4 remitting the remainder to GSA. (Section VI, ¶ 35 of the Application).

5 **Q. What is the proposed rate impact for GSA customers?**

6 A. As shown in the notice provided to GSA customers, based on an average water usage of
7 2,910 gal/month, to cover the Year 1 revenue requirement for Aqua serving the GSA
8 customers, the average residential bill would increase by \$41.75 or 180.85%, at the later
9 of (i) the first anniversary of Closing, or (ii) January 1, 2025, assuming no costs are
10 shared with other Aqua customers pursuant to Section 1311(e) of the Public Utility Code.
11 (Aqua Exhibit I2, p. 1).

12 **Q. Is Aqua also proposing to acquire the Greenville Water Authority under Section**
13 **1329 of the Public Utility Code?**

14 A. Yes. Since as early as October 4, 2023, Aqua has publicly acknowledged that it signed an
15 Asset Purchase Agreement to purchase the Greenville Water Authority (GWA) for \$18
16 million, the same purchase price for the GSA. I am attaching a copy of a press release
17 issued by Aqua's parent company, Essential Utilities, which announces the pending
18 acquisition of GWA as OCA Exh. CMH-2. Although Aqua's Application to acquire
19 GWA has not been fully accepted by the Commission, it is pending at Docket No. A-
20 2024-3049015.

21 **Q. Are most of GSA's customers also GWA customers?**

22 A. Yes. Approximately 2,162 customers are both GSA and GWA customers. (Response to
23 OCA V-5). This response is attached to my testimony as OCA Exh. CMH-3.

1 **Q. What is the proposed rate impact for existing Aqua customers?**

2 A. As shown in the notice provided to Aqua customers, based on an average water usage of
3 4,000 gal/month, the average current bill for Aqua wastewater customers could increase
4 by \$1.35 or 1.60%, and the average current bill for Aqua water customers could increase
5 by \$0.09 or 0.12%. (Aqua Exhibit I1, p. 1). These numbers are if existing Aqua
6 wastewater customers assume 50% of the cost and existing Aqua water customers assume
7 20% of the Cost of Service pursuant to a shift of wastewater revenue to water customers
8 under 66 Pa C.S. Section 1311(c).⁴ It should be noted that these impacts are from the
9 proposed Greenville Sewer acquisition and do not reflect any pending Aqua acquisitions,
10 including the proposed acquisition of the water system assets of the GWA (A-2024-
11 3049015), the wastewater systems assets of Delaware County Regional Water Quality
12 Control Authority (A-2019-3015173), and the wastewater assets of the City of Beaver
13 Falls (A-2022-3033138).

14 **Q. Do you have any recommendations regarding the notice provided to customers?**

15 A. Yes. Moving forward, Aqua's notices should also include rate impacts at more than just
16 average usage. For example, a small family using 5,000 gallons per month would see a
17 different bill impact than is shown on the notice. A larger family using 10,000 gallons per
18 month would see a more dramatic impact. There is no information in the application
19 notice that would permit a customer with different usage levels to calculate the impact of
20 their bill.

⁴ The bill impacts (and GSA customers' bill impacts) are calculated using current Aqua bills and do not reflect any potential impact from the pending Aqua base rate cases at Docket Nos R-2024-3047822 and R-2024-3047824.

1 **Q. Why did you choose 5,000 and 10,000 gallons per month for additional usage levels?**

2 A. I used those amounts as an estimate that falls at or near the middle of a range of usage for
3 2 and 4-person households and a range of daily usage of 5-100 gallons per day (gpd).

4 This range is based on information contained in Penn State Extension: Estimating Water

5 Needs.⁵ Although this paper is based on designing water systems, using 50 gallons per

6 day per person (gppd) as the minimum and 100 gppd for a 30 day month would equal

7 3,000-6,000 gallons per month for a 2-person household and 6,000-12,000 gallons per

8 day for a 4-person household. By choosing a level close to the middle of each range, I

9 think it is a reasonable approach to show the impact of the proposed rate increases on

10 customers at different usage levels and recommend doing so. This is relevant information

11 that will help residential customers better understand the impact on their bills.

12 **Q. Is there anything else that should be included in the customer notice?**

13 A. Yes. Currently, the notice includes the average usage, estimated quarterly increase and

14 the estimated percentage increase. In addition to this, it should include the monthly or

15 quarterly estimated volumetric charge, as well as the impact that the Distribution System

16 Improvement Charge (DSIC) will have on wastewater bills under Aqua ownership. By

17 including this information in the customer notice, it will provide a more accurate

18 representation for what customers can expect their bills to look like should the

19 Application be approved.

⁵ <https://extension.psu.edu/water-system-planning-estimating-water-needs>

1 **Q. Are there other foreseeable rate impacts to GSA customers if the Application is**
2 **approved?**

3 A. Yes. If both GSA and GWA are acquired by Aqua, customers will face an even greater
4 rate increase than reflected in the notice issued in this case. Since Aqua announced that it
5 had executed the APA with GWA prior to filing the instant Application, the Company
6 has had sufficient time to formulate the potential rate impact of the GWA purchase on
7 GSA customers and incorporate that information into the notice provided to GSA
8 customers. Notably, Aqua contemplated the rate impact to GSA customers in its
9 presentations to GSA regarding the sale – I would expect the same information would
10 have been prepared when executing the purchase of the GWA system assets. (Response
11 to OCA-I-1 Attachment 1 at 14). This response is attached as OCA Exh. CMH-4.
12 Customers of the selling entity should receive notice that reflects the rate impacts of the
13 proposed transaction as well as the impact of other pending proposed acquisitions and the
14 DSIC, at the time of a system sale.

15 **Q. Greenville also oversees a stormwater system. Is that involved in this Application?**

16 A. It does not appear to be involved directly. The GSA currently oversees the stormwater
17 system assets on behalf of the Borough of Greenville through a lease agreement.
18 (Response to OCA-V-1). This response is attached as OCA Exh. CMH-5. Aqua did not
19 seek approval for the lease agreement under Section 507 of the Public Utility Code,
20 which means that Aqua cannot step into the shoes of the GSA to oversee the stormwater
21 system, as it would be able to assume other contracts on behalf of GSA if the Application
22 is approved.

1 The OCA does not contest or otherwise take issue with Aqua's determination to not
2 assume responsibility for the stormwater system. However, Aqua intends to hire the
3 existing GSA employees. It is clear that the former GSA employees, now employed by
4 Aqua, and whose salaries are being covered by Aqua customers, should not be
5 performing work for the stormwater system or stormwater assets. It should be explicitly
6 stated and enforced that the employees hired by Aqua to run the wastewater assets are not
7 permitted to perform any work or services related to the stormwater assets unless
8 affiliated interest agreements and any other necessary steps are completed. Also, there is
9 a possibility that Greenville stormwater customers will be negatively impacted because
10 the GSA's employees are being hired on by Aqua, leaving the GSA without employees to
11 oversee the stormwater system. (Aqua St. 1 at 6:10.)

12 **Q. Is the fact that the Borough of Greenville owns a stormwater system that will**
13 **continue to be overseen by the GSA significant for any other reasons?**

14 A. Yes. First, I note that all GSA customers within the Borough are also stormwater
15 customers. (Response to OCA-V-1) GSA witness Jasson Urey, the Town Manager of the
16 Borough of Greenville claims that GSA has struggled to maintain its system and that the
17 sale avoids potential non-compliance with US Environmental Protection Agency (US
18 EPA) and the Pennsylvania Department of Environmental Protection (DEP) rules and
19 regulations. However, if GSA will continue to oversee the Borough's stormwater system
20 and most of GSA's customers will continue to receive stormwater service from GSA (in
21 whatever form it will still exist after the acquisition but without the support of Aqua or its
22 employees), it appears that GSA and the Borough's stormwater customers may face
23 potential non-compliance within the context of stormwater service.

1 **GSA System Overview**

2 **Q. Please describe the condition of the GSA system.**

3 A. Exhibits D and E attached to this Application, the 2023 Engineering Assessment prepared
4 by KLH Engineers and 2022 Chapter 94 Report to DEP prepared by KLH Engineers,
5 respectively, concluded that the GSA system is in fair to good condition and has been
6 well-maintained. While the Reports indicate that there are parts of the system which are
7 aging, that does not mean that the system is not in workable condition. Rather, both
8 reports indicate that the system is capable of handling day-to-day operations without
9 posing a risk to its customers or the surrounding environment.

10 **Q. Do you agree with Mr. Urey that the GSA system is “distressed, underfunded and
11 non-viable?” (GSA St. 1 at 5:10).**

12 A. No. There is no evidence to establish that the GSA system is distressed, underfunded, or
13 non-viable.

14 **Q. Does the KLH Engineers, Inc’s Report include as Exhibit D to Aqua’s Application
15 support a determination that GSA is distressed and non-viable?**

16 A. No. The report submitted by KLH Engineers, Inc’s indicates that the GSA treatment plant
17 is “well maintained” and that while it is reaching the end of its design life, its general
18 condition is fair. Aqua Exhibit D. at 3.

19 **Q. Have either of the two fair market value appraisals underlying Aqua’s Application
20 recommended a downward adjustment to the valuation of the GSA’s assets due to
21 non-viability or poor condition?**

22 A. No.

1 **Q. Has the GSA been able to make needed improvements to its system?**

2 A. According to Mr. Urey, the GSA has been able to replace infrastructure within the system
3 and make all necessary upgrades to the system within the past 10 years. (GSA Response
4 to OCA-II-21). This response is attached as OCA Exh. CMH-6. In my view, this is a
5 clear indication that the GSA system remains viable.

6 **Q. Does the need for capital to replace aging infrastructure necessarily make a system
7 distressed, underfunded, or nonviable?**

8 A. No. The need to replace aging infrastructure is typical and not an indication of distress,
9 being underfunded, or nonviability.

10 **Q. Does GSA have any regulatory compliance issues?**

11 A. Aqua witness, Mark J. Bubel, Sr., discussed compliance issues and challenges with the
12 system in his direct testimony. He indicated there “were no reported [Sanitary Sewer
13 overflows SSOs] in 2022⁶ as reported in the respective Chapter 94 Report; however, it
14 was noted that there were eight trouble spots for the System that were targeted for
15 general/routine cleaning”. (Aqua Statement No. 2, p. 12, ln. 22-23, p. 13, ln. 1-2). Mr.
16 Bubel also addressed Notices of Violation (NOV), stating that “GSA experienced several
17 non-compliance incidents during 2019-2022”. (Aqua Statement No. 2, p. 14, ln. 8) He
18 then goes on to discuss an incident that happened on September 30, 2022. Mr. Bubel
19 indicated this was “caused by the loss of electrical power at the WWTP which impacted
20 the biological treatment process and only provided flow to primary sedimentation and
21 chlorination for disinfection”. (Aqua Statement No. 2, p. 14, ln. 10-12) Mr. Bubel also

⁶ In addition, according to Schedule 4.13 of the APA, there were no Sanitary Sewer overflows (SSO) in 2018, 2019, and 2021. There was one SSO in 2020 due to flooding.

1 referenced a non-compliance included in the 2022 Chapter 94 Report that he stated,
2 “referenced a sanitary sewer overflow at the Kinsman Road Pump Station which
3 Greenville Borough operates from which raw sewage was discharged to the surrounding
4 environment” (Aqua Statement No. 2, p. 14, ln. 19-21)

5 **Q. Are there any current environmental compliance issues for GSA?**

6 A. Mr. Bubel indicated there are no compliance issues on file with the Department of
7 Environmental Protection (DEP). (Aqua Statement No. 2, p. 16, ln. 10-12)

8 **Q. Are there any noncompliance issues pending with the United States Environmental**
9 **Agency?**

10 A. Mr. Bubel indicated, “none of which Aqua is aware”. (Aqua Statement No. 2, p. 16, ln.
11 16)

12 **Q. Are there any anticipated capital improvements?**

13 A. In his direct testimony, Mr. Bubel stated, “Aqua identified upgrades to the GSA WWTP
14 and gravity collection systems based on compliance, facility conditions observed, facility
15 age, and safety. Aqua estimates that it will invest approximately \$20.4 million over the
16 next 10 years in the entire System”. (Aqua Statement No. 2, p. 10, ln. 2-5). He also
17 identified that “GSA had planned upgrades and already started engineering design to the
18 WWTP of \$45.6 million to address the COA. The GSA has already spent approximately
19 \$2.8 million on design when they decided to stop in light of the sale to Aqua”. (Aqua
20 Statement No. 2, p. 10, ln. 6-8)

1 **Q. Are any of the improvements and upgrades mentioned above urgent?**

2 A. Mr. Bubel was asked “Do you foresee any other projects that would be required in the
3 immediate future?” (Aqua Statement No. 2, p. 13, ln. 4), in which he replied,
4 “Replacement and upgrade of facilities will continue beyond Aqua’s 10-year capital plan
5 based on facility age and expected facility life span”. (Aqua Statement No. 2, p. 13, ln. 5-
6 6). It is not apparent that any improvements and upgrades are urgent but rather appear to
7 be the ongoing replacement and upgrades that are necessary for any system as facilities
8 used to provide service age and reach expected end of service lives. Furthermore, Mr.
9 Bubel indicated that Aqua has identified a more cost-effective solution that will directly
10 save customers over \$20 million in avoided capital improvement costs. (Aqua Statement
11 No. 2, p. 10, ln. 10-12) There is no evidence showing GSA couldn’t utilize this same
12 solution. I am aware that witnesses for GSA and Aqua have raised concerns about GSA’s
13 system, but there has been no showing that GSA is not able to comply with requirements.
14 In the direct testimony of GSA witness, Jasson Urey, he indicated that the continued use
15 of outside contractors has been considered and it is not what the Borough or GSA wants
16 to do. He stated, “While someone could suggest that the GSA can simply hire outside
17 consultants to provide support on capital planning, building, operations and execution,
18 that still takes time, focus and review for the GSA that is not available and frankly, not
19 wanted”. (GSA Statement No. 1, p. 6, ln. 19-23)

20 **Q. Has GSA demonstrated that it is not capable of making any needed infrastructure
21 improvements to maintain environmental compliance?**

22 A. No. As stated above, the GSA has been able to make all necessary infrastructure
23 improvements and has no significant environmental compliance concerns. While

1 investment may be required normal updates to the wastewater treatment plant and other
 2 portions of the system, there is no indication that GSA would not be able to raise capital
 3 either through debt or increased rates in order to fund necessary improvements.⁷ For
 4 example, the GSA could apply for subsidized loan or grant funding through programs
 5 like PENNVEST to pursue the capital required in order to fund necessary infrastructure
 6 upgrades and improvements. *See* 25 Pa. Code §§ 963.1-963.20.

7 **Analysis of Affirmative Public Benefits**

8 **Q. What is required for approval of an application for a certificate of public
 9 convenience?**

10 A. To acquire a municipal wastewater system a public utility must file an application asking
 11 for a certificate of public convenience, which will only be granted if the Commission
 12 determines that the acquisition is necessary or proper for the service, accommodation,
 13 convenience, or safety of the public. The Commission may impose conditions on its
 14 granting of the certificate. Section 1103(a) of the Public Utility Code states as follows:

15 A certificate of public convenience shall be granted by order of the
 16 commission, only if the commission shall find or determine that the
 17 granting of such certificate is necessary or proper for the service,
 18 accommodation, convenience, or safety of the public. The
 19 commission, in granting such certificate, may impose such
 20 conditions as it may deem to be just and reasonable.⁸

⁷ In a 2016 study, completed by KLH, the GSA consulting engineers concluded that the Authority had full capabilities to implement upgrades and to react to future needs. Greenville Sanitary Authority, Act 537 Sewage Facilities Plan Special Study, Rev April 2016 2016 by KLH Engineers, Inc. attached as Information Request No. 21 at 39, Section VII.B.3 “Cost of Administration, Implementability and the Capability to React to Future Needs, as contains in Aqua’s Information Request No. 21 to the Commission’s Bureau of Technical Utility Services’ data request,” re-submitted on January 30, 2024.

⁸ 66 Pa. C.S. § 1103(a).

1 The Pennsylvania Courts and the Commission have construed this as requiring that a
 2 proposed acquisition of, or merger with, a public utility “will affirmatively promote the
 3 service accommodation, convenience, or safety of the public in some substantial way.”⁹

4 Also, the Courts have explained:

5 [T]he Commission must perform “the balancing test required by
 6 Section 1102 of the Code to weigh all the factors for and against
 7 the transaction, *including the impact on rates*, to determine if there
 8 is a substantial public benefit.”¹⁰

9 **Q. Is Aqua’s fitness to acquire the GSA system determinative in this case?**

10 A. No. To qualify as benefits of a transactions, the services, expertise, or fitness provided by
 11 the acquiring utility must differ substantially from the benefits already provided by the
 12 system operator, and must be specific to the transaction in question, not merely arising
 13 out of the fitness of the acquiring utility.¹¹

14 **Q. Does Aqua have any other pending Section 1329 acquisitions?**

15 A. Yes. As discussed above, in addition to GSA, Aqua has pending 1329 acquisitions of the
 16 City of Beaver Falls and the DELCORA wastewater system. Also, as discussed above,
 17 Aqua has filed is application to acquire the assets of the Greenville Water Authority
 18 (Docket No. A-2024-3049015).

19 **Q. What is the pending revenue deficiency for those systems?**

20 A. The annual revenue deficiency for the City of Beaver Falls is \$4,288,000 and for
 21 DELCORA is \$4,553,000. These amounts, in addition to the proposed amount of

⁹ *City of York v. Pennsylvania Public Utility Commission*, 209 A.2d 825, 828 (Pa. 1973).

¹⁰ *Application of Aqua Pennsylvania Wastewater, Inc.*, Docket No. A-2021-3024267, Order Entered January 13, 2022, p 8 (quoting *McCloskey v. Pennsylvania Public Utility Commission*, 195 A.3d 1055, 1066-1067 (Pa. Cmwlth. 2018), *appeal denied*, 207 A.3d 290 (Pa. 2019)) (emphasis added).

¹¹ *Cicero v. Pa. PUC*, 300 A.3d 1106, 1119 (Pa. Cmwlth. Ct. 2023) (*Cicero*), *petitions for allowance of appeal docketed*, 47 MAP 2024, 48 MAP 2024, 49 MAP 2024 (June 14, 2024).

1 \$2,230,000 for GSA, equal approximately \$11,071,000 in total annual revenue deficiency
2 for Aqua's pending Section 1329 acquisitions. Furthermore, these numbers are in
3 addition to the seven other Aqua 1329 acquisitions that were already approved.

4 **Q. Do any witnesses claim that GSA customers will benefit from the acquisition?**

5 A. Yes. Mr. Packer stated, "The Company is projecting that there will likely be less
6 operating and maintenance costs under its ownership through reductions in costs for
7 wastewater maintenance, as well as efficiencies in administrative and general costs, such
8 as insurance, auditing and legal, among others" (Aqua Statement 3, p. 14, ln. 5-8). He
9 also stated "Specifically, referencing the GSA 2022 Financial Statements, Total
10 Operating and Maintenance Expenses for the System were approximately \$1.160 Million,
11 whereas the Company is projecting annual expenses of approximately \$0.996 Million, or
12 an approximate 14% reduction. that operating expenses will be lower: " (Aqua Statement
13 3 p. 14, ln. 8-12). This projected annual expense savings of \$164,000 is reflected in the
14 revenue requirement that Mr. Packer calculated for GSA which still nets to an annual
15 \$2.223 million shortfall.

16 **Q. Do you have any comments?**

17 A. Mr. Packer estimated that operating expenses for the system might be approximately
18 \$164,000 per year lower for Aqua than for GSA. His estimated annual expense savings
19 are offset by other increased costs due to Aqua's ownership. Even with the \$164,000 of
20 annual operating expense savings, Mr. Packer estimates that the *overall increase* in
21 annual costs under Aqua ownership will generate an annual revenue deficiency of
22 \$2,223,000 and increase rates for the acquired GSA customers. This cost does not exist
23 for GSA, except in repaying debts at a lower rate. Further, Aqua has to pay Pennsylvania

1 sales tax and state and federal income taxes, along with a return on its utility plant in
2 service, that GSA does not.

3 **Q. Do any witnesses claim that Aqua’s existing customers will benefit from the**
4 **acquisition?**

5 A. Yes. On page 15 of his direct testimony, Mr. Packer testified the acquisition will increase
6 Aqua’s customer base, which would result in “future” infrastructure investments across
7 the state being shared at a lower incremental cost per customer for all of Aqua’s
8 customers. Mr. Packer also stated that “there is also more flexibility and opportunity to
9 deal with rate impacts over a much larger customer base”. (Aqua Statement No. 3, p. 19,
10 ln. 3-4).

11 **Q. Do you have any comments?**

12 A. There is no information to show that the proposed transaction would make any
13 customers’ rates more affordable in the near term, and there has also been no showing
14 that the transaction would make rates more affordable in the long-term. In fact, in
15 response to OCA-II-9, page 9 of Attachment 1 includes minutes from the GSA meeting
16 on Thursday, November 10, 2022 where Mr. Tom Rafferty of Aqua spoke, emphasizing
17 that “the rates presented were at full cost of service and were worst case scenario for
18 transparency purposes”. The pertinent part of this response is attached as OCA Exh.
19 CMH-7¹². However, this statement, in late 2022 is no longer accurate considering not
20 only the pending application to acquire GWA, DELCORA, and Beaver Falls, as
21 discussed above, as well as the pending Aqua Base Rate Case. Further, in interrogatory

¹² The pertinent parts are the full meeting minutes from November 10, 2022, which are numbered as pages 8-11 of 22, and the quoted passage appears on page 9 of 22.

1 response to OCA-I-8, Mr. Packer identified that 55.44% of Aqua's current projected rate
2 base is from Fair Market Value (FMV) acquisitions, while 44.56% is from non-FMV
3 acquisitions. This alone shows how expenditures from FMV acquisitions impact
4 customer rates. This response is attached as OCA Exh. CMH-8.

5 **Q. Aqua witness, Zach Martin, testified on page 10 of his Direct Testimony that he**
6 **believes that Aqua is technically fit to operate the System, do you agree?**

7 A. Yes. However, Aqua's technical fitness as a public utility does not in itself produce
8 affirmative public benefits.

9 **Q. Mr. Bubel testified on page 5 of his Direct Testimony that four systems of Aqua's**
10 **Western Division are in proximity to the GSA allowing for operational efficiencies.**
11 **Please respond.**

12 A. The proximity to Aqua's existing systems is a positive aspect of the transaction.
13 However, regionalization/consolidation must be considered along with the cost
14 associated with it and, at the costs included in this transaction does not promote
15 affirmative public benefits. Additionally, GSA currently operates a local office within the
16 GSA system, so the customers will not experience an improvement from Aqua
17 maintaining a local office. Also, to the best of my knowledge, at this time, there are no
18 significant service or quality concerns about the wastewater service being received by
19 customers. It appears that the change in ownership will not provide a perceptible change
20 in service or quality.

1 **Q. Does Aqua identify any economies of scale that would result if the instant**
2 **application were approved?**

3 A. Not specifically. Aqua claims that the weighted average cost of service, measured in cost
4 per connection prior to an Act 11 shift, to serve GSA customers – in addition to its
5 current customer base – is less than its current weighted average cost of service.

6 (Response to OCA-I-13). This response is attached as OCA Exh. CMH-9. However, it is
7 likely that a portion of the costs to provide service to GSA customers will be shifted to
8 Aqua's existing water and/or wastewater customers. Also, Aqua does not provide a
9 timeline for how long it would take for economies of scale to be achieved or what
10 economies of scale it is able to achieve that GSA is not able to achieve currently.

11 **Q. Did Aqua provide what cost benefits GSA customers will experience under the**
12 **proposed application?**

13 A. No. The OCA does not dispute that the Authority and the Borough will receive a benefit
14 from the proceeds of the sale. However, the acquired customers will pay higher rates,
15 even with the \$164,000 of expense savings identified by Aqua, because there will be a
16 shortfall in the annual revenue requirement in Year 1 of more than \$2 million as
17 discussed above. That shortfall and/or additional revenue requirement carried by GSA
18 customers will continue to raise rates for those customers after the acquisition. There is
19 nothing to indicate that the proceeds that GSA and the Borough receive from the sale will
20 directly offset the rate impacts for those customers. Aqua and Greenville's positions
21 focus on the benefits that it and the Greenville Borough leadership expect to receive, not
22 the harm that GSA customers would experience. Notably, regardless of any cost savings
23 or economies of scale, Aqua is still projecting a revenue deficiency of \$2,223,000, or

1 180.85% of current revenues. (Aqua St. 3, App'x A at 1). This means that any savings
2 resulting from Aqua's acquisition of the system are not sufficient to outweigh the
3 substantial cost to GSA customers to provide Aqua with its return on rate base, among
4 other costs.

5 **Q. If the system were not acquired, would GSA customers pay more in rates for the**
6 **same amount of investment in capital expenditures?**

7 A. In all likelihood, they would not. For example, in calculating the revenue deficiency in
8 this proceeding, Aqua included taxes, depreciation, and return on rate base in determining
9 customers' rates. (Aqua St. 3, App'x A at 1). Municipal authorities do not pass on these
10 costs to customers, as they are not charged taxes, do not charge customers for
11 depreciation, and have a lower overall cost of capital because they do not need to provide
12 shareholders with a return on their investment. This means that, because of GSA's
13 capacity to provide reasonable and adequate service, for each dollar a GSA customer has
14 to pay increased rates, they will receive greater benefits under continued municipal
15 ownership than under Aqua's ownership.

16 **Q. Please describe the GSA bill payment options.**

17 A. In interrogatory responses to OCA-II-15 and OCA-II-16, GSA customers can pay their
18 sewer bill at the Greenville Water Authority office. Customers can also make online
19 payments at www.gmwa.info for no additional fee if paid by an ACH transfer. If an
20 online payment is made by credit card, a \$3.20 fee is charged. These responses are
21 attached as OCA Exh. CMH-10 and Exh. CMH-11.

1 **Q. Does Aqua's billing system offer any advantages over the GSA system?**

2 A. No, it does not provide any advantages over the GSA current billing system that are
3 immediately apparent. GSA customers will not be able to make in person payments at the
4 Greenville Water Authority office. The only functional difference between Aqua's billing
5 system and GSA appears to be that Aqua offers the option to make bill payments at 2 in-
6 person Western Union payment locations for a fee at Rite Aid and Walmart stores located
7 in the GSA service area. (Aqua Response to OCA-I-29). This response is attached as
8 OCA Exh. CMH-12. I agree that this provides incremental benefit. Moreover, if there are
9 any advantages to be had when comparing the GSA billing system over Aqua's billing
10 system, they are outweighed by the significant costs that ratepayers will bear based on the
11 proposed ratemaking rate base.

12 **Q. Do you believe this acquisition should be approved?**

13 A. No. The overall acquisition does not meet the standards required by the Public Utility
14 Code and should be denied. There are no affirmative public benefits that outweigh the
15 known harms associated with the increased costs as a result of this transaction. If the
16 Commission determines that the public benefits to this transaction outweigh the known
17 and quantifiable harm associated with the rate increase that will be needed to fund the
18 revenue deficiency, then I believe there are significant additional requirements that the
19 Commission should impose as a condition of such approval even though these conditions
20 do not result in affirmative public benefits. I outline these below.

1 **Easements**

2 **Q. Did Aqua indicate whether GSA has identified all real estate, including leases,**
3 **easement rights, and access to public rights-of-ways that must be transferred to**
4 **Aqua?**

5 A. At the point of writing this testimony, there are currently 119 missing easements that are
6 being pursued. (Response to OCA-I-22E) Aqua also indicated “the easement map and file
7 will be continuously updated as easements are located or obtained”. (Response to OCA-I-
8 22F). OCA-I-22E is attached to my testimony as OCA Exh. CMH-13, and OCA-I-22F is
9 attached to my testimony as OCA Exh. CMH-14.

10 **Q. Why is having the land rights to all parts of the system important?**

11 A. Having the land rights to all parts of the system is important and critical in the event
12 maintenance is required, or an emergency occurs. Response to OCA-IV-3, identified that
13 when maintenance is required on private property where GSA doesn’t have an easement,
14 GSA reaches out to the property owner in advance to notify them that maintenance on
15 GSA assets located on their property is necessary. This response is attached as OCA Exh.
16 CMH-15. In the event of an emergency, GSA would notify the property owner to the
17 extent practical and would perform the maintenance acting under GSA’s obligations to
18 protect the health, safety and welfare of the residents. Under Aqua ownership, we do not
19 know what the circumstances will be for areas where the land rights are not found. It is
20 critical for GSA to obtain all outstanding easements before the close of the transaction.

21 **Q. What is your recommendation?**

22 A. As a condition for approval of the application, the Commission should require that the
23 closing of the transaction shall not be permitted to occur until Aqua has (1) identified all

1 missing easements including public rights-of-way and other property rights and (2) taken
2 any and all necessary actions to obtain the missing easements and other property rights so
3 that they may be conveyed to Aqua at closing. Also, Aqua should not be permitted to
4 recover in rates any costs for obtaining and conveying the missing easements and other
5 property rights.

6 **Q Do you have any other recommendations?**

7 A. Yes. Aqua should not be permitted to include the GSA assets into its ratebase until it
8 acquires all outstanding easements. Absent this condition, ratepayers would be in the
9 position of paying for assets, including a return on such assets, that Aqua does not
10 actually own and this result is not in the public interest.

11 **Cyber Security Information**

12 **Q. Is GSA currently in compliance with all state and federal regulations related to the**
13 **physical and cybersecurity standards in place for its operations?**

14 A. In response to OCA-III-4, respondent Jasson Urey, the Town Manager of the Borough of
15 Greenville, identified that GSA has not been informed by any local, state, or federal
16 regulatory authority that it must improve its physical and/or cyber security in order to
17 maintain compliance with the law. This response is attached as OCA Exh. CMH-16.

18 **BEGIN CONFIDENTIAL**

19 ■ [REDACTED]

20 [REDACTED]

21 ■ [REDACTED]

22 [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]

16 **END CONFIDENTIAL**

17 **Q. Are you aware of any cyber security incident that occurred impacting GSA?**

18 **A.** No, in response to OCA-III-25, no cyber-attacks were identified. This response is
19 attached as OCA Exh. CMH-20.

1 **Q. Aqua witness Martin claims that Aqua will improve GSA’s cybersecurity measures.**
2 **(Aqua Statement 1, p. 13, ln. 6-7) Please respond.**

3 A. Aqua’s proposed improvements appear to be designed to make the GSA system
4 consistent with Aqua’s processes. Those proposed improvements do not necessarily
5 confer a benefit when there is nothing to wrong with the way GSA is currently operating
6 its system. I refer here back to my confidential testimony above.

7 **Q. In your opinion, does Aqua’s cybersecurity protocols necessarily provide an**
8 **affirmative public benefit which outweighs the harms of the proposed transaction?**

9 A. No. Aqua has not demonstrated that its acquisition and management of the system would
10 be beneficial enough, standing on their own, to outweigh the harms GSA and Aqua
11 customers would experience if the proposed transaction were approved. Notably, Aqua’s
12 proposed improvements to the GSA system, especially including its proposed investment
13 in SCADA, would significantly increase the number of points in the GSA’s system
14 vulnerable to cyber threats. **BEGIN CONFIDENTIAL** [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED] **END CONFIDENTIAL.** I

18 think it is important to recognize that virtually any investor-owned utility in Pennsylvania
19 will have more physical and cybersecurity funding and state-of-the-art resources;
20 however, that weighs in favor of Aqua’s technical fitness, which I am not challenging.
21 Technical fitness alone should not be the defining metric for whether this transaction will
22 produce affirmative public benefits. As I explain throughout my testimony, the balance of
23 all benefits and detriments of the transaction must be considered.

1 **Q. Do the cybersecurity issues you discuss here change your opinion that the GSA**
2 **system is not troubled?**

3 **A.** No. The GSA system does not appear to be troubled as discussed here and as discussed
4 above. If GSA would need to pursue funding for capital improvements, or cybersecurity,
5 it appears capable of doing that. For example, GSA could pursue federal or state grant or
6 loan funding such as PENNVEST funding. (Response to OCA-III-7). This response is
7 attached as OCA Exh. CMH-21. PENNVEST funding is available for municipally-owned
8 wastewater projects that improve safety and bring systems into statutory and regulatory
9 compliance, which includes building out physical and cybersecurity infrastructure. 25 Pa.
10 Code §§ 963.5, 963.8.

11 **Low-Income Assistance Program**

12 **Q. Did any witness address GSA low-income customers?**

13 **A.** Yes. Aqua witness Rita Black provided direct testimony in Aqua Statement No. 5. Ms.
14 Black explained that Aqua's customer assistance program (CAP) would provide a benefit
15 to GSA customers. Aqua Exhibit AA, Aqua St. No. 5 at 3-4.

16 **Q. Do you have any comments?**

17 **A.** Yes. In interrogatory response to OCA-I-28, Zach Martin indicated the median income in
18 Greenville Borough is \$54,237, and that the US Census Bureau estimates there are 1,766
19 individuals in Greenville that are below 200% of the federal poverty limit (FPL) and 335
20 families in Greenville that are below 200% of the FPL. This response is attached as OCA
21 Exh. CMH-22. It appears that there are many individuals and families who might benefit
22 from Aqua's programs. Unless GSA customers know about **and are enrolled**, the

1 existence of Aqua's low-income programs will not provide a benefit. I also caution that
2 all of the GSA customers will face higher bills as Aqua customers, even if enrolled in
3 Aqua's CAP programs

4 **Q. Do you have a recommendation?**

5 A. Yes. If the Commission approves the transaction, Aqua should provide a letter to the
6 acquired customers that provides information regarding its low-income programs,
7 including a description of the available programs, eligibility and requirements, and
8 Aqua's contact information. The letter should be sent within 30 days after closing so that
9 eligible customers can benefit from the program as soon as possible and before rates are
10 increased. Also, Aqua should include the same information regarding low-income
11 programs in bills sent to GSA customers within 90 days after closing.

12 Aqua should report the number of eligible customers from the former GSA service area
13 who are enrolled in Aqua's CAP. The report should be provided to the Commission and
14 to the parties every six months until the conclusion of Aqua's next base rate case.

15 **Q. Do you have any recommendations regarding a hardship fund?**

16 A. Yes. Aqua's bill discount program is limited to 150% of Federal Poverty Income
17 Guidelines. That program will not help GSA customers who are above 150% of FPIG
18 who will pay higher rates under Aqua ownership. It also does not help existing
19 wastewater and water customers who are above 150% of FPIG and whose rates will
20 increase due to this acquisition. I recommend that, if the proposed acquisition is
21 approved, it should be conditioned on the requirement that Aqua make an additional

1 annual contribution of \$50,000¹³ to the hardship fund annually for five years following
2 closing. These contributions should not be recovered in rates and all unspent funds at the
3 end of the program year should be rolled over and added to the budget for the hardship
4 grant program in the following year(s). This will provide a concrete and actual benefit to
5 Aqua's existing and acquired customers that will provide a small offset to the rate
6 increases that will result from approval of this acquisition.

7 **Cost of Service Study (COSS)**

8 **Q. If this transaction is approved, should a separate cost of service study be required**
9 **for the acquired GSA system when Aqua files its next base rate?**

10 A. Yes. In accordance with Section 1329, the rate base valuation for GSA is different than
11 for acquisitions approved under the traditional regulatory framework, where assets are
12 valued for ratemaking purposes at original cost net of accumulated depreciation and net
13 of contributions. The costs associated with the acquired GSA system should be separately
14 evaluated in Aqua's next general rate case, from Aqua's previously owned wastewater
15 utility systems. A COSS would provide the necessary information needed to establish
16 rates that reflect the costs of the acquired system. Additionally, Aqua should submit a
17 wastewater COSS that removes all costs and revenues associated with the operation of
18 the GSA system.

¹³ The OCA calculated this number by rounding down from 0.25% of the \$18,000,000 million purchase price. $(18,000,000 \times 0.0025) = 45,000$, rounded up to 50,000.

1 **Additional Necessary Condition for Approval - DSIC**

2 **Q. Is Aqua requesting the implementation of a DSIC for GSA customers at closing?**

3 A. No. Mr. Packer stated, “Aqua intends to amend its Long-Term Infrastructure
4 Improvement Plan (“LTIIIP”) to include the GSA in the LTIIIP and file the amended
5 LTIIIP with the PUC. The Company will include a request in that filing to initiate the
6 DSIC for the GSA’s customers as permitted by Section 1329.” (Aqua Statement No. 3, p.
7 9, ln. 13-16).

8 **Q. Do you have a concern about Aqua’s proposal?**

9 A. Yes. Although Section 1329(d)(4) provides that GSA rates will not increase until new
10 base rates are approved in Aqua’s next base rate case post-closing, the statute does allow
11 Aqua to collect a DSIC from customers acquired using fair market value during this time.
12 Aqua does not commit to *when* it will file an amended LTIIIP. Having the acquired
13 customers pay a DSIC is one small way in which Aqua’s existing customers can receive a
14 short-term benefit from the acquisition – by spreading the costs recovered through the
15 DSIC over a larger customer base.

16 **Q. What is your recommendation?**

17 A. Aqua’s amended LTIIIP including the GSA customers should be filed within 90 days of
18 closing. Additionally, the proposed projects reflected in the amended LTIIIP should be in
19 addition to, and not re-prioritize, any capital improvements that Aqua has already
20 committed to undertake for existing customers. Also, Aqua should not include GSA
21 system-related investments in its DSIC until Aqua collects a DSIC from GSA customers.
22 The last two requirements protect Aqua’s existing customers by helping to ensure the

1 acquisition does not mean that (1) projects in their service areas will not be carried out as
2 planned and (2) they will not pay for projects in the GSA service area through the DSIC
3 until GSA customers are also included in the DSIC calculation.

4 **Conclusion**

5 **Q. Based on your analysis of affirmative public benefits from the proposed transaction,**
6 **what do you conclude?**

7 A. While there are some public benefits of the proposed transaction, based on the current
8 record, the benefits do not outweigh the projected rate impact. Therefore, the Application
9 should be denied. If the Application is approved, there are conditions that should be
10 adopted that will hopefully mitigate the harm of the transaction, although the conditions
11 will not eliminate the harm.

12 **Q. Please summarize your recommendations.**

13 A. The Commission should not approve Aqua's application for the reasons I identified
14 above; however, if the Commission determines to approve the application, these
15 following conditions should be adopted to protect all Aqua customers:

- 16 • Aqua will separately identify all of its closing costs by category, including any
17 outside legal fees when it makes a claim for recovery in its next base rate case,
18 and will not be permitted to claim any transaction and closing costs incurred by
19 GSA.
- 20 • Aqua will include rate impacts at more than just average usage level in its
21 customer notices moving forward.
- 22 • Aqua will include the monthly or quarterly estimated volumetric charge, as well
23 as the DSIC impact under Aqua ownership in its customer notices moving
24 forward.

- 1 • Closing of the transaction shall not be permitted to occur until Aqua has (1)
2 identified all missing easements including public rights-of-way and other property
3 rights and (2) taken any and all necessary actions to obtain any missing easements
4 and other property rights so they can be conveyed at closing.
- 5 • Aqua will not be permitted to recover any rates in any costs for obtaining and
6 conveying the missing easements and other property rights.
- 7 • Aqua will not be permitted to include the GSA assets into its ratebase until it
8 acquires all outstanding easements.
- 9 • Aqua will mail a welcome letter to the acquired customers within 30 days after
10 the closing that provides information about its low-income programs, including a
11 description of the available programs, eligibility and requirements, and Aqua's
12 contact information. Aqua will provide the same information in a bill insert that is
13 sent within the first 90 days after closing.
- 14 • Aqua will make an annual contribution of \$50,000 to the hardship fund annually,
15 for five years following the closing. These contributions should not be recovered
16 in rates and all unspent funds at the end of the program year should be rolled over
17 and added to the budget for the hardship grant program in the following year(s).
18 This will provide a concrete and actual benefit to Aqua's existing and acquired
19 customers that will provide a small offset to the rate increases that will result from
20 approval of this acquisition.
- 21 • At the time of filing its next base rate case, Aqua will submit a cost of service
22 study that removes all costs and revenues associated with the operation of the
23 GSA system and will also provide a separate cost of service study for the GSA
24 system.
- 25 • Aqua's will file an amended LTIP including the GSA customers within 90 days
26 of closing. The proposed projects reflected in the amended LTIP should be in
27 addition to, and not re-prioritize, any capital improvements that Aqua has already
28 committed to undertake for existing customers. Aqua should not include System-
29 related investments in its DSIC until Aqua collects a DSIC from System
30 customers.

31 **Q. Does this conclude your Direct Testimony?**

32 A. Yes. However, I reserve the right to modify if necessary

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Aqua Pennsylvania :
Wastewater, Inc. Pursuant to Sections 507, :
508, 1102 and 1329 of the Public Utility : Docket No. A-2023-3041695
Code for Approval of its Acquisition of the :
Wastewater System Assets of Greenville :
Sanitary Authority :

VERIFICATION

I, Christine Maloni Hoover, hereby state that the facts set forth in my Direct Testimony, OCA Statement 1, are true and correct (or 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: July 26, 2024

Signature:



Christine Maloni Hoover
Of Counsel

Witness Address:

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923

OCA Exh. CMH-1

	System Component	Description	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	TOTAL
1	Safety Measures (Safety)	Miscellaneous	\$50,000										\$50,000
2	Collection (Compliance)	Temporary Metering Program	\$100,000										\$100,000
3	Collection (Compliance)	MH Rehabilitation		\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$1,125,000
4	Collection (Compliance)	Prioritized Main Rehabilitation and replacement		\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$1,800,000
5	Collection (New)	New Customer Connections	\$60,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$150,000
6	Collection (Compliance)	Existing Lateral Repairs	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$500,000
7	Treatment Audit	Plant Audit	\$75,000										\$75,000
8	Treatment (Compliance)	Dechlorination System / Re-aeration	\$350,000										\$350,000
9	Treatment (Safety)	Existing Headworks Building Modifications / HVAC Upgrades	\$100,000	\$750,000									\$850,000
10	Treatment (Safety/Compliance)	Effluent Pumping Station					\$150,000		\$1,000,000	\$1,000,000			\$2,150,000
11	Treatment (Compliance)	Two New Primary Clarifiers					\$150,000		\$1,000,000	\$1,500,000			\$2,650,000
12	Treatment (Safety)	Demo Existing Primary Clarifiers									\$100,000		\$100,000
13	Treatment (Compliance)	TF Improvements					\$300,000	\$2,000,000	\$2,000,000				\$4,300,000
14	Treatment (Compliance)	Flocculation Clarifier Repair								\$750,000			\$750,000
15	Treatment (Safety / Compliance)	Anaerobic Digester Conversion	\$150,000	\$750,000									\$900,000
16	Treatment (Safety / Compliance)	Electrical Upgrades / Arc Flash remediation	\$125,000	\$125,000	\$750,000					\$750,000			\$1,750,000
17	Treatment (Safety)	Convert from Cl Gas to Hypo		\$300,000									\$300,000
18	Treatment (Compliance)	SCADA System	\$50,000	\$200,000									\$250,000
19	Treatment (Compliance)	Audit projects	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$2,250,000
		TOTALS	\$1,460,000	\$2,860,000	\$1,485,000	\$735,000	\$1,335,000	\$2,485,000	\$4,485,000	\$4,485,000	\$585,000	\$485,000	\$20,400,000
		Rolling Total	\$1,460,000	\$4,320,000	\$5,805,000	\$6,540,000	\$7,875,000	\$10,360,000	\$14,845,000	\$19,330,000	\$19,915,000	\$20,400,000	

OCA Exh. CMH-2



Essential Utilities' Aqua Pennsylvania Agrees to Purchase Greenville Water System for \$18 Million

October 4, 2023

Transaction builds on more than \$335 million in current purchase agreements; follows wastewater system purchase in May

BRYN MAWR, Pa.--(BUSINESS WIRE)--Oct. 4, 2023-- Essential Utilities today announced its Aqua Pennsylvania subsidiary signed a purchase agreement to acquire the water system in Greenville, PA for \$18 million. The transaction is expected to close in the third quarter of 2024.

The water treatment plant and distribution system are currently operated by the Greenville Municipal Water Authority. The system consists of 40 miles of main line in Greenville, Hempfield Township and West Salem Township with nearly 3,000 service connections.

"Although the system is in relatively good condition, we're not poised to meet new and evolving regulatory and environmental requirements in the years ahead," said Greenville Municipal Authority Board Chair Tom Strahler. "We need to plan ahead and ensure the system is in capable hands for the long term. We knew Aqua – a trusted and professional partner – could manage the required upgrades and operate the system safely and effectively for years to come."

The transaction builds on Essential's strategy to invest in system operations, employees and infrastructure that deliver clean, safe, reliable natural resources to residential and business customers, including water and wastewater services, with a focus on positively impacting the environment.

\$10 million in planned investments in 10 years

Essential plans to invest more than \$10 million in the water system within the next 10 years to meet regulatory, environmental and cybersecurity demands. All Greenville Municipal Authority employees will be offered employment at Aqua, pending the company's standard hiring practices.

"We have a long-established working relationship with the Greenville Water Authority, as well as the expertise and technical resources to manage the system's future needs," said Essential Chairman and CEO Chris Franklin. "We look forward to expanding in the region and providing clean, safe, reliable water and wastewater services to the residents of Greenville and surrounding communities."

The Greenville water system is the second purchase agreement to be signed by Aqua Pennsylvania this year, following the announcement to acquire Greenville's wastewater system in May. Including Greenville water, Essential's Aqua companies have signed five purchase agreements for water and wastewater systems. Together these systems represent over 211,000 equivalent retail customers or equivalent dwelling units with nearly \$354 million in purchase price. So far in 2023, the company has acquired seven water and wastewater systems, adding more than 11,000 new customers or equivalent dwelling units to the company's footprint.

About Essential

Essential Utilities, Inc. (NYSE:WTRG) delivers safe, clean, reliable services that improve quality of life for individuals, families, and entire communities. With a focus on water, wastewater and natural gas, Essential is committed to sustainable growth, operational excellence, a superior customer experience, and premier employer status. We are advocates for the communities we serve and are dedicated stewards of natural lands, protecting more than 7,600 acres of forests and other habitats throughout our footprint.

Operating as the Aqua and Peoples brands, Essential serves approximately 5.5 million people across nine states. Essential is one of the most significant publicly traded water, wastewater service and natural gas providers in the U.S. Learn more at www.essential.co.

Forward-Looking Statements

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which generally include words such as "believes," "expects," "intends," "anticipates," "estimates," "will" and similar expressions. The company can give no assurance that any actual or future results or events discussed in these statements will be achieved. Any forward-looking statements represent its views only as of today and should not be relied upon as representing its views as of any subsequent date. Readers are cautioned that such forward-looking statements are subject to a variety of risks and uncertainties that could cause the company's actual results to differ materially from the statements contained in this release. Such forward-looking statements include, but are not limited to, statements relating to the capital to be invested by the company over the next ten years. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements including the factors discussed in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q, which is filed with the Securities and Exchange Commission. For more information regarding risks and uncertainties associated with the company's business, please refer to the company's annual, quarterly and other SEC filings. The company is not under any obligation – and expressly disclaims any such obligation – to update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

WTRGF

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Vice President, IR and Treasurer

O: 610.645.1191

BJDingerdissen@Essential.co

Source: Essential Utilities, Inc.

OCA Exh. CMH-3

Respondent: Jasson Urey
Date: 07/16/2024

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

OFFICE OF CONSUMER ADVOCATE

SET V INTERROGATORIES

OCA-V-5 How many of Greenville Sanitary Authority's customers receive water service from the Greenville Water Authority?

RESPONSE

Based upon data from the Greenville Water Authority, there are approximately 2,162 customers that are both GSA and Greenville Water Authority customers.

OCA Exh. CMH-4

Respondent: William C. Packer
Date: 06/14/2024

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

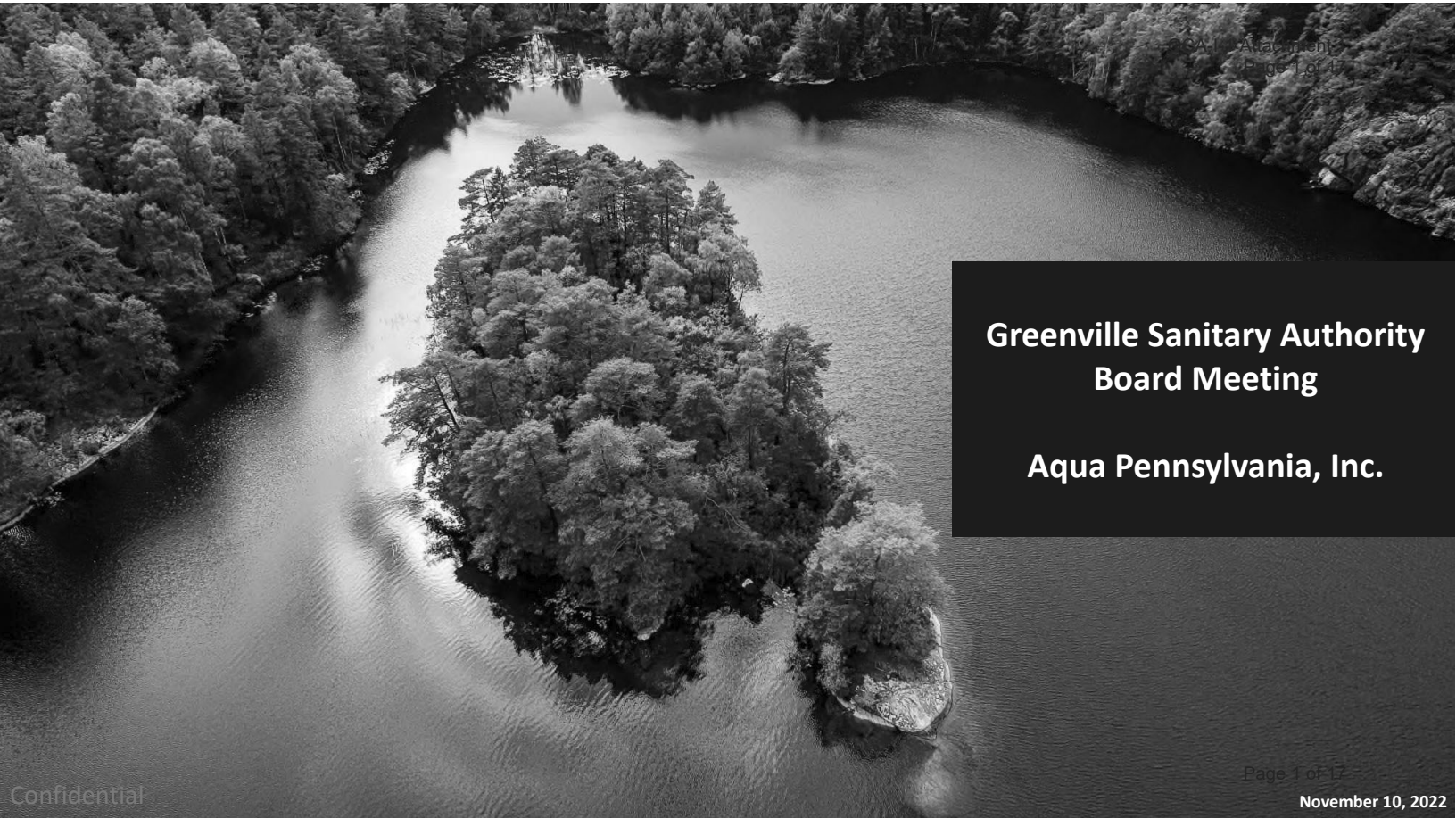
OFFICE OF CONSUMER ADVOCATE

SET I INTERROGATORIES

OCA-I-1 Please provide a copy of any proposals or exhibits made by Aqua for the purchase of the Greenville Sanitary Authority that have not already been provided as part of Aqua's Application. This includes, but is not limited to, the materials provided at the November 10, 2023, Greenville Sanitary Authority special session regarding Aqua's investment plan and rate projections.

RESPONSE

Please see OCA-I-1 Attachment 1 and 2.



Attachment
Page 1 of 17

**Greenville Sanitary Authority
Board Meeting**

Aqua Pennsylvania, Inc.

Confidential

Aqua Team

OCA-I-1 Attachment 1
Page 2 of 17

Aqua PA

Marc Lucca, PE
President

Tom Rafferty
Director, Municipal
Partnerships

Luke Ravenstahl
Vice President, Municipal
Partnerships

Zach Martin
Area Manager II

Bill Packer
VP, Controller

Carol Paul
Plant Manager II

John Andrews
Vice President, Municipal
Acquisitions

Lesley Dix
Senior Customer Care
Coordinator

Heather Doyle-Conley
Vice President, Customer
Operations

Agenda

OCA-I-1 Attachment 1
Page 3 of 17

- Team Introduction
- Aqua Overview
 - Customer Focus
 - Bid Discussion
 - Fair Market Value and Rates
 - Employees
 - Capital Investment
 - Community Involvement
 - Timeline of Events



Company Overview

- Changed name from Aqua America to Essential Utilities, prior to closing the acquisition of Peoples Gas in March 2020
- One of the largest publicly traded water, wastewater and natural gas providers in the U.S.
- Serving approximately 5 million people across 10 states under the Aqua and Peoples brands
- Ticker Symbol – (WTRG) – \$12 billion in market capitalization
- Stable investment grade rated company (A- at S&P) with strong access to capital
- Total annual capital budget of approximately \$950M

Operating in 10 states
Over 3,100 employees
serving more than 5
million people



- Founded in 1886; headquartered in Bryn Mawr, PA
- Large multi-state water & wastewater company with \$5.0 billion of rate base as of year-end 2019
- >99% earnings from the regulated water and wastewater utility business
- 225 MGD water production



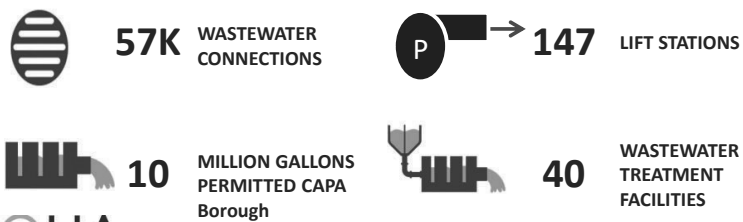
- Founded in 1885; headquartered in Pittsburgh, PA
- Largest natural gas distribution company in PA with \$2.3 billion of rate base as of year-end 2019
- 15,000 miles of distribution pipeline, 2,400 miles of gathering pipeline and 310 miles of intrastate transmission pipeline
- >98% of earnings from regulated gas distribution



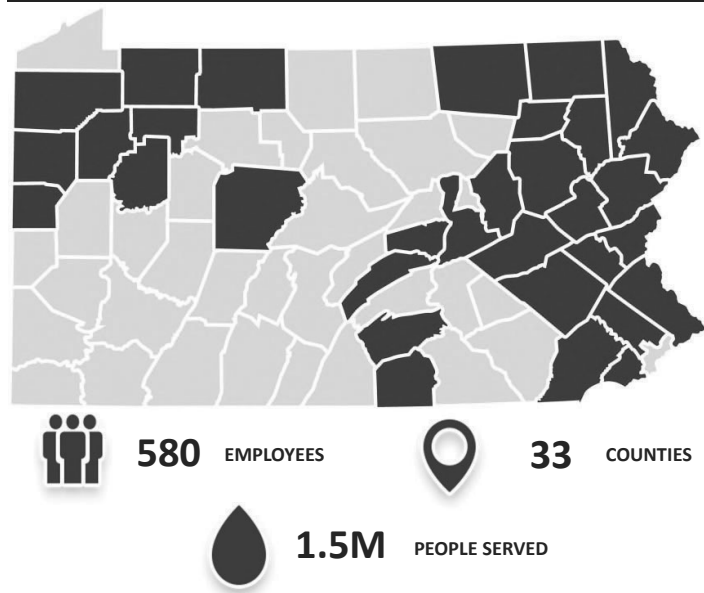
Water



Wastewater



Footprint



Source: Company filings.
Note: Water and wastewater connections represents only active services.



Aqua Pennsylvania maintains strong reliability and emergency response capabilities

- Multiple resources to address water and wastewater emergencies
- On-call employees and contractors including operators, supervisors, engineers and environmental specialists
- Automated systems in place to alert impacted customers 24/7/365
- Customers have access to outage information online
- Ability to mobilize quickly
 - Use of local resources that are familiar with the area

By customer satisfaction, according to 2022 J.D. Power's survey, Aqua is one of the the top-rated private utility in the Northeast region





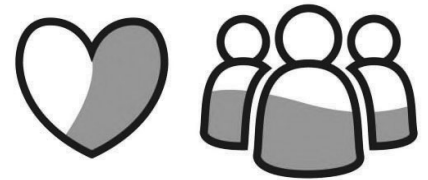
Customer Service

- U.S. based 24/7/365 Aqua-owned customer service call centers
- Outstanding customer service during severe weather events
- Maintain emergency operations plan
- Extensive data management system to protect customer information



Convenient Bill Pay

- Convenient bill pay options
- Aqua water and wastewater on ONE bill
- WaterSmart also provides outage alerts and tips to help with water conservation, leak identification, pipe protection, etc.



Financial Assistance Programs

- Helping Hand is Aqua Pennsylvania's low-income assistance program designed to enable low-income customers to make manageable monthly payments on their water and wastewater bills.
- Customer Assistance Program (CAP) Discounted monthly bills based on income. Arrearage forgiveness of \$25/Mo.

Aqua Employees are Our Most Important Asset

Byron Moat – Assistant Superintendent (Former Media, PA Wastewater employee, System Acquired by Aqua in 1995)

“When I first learned the Authority was going to be sold, I was concerned about whether Aqua would hire me and if they did, what my future might be. As it turned out, Aqua hired all the plant employees. The biggest difference I found at Aqua is the opportunity I’ve had to expand my experience and learn more about the water and wastewater business.”



Employees are the most important asset in every acquisition. We offer employment to all employees in an acquisition. Many of our employees joined our Aqua family through an acquisition



Frank Rodden
Formerly Limerick Wastewater PA, Limerick Field Supervisor
4 years with Aqua



Greg Nesspor
Formerly West Lancaster Authority PA, Operator IV
25 years with Aqua



Tony Marino
Formerly Bristol Borough Authority PA, Utility Worker
25 years with Aqua

Capital Investment in the Greenville Sanitary System

OCA-I-1 Attachment 1
Page 9 of 17

Aqua **prudently and efficiently invests capital** to maintain compliance and the highest levels of service

In the communities we serve, we assume **all the responsibilities of capital and compliance**

Aqua actively pursues PENNVEST funding as a means to protect customer rates:

- \$10M Approved for PFAS Treatment
- \$60M under review for Lead Service Lines
- \$30M under review for 6 Wastewater projects
- \$32M under review for Shenango and other WTP's

\$240M in funding from the Bipartisan Infrastructure Law

Treasure Lake Wastewater Treatment Plant Upgrade, DuBois PA



Aqua PA plans to spend \$20M+ at the Greenville WWTP over a 10 year period

The Essential Foundation



Essential has a charitable foundation with a focus on enriching the lives of those who live and work in the communities we serve. Essential has formed important partnerships with community-based nonprofit organizations throughout our company footprint.



Employee Volunteerism

As a mission-based organization, volunteerism allows us to expand corporate social responsibility activities by enabling employees to attend company-sponsored volunteer events at local community organizations.



TreeVitalize Watersheds More than 170,000 trees and shrubs planted over 15 years

Focuses on reforesting stream corridors and other areas where the trees will help improve water quality.



Leveraging Renewable Energy to Benefit Customers



Solar power usage at certain plants will generate a \$4 million savings, directly benefiting our customers' utilities rates.

Greenville Borough Decision to Explore a Sale

We understand the Authority's decision to explore a sale of assets includes:

Overcome legacy issues extending from Act 47 Program

Eliminating future capital liabilities at the plant

Transfer all responsibilities of Consent Order Agreement to Aqua (financial and otherwise)

Eliminate the labor expense associated with the Sanitary system

Insure security and employment for all employee's long term

Allow Borough officials ability to focus on other core government functions

Utilize proceeds to implement Borough capital improvements and support its financial plan

Bring in an experienced and professional utility

Aqua Pennsylvania's bid considerations towards the Greenville Sanitary Authority

- Reasonable Value for Assets; Utilizing Act 12 ("Fair Market Value" Process)
- Primary Focus on Customer Rates
- Providing Highest Level of Customer Service
- Job Security for current plant employees
- Community Involvement through the Essential Foundation
- A mutual agreement that provides a public benefit to Greenville residents and customers, deemed acceptable by the Pennsylvania Utility Commission

Potential Customer Benefits – Value of Aqua Partnership

In addition to providing residents with quality sanitary service performed by a professional utility, the sale will allow the Borough to consider a variety of options from the proceeds of the sale



Summary of Aqua's Offer

Purchase Price	<ul style="list-style-type: none"> Maximum purchase price of \$20.0M
Rates	<ul style="list-style-type: none"> Future rates will reflect the purchase price option chosen by the Authority Aqua Adopts Existing Borough rates (metered and flat) Rates remain the same until Aqua PUC rate case (2025) Rate estimations reflect “full cost of service” and does not include Act 11 (cost sharing mechanism) <ul style="list-style-type: none"> \$10M purchase price contemplates 2025 rates ~ \$50.59 per month \$15M purchase price contemplates 2025 rates ~ \$61.98 per month \$17M purchase price contemplates 2025 rates ~ \$66.53 per month \$18M purchase price contemplates 2025 rates ~ \$68.81 per month \$20M purchase price contemplates 2025 rates ~ \$73.37 per month
Rate Comparison	<ul style="list-style-type: none"> Rate estimations @ “\$83.95 if Greenville Keeps System” and Borrows Required Capital (could be less with Pennvest funding or grants acquired)
Capital Investment	<ul style="list-style-type: none"> In addition to the Purchase Price, Aqua intends to spend ~\$20M in capital improvements in the first ten years of ownership, including upgrades to the wastewater treatment plant and the wastewater collection system
Operations	<ul style="list-style-type: none"> Ability to reduce operational costs through cost savings measures and economies of scale which result in a benefit to customers (less impact on rates)
Employees	<ul style="list-style-type: none"> Aqua will extend offers and propose to hire all of the existing utility employees at closing

Employees



Fair Market Value and Rate Setting

The PA Public Utilities Commission (PUC) will review and approve the transaction, rate base and all customer rates

Fair Market Value

- If a transaction occurs, Aqua will adopt the rates current at time of close and follow the Pennsylvania fair market value legislation
 - Two separate valuations of the system will assist to determine the fair market value
 - One valuation will be obtained by the buyer and one by Strasburg
 - Rate base will be set by the lower of the average of the two valuations or the offer price
- The PUC approval is required before the transaction closes and the rate base is determined

Rate Setting

- Water and wastewater are heavily regulated industries
 - Aqua does not set customer rates
- Only the PA Public Utility Commission can approve and determine customer rates
 - Capital expenditures must be deemed prudent
- Rates can only change as a result of a legal rate proceeding, which includes:
 - Public hearings
 - Review by Office of Consumer Advocate and other advocates
 - Analysis of expenditures to ensure prudence



Greenville Sanitary Authority – Potential Timeline

OCT/NOV 2022

Board Consideration of Aqua Proposal. Aqua assists Authority in Public Sessions if necessary

JAN/FEB 2023

Complete & File PUC application. Both parties mail required "Customer Notice"

SEPT/OCT 2023

Closing of Transaction. Aqua Ownership begins. Borough receives funds. Transfer of Assets, Equipment, Employees

NOV/DEC 2022

Execute Asset Purchase Agreement. Finalize Engineering Assessment and UVE report. Greenville Authorizes UVE report(required by PUC)

MAR/APR 2023

"Full Acceptance" by PUC. 6 Month approval timeline begins

Questions?



Greenville Sanitary Authority

Aqua Pennsylvania Wastewater



Greenville Sanitary Authority

Introduction to Bid Discussion

All information provided by Aqua Pennsylvania is Confidential and governed by the “Confidentiality” provision (IV) of the executed Letter of Intent (“LOI”) signed on 2.22.22 and referenced below.

Section IV

Unless mutually agreed in writing, neither party will disclose to any third party or utility company (other than their respective officers, directors, employees, agents, financing sources and other representatives who have a need to know such information in furtherance of the transaction) the terms of this LOI, our discussions or any information received in relation to the transaction.

Aqua Pennsylvania’s bid approach to Greenville Sanitary Authority considers the following:

- Reasonable Value for Assets (including deposit)
- Primary Focus on Customer Rates
- A partnership which benefits Greenville Borough and its residents now and in the future
- Acceptable and approved by the Pennsylvania Utility Commission
- Considered beneficial by the Consumer Advocate*

Greenville Sanitary Authority

Why is the Borough Exploring a Sewer Sale?

We understand the Authority's decision to sell includes:

Overcome legacy issues extending from Act 47 Program

Eliminating future capital liabilities at the plant

Transfer all responsibilities of Consent Order Agreement to Aqua (financial and otherwise)

Eliminate the labor expense associated with the Sanitary system

Insure security and employment for all employee's long term

Allow Borough officials ability to focus on other core government functions

Utilize proceeds to implement Borough capital improvements and support its financial plan

Bring in an experienced and professional utility

How will the Sale Benefit Residents?

Introduction to Bid Discussion

In addition to providing residents with quality sanitary service performed by a professional utility, the sale will allow the Borough to consider a variety of options from the proceeds of the sale



Greenville Sanitary Authority

Bid review w/ potential rates

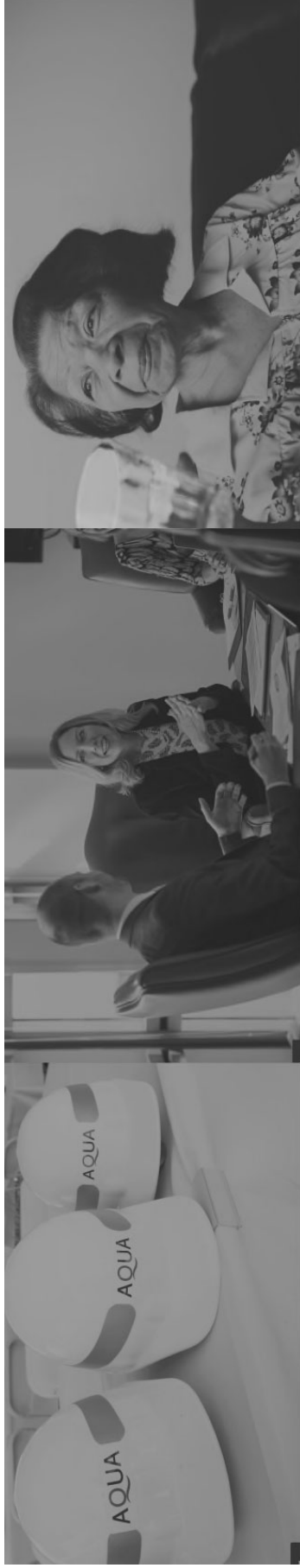


	\$10M	\$15M	\$17M	\$18M	\$20M
Year	2023	2023	2023	2023	2023
Rate	Existing Rates	Existing Rates	Existing Rates	Existing Rates	Existing Rates
Year	2024	2024	2024	2024	2024
Rate	Existing Rates	Existing Rates	Existing Rates	Existing Rates	Existing Rates
Year	2025	2025	2025	2025	2025
Rate*	\$50.59	\$61.98	\$66.53	\$68.81	\$73.37

- Borough Rates (both flat and metered) will remain the same until at least 2025 (effective date of PUC rate case)
- Aqua Pennsylvania expects to submit a rate case to the Pennsylvania Utility Commission (“PUC”) in 2024 with rates becoming effective in 2025.
- Rate estimations shown here reflect “full cost of service” and includes no Act 11.

Rates Information

- In all transactions, Aqua adopts the current rates of the system
- Heavily regulated by the PA Public Utility Commission (PUC) - Aqua does not set future customer rates
 - Aqua (& the PUC) believe in gradualism and the avoidance of “rate shock”
 - Aqua will also utilize regulatory mechanisms (Act 11) to spread costs across our larger rate base (450,000 customers)
- Only the PUC can approve and determine customer rates
 - Aqua’s Expenditures must be deemed “**prudent**”
- Rates can only change as a result of a legal rate proceeding which includes:
 - Public hearings in which Greenville residents can participate
 - Review by Office of Consumer Advocate and other advocates
 - Analysis of expenditures to ensure prudence



Greenville Sanitary Authority – Potential Timeline

October 2022

Board Consideration of Aqua Proposal. Aqua assists Authority in Public Sessions if necessary

January 2023

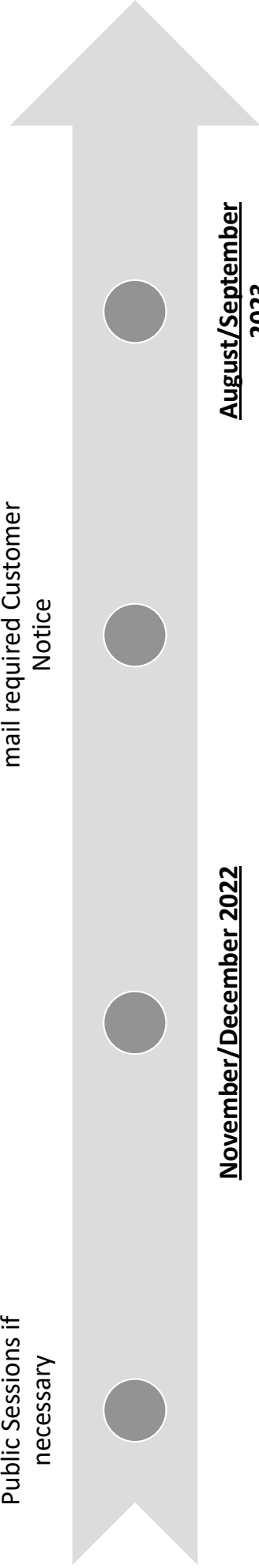
Complete & File PUC application. Both parties mail required Customer Notice

November/December 2022

Execute Asset Purchase Agreement. Finalizes Engineering Assessment and UVE report. Greenville Authorizes UVE report(required by PUC)

August/September 2023

Closing of Transaction. Aqua Ownership begins. Borough receives funds. Transfer of Assets, Equipment, Employees





We're Ready for Your Questions

WaterByAqua.com

OCA Exh. CMH-5

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

OFFICE OF CONSUMER ADVOCATE

SET V INTERROGATORIES

- OCA-V-1** Reference Aqua's response to OCA-II-9, Attachment 1, p. 9 of 22, meeting minutes from a November 10, 2022 Special Session of the Greenville Sanitary Authority. The referenced minutes appear to indicate that Greenville Sewer Authority (GSA) would still be responsible for overseeing the stormwater system even after any sale of GSA. Confirm whether GSA will have obligations regarding the stormwater system if the GSA assets are sold to Aqua. If so, provide the following information:
- a. Identify the obligations that GSA would continue to have for the stormwater system (i.e. operation, street sweeping, billing, maintenance, oversight, security, staffing);
 - b. Identify how many of GSA's customers are stormwater customers.

RESPONSE

- a. The Stormwater system is owned by the Borough of Greenville. The Borough entered into a lease agreement with the Greenville Sanitary Authority (GSA) to oversee the system. The GSA then entered into a management agreement with the Borough of Greenville for the Borough to perform all management, maintenance, and billing for the Stormwater System. The GSA will continue to oversee the Stormwater System as long as the Borough and the GSA maintain the lease agreement to do so. The Borough's Public Works Department provides the operation, street sweeping, maintenance, and staffing, while the Borough Administrative Staff provides the billing services.
- b. The Stormwater system is billed by the Borough Administrative Staff and a fee is assessed on every parcel that has any impervious surface located on the parcel. This is not based on a connection to any other system within the Borough limits, including the GSA's Sanitary Sewer System. For example, a parking lot would be assessed the appropriate stormwater fee but would not have any connection to the GSA's Sanitary Sewer System. These two systems are completely separate even though the GSA provides oversight to

both. All GSA customers within the Borough (not including GSA customers in Hempfield and West Salem) are also stormwater customers.

OCA Exh. CMH-6

Respondent: Jasson Urey
Date: 07/03/2024

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

OFFICE OF CONSUMER ADVOCATE

SET II INTERROGATORIES

OCA-II-21 At any time within the 10-year period ending December 31, 2022, has the Greenville Sanitary Authority been unable to replace wastewater utility infrastructure or make needed upgrades? If "yes" identify and explain each such occurrence.

RESPONSE

While the GSA has been able to replace infrastructure during the last 10 years, the replacements have been on an as-needed emergency basis without formal planning. The GSA did not have a formal capital plan to proactively address system needs and aging infrastructure.

OCA Exh. CMH-7

Respondent: Jasson Urey
Date: 06/24/2024

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

OFFICE OF CONSUMER ADVOCATE

SET II INTERROGATORIES

OCA-II-9 Please provide a copy of written communications or records/notes of oral communication the Greenville Sanitary Authority has received from its residents/customers regarding the proposed sale of the wastewater system.

RESPONSE

Please see OCA-II-9 Attachment 1.

**GREENVILLE SANITARY AUTHORITY
GREENVILLE, PENNSYLVANIA
SPECIAL SESSION MINUTES
Thursday, November 10, 2022, ~ 6:00 p.m.**

CALL TO ORDER Mr. Bailey called the meeting to order at 6:04 pm

ROLL CALL: Jonathan Bailey, Chairperson
Chad Bromley
Anne Butcher
Robin Douglas – via phone
Paul Hamill

OTHERS PRESENT: Jasson Urey, Town Manager
Rosalynn Reagle, Assistant Town Manager
James Douglas, Solicitor
Rob Horvat, KLH Engineers

PUBLIC:

Marc Lucca, Aqua Pennsylvania, Inc.	Kelly Lima
Tom Rafferty, Aqua Pennsylvania, Inc.	Gary Beatty
Luke Ravenstahl, Aqua Pennsylvania, Inc.	Tracy Beil
Zach Martin, Aqua Pennsylvania, Inc.	Linda Alcorn
Leslie Dix, Aqua Pennsylvania, Inc.	Patty Rose
John Andrews, Aqua Pennsylvania, Inc.	Stephanie Williams
Vince Donahue, Aqua Pennsylvania, Inc. – zoom	Tom Strahler
Heather Doyle-Connelly, Aqua Pennsylvania Inc.	Carol Paul
Rod Paul	Nichole Fenstmaker
Isaiah Vernon	Jacob McCann
Rod Wilt	Earl Corp, Record Argus

1. INFORMATIONAL – None

2. PUBLIC COMMENTS – None

3. PRESENTATION FROM AQUA PENNSLVANIA INC.

Mr. Marc Lucca spoke introducing himself and the Aqua Pennsylvania Inc. members that were in attendance for this informational setting. He also thanked the Authority for inviting them to return, granting them yet another opportunity to discuss their presentation to the interested public.

Mr. Tom Rafferty began the presentation on by providing a brief overview of Aqua Pennsylvania Inc., who they are and what they do. Mr. Rafferty then invited Mr. Zach Martin to speak regarding the customer service and employee benefits that Aqua can provide. Mr. Martin announced that they had scheduled another meeting with the Treatment Plant employees to address their questions and concerns as the Authority works through this process. Mr. Martin then provided announced that if this agreement should proceed, Aqua planned to begin by investing \$20 million over the first ten (10) years into the system to address the deficiencies and get the system in compliance with DEP

requirements. Mr. Rafferty continued the discussion with Aqua's community and engagement programs available through a foundation they have created. Mr. Rafferty spoke about ways they have assisted the communities they already serve. That led into a discussion regarding the benefits to be gained by the Municipality and by the residents should the Authority choose to sell their asset. Mr. Rafferty then proposed and discussed the purchase offer prices and how that amount affects the user rates accordingly and the how the PUC regulates the setting and adjusting rates moving forward. It was emphasized that the rates presented were at full cost of service and were worst case scenario for transparency purposes. Mr. Bailey asked for clarification on the rates as presented. Mr. Bailey asked if the rates did not include any possible PennVEST funding that could be secured for upgrades and without have the total costs of upgrades and how would that adjust the rates as a whole. Mr. Lucca responded by explaining how Aqua has the ability to spread the costs across their entire customer base and not just customers in the specific system area. By having that larger customer base, it keeps the rates lower overall. Mr. Rafferty resumed his discussion of PUC regulations that Aqua must follow prior to adjusting user rates.

Mr. Gary Beatty asked of the Authority Board members what the plans are for the money since the Board would no longer be needed. Mr. Douglas responded that the Sewer Authority also oversees the Storm Water system so the Sanitary System would have to be separated out and they would still be responsible for overseeing the Storm Water system and as far as what would be done with the money, that was an excellent question that could not be answered at this point in time. Mr. Urey went into further details regarding the process if the Authority would decide to dissolve and presented the option of placing the proceeds into a foundation and not just into an account with the Town. Mr. Rod Wilt spoke up about what Penn-Northwest Development Corp. was and how they could help the Authority as far as investing and planning through economic development.

Mr. Bailey invited any questions, comments or input from the public. No comments were made. Mr. Bailey then asked Mr. Rob Horvat, KLH Engineers Inc., to give an update on the current Sewer Upgrade Project numbers. The estimated cost has increased \$46.5 million and the rate adjustment to cover that debt, using a combination of PennVEST and Bonds for financing, would be an estimated \$84 per month. Mr. Horvat discussed if the Authority would eliminate some of the project lowering the project cost down to \$20 million, matching Aqua's proposed initial investment, for 20 years at PennVEST Cap rate adjust the user rate to about \$58 per month.

Mr. Gary Beatty asked how the sale would affect Hempfield residents because he owns properties in both municipalities. Mr. Rafferty explained the sale includes a hold on current rates for the first two years. Mr. Urey explained that the Township residents are charge a flat rate usage.

4. NEW BUSINESS

- A. Mr. Hamill started the conversation with questioning if the Board should decide which offer price and how that determines the user rates. Mr. Bailey announced that the first motion should be to determine if there is interest in a sale and then a price could be decided from there. MOTION by Mrs. Butcher, seconded by Mr. Bromley as to whether or not to sell the asset to Aqua Pennsylvania, Inc. The Board held lengthy discussions regarding what would be done with the proceeds from the sale. The Board took and responded to comments from Mr. Rod Wilt, Mrs. Tracy Biel and Mr. Urey during their discussions. Mr. Bailey asked Mr. Zach Martin to explain the project cost differences in the upgrade projects between what the Authority would have to spend and what Aqua would be able to accomplish at a much lower cost. Mr. Zach

Martin explained that Aqua has a much greater purchasing power position than what the Authority does and they can spread the costs associated over a much larger customer base. They are purchasing materials in much larger quantities because they are purchasing for several facilities and not just one so purchases in bulk tend to be at a lower rate than what the Authority can purchase for itself. Mr. Bailey asked for a roll call vote. **Motion Carried as follows: Mr. Bailey – YES; Mr. Bromley – YES; Mrs. Butcher – YES; Mrs. Douglas – YES; Mr. Hamill – YES.**

B. MOTION by Mrs. Butcher, seconded by Mr. Bromley to adopt Resolution 2022-01, Approving Sale of Sewer System. Mr. Bailey asked for a roll call vote. **Motion Carried as follows: Mr. Bailey – YES; Mr. Bromley – YES; Mrs. Butcher – YES; Mrs. Douglas – YES; Mr. Hamill – YES.**

C. MOTION by Mrs. Butcher, seconded by Mr. Bromley to address the sale price. The Board held some discussion regarding the offer prices and user rates associated. MOTION AMENDED by Mrs. Butcher, amendment seconded by Mrs. Douglas to sell the Sewer System assets to Aqua Pennsylvania, Inc. for the amount of \$18 Million. The Board held additional discussions regarding that specific amount. Mr. Bailey asked for a roll call vote. **Motion Carried as follows: Mr. Bailey – NO; Mr. Bromley – YES; Mrs. Butcher – YES; Mrs. Douglas – YES; Mr. Hamill – YES.**

Mr. Isaiah Vernon, Plant Foreman, made comments regarding the opportunities available to the six (6) member staff through Aqua that they would not have had through the municipality and discussed the meetings that had been and will be held between the staff and Aqua representatives, including the meeting scheduled for tomorrow (11/11/22).

5. AUTHORITY MEMBERS COMMENTS - No additional comments were made.

6. TOWN MANAGER COMMENTS - Mr. Urey spoke regarding the employee/employer relationship with the current six (6) member staff at the Plant and how the municipality has limited resources because of our size and that we were doing the best we could and how they would have opportunities through Aqua that we were unable to provide. Mrs. Carol Paul spoke regarding the opportunities and support available since leaving her position as the manager of the Water Authority and take a position with Aqua. The Board asked to review the timeline slide again and discuss that with Mr. Rafferty. Mr. Rafferty explained that the next step would be to have KLH Engineers provide the Board with an Engineer's Assessment of the Facility and then a UVE would have to be performed by an independent company. Mr. Rafferty stated they could help in making some recommendations for companies to fulfill that requirement. Mr. Bailey asked for Mr. Rafferty to make a recommendation and Mr. Rafferty recommended Scott Madden Company. Mr. Bailey asked what the evaluation costs approximately. Mr. Rafferty responded that those evaluations typically cost between \$30,000 and \$40,000 for a full report. MOTION by Mr. Bromley, seconded by Mrs. Butcher to authorize up to \$50,000 for the UVE by retaining Scott Madden Company. **Motion carried 5-0.**

7. ASSISTANT TOWN MANAGER COMMENTS - Mr. Urey questioned the Board if they should set a special session meeting in case there was something that would need to be addressed prior to the next regularly scheduled meeting in January 2023. The Board held discussions and set a special

meeting date of Thursday, December 15th @ 6pm in Council Chambers with the understanding that it could be cancelled if not needed.

8. ADJOURNMENT

- A. MOTION by Mr. Bromley, second by Mrs. Butcher to adjourn the meeting at 7:28 PM. **Motion carried 5-0.**

Respectfully submitted,

Chad Bromley,
Secretary

OCA Exh. CMH-8

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

OFFICE OF CONSUMER ADVOCATE

SET I INTERROGATORIES

OCA-I-8 How much of Aqua’s current rate base, as provided in Exhibit C of the Filing, exists as a result of Fair Market Value acquisitions? Please provide this answer in both (%) and (\$).

RESPONSE

Please see the below table for the Company’s current projected rate base:

Non-FMV Rate Base	\$225,148,788
New Garden WW (FMV)	\$33,290,991
Limerick WW (FMV)	\$60,706,729
East Bradford WW (FMV)	\$5,451,602
East Norriton WW (FMV)	\$21,578,835
Cheltenham WW (FMV)	\$47,489,375
Lower Makefield WW (FMV)	\$50,861,179
East Whiteland WW (FMV)	\$60,709,296
Total Wastewater Rate Base	\$505,236,795
Non-FMV % of Rate Base	44.56%
FMV % of Rate Base	55.44%

OCA Exh. CMH-9

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

OFFICE OF CONSUMER ADVOCATE

SET I INTERROGATORIES

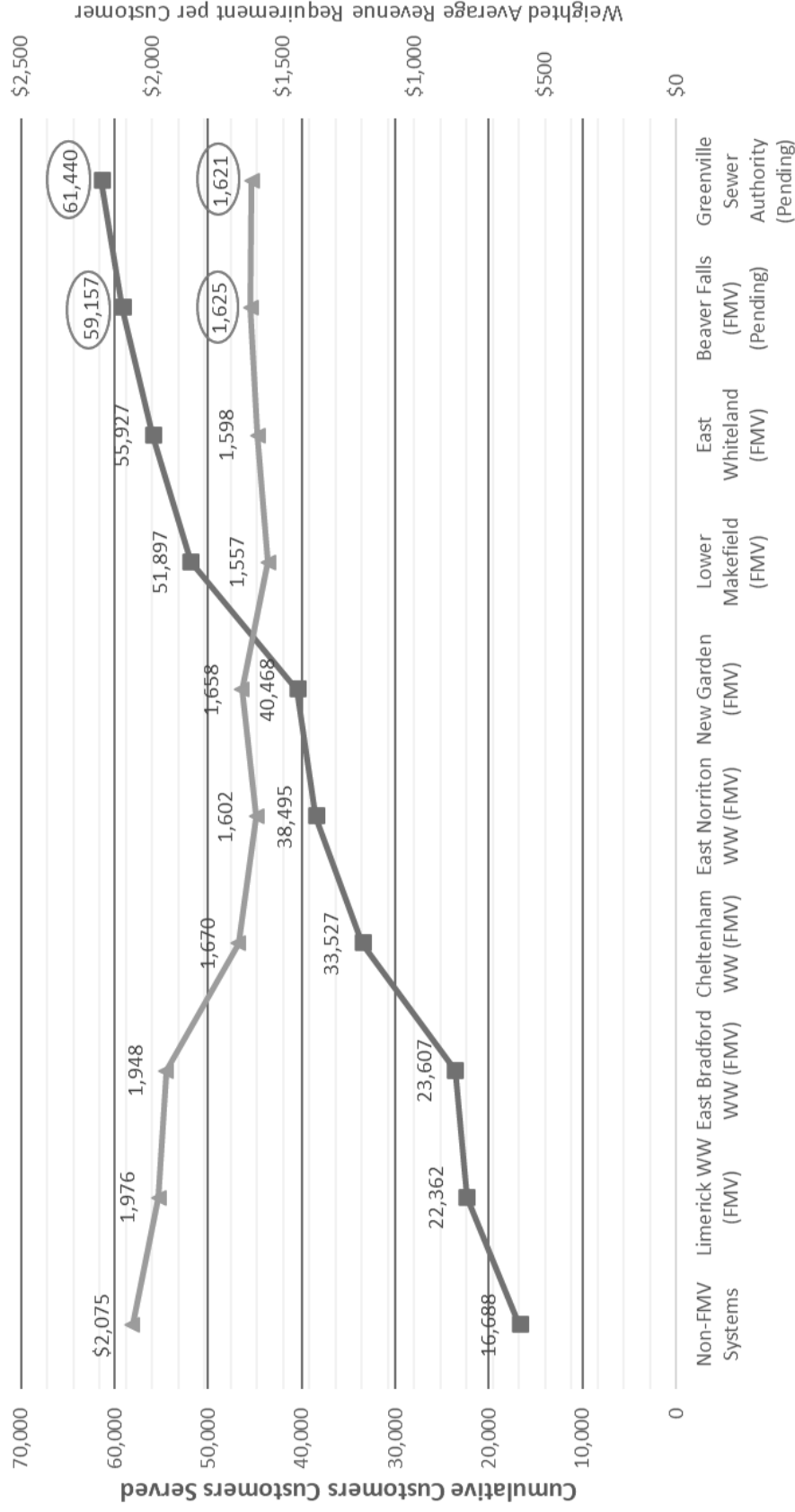
OCA-I-13 For each Pennsylvania water and wastewater system that was acquired by Aqua pursuant to Section 1329 and that had a cost of service reflected in Aqua's 2021 base rate case at Docket Nos. R-2021-3027385 and R-2021-3027386, provide the following information:

- c. Identify, quantify and provide the basis for all claimed economies of scale that Aqua customers realized from those acquisitions.
- d. In addition, define the term "economies of scale" as used by the company to determine the response to this interrogatory.
- e. To the extent an economy of scale is anticipated but has not been realized, please provide an estimated time of achieving the economy of scale for the acquired service territory(ies), and identify every factor relied upon in identifying the estimated timing.

RESPONSE

The Company does not have an itemized list of every "economy of sale" specifically identified for recent fair market value system acquisitions. The cost of service (prior to any Act 11 allocation) for the Company's non-FMV systems was approximately \$2,075 per connection annually. This compares to the weighted average cost of service of the wastewater systems (Limerick, New Garden, East Bradford, Cheltenham, East Whiteland, East Norriton, and Lower Makefield), at approximately \$1,447 per connection annually. The weighted average of all of the Company's wastewater systems (including the FMV systems and the pending FMV systems, i.e., Beaver Falls and GSA) is approximately \$1,621 per connection annually, thus more utility service annually is being provided to more customers at a decreased cost of service on a per customer basis. The Company views economies of scale as providing utility service to more customers at a lower cost per customer as measured in revenue requirement per customer as shown in the below graph.

Customers Served versus Revenue Requirement Per Customer Trend



Wastewater System

Cuml. Customers Served
 WA Cuml. Rev. Req. Per Cust

OCA Exh. CMH-10

Respondent: Jasson Urey
Date: 06/24/2024

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

OFFICE OF CONSUMER ADVOCATE

SET II INTERROGATORIES

- OCA-II-15** Are there currently in-person bill payment options in, or reasonably proximate to, the Greenville Sanitary Authority service area? If yes, please answer:
- a. How many?
 - b. Where are they located?
 - c. What fee, if any, is required to make in-person bill payments?

RESPONSE

Yes.

- a. One.
- b. At the Greenville Water Authority Office, 44 Clinton Street, Greenville, PA 16125.
- c. None.

OCA Exh. CMH-11

Respondent: Jasson Urey
Date: 06/24/2024

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

OFFICE OF CONSUMER ADVOCATE

SET II INTERROGATORIES

OCA-II-16 What payment methods are currently offered to the Greenville Sanitary Authority customers to pay their wastewater bills, such as website, phone? Identify each payment method and associated fees or charges, if any.

RESPONSE

Customers can pay their sewer bill at the Greenville Water Authority office located at the address in the response to OCA-II-15. Customers can also make online payments at www.gmwa.info. Online payments have no additional fee if paid by an ACH transfer. If an online payment is made by a credit card, a \$3.20 fee is charged.

OCA Exh. CMH-12

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

OFFICE OF CONSUMER ADVOCATE

SET I INTERROGATORIES

OCA-I-29 If the acquisition is approved, will Aqua have in-person payment options in, or reasonably proximate to, the Greenville Sanitary Authority service area? If yes, please answer:

- a. How many and where will they be located?
- b. What fee, if any, will be required to make in-person bill payments?

RESPONSE

- a. In person payment options include Western Union payment locations centers. Nearby payment centers include:

Rite Aid
335 Main Street
Greenville, PA 16125

Walmart
45 Williamson Road
Greenville, PA 16125

- b. Western Union charges a fee for this service, which varies depending on location.

OCA Exh. CMH-13

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

OFFICE OF CONSUMER ADVOCATE

SET I INTERROGATORIES

OCA-I-22 Reference Exhibit CC, Aqua's responses to Standard Data Requests. in No. 9, whereby Aqua indicates that Greenville Sewer Authority and "the Abstractor" are currently reviewing real property records to determine any needed easements. Provide the following information:

- a. Indicate whether Aqua or Greenville Sewer Authority engaged an Abstractor;
- b. Identify the Abstractor;
- c. Identify the date that the Abstractor's work commenced;
- d. Identify who the Abstractor is billing for service;
- e. Provide an update on the status of the Abstractor's report;
- f. Identify the estimated timeframe of completion of the Abstractor's report, and the basis for the estimation;
- g. Indicate whether and when the Abstractor's report will be available in this proceeding.

RESPONSE

- a. Greenville used its employees, solicitor, and its contract engineer to develop the information needed to determine what easements are needed for the system with Aqua's assistance.
- b. Please see the response to part a. KLH Engineers, Inc. is Greenville's contract engineer. Aqua assisted with its personnel and third party engineer Environmental Resources Management (ERM).
- c. The work on the easements began after the APA was signed.

- d. KLH is billing Greenville for its services; ERM is billing Aqua for its services.
- e. There are currently 119 missing easements that are being pursued.
- f. Please see the response to part g. The easement map and file will be continuously updated as easements are located or obtained.
- g. Please see CONFIDENTIAL OCA-I-22 Attachments 1 and 2 for the current status of the easement work.

OCA Exh. CMH-14

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

OFFICE OF CONSUMER ADVOCATE

SET I INTERROGATORIES

OCA-I-22 Reference Exhibit CC, Aqua's responses to Standard Data Requests. in No. 9, whereby Aqua indicates that Greenville Sewer Authority and "the Abstractor" are currently reviewing real property records to determine any needed easements. Provide the following information:

- a. Indicate whether Aqua or Greenville Sewer Authority engaged an Abstractor;
- b. Identify the Abstractor;
- c. Identify the date that the Abstractor's work commenced;
- d. Identify who the Abstractor is billing for service;
- e. Provide an update on the status of the Abstractor's report;
- f. Identify the estimated timeframe of completion of the Abstractor's report, and the basis for the estimation;
- g. Indicate whether and when the Abstractor's report will be available in this proceeding.

RESPONSE

- a. Greenville used its employees, solicitor, and its contract engineer to develop the information needed to determine what easements are needed for the system with Aqua's assistance.
- b. Please see the response to part a. KLH Engineers, Inc. is Greenville's contract engineer. Aqua assisted with its personnel and third party engineer Environmental Resources Management (ERM).
- c. The work on the easements began after the APA was signed.

- d. KLH is billing Greenville for its services; ERM is billing Aqua for its services.
- e. There are currently 119 missing easements that are being pursued.
- f. Please see the response to part g. The easement map and file will be continuously updated as easements are located or obtained.
- g. Please see CONFIDENTIAL OCA-I-22 Attachments 1 and 2 for the current status of the easement work.

OCA Exh. CMH-15

Respondent: NAME
Date: 07/09/2024

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

OFFICE OF CONSUMER ADVOCATE

SET IV INTERROGATORIES

OCA-IV-3 Reference the Asset Purchase Agreement, Schedule 6.05(e), Missing Easements, which includes a listing of 276 missing easements. For each property where an easement is missing, what are the procedures GSA currently undertakes if maintenance needs to be done?

RESPONSE

When maintenance is required on private property where the GSA maintains sewer assets without an easement, GSA would reach out to the property owner in advance to notify them that maintenance on GSA assets located on their property is necessary. The notice would describe the maintenance needed, the dates when it would occur, and that the GSA would restore the property after maintenance.

GSA would also attempt to secure a permanent easement from the property owner to document GSA's right to maintain the asset on the owner's property or obtain a temporary easement for the required maintenance. If the property does not grant the temporary easement, GSA would seek redress in the courts or act via eminent domain.

In the case of an emergency, GSA would notify the property owner to the extent practical and would perform the maintenance acting under the GSA's obligations to protect the health, safety, and welfare of the residents.

OCA Exh. CMH-16

Respondent: Jasson Urey
Date: 06/28/2024

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

OFFICE OF CONSUMER ADVOCATE

SET III INTERROGATORIES

OCA-III-4 Has Greenville Sanitary Authority been informed by any local, state, or federal regulatory authority that it must improve its physical and/or cyber security in order to maintain compliance with the law? If yes, please identify the agency, the date, and all documentation supporting the response.

RESPONSE

No.

Confidential
OCA Exh. CMH-17

Respondent: Jasson Urey
Date: 06/28/2024

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

OFFICE OF CONSUMER ADVOCATE

SET III INTERROGATORIES

OCA-III-3 To the best of its knowledge, is the Greenville Sanitary Authority currently in compliance with all state and federal regulations related to the physical and cybersecurity standards in place for its operations? If the answer is no, identify the standards for which the Authority is not in compliance. In the alternative, if the Authority does not know the status of its compliance, or it is otherwise unable to answer this question, explain why not.

RESPONSE

[BEGIN CONFIDENTIAL]

[REDACTED]

[END CONFIDENTIAL]

Confidential
OCA Exh. CMH-18

Respondent: Jasson Urey
Date: 06/28/2024

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

OFFICE OF CONSUMER ADVOCATE

SET III INTERROGATORIES

OCA-III-22 Does the Greenville Sanitary Authority maintain codified policy and procedures on to whom and how to report all confirmed security incidents to appropriate external entities, such as local, state, and federal regulatory agencies?

RESPONSE

[BEGIN CONFIDENTIAL]

[REDACTED]

[END CONFIDENTIAL]

Confidential
OCA Exh. CMH-19

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

OFFICE OF CONSUMER ADVOCATE

SET III INTERROGATORIES

- OCA-III-2** Has Greenville Sanitary Authority developed an Emergency Response Plan, such as the one templated by the U.S. Environmental Protection Agency?
- a. If yes, has the Emergency Response Plan been submitted for review to any local, state, or federal agency?
 - b. If yes, how often is the Emergency Response Plan updated?
 - c. If yes, through what date is the Emergency Response Plan current?

RESPONSE

[BEGIN CONFIDENTIAL]

■
■ [REDACTED]
■ [REDACTED]
■ [REDACTED]

[END CONFIDENTIAL]

OCA Exh. CMH-20

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

OFFICE OF CONSUMER ADVOCATE

SET III INTERROGATORIES

- OCA-III-25** Has the Greenville Sanitary Authority ever been under a cyber-attack? If yes, please identify the following for each occurrence:
- a. Please provide a copy of any documentation created that discusses the incident.
 - b. Please provide any documentation that was sent to affected customers that discusses the incident.
 - c. How many customers were affected by the incident?
 - d. How did the Greenville Sewer Authority identify which customers were affected by the incident?
 - e. What data fields were accessed by the threat actor?
 - f. Please indicate whether the information in each of the data fields were encrypted or unencrypted?
 - g. Were any customer Social Security Numbers accessed by the threat actor?

RESPONSE

No.

OCA Exh. CMH-21

Respondent: Jasson Urey
Date: 06/28/2024

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

OFFICE OF CONSUMER ADVOCATE

SET III INTERROGATORIES

OCA-III-7 Has the Greenville Sanitary Authority pursued federal or state grant or loan funding for upgrades to its physical or cybersecurity, such as PENNVEST funding? If yes, please identify the funding applied for, the date of application, the project intended to be funded through such funding, whether such funding was received, and the date such funding was received.

RESPONSE

No.

OCA Exh. CMH-22

Respondent: Zach Martin
Date: 06/14/2024

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

OFFICE OF CONSUMER ADVOCATE

SET I INTERROGATORIES

OCA-I-28 How many of the current Greenville Sanitary Authority customers would be eligible for low-income assistance from Aqua? Provide a full explanation of how the number of eligible customers was developed and any supporting calculations in native format.

RESPONSE

Aqua's Customer Assistance Program provides assistance to customers in a tiered format up to 100% of the federal poverty limit ("FPL"), 100%-101% of the FPL, and 151%-200% of the FPL. Below are statistics from the U.S. Census Bureau on poverty levels in Greenville.

Median income in Greenville Borough is \$54,237.

<https://data.census.gov/table/ACSST5Y2022.S1903?q=Greenville%20borough,%20Pennsylvania&t=Income%20and%20Poverty>

The U.S. Census Bureau estimates that there are 1,766 individuals in Greenville that are 200% of the FPL.

<https://data.census.gov/table/ACSST5Y2022.S1701?q=Greenville%20borough,%20Pennsylvania&t=Income%20and%20Poverty>

The U.S. Census Bureau estimates that there are 335 families in Greenville that are 200% of the FPL.

<https://data.census.gov/table/ACSST5Y2022.S1702?q=Greenville%20borough,%20Pennsylvania&t=Income%20and%20Poverty>

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Aqua Pennsylvania	:	
Wastewater, Inc. Pursuant to Sections 507,	:	
508, 1102 and 1329 of the Public Utility	:	Docket No. A-2023-3041695
Code for Approval of its Acquisition of the	:	
Wastewater System Assets of Greenville	:	
Sanitary Authority	:	

PUBLIC VERSION

Surrebuttal Testimony
of
Christine Maloni Hoover

on Behalf of
the Pennsylvania Office Of Consumer Advocate

Date Served: August 9, 2024

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Q. Please state your name and business address.

A. My name is Christine Maloni Hoover. My business address is 555 Walnut Street, Forum Place, 5th Floor, Harrisburg, PA 17101-1923. I am employed by the Pennsylvania Office of Consumer Advocate as Of Counsel

Q. Have you previously testified in this case?

A. Yes. I provided direct testimony in this case that was served on July 26, 2024.

Q. What is the purpose of your surrebuttal testimony in this case?

A. In my surrebuttal testimony I will respond to the rebuttal testimony submitted by Aqua Pennsylvania (Aqua or Company) witnesses Martin, Bubel, Packer, Nair, Black (Aqua Statements 1-R through 5-R), Greenville Sewer Authority (GSA) witness Urey (GSA Statement 1-R), and OSBA witnesses Hails and Cathcart (OSBA Statement 1-R).

Q. Did Aqua agree to any of your recommendations?

A. Yes. Aqua accepted three of my recommended conditions. Mr. Packer agreed with my proposed condition that Aqua file a separate cost of service study for the GSA system in the first Aqua base rate case following closing. Aqua St. 3-R at 15. Ms. Black agreed that Aqua should track GSA enrollments in Aqua’s customer assistance programs and provide the information to the Commission and parties every six months until the end of Aqua’s next base rate proceeding. Aqua St. 5-R at 6. Ms. Black also agreed that a bill insert on Aqua’s low-income programming should be provided to GSA customers. Id. at 5-6.

1 **Q. Did any of the rebuttal testimony you reviewed cause you to change your positions**
2 **and recommendations as stated in your direct testimony?**

3 A. No. My opinion remains that the transaction as proposed does not provide affirmative
4 public benefit. Additionally, I stand by the conditions I recommended be imposed in the
5 event that the Commission determines to approve Aqua's Application because they
6 would provide at least a minimal level of protection for GSA customers and for Aqua's
7 existing customer base. The attorneys for the OCA will address the specific legal
8 requirements in the briefing of this case.

9 **Q. Do you have any corrections to your previous testimony?**

10 A. Yes. I accept Ms. Black's correction regarding the income eligibility criterion for Aqua's
11 customer assistance program. Aqua St. 5-R at 2. I used 150% of federal poverty level
12 (FPL) as the maximum income level for eligibility in my direct testimony and I should
13 have used 200% of FPL to describe Aqua's maximum income eligibility criterion.

14 **Summary of Direct Testimony**

15 **Q. Please summarize your direct testimony.**

16 A. In my direct testimony, I provided an analysis of whether the proposed acquisition of
17 GSA at \$18 million would provide substantial affirmative public benefits. I relied on my
18 review of testimony from Aqua and GSA employee Urey, discovery responses provided
19 by Aqua and GSA, as well as Aqua's calculations of the revenue deficiency resulting
20 from the \$18 million ratemaking rate base and the associated rate impact of that as well
21 as Aqua's commitment to spend \$20 million in the first ten years of ownership of the
22 GSA system.

23 Contrary to statements made by certain Aqua witnesses and GSA witness Urey in
24 rebuttal, I did not focus solely on the rate impact of the transaction, and my analysis was

1 based on the facts in this proceeding. As I discuss below, I believe that Aqua's proposed
2 transaction would **not** provide substantial public benefits and neither Aqua nor GSA have
3 demonstrated affirmative public benefits that outweigh the known harms to consumers
4 would result from this proposed acquisition.

5 **Response to Aqua Rebuttal Testimony**

6 **Q. What general comments do you have about the rebuttal testimony that addressed**
7 **your direct testimony?**

8 A. The gist of Aqua's testimony is that making GSA operate exactly like Aqua operates its
9 existing wastewater systems will provide affirmative benefits despite the rate impact of
10 the \$18 million purchase price and the \$20 million of capital expenditures. The OCA's
11 position is that the harms related to the transaction, including, but not limited to, the rate
12 harm, imposed ratemaking rate base and subsequent capital expenditures, do not
13 outweigh the purported benefits in this proceeding. The evidence in this proceeding
14 shows that GSA is operating in accordance with regulatory requirements. If acquired by
15 Aqua, Aqua is essentially saying that GSA's operations will be brought to top of the class
16 performance. At the \$18 million purchase price, the rate impact of moving from
17 compliance to top of the class is an 185% increase in rates at the time of closing. The
18 additional \$20 million of capital expenditures will nearly double the rates over the first
19 ten years. Those rate impacts do not include the normal Aqua rate increases that would
20 be approved over the course of the same 10 year period. Those rate impacts also do not
21 include the rate increases that may be shifted to former GSA customers from the
22 acquisitions of other systems through fair market value as has happened to other former
23 municipal system customers acquired by fair market value. Those rate impacts do not
24 include the impact of the acquisition of Greenville Water Authority (GWA) which is

1 pending before the Commission and affects the same base of customers, or the rate harm
2 that may be imposed upon Aqua's existing customers when the reality of these
3 transactions become evident in Aqua's next base rate case.

4 **Q. Does Aqua present a false-choice scenario of municipal acquisitions that**
5 **mischaracterizes the OCA's position in this case?**

6 A. Yes. Mr. Packer mischaracterizes the OCA's position when he states that based on
7 OCA's position, municipalities would have no choice but to continue providing service
8 and that no certificate of public convenience would be granted for sale of a municipal
9 system to an investor-owned utility. *See* Aqua St. 3-R at 3-4.

10 **Q. How do you respond to Mr. Packer?**

11 A. These statements by Mr. Packer are incorrect, inaccurate, and inconsistent with all of the
12 options available. First, Mr. Packer inaccurately attempts to conflate the scope my
13 testimony about the GSA acquisition – which is specific to the terms and valuation that
14 Aqua is asking the Commission to approve in this case – into a wholesale rejection of all
15 municipal acquisitions. In doing so, not only does Mr. Packer ignore that Section 1329
16 transactions are not the only type of transactions under which a municipal system may be
17 acquired, but he does this in a manner that ignores the details of the actual GSA
18 transaction that I oppose. Each transaction that is presented to the Commission has its
19 own set of facts related to purchase price, ratemaking rate base, impact on existing rates,
20 operations, billing, etc. The OCA's approach looks at all of the evidence, including the
21 rate impact. I agree with Mr. Packer and Mr. Martin (Aqua St. 3-R at 9; Aqua St. 1-R at
22 3) that there is no requirement that the selling municipal utility be non-viable; yet, Aqua
23 seeks to portray GSA as non-viable (see Aqua St. 1-R at 3) to create the illusion of
24 "affirmative benefits" that are not based on GSA's actual operations.

1 **Q. Is understanding the rate impact of a transaction a critical part of this case?**

2 A. Yes. A seller cannot negotiate a purchase price and capital expenditure commitments
3 without understanding the accompanying rate impact. In this case, GSA specifically
4 chose the \$18 million purchase price knowing that the resulting rate impact could be as
5 high as 185% for its customers just from the purchase price and year 1 of the capital
6 expenditure commitment. OCA Exh. CMH-4 at p. 15. Furthermore, because this
7 application was brought under Section 1329, if approved, Aqua is guaranteed to be
8 permitted to include the entirety of the \$18 million purchase price in its ratemaking rate
9 base. Under other types of acquisitions, rate impact is less certain because the addition to
10 ratemaking rate base is litigated in connection with a general rate increase request. Here,
11 however, there is no uncertainty about what will happen if this application is approved:
12 Aqua's customers – acquired or existing or both – will be paying for the ratemaking rate
13 base or purchase price's addition to rate base, and additional annual shortfalls in revenue
14 that are added each year under Aqua's ownership. That is why rate impact is a critical
15 component of this proceeding.

16 **Q. Do you have an example of how the annual revenue deficiency grows after the**
17 **acquisition?**

18 A. Yes. In Aqua's current rate case, it includes three recent fair market value acquisitions:
19 Shenandoah Water, Lower Makefield (wastewater) and East Whiteland (wastewater). For
20 each of them, there was an annual revenue deficiency resulting from the ratemaking rate
21 base and the Year 1 capital expenditures. The annual revenue deficiency was calculated
22 in the respective applications by Aqua witness Packer and the OCA did not challenge his
23 calculations. In the first rate proceeding following closing, the annual revenue deficiency
24 has grown for each of these acquisitions for all of the reasons I have explained in this

1 testimony. The table below¹ provides a comparison of the initial annual revenue
 2 deficiency and what it is in the first base rate case following closing.

	Revenue Deficiency Estimate at the time of Acquisition	Revenue Deficiency as Presented in Rate Case	Increase from Acquisition Estimate to Rate Case
Lower Makefield ²	\$2,828,000	\$3,526,082	\$706,082
Shenandoah W ³	\$865,031	\$2,267,908	\$1,402,877
East Whiteland ⁴	\$5,011,000	\$6,992,719	\$1,981,719

3
 4 Thus, it is clear that the initial annual revenue deficiency and rate impact is only the first
 5 step of what will be inevitably higher rate increases and is an essential part of looking at
 6 the impact on existing and acquired customers.

7 **Q. If the application is denied, does it mean that Aqua necessarily cannot purchase the**
 8 **GSA system?**

9 A. No. GSA, as the seller, and Aqua, as the buyer, take a risk that the deal that they agreed
 10 to may not receive Commission approval because it does not meet the legal standard. If
 11 the application is denied, both have choices, including restructuring their agreement to
 12 meet the legal standard. Contrary to Mr. Packer’s statement, the OCA’s position in this
 13 process does not mean that a municipal system must continue to provide service.

¹Rate case information can be found at Aqua Filing Vol. 2, Schedule Act 11, Docket Nos. R-2024-3047822 and R-2024-3047824, attached as OCA Exhibit CMH-1SR.

² *Application of Aqua Pennsylvania, Inc. to acquire the water system assets of the Borough of Shenandoah and the Municipal Authority of the Borough of Shenandoah*, Docket No. A-2022-3034143 (Order entered July 13, 2023)

³ *Pa. PUC v. Aqua Pa., Inc.*, Docket Nos. R-2024-3047822 (water) and R-2024-3047824 (wastewater), Exhs. 1-B at Sch. A-3 (Shenandoah), 1-D at Sch. A-3 (Lower Makefield), 1-E at Sch. A-3 (East Whiteland).

⁴ *Application of Aqua Pennsylvania Wastewater, Inc. to acquire the wastewater system assets of Lower Makefield Township*, Docket No. A-2021-3024267 (Order entered Jan. 13, 2022).

1 **Q. Did Aqua witnesses address the concerns you raised about stormwater operations**
2 **being covered by the GSA employees that would be hired by Aqua if the transaction**
3 **is approved?**

4 A. Yes. Aqua witness Martin states that none of the current GSA employees hired by Aqua
5 will work on the stormwater system because Greenville Borough will cover the
6 stormwater work with its own employees. Aqua St. 1-R at 2. GSA witness Urey also
7 explained that the Borough employees will cover the stormwater operations. GSA St. 1-R
8 at 4.

9 **Q. Aqua witness Martin argues that you did not adequately consider deficiencies in the**
10 **GSA operations and systems and that Aqua addressing those deficiencies will result**
11 **in benefits. (Aqua St. 1-R at 3-10). Please respond.**

12 A. For each of the areas identified by Mr. Martin, who concludes that GSA is a troubled
13 system, Aqua's position is that it can do better, but that does not mean that GSA's
14 operations are deficient. Essentially Mr. Martin and other Aqua witnesses attempt to find
15 "deficiencies" if a smaller system like GSA does not do everything at the same level or to
16 the same extent as a large company like Aqua. Under this approach, elevating Aqua's
17 fitness in this way subsumes the substantial public benefits analysis and fails to meet the
18 legal standard required of this transaction. Moreover, taking GSA's planning processes to
19 Aqua's level would require GSA customers to pay more than 2x more for that at closing
20 and even higher rates going forward.

21 Mr. Martin also speculates that losing an in person payment option will be offset
22 by other options Aqua provides for bill payment. Aqua St. 1-R at 9-10. That is Mr.
23 Martin's opinion and may not reflect the experience or needs of many of the GSA
24 customers. Mr. Martin also claims that I discount Aqua's customer assistance program
25 benefits. *Id.* at 10. I disagree – I acknowledged Aqua's program, but noted that enrolling
26 eligible customers is key to realizing the customer assistance program as a benefit. I will

1 discuss that below in response to Ms. Black’s testimony. Thus, while there is benefit to
2 the low income program offered by Aqua for those who enroll, this benefit is not
3 sufficient to outweigh the harm to all customers associated with the acquisition,
4 especially if part of the driver of enrollment is the increased rates caused by the
5 acquisition itself..

6 **Q. Aqua witness Bubel testifies that you have missed the point of the benefits that Aqua**
7 **brings to the capital projects needed by GSA. Aqua St. 2-R at 10-11. Please**
8 **respond.**

9 A. First, Mr. Bubel states that capital improvements do not have to be urgent to ensure
10 public benefits, apparently in response to my statement that none of the capital
11 improvements appeared to be urgent and that they were in the nature of “ongoing
12 replacement and upgrades that are necessary for any system as facilities used to provide
13 service age and reach expected end of service lives.” OCA St. 1 at 16. I do not think that
14 Mr. Bubel and I are disagreeing on this point. My point was that the capital projects do
15 not all have to be done immediately or even in the short term. The treatment plant and
16 collection system projects that Mr. Bubel testified were identified by Aqua (Aqua St. 2 at
17 10) are the types of projects that a wastewater system undertakes as part of the normal
18 course of operations. Moreover, each capital project will be more expensive due to
19 including costs for Aqua’s return and taxes. OCA St. 1 at 19-20, 23.

20 Mr. Bubel claims that I missed his point that absent Aqua’s identification of a less
21 expensive wastewater treatment plant (WWTP) upgrade (\$20 million less than the \$46
22 million upgrade) GSA would have continued with the more expensive upgrade. Aqua St.
23 2-R at 10-11. I did not miss his point, and having a less expensive WWTP upgrade is a
24 good development regardless of whether GSA or Aqua completes the upgrade. However,
25 it is my understanding that there will be an additional \$20 million spent on other capital

1 expenditures during the first ten years of ownership pursuant to Aqua’s agreement under
2 the Asset Purchase Agreement (APA)

3 **Q. Mr. Bubel provides a Pennsylvania Department of Environmental Protection (DEP)**
4 **notice of breach related to the consent order between GSA and DEP. Aqua St. 2-R,**
5 **Exh. MJB 2-R. Please comment.**

6 A. Mr. Bubel presented the DEP notice in rebuttal but he already testified in his direct
7 testimony that GSA has not moved forward under the Consent Order and Agreement
8 (COA) with DEP. According to Mr. Bubel’s direct testimony, GSA did not move forward
9 because it had entered into the APA with Aqua and the resulting pending application.
10 Aqua St. 2 at 10. Therefore, the pendency of the sale appears to be the direct reason for
11 the notice of breach and GSA has been in discussions with DEP regarding how to
12 proceed given the pendency of the sale. OCA Exh. CMH-2SR (OCA-II-1). Given Aqua’s
13 testimony that it has identified a more cost effective WWTP improvement than what
14 GSA’s engineers identified, it appears that Aqua would seek to modify the COA with
15 DEP if it acquires the GSA system. *Id.*

16 **Q. Mr. Packer claims that his analysis shows that the “consolidated revenue**
17 **requirement per customer has decreased”. Aqua St. 3-R at 6-7. Please respond.**

18 A. A review of the chart on page 5 of Mr. Packer’s rebuttal testimony is key to
19 understanding that his statement does not represent the current situation. Here are the
20 flaws in Mr. Packer’s reliance on his chart:

- 21 • Mr. Packer’s economies of scale are **projected, and** he failed to address how long it will
22 take Aqua to achieve the projected economies of scale.
- 23 • Mr. Packer failed to address cost shifting to water customers under 66 Pa. C.S. Section
24 1311(c), which is used to shift wastewater revenue requirement away from the acquired
25 wastewater customers (and often away from existing wastewater customers) to water
26 customers. For GSA customers, this process will likely impact them further if Aqua’s
27 publicly-announced and pending GWA acquisition is approved.
- 28
- 29

- 1 • Mr. Packer did not specify whether the included graph includes data points at the time of
2 acquisition or following the conclusion of Aqua’s initial capital expenditures. As a result,
3 it is possible that including the cost of capital expenditures which are anticipated may affect
4 the weighted average cost per connection.
5
- 6 • The simplicity of Mr. Packer’s statement that rate consolidation of systems acquired under
7 Section 1329 results in decreased rates for existing customers acquired prior to Section
8 1329’s enactment has three major issues:
9
 - 10 ○ It overlooks the *dramatic* rate increases that acquired systems must receive in order
11 to have consolidated rates. According to Mr. Urey, the average GSA customer
12 currently pays around \$23 per month (Greenville St. 1 at 13:5). Aqua wastewater
13 customers in Rate Zone 1 currently pay, on average, \$94.62 (Aqua Notice of
14 Proposed Rate Increase, R-2024-3047824, 1-WW). Aqua Rate Zone 1 wastewater
15 customers currently pay a monthly fixed customer charge of \$47.35, or over twice
16 a GSA customer’s average bill, *before the inclusion of any usage charges* (Tariff
17 Sewer-Pa. P.U.C. No. 3, p. 10.1.1). The immensity of rate increases for GSA
18 customers in order to achieve rate consolidation should not be overlooked to
19 examine only the results that might someday be achieved by rate consolidation for
20 other Aqua wastewater customers.
21
 - 22 ○ It also overlooks the rate increases that are borne by existing customers solely to
23 cover the revenue deficiencies caused by the fair market value acquisitions. In
24 Aqua’s 2021 rate case, it included 5 acquisitions made pursuant to fair market value.
25 Aqua proposed an overall increase in annual revenues of \$96.99 million, or 18%
26 increase in revenues. Aqua proposed to shift \$20.8 million from wastewater to
27 water customers under Section 1311(c). Although the Commission did not adopt
28 Aqua’s original proposal, it approved shifting \$11.2 million to water customers of
29 the overall increase of \$70.393 million. *Pa. PUC v. Aqua Pa., Inc.*, Docket Nos. R-
30 2021-3027385 (water) and R-2021-3027386 (wastewater) (Order entered May 12,
31 2022) at Table Act 11.
32
 - 33 ○ In its pending base rate cases, Aqua proposes to include three more acquisitions
34 valued using fair market value. All three acquisitions (Lower Makefield, East
35 Whiteland, and Shenandoah Water) have even greater annual revenue shortfalls in
36 this first rate case compared to the revenue deficiencies at closing, a deficiency that
37 will likely continue to grow, as can be seen in the below table.

	Shenandoah ⁵	Lower Makefield ⁶	East Whiteland ⁷
Revenue deficiency at time of closing	\$865,000	\$2,828,000	\$5,011,000
Revenue deficiency in 2024 BRC ⁸	\$2,267,908	\$3,526,708	\$6,992,719
Increase in Revenue Deficiency at close vs. in 2024 BRC	\$1,402,908	\$698,708	\$1,981,719

1
2 Mr. Packer also failed to address that, while there may be *some* economies of scale
3 which result in *some* amount of savings over *some* amount of time, the aspirational
4 efficiencies for GSA and Aqua customers are not sufficient to overlook the known revenue
5 deficiency which would result from the application, as proposed. Notably, the revenue
6 deficiency calculated by Mr. Packer reflects the operation and maintenance expense
7 savings that Aqua identified, (\$164,000), yet still reflects a large deficiency as of closing
8 and the year 1 capital expenditures. OCA St. 1 at 22-23.

9 **Q. Mr. Packer provides a chart that he says “calculates tangible benefits” of the**
10 **acquisition. Aqua St. 3-R at 7-8. Please respond.**

11 A. Mr. Packer’s chart focuses on the benefits to GSA but fails to consider the impact on
12 Aqua’s existing customers and GSA’s customers. The analysis of benefits and harms
13 pursuant to the legal standard is not limited to GSA but is much broader than that. In the
14 chart, the benefits in the green are benefits for the Authority and/or the Borough of
15 Greenville (Borough). The OCA has not disputed that GSA and/or the Borough will see
16 the monetary benefits of selling assets at more than 2.63x their value. However, the

⁵ OCA Exh. CMH-1SR.

⁶ *Application of Aqua Pennsylvania, Inc. to acquire the water system assets of the Borough of Shenandoah and the Municipal Authority of the Borough of Shenandoah*, Docket No. A-2022-3034143 (Order entered July 13, 2023)

⁷ *Application of Aqua Pennsylvania Wastewater, Inc. to acquire the wastewater system assets of Lower Makefield Township*, Docket No. A-2021-3024267 (Order entered Jan. 13, 2022).

⁸ *Application of Aqua Pennsylvania Wastewater, Inc. to acquire the wastewater system assets of East Whiteland Township*, Docket No. A-2021-3026132 (Order entered July 29, 2022), *rev’d on appeal, Cicero v. Pa. PUC*, 300 A.3d 1106 (Pa. Cmwlth Ct. 2023), *appeal docketed at* Nos. 568 MAL 2023, 569 MAL 2023, 570 MAL 2023 (June 14, 2024).

1 revenue requirement shortfall that creates (GSA customers' current rates fall well short of
2 covering the revenue required to support the \$18 million ratemaking rate base at Aqua's
3 cost of service) is likely to be spread to the current GSA customers, as well as possibly to
4 current Aqua wastewater and water customers. Those impacts are not reflected in Mr.
5 Packer's chart. Even if the chart limits its harms analysis to the current GSA customers,
6 there is no evidence that the current GSA customers will see a dollar for dollar offset of
7 their sewer bills from the proceeds of the sale as the chart appears to presume. Instead, it
8 is clear that Mr. Packer's chart conflates the benefits that would be received by the
9 Borough with those that would be received by GSA customers, if the transaction is
10 approved.

11 I would also like to draw attention to a few additional flaws contained in Mr.
12 Packer's chart that make the chart seriously misleading at first glance:

- 13 • First, the chart presumes that the Borough will be receive a steady rate of interest income
14 from the proceeds of the sale. This would require the Borough to invest the proceeds in a
15 trust or other instrument capable of delivering consistent income generation.
16
- 17 • Second, and more relevant, this would require the Borough to save rather than spend the
18 proceeds of the sale. The Borough has already earmarked how it intends or wishes to spend
19 the proceeds, such as \$3 million on blight remediation, \$1 million on public space
20 beautification, and \$8 million in a commercial corridor improvement fund. OCA-II-9
21 Attachment 1 at 22. In its preliminary budget, the Borough stated that "interest will be
22 utilized to fund some projects" not that "interest would be utilized to fund *all* projects."
23 Should a substantial portion of the proceeds be spent by the Borough upon receipt, the
24 interest income Mr. Packer projects would dramatically decrease.
25
- 26 • Third, the chart presents an "avoided rate increase" amount that is not supported by any
27 evidence in the record and is completely speculative, especially not a "200% projected rate
28 increase" as suggested by Mr. Packer. Aqua St. 3R at 8. Merely subtracting that amount
29 from the calculated "benefit" results in a clear negative amount of financial benefit to GSA
30 customers under the terms of the proposed transaction.
31
- 32 • Fourth, the chart fails to consider what the rate increase to GSA customers will be in two
33 to three years, when Aqua will likely file its next base rate increase, according to its historic
34 filing frequency. Mr. Packer only accounts for the present revenue deficiency, not the

1 revenue deficiency which Aqua will claim in the first rate case, which will include an
 2 additional \$4.4 to \$6.4 million, at least, in planned capital improvements, along with GSA's
 3 share of the cost of Aqua's future rate of return claim. In other words, the rate impact just
 4 beyond the level at closing is not reflected.

5
 6 **Q. Mr. Packer did not agree with your recommendations regarding modifications to**
 7 **the notices provided in the Section 1329 applications. Aqua St. 3-R at 10-12. Please**
 8 **respond.**

9 A. In my direct testimony, I recommended two modifications to the notices that Aqua and
 10 future sellers would provide as part of the Section 1329 applications.⁹ Specifically, I
 11 recommended that rate impacts at 5,000 and 10,000 gallons per month be provided in
 12 addition to the average level used by Aqua (2,910 gallons per month), that the rate impact
 13 for other pending Aqua 1329 applications also be included to provide a full picture of
 14 what would happen to rates if the pending applications are approved, and that the current
 15 DSIC be included to provide a full picture of what a bill under Aqua ownership might be.
 16 OCA St. 1 at 10. Mr. Packer rejects the recommendations mainly because he says that
 17 they are not required by Commission regulations, although regarding my
 18 recommendation to reflect the rate impact of Aqua's pending application to acquire
 19 GWA, he indicates that there was not time to include that information (Aqua St. 3-R at
 20 10) which implies that Aqua would have otherwise included the information.

21 There is nothing that would prohibit Aqua from modifying its notices as I
 22 recommend. My recommendations expand the existing information in small but
 23 important ways and are not in any way inconsistent with the Commission's 1329

⁹ Mr. Packer questions why my recommendations are limited to Section 1329 applications. Aqua St. 3-R at 11. There is a ratemaking rate base determination made in applications filed pursuant to Section 1329 and Section 1102 and notice is required as part of due process. *McCloskey v. Pennsylvania Public Utility Commission*, 195 A.3d 1055, 1066-1067 (Pa. Cmwlth. 2018), *appeal denied*, 207 A.3d 290 (Pa. 2019)). Notices are not always provided in applications that are filed solely pursuant to Section 1102/1103. However to the extent notices are provided, I would recommend the same modifications, as I would for notices provided in base rate cases too.

1 implementation orders. It is reasonable to show rate impacts at two more usage levels to
2 reflect the fact that not all customers use the average amount of water each month.
3 Providing the other pending 1329 applications would provide necessary context,
4 especially to potential customers, to understand the cumulative impact of the applications
5 being proposed by Aqua, and considered by the Commission, not just the one that they
6 are served by, and finally providing information about the DSIC would provide a slightly
7 more complete picture of what a total bill will look like.

8 Accurately reflecting this information is very important in this case, where Aqua
9 has made representations at a GSA public meeting about “worst case scenario” rates that
10 fail to account for the cumulative impact and the DSIC and are, therefore, inaccurate.
11 Aqua’s rate representations are further problematic in that they fail to account for the fact
12 that Aqua has publicly announced its pending acquisition to acquire the GWA, which
13 serves 2,162 GSA customers who will be impacted by the pending sale. OCA Exh.
14 CMH-3. Aqua’s lack of disclosure on these matters deprives GSA and its customers of
15 the ability to understand the consequences of this sale, and the ability to contest the sale
16 should they oppose the significant rate impact they are likely to endure should the
17 application be approved. As stated above, because this application was brought under
18 Section 1329 means that there is no later opportunity to contest the reasonableness of the
19 \$18 million Aqua proposes to add to rate base. By not adequately informing its customers
20 and GSA customers, Aqua is depriving them of the only forum wherein this sale can be
21 fully contested.

1 **Q. Mr. Packer disagrees with your recommended easement conditions. Aqua St. 3-R at**
2 **13. Please respond.**

3 A. None of Mr. Packer’s claims, which rely on assumptions that Aqua will simply be able to
4 enter upon unacquired property when necessary, impact my recommendation. OCA’s
5 attorneys will address this matter further in briefing, but the multiple issues I identified in
6 my direct testimony remain unresolved. It is especially concerning that 119 easements
7 remain missing despite the fact that Aqua has been in discussions with GSA to acquire its
8 system since 2022. OCA Exh. CMH-4. The Commission should not permit Aqua to
9 include property in its rate base, and then earn a return on such property, when it has not
10 yet legally acquired such property. Aqua should be required to acquire all easements as a
11 condition of closing the transaction to prevent this outcome.

12 **Q. Mr. Packer disagrees with your recommendation that Aqua file an amended Long**
13 **Term Infrastructure Investment Plan (LTIIP) within 90 days of closing on this**
14 **transaction, if approved by the Commission. Aqua St. 3-R at 15. Please respond.**

15 A. I continue to recommend an updated LTIIP within 90 days of closing on this acquisition,
16 if approved by the Commission. Mr. Packer disagrees because it is “not required” and
17 because Aqua may wait to incorporate other system into an updated LTIIP, and that Aqua
18 should retain the decision on the timing of the filing of an updated LTIIP. Just because
19 it is not required does not mean it is not reasonable. Section 1329 permits a DSIC to be
20 charged to the acquired customers even while the customers’ other rates are held to the
21 current level at closing. To effectuate that portion of Section 1329, Aqua needs to file an
22 amended LTIIP to include the GSA customers and projects that are related to their
23 service and DSIC eligible. If Aqua did that, without impacting existing DSIC
24 commitments, it would be one way that the GSA customers would contribute towards the
25 cost to serve them until the next rate case in which they would be included in rates.

1 Regarding Mr. Packer’s point that Aqua may want to incorporate other systems
 2 into an updated LTIP, my recommendation regarding GSA does not interfere with that.
 3 Regarding Mr. Packer’s objection that it should be Aqua’s decision, conditions that are
 4 attached to applications may take away some of that flexibility that Aqua wants to retain,
 5 but I submit that it is a reasonable condition for the reasons I have provided.

6 **Q. Aqua witness Nair argues that BEGIN CONFIDENTIAL [REDACTED]**
 7 **[REDACTED]**
 8 **[REDACTED] END CONFIDENTIAL. Aqua St.**
 9 **4-R at 5-7. Please comment.**

10 A. As I stated in my direct testimony, there is no evidence that GSA’s situation violates any
 11 cybersecurity or physical security regulations. OCA St. 1 at 26; Exh. CMH-16. Aqua’s
 12 proposed changes are based on making the GSA system consistent with the existing Aqua
 13 system. While that may be logical, it does not appear to be *necessary* from a regulatory
 14 standpoint. It also does not drive whether this transaction confers sufficient benefits to
 15 overcome the known rate harms. There is no evidence of this, but if GSA were required
 16 to take the actions that Aqua witness Nair **BEGIN CONFIDENTIAL [REDACTED]**
 17 **[REDACTED] END CONFIDENTIAL** (Aqua Statement 4-R at 5-6), then GSA has
 18 resources available to it.¹⁰ GSA’s decision not to avail itself of available tools is not a
 19 viable basis to determine that requiring Aqua’s ratepayers to pay a premium for the GSA
 20 system is somehow a public benefit.

¹⁰ In addition to PENNVEST funding availability, there are a significant number of free programs which are specifically designed to assist small- and medium-sized wastewater systems with upgrading their cybersecurity infrastructure without requiring substantial funding or technical expertise. For example, tools are available through the US Department of Homeland Security’s Cybersecurity and Infrastructure Security Agency Performance Goals Checklist, USEPA and National Institute of Standards and Technology.

1 **Q. Aqua witness Black provided rebuttal testimony on certain of your recommended**
2 **conditions. Aqua St. 5-R. Please respond.**

3 A. First, as I said above, I accept the correction to my direct testimony that Ms. Black made
4 to my use of 150% of FPL as the maximum income eligibility. That should have been
5 200% of FPL as Ms. Black stated. Aqua St. 5-R at 2-4. Ms. Black also indicated Aqua's
6 agreement to my proposed condition to separately track enrollment of eligible GSA
7 customers and report to the Commission and parties every six months until the end of
8 Aqua's next base rate proceeding. Aqua St. 5-R at 6. She also proposed that the GSA
9 customer enrollment numbers would be shared with the Aqua Assistance Collaborative. I
10 agree that is a reasonable idea.

11 Ms. Black also agreed that Aqua would adopt the recommendation that a bill insert
12 would be provided to GSA customers on Aqua's low-income programs, along with
13 including a full-color flyer that Aqua developed that includes the income eligibility chart
14 and a description of the CAP would be included with the welcome letter that GSA
15 customers will receive. Aqua St. 5-R at 5. Regarding my recommended condition that Aqua
16 donate \$50,000 for each of the next five years to Aqua Aid (formerly known as Helping
17 Hand fund), Ms. Black instead suggested a \$25,000 donation for each of the next three
18 years. Aqua St. 5-R at 7-8. The OCA appreciates Aqua's recognition that additional
19 funding is appropriate; however, Mr. Black's recommendation would reduce both the
20 amount and the term of the donations I recommended. Because my recommendation was
21 made in order to provide a concrete and actual benefit to both existing and acquired
22 customers, and Ms. Black's recommendation would diminish that benefit, I do not agree
23 with her proposal.

Response to Greenville Rebuttal Testimony

1
2 **Q. GSA witness Urey provided rebuttal testimony where he explains the benefits that**
3 **the Borough and GSA considered from the sale. Please comment.**

4 A. Mr. Urey's explanation of the reasons why the Borough and the Authority want to sell the
5 system (GSA St. 1-R at 2) is consistent with my understanding of why the sale of the
6 wastewater assets are a benefit to the Borough, as I discussed above. A borough's desire
7 to exit the wastewater business is a reason to sell the system, but it is not evidence that
8 substantial affirmative public benefits would result from the sale. He also discusses
9 additional benefits. First, he states that rates will need to go up even without the sale.
10 GSA St. 1-R at 3. That may be accurate¹¹ but it is also accurate that the cost for Aqua to
11 make the same expenditures will be greater due to a number of factors, as I described in
12 my direct testimony. OCA St. 1 at 23. Next, Mr. Urey provides a number of factors that
13 GSA and the Borough considered in determining to sell the wastewater assets, which
14 essentially boil down to Aqua's fitness and capabilities as a large system. GSA St. 1-R at
15 3. The OCA does not challenge Aqua's fitness in this proceeding, but that alone is not
16 determinative of the legal standard under Sections 1102 and 1103 of the Public Utility
17 Code. Otherwise, the discussion of the financial and technical fitness of a public utility
18 would subsume the analysis to determine if public benefits would arise that are
19 substantial and specific to the transaction.

20 Mr. Urey also provides more information as to why the Borough and GSA
21 determined to sell the wastewater assets. GSA St. 1-R at 4-5. I have not questioned the
22 Borough or GSA's processes in determining to sell the wastewater assets to Aqua. While

¹¹ Neither Aqua nor the Borough has provided any evidence to substantiate that GSA customers' rates would go up substantially, to the same amount as Aqua proposes to increase the rates or to a higher level than that. Absent sufficient evidence to support Mr. Urey's claim, it should be ignored.

1 Mr. Urey’s information explains why GSA determined to sell the assets, the question to
 2 be determined is whether the rate impact harms from the ratemaking rate base (the sale
 3 price in this case) and the capital expenditure commitments, are so great that it results in
 4 a lack of substantial affirmative benefits. I also note that Mr. Urey does not consider the
 5 sale from the perspective of Aqua’s existing customers, and although that makes sense
 6 because of his role in this case, it also means that he has not evaluated that perspective in
 7 his assertion of public benefits.

8 **Q. Mr. Urey claims that your focus on \$40 per month increase is misleading. GSA St.**
 9 **1-R at 5. Please respond.**

10 A. It is unclear what is misleading about the rate impact calculation that is sponsored by
 11 Aqua witness Packer. Appendix A to Aqua Statement 3, pictured below, shows that
 12 using the ratemaking rate base (purchase price) of \$18 million and the first year of the
 13 \$20 million capital expenditure commitment that is reflected in the APA with GSA, there
 14 is an **annual** revenue deficiency of \$2,223,000. If GSA customers bear those costs, their
 15 **monthly** wastewater rates would need to increase by \$41.75 or 180.85%.

	Avg. Usage / Kgal	Estimated Monthly Increase	Estimated Percentage Increase
Residential - 80% Cost of Service	2.91	\$28.78	124.68%
Commercial - 80% Cost of Service	11.07	\$69.53	124.68%
Industrial - 80% Cost of Service	12.58	\$76.79	124.68%
Public - 80% Cost of Service	11.23	\$65.54	124.68%
Bulk - 80% Cost of Service	3,123.90	\$26,992.61	124.68%
Residential - 100% Revenue Deficiency	2.91	\$41.75	180.85%
Commercial - 100% Revenue Deficiency	11.07	\$100.85	180.85%
Industrial - 100% Revenue Deficiency	12.58	\$111.38	180.85%
Public - 100% Revenue Deficiency	11.23	\$95.06	180.85%
Bulk - 80% Revenue Deficiency	3,123.90	\$39,153.27	180.85%
Residential - 50% Revenue Deficiency	2.91	\$20.88	90.42%
Commercial - 50% Revenue Deficiency	11.07	\$50.42	90.42%
Industrial - 50% Revenue Deficiency	12.58	\$55.69	90.42%
Public - 50% Revenue Deficiency	11.23	\$47.53	90.42%
Bulk - 80% Revenue Deficiency	3,123.90	\$19,576.63	90.42%
Impact Existing Customers (Company Wastewater) - Residential - 50%	4.00	\$1.35	1.60%
Impact Existing Customers (Company Wastewater) - Commercial - 50%	8.33	\$2.14	1.60%
Impact Existing Customers (Company Wastewater) - Industrial - 50%	1.50	\$0.73	1.60%
Impact Existing Customers (Company Wastewater) - Public - 50%	8.33	\$2.14	1.60%
Impact Existing Customers (Company Water) - Residential - 20% Cost of Service	4.00	\$0.09	0.12%
Impact Existing Customers (Company Water) - Commercial - 20% Cost of Service	33.38	\$0.55	0.12%
Impact Existing Customers (Company Water) - Industrial - 20% Cost of Service	200.15	\$2.64	0.12%
Impact Existing Customers (Company Water) - Public - 20% Cost of Service	33.38	\$0.55	0.12%

16

1 The OCA has not challenged Aqua’s calculations. Other scenarios are also shown
2 in Mr. Packer’s Appendix A. I do not know why Mr. Urey takes the position that Aqua’s
3 figures about the rate harm are misleading. To the extent that it is because Aqua also
4 presents other scenarios, there are several problems with his reliance on those scenarios.

5 First, for GSA customers, the revenue deficiency that will be assigned to them in
6 the first rate case after closing will be **higher** than what is shown on Appendix A. That is
7 because the base rate case will include costs for capital, operation and maintenance
8 expenses, return, taxes, etc. through the end of the fully projected future test year that will
9 be used in that rate increase filing, along with other claims that might be included. All of
10 that will add to the cost of service for all Aqua customers, including the former GSA
11 customers, and the resulting revenue requirement, will be higher than what is shown on
12 Appendix A. That will increase the deficiency between GSA’s existing rates and the rates
13 needed at Aqua’s proposed cost of service.¹²

14 Second, even if GSA customers do not have to bear their full cost of service in the
15 next base rate case, they still will likely face a large increase and may face changes in
16 how the rates are structured. For example, in Aqua’s 2021 base rate case, customers from
17 New Garden Township, acquired under fair market value, saw bill impacts that were far
18 greater than the overall increase in revenues might have led them to expect. I do not
19 think there is anything misleading about the rate impact discussion. The information is
20 based on Aqua’s calculations and, given the disparity between GSA’s current rates and
21 Aqua’s current rates, and the other factors that will come into play, GSA customers will
22 likely see large rate increases in the first case after closing and over the following base

¹² The gap between GSA’s current rates and the Aqua base rates is likely to grow even larger after the pending Aqua base rate case is concluded in early 2025.

1 rate cases as a result of the transaction. It is also important to note that Mr. Urey did not
2 responds to, and does not appear to have considered, my testimony about the rate impacts
3 of pending acquisitions that may materialize for GSA customers with Aqua’s pending
4 acquisitions, so an increase of \$40 is likely far more conservative of an estimate than the
5 increase that may ultimately be charged as a result of the pancaking of funding
6 acquisitions on Aqua’s water and wastewater customers.

7 **Response to OSBA Rebuttal Testimony**

8 **Q. OSBA witnesses Hails and Cathcart presented rebuttal testimony to your testimony**
9 **regarding the UVE appraisals. OSBA St. 1-R. Please respond.**

10 A. In my direct testimony, I indicated that although the OCA could make adjustments to the
11 UVE appraisals, the average of the OCA-adjusted appraisals would not be lower than the
12 purchase price. OCA St. 1 at 4. This statement explained why the OCA was not
13 presenting testimony about the UVE appraisals. I specifically noted that it does not mean
14 that OCA agrees with the UVE appraisals. *Id.*

15 In rebuttal, OSBA witnesses Hails and Cathcart appear to put the onus on OCA
16 because “it has not been clearly established that adjustments to the valuations would yield
17 an average value higher than the proposed approved purchase price.” OSBA St. 1-R at 3.
18 It is unclear why that is a reasonable recommendation in this proceeding. Both witnesses
19 do go on to repeat their recommendation from direct testimony that the UVE appraisals
20 be updated. *Id.* The OCA did not file any rebuttal to that position or take any position on
21 that issue.

22 **Q. Does this conclude your surrebuttal testimony?**

23 A. Yes.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Aqua Pennsylvania :
Wastewater, Inc. Pursuant to Sections 507, :
508, 1102 and 1329 of the Public Utility : Docket No. A-2023-3041695
Code for Approval of its Acquisition of the :
Wastewater System Assets of Greenville :
Sanitary Authority :

VERIFICATION

I, Christine Maloni Hoover, hereby state that the facts set forth in my Surrebuttal Testimony, OCA Statement 1SR, are true and correct (or 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: August 9, 2024

Signature: *Christine Maloni Hoover*
Christine Maloni Hoover
Of Counsel

Witness Address: Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923

OCA Exh. CMH-1SR

Docket No. R-2024-3047822

AQUA PENNSYLVANIA, INC. - WATER BASE
WATER AND WASTEWATER REVENUE REQUIREMENT - SUMMARY

		Total Company	Water Base Operations	Water Shenandoah	Wastewater Base Operations	Wastewater Lower Makefield	Wastewater East Whiteland
Present Rate Revenue	(1)	\$ 670,994,640	\$ 596,344,820	\$ 1,828,304	\$ 57,682,604	\$ 11,613,830	\$ 3,525,082
Additional Revenue Requirement	(2)	126,675,472	87,930,589	2,267,908	25,957,548	3,526,708	6,992,719
Cost of Service Allocation	(3)	-	1,465,438	(1,465,438)	-	-	-
Act 11 Allocation	(4)	-	21,850,629	-	(17,747,873)	(958,164)	(3,144,592)
Proposed Revenues		<u>\$ 797,670,111</u>	<u>\$ 707,591,475</u>	<u>\$ 2,630,774</u>	<u>\$ 65,892,280</u>	<u>\$ 14,182,374</u>	<u>\$ 7,373,208</u>
Rate Increase/(Decrease) - \$		\$ 126,675,472	\$ 111,246,656	\$ 802,470	\$ 8,209,676	\$ 2,568,544	\$ 3,848,126
Rate Increase/(Decrease) - %		18.88%	18.65%	43.89%	14.23%	22.12%	109.16%

Notes:

- (1) **Present Rate Revenues** are developed in the schedules of Exhibits 1-A through 1-E that relate to each of these operations.
- (2) **Additional Revenue Requirement** are developed in the schedules of Exhibits 1-A through 1-E that relate to each of these operations.
- (3) **Cost of Service Allocation** from Water Shenandoah to Water Base Operations.
- (4) **Act 11 Allocation** is the allocation between wastewater operations and water operations is achieved by the proposed consolidation of water and wastewater revenue requirements to derive the water and wastewater rates proposed by the Company in this case.

OCA Exh. CMH-2SR

Respondent: Jasson Urey

Date: 06/24/2024

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

OFFICE OF CONSUMER ADVOCATE

SET II INTERROGATORIES

OCA-II-1 Please provide an update on the Consent Order and Agreement (COA) entered into between the Greenville Sanitary Authority, Commonwealth of Pennsylvania, Department of Environmental Protection, and Greenville Borough on December 27, 2021, to address chlorine levels in the Authority's Wastewater Treatment Plant effluent in excess of DEP regulations. Additionally, please provide an update on any corresponding COAs or Corrective Action Plans for the municipal customers of the Greenville Sanitary Authority.

RESPONSE

On March 6, 2024, GSA received a Notice of Breach of Consent Order and Agreement from DEP (please see Aqua's responses to the Bureau of Technical Utility Services Information Request No. 30 submitted on April 19, 2024). The GSA met with DEP on April 4, 2024 to discuss the Notice. DEP directed GSA to amend its Act 537 Plan based on the proposed sale of the system. GSA discussed with DEP installing a pilot system for dichlorination based on Aqua's recommendations for addressing the chlorine levels. DEP indicated they would amend the COA based on this information.

**I&E Statement No. 1
Witness: Joseph Kubas**

**Application of Aqua Pennsylvania Wastewater Inc,
for Acquisition of the Wastewater Collection and Treatment System Assets
of the Greenville Sewer Authority**

Docket No. A-2023-3041695

Direct Testimony

of

Joseph Kubas

Bureau of Investigation and Enforcement

Concerning:

Current And Potential Rates

Public Benefit

Cost of Service Study

Rights of Way

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1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Joseph Kubas. My business address is Pennsylvania Public Utility
4 Commission, Commonwealth Keystone Building, 400 North Street, Harrisburg,
5 Pennsylvania 17120.

6

7 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

8 A. I am employed by the Pennsylvania Public Utility Commission (“Commission”)
9 in the Bureau of Investigation and Enforcement (“I&E”) as a Rate Case Review
10 Specialist – Annuitant. Prior to my retirement, I was the Fixed Utility Valuation
11 Engineer Supervisor in I&E.

12

13 **Q. WHAT IS YOUR EDUCATION AND EMPLOYMENT BACKGROUND?**

14 A. An outline of my education and employment is attached as Appendix A.

15

16 **Q. PLEASE DESCRIBE THE ROLE OF I&E IN RATE PROCEEDINGS.**

17 A. I&E is responsible for protecting the public interest in proceedings before the
18 Commission. The I&E analysis in the proceeding is based on its responsibility to
19 represent the public interest. This responsibility requires balancing the interests
20 of the ratepayers, the company, and the regulated community.

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 A. The purpose of my direct testimony is to address the lack of public benefits and
3 future rate implication of Aqua Pennsylvania Wastewater Inc.’s (“Aqua or
4 Company”) acquisition of the Greenville Sewer Authority (“GSA”). Additionally, I
5 discuss that if the Application is approved, Aqua should prepare a separate Cost of
6 Service Study for the GSA wastewater collection and treatment system (“System”)
7 in its next base rate case. I also address what should be done in the event of
8 missing or unidentified easements and other property rights of GSA.

9

10 **Q. DOES YOUR DIRECT TESTIMONY INCLUDE AN EXHIBIT?**

11 A. Yes. My direct testimony includes an exhibit, I&E Exhibit No. 1, which supports
12 my testimony.

13

14 **Q. WHAT IS AQUA REQUESTING IN THIS PROCEEDING?**

15 A. Aqua is proposing to purchase the assets, rights, and property of the GSA
16 wastewater system for \$18,000,000 (Aqua St. No. 3, p. 6). Aqua has filed an
17 application for approval of its acquisition of substantially all of GSA’s assets,
18 properties, and rights related to its wastewater collection and treatment system,
19 related wastewater service rights, fair market valuation ratemaking treatment,
20 accrual and deferral of certain post-acquisition improvement costs, and certain
21 contracts with municipal corporations (“Application”). Specifically, Aqua is
22 requesting, under 66 Pa. C.S. § 1102 (“Section 1102”), approval to acquire the

1 GSA’s wastewater collection and treatment system and for the right to begin
2 providing wastewater service in the areas currently served by GSA. Additionally,
3 under 66 Pa. C.S § 1329 (“Section 1329”), Aqua is seeking to utilize the fair
4 market value of the System for the ratemaking rate base, and confirmation of its
5 right to collect a distribution system improvement charge (“DSIC”) after the GSA
6 system is included in a future Long Term Infrastructure Improvement Plan
7 (“LTIIP”). Aqua is also seeking accrual of Allowance for Funds Used During
8 Construction (“AFUDC”) for post-acquisition improvements not recovered
9 through its DSIC for book and ratemaking purposes and the depreciation expense
10 related to post-acquisition improvements not recovered through the DSIC for
11 book and ratemaking purposes. Finally, Aqua is seeking approval for the Asset
12 Purchase Agreement (“APA”) and certain municipal agreements to be assumed
13 by Aqua as a result of the Transaction (AQUA St. No. 1, pp. 3-4)

14
15 **Q. WHY DOES AQUA NEED APPROVAL OF THE ACQUISITION UNDER**
16 **SECTION 1102?**

17 A. Section 1102 requires the Commission to issue a Certificate of Public
18 Convenience prior to the Company acquiring the wastewater assets of GSA and
19 providing wastewater service in GSA’s service territory. The Commission will
20 only grant a Certificate of Public Convenience if it determines that such a
21 certificate is "necessary or proper for the service, accommodation, convenience or
22 safety of the public.” (66 Pa. C.S. § 1103(a)). Further, “the Commission, in

1 granting such certificate, may impose such conditions as it may deem to be just
2 and reasonable.” (66 Pa. C.S. § 1103(a)).

3
4 **Q. WHAT DOES SECTION 1329 ALLOW?**

5 A. Section 1329 allows investor-owned water and wastewater utilities to use the fair
6 market valuation in the acquisition of water and wastewater systems that are
7 owned by a municipal corporation or authority. Using the Section 1329
8 framework enables the investor-owned utility to establish the ratemaking rate
9 base of the acquired property in the same proceeding that it seeks to acquire the
10 property.

11
12 **Q. WHAT DOES THE FAIR MARKET VALUE APPROACH REQUIRE?**

13 A. The fair market valuation approach dictates that once the buyer and the seller
14 agree to its use, they must engage the services of a licensed engineer to conduct
15 an assessment of the tangible assets of the seller. The licensed engineer’s
16 assessment is then presented to two utility valuation experts (“UVE”), one to
17 represent the buyer and one to represent the seller, to conduct independent
18 analyses based on the Uniform Standards of Professional Appraisal Practice,
19 employing the cost, market, and income approaches. The results of the UVEs’
20 analyses are then incorporated into the Section 1102 of the Code application

1 submitted to the Commission for approval.¹ For ratemaking purposes, the
2 valuation will be the lesser of the fair market value or the negotiated purchase
3 price. Finally, Section 1329 allows the acquiring public utility's post-acquisition
4 improvement costs not recovered through a DSIC to be deferred for book and
5 ratemaking purposes.

6
7 **CURRENT AND POTENTIAL FUTURE RATE IMPACT**

8 **Q. DOES THE APPLICATION INCLUDE ANY PROVISIONS REGARDING**
9 **CURRENT RATES AND WHEN THESE CURRENT RATES COULD**
10 **INCREASE?**

11 A. Yes. As described by Aqua witness Packer, on page 7 of Aqua St. No. 3, Section
12 7.04(a) of the APA provides that Aqua will not propose to increase GSA's base
13 rates until the next Aqua base rate case. After closing, Aqua will transition the
14 current quarterly bills to monthly billing and the current rates will also apply to
15 the bulk customers (Aqua St. No. 3, pp 9-10).

16
17 **Q. DO YOU OPPOSE THIS PROPOSAL NOT TO INCREASE PRESENT**
18 **RATES UNTIL THE NEXT RATE CASE OR THE TRANSITION TO**
19 **MONTHLY BILLING?**

20 A. I do not.

¹ http://www.puc.pa.gov/filingresources/issues_laws_regulations/section1329_applications.aspx.

1 **Q. DOES THE APPLICATION DESCRIBE ANY POTENTIAL FUTURE**
2 **RATE INCREASES?**

3 A. Yes. According to the estimate provided by the Company the average bill for a
4 GSA residential customer will increase from \$23.09 per month to \$64.84 per
5 month, which equates to an increase of \$21.75 per month or 180.85% under full
6 cost of service, that is with no subsidy being provided by Aqua water customers
7 (Aqua St. No. 3, p. 17).

8

9 **Q. PLEASE ADDRESS THE COMPANY'S ANALYSIS CONCERNING THE**
10 **POTENTIAL INCREASE IN THE AVERAGE RESIDENTIAL BILL.**

11 A. First, the comparison is just an estimate. Second, the estimated proposed bill of
12 \$64.84 per month is lower than the current Zone 1 average residential wastewater
13 bill. Third, the Company's analysis that determined \$64.84 per month is
14 incomplete.

15

16 **Q. PLEASE ADDRESS YOUR FIRST CONCERN THAT THE AVERAGE**
17 **BILL IS JUST AN ESTIMATE.**

18 A. While I understand that the \$64.84 is merely an estimate, I believe the \$64.84 per
19 month is likely understated and that the customers will eventually experience a
20 higher average residential wastewater bill.

1 **Q. WHAT IS THE FIRST INDICATION THAT THE \$64.84 PER MONTH**
2 **BILL FOR AN AVERAGE GSA RESIDENTIAL CUSTOMER IS**
3 **UNDERSTATED?**

4 A. The estimated proposed bill of \$64.84 per month does not consider that the
5 Company and/or the Commission will ultimately consolidate the GSA rates with
6 the Zone 1 wastewater rates. The current average Zone 1 residential bill is \$95.19
7 per month (Aqua Volume 5, Sch. 7-WW, p. 1, Docket R-2024-3047824). If rates
8 were consolidated in the next base rate case, GSA customers would experience an
9 increase of at least \$72.10, (\$95.19 - \$23.09) per month or 312.3%.

10

11 **Q. WHAT IS THE SECOND INDICATION THAT THE \$64.84 PER MONTH**
12 **DETERMINED FOR GSA CUSTOMERS IS UNDERSTATED.**

13 A. The estimated proposed bill of \$64.84 per month does not consider that the
14 Company will include GSA plant added in the FTY or FPFTY. The analysis by
15 the Company to determine the \$64.84 per month average only includes 1 year of
16 plant additions (2024) (Aqua St. No. 3, Appendix A, p. 1). If Aqua files a base
17 rate case in 2025, the FTY will be 2025 and the FPFTY will be 2026, which is
18 two additional years of plant additions, which will impact return dollars,
19 depreciation expense claims, and taxes in the Company's calculations.

1 **Q. PLEASE SUMMARIZE YOUR CONCERNS AND THE IMPORTANCE**
2 **OF THE ESTIMATED BILL FOR THE AVERAGE GSA CUSTOMER**

3 A. I believe the Company's estimated increase of 180.85% in the average GSA
4 residential customer's bill alone is substantial enough to deny the Petition,
5 because this estimate represents a substantial near term burden to GSA customers,
6 or the GSA revenue requirement will be shifted to Aqua water customers to make
7 Aqua whole. Furthermore, since I have shown that the \$64.84 per month
8 estimated average residential monthly bill is likely understated, the impact to
9 GSA and/or other Aqua water customers will likely be much greater.

10
11 **POTENTIAL PUBLIC BENEFIT**

12 **Q. DID THE COMPANY CLAIM THERE WILL BE SUBSTANTIAL**
13 **AFFIRMATIVE PUBLIC BENEFITS OF THE TRANSACTION?**

14 A. Yes. The Company states that Aqua will do a better job of operating the system
15 including, but not limited to the following areas: personnel, engineering, safety,
16 testing, treatment, security, accounting, purchasing, records, response to
17 emergencies, billing, customer assistance, and compliance (Aqua St. No. 1, pp. 6-
18 37). Aqua also states Aqua has a history of acquiring troubled systems and that
19 approving this Application will continue its support of that Commission policy.
20 Further, Aqua contends that adding the system will contribute to the economies of
21 scale and lower overall average costs. Finally, Aqua concludes that the

1 substantial public benefits outweigh the potential rate increases (Aqua St. No. 3,
2 pp. 11-16).

3
4 **Q. DID THE BOROUGH OF GREENVILLE MANAGER PROVIDE**
5 **TESTIMONY IN THIS PROCEEDING?**

6 A. Yes. The Borough Manager, Mr. Jason Urey, testified that the GSA is operated
7 by the Borough of Greenville (“Greenville”), and he is primarily responsible for
8 the day to day operations of the GSA system (Greenville St. No. 1, p. 1). Mr.
9 Urey also states that GSA has talked about system upgrades over the past eleven
10 years but has made little investment in the wastewater system in the last three
11 years (Greenville St. No. 1, pp. 7-8).

12
13 **Q. DID THE BOROUGH OF GREENVILLE ALSO CLAIM THERE WILL**
14 **BE SUBSTANTIAL AFFIRMATIVE PUBLIC BENEFIT OF THE**
15 **TRANSACTION?**

16 A. Yes. Greenville restates some of the benefits described by Aqua and goes on to
17 claim the transaction will secure the financial future of the Borough and its
18 customers, preserve all jobs, use the proceeds for redevelopment, make the
19 investments GSA has failed to make, and add protections to customers
20 (Greenville St. No. 1, pp. 2-3).

1 **Q. DID AQUA OR GREENVILLE CLAIM GSA COULD NOT MAKE THE**
2 **SYSTEM IMPROVEMENTS OR IN SOME CASES, MAINTAIN THE**
3 **STATUS QUO?**

4 A. No. The testimony merely states that Aqua will do a better job, and that GSA has
5 only talked about making wastewater system improvements. No explanation was
6 given as to why GSA could not improve the system or provide the same service
7 Aqua proposes it will enhance at potentially the same or lower cost. Since GSA
8 is a municipal system, it is my experience that municipal systems can provide
9 reasonably good service at a lower cost than investor owned utilities like Aqua.
10 One reason for this fact is that municipal systems do not pay federal, state or local
11 taxes.

12
13 **Q. SHOULD GSA'S PAST UNWILLINGNESS TO MAKE IMPROVEMENTS**
14 **TO ITS OWN SYSTEM THAT AQUA STATES IT WILL MAKE BE**
15 **CONSIDERED A PUBLIC BENEFIT?**

16 A. No. If GSA would have made these improvements, the system would not have
17 the problems GSA claims will be fixed by this acquisition. Therefore, a seller's
18 own failures should not be turned around and claimed to be a "public benefit" of
19 this transaction.

1 **Q. SHOULD IMPROVING THE FINANCIAL HEALTH OF THE BOROUGH**
2 **BE CONSIDERED A “PUBLIC BENEFIT”?**

3 A. No. While I understand proceeds from the sale of GSA will benefit the Borough,
4 solving the Borough’s financial problems should not fall to all GSA customers
5 and/or Aqua customers through higher rates. Therefore, benefits to a seller’s own
6 financial health should not be considered a “public benefit.”

7
8 **Q. WHAT DOES MR. UREY CLAIM CONCERNING PROTECTING**
9 **CUSTOMERS?**

10 A. Mr. Urey believes the transaction will provide added protections for customers
11 due to Aqua’s regulation by the Commission, which will ensure regulatory
12 oversight, require approval for all rate increases, and provide significant
13 consumer protections (Borough St. No. 1, p. 3).

14
15 **Q. DO GSA CUSTOMERS NEED THE COMMISSION TO PROTECT**
16 **THEM FROM THE GSA AND/OR PROVIDE CUSTOMER**
17 **PROTECTIONS?**

18 A. No. It makes no sense to claim that the customers of GSA need the Commission
19 to protect them from the policies, practices and rates established by GSA. If the
20 policies, practices and rates of GSA are problematic, the GSA should be more
21 responsive to its customers and adopt the policies and practices Aqua follows.

1 Finally, GSA should not seek political cover by shifting the responsibility of
2 establishing adequate rates to the Commission.

3
4 **Q. SHOULD KEEPING THE SAME EMPLOYEES ON STAFF BE**
5 **CONSIDERED AN “AFFIRMATIVE PUBLIC BENEFIT?”**

6 A. No. Aqua’s promise to keep the same six employees should be considered
7 maintaining the status quo. While I understand this is a positive benefit to the six
8 employees, keeping something the same is not an affirmative public benefit.

9
10 **Q. TURNING BACK TO AQUA’S TESTIMONY CONCERNING**
11 **TROUBLED SYSTEMS, IS THERE ANY INDICATION THAT GSA**
12 **SHOULD BE CONSIDERED A TROUBLED SYSTEM?**

13 A. No, for several reasons. First, GSA is a municipal system and can increase rates
14 at any time to any level. Therefore, raising sufficient revenue is not a problem.
15 Second, according to the Company, GSA is complying with a DEP Consent
16 Order since January 1, 2022. Third, the system is in compliance with rules and
17 regulations of the US Department of Environmental Protection and has adequate
18 capacity for new customers (Aqua St. No. 2, pp. 13-15). Therefore, I believe the
19 GSA system should not be considered a “troubled system.”

1 **Q. PLEASE ADDRESS THE COMPANY’S CLAIM CONCERNING THE**
2 **ECONOMIES OF SCALE ACQUIRING THE GSA SYSTEM COULD**
3 **PRODUCE?**

4 A. I do agree there is the potential to achieve some economies of scale; however,
5 there is no definitive timeline for when these economies of scale might be
6 achieved or if these would actually benefit GSA customers who will already be
7 on a path to substantial rate increases. Plus, the details have not been quantified,
8 and given the higher costs investor owned utilities incur to provide service, I
9 believe they may not be significant. I would also note that this system will not be
10 physically interconnected to any other Aqua system, thus the normal economies
11 of scale achieved by combining treatment plants and/or closing a treatment plant
12 will not be achieved through this acquisition.

13
14 **Q. PLEASE SUMMARIZE YOUR CONCERNS REGARDING THE LACK**
15 **OF SUBSTANTIAL PUBLIC BENEFIT.**

16 A. I believe the Company has not shown the Application will result in substantial
17 public benefit for several reasons. First, it has not been shown that the claimed
18 improvements could not be done by GSA at a potentially lower cost, and in one
19 example, the alleged benefit is only maintaining the status quo. Second, the
20 Borough’s financial troubles should not be resolved via GSA ratepayers. Third, I
21 do not believe the potential service improvements outweigh the large increase in
22 the average bill of a GSA customer, which I have shown could be even larger

1 than estimated by Aqua. Fourth, the seller’s lack of investment should not be
2 turned around and used as a public benefit. Fifth, I do not believe GSA should be
3 considered a trouble system. Sixth, the claims that GSA customers would be
4 treated better under Aqua, and the Commission could also occur if GSA applies
5 the same treatment to GSA customers. Finally, while I agree that the alleged
6 economies of scale could occur, there is a lack of details, and any savings could
7 take a while, if they reach GSA customers at all. The alleged economies of scale
8 should be weighed against the generally higher cost of operations incurred by
9 Aqua, that will be passed onto GSA customers and likely all Aqua water
10 customers.

11
12 **COST OF SERVICE STUDY**

13 **Q. PLEASE DESCRIBE THE GSA WASTEWATER SYSTEM.**

14 A. The GSA was incorporated by Greenville in 1956. The GSA owns, operates, and
15 maintains the Acquired Assets (as defined in the APA, which is attached to the
16 Application as Exhibit B), consisting of a sanitary wastewater collection and
17 conveyance system and the GSA wastewater treatment plant (“WWTP”). Along
18 with the residents of Greenville, residents of Hempfield Township (“Hempfield”)
19 and West Salem Township (“West Salem”) (together, the “Contributing
20 Municipalities”) also contribute flows into the GSA’s System that are treated at
21 the WWTP. The GSA does not own any of the collection and conveyance sewers
22 of the Contributing Municipalities. However, the GSA operates the West Salem

1 sewer system. The GSA System includes approximately 29 miles of pipe serving
2 approximately 2,281 GSA customers and the two Contributing Municipalities.
3 (Borough St. No. 1, p. 4).

4
5 **Q. IS KNOWING THE COST TO SERVE THE GSA WASTEWATER**
6 **SYSTEM IMPORTANT?**

7 A. Yes. In general, the primary goal of a Cost of Service Study is to determine a
8 utility's revenue requirement to provide service to its different customer classes.
9 In this case, a Cost of Service Study for the GSA System is beneficial because it:

- 10 • Determines the cost to operate the GSA wastewater System separately;
- 11 • Calculates the costs of the utility's different services;
- 12 • Separates the costs between the utility's different customer classes and
13 service areas;
- 14 • Attributes costs to the utility's different customer classes and service areas;
15 and
- 16 • Determines how costs will be recovered from the utility's different
17 customer classes and service areas.

18 Moreover, a Cost of Service Study can establish the existence and extent of
19 subsidization (inter- and intra-class) and assist in determining the appropriate
20 amount of revenue requirement to be shifted from wastewater customers to water
21 customers, which Aqua has utilized in past base rate cases. Therefore, without
22 the Cost of Service Study that includes segregated wastewater costs, the

1 appropriate ratemaking recommendations for those costs cannot be proposed or
2 implemented.

3
4 **Q. HAS AQUA PREVIOUSLY PROVIDED SEPARATE COST OF SERVICE**
5 **STUDIES FOR SYSTEMS ACQUIRED THROUGH SECTION 1329**
6 **APPLICATIONS IN A BASE RATE CASE?**

7 A. Yes. In its most recent base rate case at Docket Nos. R-2024-3047822 and R-
8 2024-3047824, the Company included several separate cost of service studies for
9 water and wastewater systems it acquired through Section 1329 applications.

10
11 **Q. WHAT DO YOU RECOMMEND AQUA PROVIDE IN THE NEXT BASE**
12 **RATE CASE?**

13 A. If the acquisition is approved, I recommend that Aqua include a separate cost of
14 service study for the wastewater system of GSA similar to the methodology it
15 used for other systems acquired through Section 1329 proceedings in the current
16 base rate case at Docket Nos. R-2024-3047822 and R-2024-3047824 for the
17 reasons stated above. I also recommend that the bulk service customers be
18 grouped into a single separate class so that the parties and the Commission can
19 determine if the revenue received from these bulk customers, including operating
20 the West Salem sewer system, is more or less than the cost of providing service to
21 these bulk customers.

1 **EASEMENTS AND OTHER PROPERTY RIGHTS**

2 **Q. AS A PART OF AQUA’S APPLICATION, DID AQUA INDICATE THAT**
3 **IT IDENTIFIED AND CONFIRMED ALL REAL ESTATE, INCLUDING**
4 **LEASES, EASEMENT RIGHTS, AND ACCESS TO PUBLIC RIGHTS-OF-**
5 **WAY THAT MUST BE TRANSFERRED TO AQUA TO FACILITATE**
6 **AQUA’S OPERATION OF GSA’S WASTEWATER SYSTEM?**

7 A. No. The Company provided a list of 276 missing easements in the Application
8 (Exhibit B, Sch. 6.05. e).

9

10 **Q. DO AQUA OR GSA HAVE ANY TIMELINE OR UPDATES FOR THE**
11 **COMPLETION OF TITLE SEARCHES?**

12 A. Not specifically. Similar to the claim cited above, in response to OCA-1-24
13 provided July 9, 2024, Aqua states that GSA has hired KLH Engineers, Inc. to
14 compile the easements and create a map (I&E Ex. No. 1, Sch. 2).

15

16 **Q. HAS THE ENGINEER’S REPORT BEEN COMPLETED?**

17 A. At the time of this testimony, I am not aware that the KLH Engineers, Inc. report
18 has been completed.

19

20 **Q. WHAT IS YOUR CONCERN ABOUT MISSING/UNIDENTIFIED**
21 **EASEMENTS AND PUBLIC RIGHTS-OF-WAY AS DISCUSSED**
22 **ABOVE?**

23 A. In the absence of the engineers’ final title search report that will identify the

1 missing easements and other property rights, the UVEs' presumptive valuation of
2 GSA's wastewater system being conveyed with all easements and other property
3 rights necessary to operate the system is potentially flawed or inaccurate. This is
4 true because unless GSA conveys all necessary easements and access to public
5 rights-of-way to Aqua at closing, the UVEs' appraisals, which assume that all
6 necessary property rights will be transferred to AQUA, may be rendered factually
7 inaccurate and, thus, invalid.

8
9 **Q. DO YOU HAVE ANY RECOMMENDATION FOR EASEMENTS AND**
10 **OTHER PROPERTY RIGHTS?**

11 A. Yes. I recommend that the Commission condition any approval of Aqua's
12 Application that the closing of the acquisition transaction not be permitted to
13 occur unless and until GSA provides proof to the satisfaction of Aqua that it has:
14 (1) identified all missing easements including public rights-of-way and other
15 property rights; (2) taken any and all necessary actions to obtain the missing
16 easements and other property rights so that they may be conveyed to Aqua at
17 closing; and (3) borne all costs and expenses for obtaining and conveying the
18 missing easements and other property rights so that Aqua's ratepayers are not
19 burdened with those costs.

20 Additionally, I recommend that the Commission condition any approval
21 of Aqua's Application that for circumstances beyond GSA's control where it is
22 unable to transfer all missing easements including public rights-of-way and other

1 property rights before or at the closing of the transaction, Aqua and GSA may at
2 their discretion close the transaction without the transfer of missing easements
3 and other property rights, provided that an escrow account be established of an
4 appropriate dollar amount from the purchase price to be used to obtain any post-
5 closing transfers of the easements and other real property rights.

6 It should be noted that although I am not commenting on or confirming the
7 sufficiency of the fund, I acknowledge that Aqua has agreed to the establishment
8 of an Easement Escrow Fund in which \$2,000 per missing easement will be
9 placed into the fund at the time of closing (I&E Ex. No. 1, Sch. 1).

10
11 **Q. EXPLAIN HOW \$2,000 WAS DETERMINED AS THE APPROPRIATE**
12 **AMOUNT TO BE FUNDED IN AN EASEMENT ESCROW FUND FOR**
13 **EACH MISSING EASEMENT.**

14 A. In response to OCA-1-23 it was estimated that \$2,000 per missing easement
15 would be a reasonable amount (I&E Ex. No. 1, Sch. 1).

16
17 **Q. WHAT IS THE BASIS OF YOUR RECOMMENDATION?**

18 A. Adopting the above condition is necessary to ensure the UVEs' assumption that
19 all necessary easements and land rights would be conveyed to Aqua at closing is
20 accurate. I note that Section 6.05 (Easements) of the APA provides a process for
21 identification and conveyance of property easements and other property rights.
22 Therefore, it is essential that the Commission adopt the condition I recommend

1 herein to ensure that ratepayers are protected from the uncertainty about the
2 transfer of missing or unidentified easements and other property rights and the
3 costs of acquiring missing easements and other property rights necessary for
4 Aqua's operation of GSA's wastewater system.

5
6 **OVERALL RECOMMENDATIONS**

7 **Q. WHAT IS YOUR OVERALL RECOMMENDATION?**

8 A. I recommend that the Commission not approve this Application because of the lack
9 of affirmative public benefits. However, if the Commission does approve the
10 Application, I recommend that Aqua provide a separate COSS in the next base rate
11 case for the GSA wastewater system. I also recommend that the missing Easements
12 be addressed as described above.

13
14 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

15 A. Yes. However, I reserve the right to supplement my testimony or to revise
16 recommendations if additional issues or facts arise during this proceeding.

JOSEPH KUBAS

***PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET
HARRISBURG, PA 17120***

Education: Bachelor of Science in Civil Engineering Technology, 1985, University of Pittsburgh at Johnstown, Johnstown, PA.

Continuing Education: Legal Principles and Practices of Surveying at the University of Maryland. Economics, Accounting, 33 Credit hours of accounting at the Howard County Community College and the University of Pittsburgh at Johnstown. Managing Multiple Priorities at the Pennsylvania State University. Various PA-PUC and Utility Company Seminars.

Professional: Engineer In Training, 1985

Exams: Uniform Certified Public Accounting Exam, 1993.

Rate School: Cost of Service - Rate Structure & Rate Design instructor at Commission's Rate School - September 2010, 2012, 2014, 2016 and 2022.

Title: **RATE CASE REVIEW SPECIALIST - ANNUITANT**

July 2023 – Present
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement

Duties: Provide consultation and assist the Bureau of I&E in the areas of Engineering, Revenue and Rate Structure for all fixed utility types. This includes measure of value claims, rate structure and rates, revenue annualizations, depreciation claims, fuel purchasing practices and economic analyses. The types of dockets reviewed by the Bureau of I&E included applications, formal complaints, investigations, applications, petitions and rate investigations. The review includes analyzing all pertinent supporting information such as cost of service studies, bill frequency analyses, proofs of revenue schedules, depreciation studies, water quality test results and formal complaints.

Title: FIXED UTILITY VALUATION ENGINEER SUPERVISOR

December 2011 – June 2023
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement

Duties: Duties included the areas of Engineering, Revenue and Rate Structure for all fixed utility types. During the course of formal and informal investigations personnel under my direction were responsible for reviewing and presenting recommendations regarding tariff rate schedules, tariff rules and regulations, measures of value claims, revenue annualizations, depreciation claims, fuel purchasing practices and economic analyses. The types of dockets reviewed by the Bureau of I&E included: applications, formal complaints, investigations, petitions and rate investigations. The Engineering Section was also responsible for reviewing all pertinent supporting information such as cost of service studies, bill frequency analyses, proofs of revenue, depreciation studies, water quality test results and formal complaints. Duties also included reviewing default service petitions by electric distribution companies and Act 129 Filings by the seven major electric Utilities, including energy efficiency and conservation plans and Smart Meter Plans.

Title: RATE CASE REVIEW SPECIALIST

December 2009 - December 2011
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement and Office of Trial Staff

Duties: These duties included the determination of the reasonableness of claims and proposals in the areas of plant in service, rate base, depreciation expense, cost of service, quality of service, revenues, acquisitions, purchase gas expense, rate structure, and tariff proposal submitted by Water, Sewer, Telephone, Gas and Steam Heat utilities to justify utility service rates, or alternative forms of regulation. Research, analyze, and review rate case filings, tariff filings, acquisitions and investigations. Participate in on-site inspections of utility properties to determine the used and usefulness of the plant-in service and make recommendations. Prepare interrogatories in the areas of rate base, depreciation expense, purchase gas expense, amortizations, rate structure, revenue and quality of service in order to obtain additional information regarding a utility's filing. Analyze present revenue, proposed revenue, rate structure and tariff issues. Recommend adjustments to rate base, depreciation expense, revenue, rate structure and other issues concerning fixed utilities. Prepare testimony and exhibits for the purpose of establishing the I&E position in formal and informal proceedings before the Commission. Provide assistance and input to I&E employees concerning engineering and rate structure issues including input for briefs and exceptions. Participate in Commission consultative report proceedings and collaboratives undertaken by the Commission.

Title: FIXED UTILITY VALUATION ENGINEER III

December 1999 - December 2009
Pennsylvania Public Utility Commission
Office of Trial Staff

Duties: These duties included the determination of the reasonableness of claims and proposals in the areas of plant in service, rate base, depreciation expense, cost of service, quality of service, revenues, acquisitions, purchase gas expense, rate structure, and tariff proposal submitted by Water, Sewer, Telephone, Gas and Steam Heat utilities to justify utility service rates, or alternative forms of regulation. Research, analyze, and review rate case filings, tariff filings, acquisitions and investigations. Participate in on-site inspections of utility properties to determine the used and usefulness of the plant-in service and make recommendations. Prepare interrogatories in the areas of rate base, depreciation expense, purchase gas expense, amortizations, rate structure, revenue and quality of service in order to obtain additional information regarding a utility's filing. Analyze present revenue, proposed revenue, rate structure and tariff issues. Recommend adjustments to rate base, depreciation expense, revenue, rate structure and other issues concerning fixed utilities. Prepare testimony and exhibits for the purpose of establishing the OTS position in formal and informal proceedings before the Commission. Provide assistance and input to OTS employees concerning engineering and rate structure issues including input for briefs and exceptions. Participate in Commission consultative report proceedings and collaboratives undertaken by the Commission.

Title: FIXED UTILITY VALUATION ENGINEER II

April 1996 - December 1999
Pennsylvania Public Utility Commission
Office of Trial Staff and Bureau of Fixed Utility Services

Duties: Perform the duties of a Fixed Utility Valuation Engineer II in the Office of Trail Staff (OTS) and Bureau of Fixed Utility Services.

Title: FIXED UTILITY VALUATION ENGINEER TRAINEE, I & II

May 1993 - March 1996
Pennsylvania Public Utility Commission
Office of Trial Staff
Telecommunications and Water Division

Duties: Perform the duties of a Fixed Utility Valuation Engineer II in the Rate Structure/Engineering Section of the Telecommunications and Water Division of the Office of Trial Staff (OTS).

Title: CIVIL ENGINEER

May 1985 - January 1991
Clark Finefrock & Sackett Inc.
7135 Minstrel Way
Columbia, MD 21045

Duties: Engineering, Surveying, Computer, and Field Inspection work related to land development projects in Maryland.

Testimony Before the Pennsylvania Public Utility Commission

1.	National Utilities Inc. (Water)	R-00953416
2.	Consumer Pennsylvania Water Company - Roaring Creek Division	R-00973869
3.	Philadelphia Suburban Water Company	R-00973952
4.	Bell Atlantic - Pennsylvania Inc.	P-00971307
5.	City of Bethlehem- Bureau of Water	R-00984375
6.	Pennsylvania Telephone Association - Chapter 30 Plan	P-00981425
7.	GTE North Inc. Telephone Chapter 30 Plan	P-00981449
8.	Pennsylvania American Water Co.	R-00994638
9.	Philadelphia Suburban Water Co.	R-00994868
10.	PG Energy (Gas)	R-00005119
11.	Pennsylvania-American Water - Coatesville Acquisition	A-212285-F0071
12.	T. W Phillips Gas and Oil Company	R-00005459
13.	Verizon North - Chapter 30 Plan	P-00001854
14.	Philadelphia Gas Works	R-00006042
15.	PFG Gas Inc. & Penn Fuels Gas Co.	R-00013679
16.	Pennsylvania-American Water Co.	R-00016339
17.	Philadelphia Suburban Water Co.	R-00016750
18.	Philadelphia Gas Works	R-00017034
19.	PFG Gas Inc. & Penn Fuels Gas Co	R-00027389
20.	Verizon - Pennsylvania, Inc.	P-00021973
21.	Verizon - Pennsylvania, Inc.	P-00937105-F0002
22.	Pennsylvania American Water Co.	R-00027982
23.	Dominion Peoples 1307(f)	R-00038170
24.	Verizon PA / Verizon North	C-20027195
25.	National Fuel Gas Distribution, Inc.	R-00038168
26.	Aqua Pennsylvania, Inc.	R-00038805
27.	Dominion Peoples 1307(f)	R-00049153
28.	PPL Electric Utilities	R-00049255

29.	National Fuel Gas Distribution, Inc.	R-00049656	
30.	City of Lancaster - Sewer	R-00049862	
31.	Dominion Peoples 1307(f)	R-00050267	
32.	Verizon PA / Verizon North	C-20027195	
33.	PPL Gas Utilities Inc. 1307(f)	R-00050540	
34.	United Telephone	A-313200-F0007	
35.	Aqua Pennsylvania, Inc.	R-00051030	
36.	T.W. Phillips 1307(f)	R-00051134	
37.	City of Dubois	R-00050671	
38.	T.W. Phillips	R-00051178	
39.	Peoples Natural Gas Co. 1307(f)	R-00061301	
40.	Met-Ed/Penelec	R-00061366	and R-00061367
41.	The York Water Company	R-00061322	
42.	PPL Gas Utilities Corporation	R-00061398	
43.	National Fuel Gas Distribution, Inc.	R-00061493	
44.	Pennsylvania-American Water Co.	P-00062241	
45.	Philadelphia Gas Works	R-00061931	
46.	PPL Electric	R-00072155	
47.	Pennsylvania-American Water Co.	R-00072229	
48.	Valley Energy	R-00072349	
49.	City of Bethlehem	R-00072492	
50.	Aqua Pennsylvania, Inc.	R-00072711	
51.	T.W. Phillips 1307(f)	R-2008-2013026	
52.	Columbia Gas of Pennsylvania, Inc.	R-2008-2011621	
53.	Peoples Natural Gas Co. 1307(f)	R-2008-2022206	
54.	PECO Energy	P-2008-2032333	
55.	NRG Energy Center Harrisburg	R-2008-2028395	
56.	PAWC - Coatesville Wastewater	R-2008-2032689	
57.	The York Water Company	R-2008-2023067	
58.	Pike County Power and Light (Gas)	R-2008-2046520	
59.	Columbia Water	R-2008-2045157	
60.	T. W. Phillips Gas (1307-f)	R-2008-2075250	
61.	Peoples Natural Gas Co. (1307-f)	R-2009-2088069	
62.	UGI Utilities Inc. (1307-f)	R-2009-2105911	
63.	Pennsylvania-American Water	R-2009-2097323	
64.	UGI Utilities Inc.	R-2009-2105911	
65.	Penn Estates Water	R-2009-2117532	
66.	Penn Estates Sewer	R-2009-2117740	
67.	AT&T Communications	C-2009-2098380	
68.	Aqua Pennsylvania, Inc.	R-2009-2132019	
69.	T.W. Phillips Gas (1307-f)	R-2009-2145441	
70.	PGW Gas	R-2009-2139884	
71.	City of Bethlehem - Remand	R-00072492	
72.	Dominion Peoples (1307-f)	R-2010-2155608	
73.	PECO Energy - Gas Division	R-2010-2161592	

74.	UGI Penn National Gas	R-2010-2172928
75.	PAWC Coatesville Operations	R-2010-2166212
76.	PAWC Northeast Operations	R-2010-2166214
77.	Duquesne Light Company	R-2010-2179522
78.	Peoples Natural Gas Company	R-2010-2201702
79.	T.W. Phillips - Steel River Application	A-2010-2210326
80.	Peoples Natural Gas 1307(f)	R-2011-2228694
81.	UGI Penn Natural Gas 1307(f)	R-2011-2238943
82.	Pennsylvania-American Water	R-2011-2232243
83.	Aqua Pennsylvania, Inc.	R-2011-2267958
84.	Borough of Quakertown	R-2011-2251181
85.	Peoples Natural Gas Company	R-2012-2285985
86.	Columbia Gas of Pennsylvania, Inc.	R-2012-2321748
87.	UGI Utilities Inc.	R-2015-2518438
88.	Aqua Wastewater	A-2017-2605434
89.	Pennsylvania-American Water	R-2017-2595853
90.	UGI Electric	R-2017-2640058
91.	PECO Electric	R-2018-3000164
92.	The York Water Company	R-2018-3000019
93.	Pennsylvania Power Company	P-2019-3012628
94.	Aqua PA -New Garden Twp.	A-2019-2580061
95.	UGI Gas	R-2019-3015162
96.	Pittsburgh Water and Sewer Auth.	P-2020-3019019
97.	PAWC Wastewater	R-2020-3019371
98.	Aqua PA Wastewater	R-2021-3027386
99.	PECO Electric	R-2021-3024601
100.	Borough of Ambler	R-2022-3031704
101.	PAWC – Borough of Brentwood	A-2022-3024058
102.	PAWC – Wastewater	R-2023-3043190
103.	FirstEnergy Pennsylvania Electric Co.	R-2024-3047068
104.	PPL Electric	P-2024-3048732

I&E Exhibit No. 1
Witness: Joseph Kubas

**Application of Aqua Pennsylvania Wastewater Inc,
for Acquisition of
the Wastewater Collection and Treatment System Assets
of the Greenville Sewer Authority**

Docket No. A-2023-3041695

**Exhibits to Accompany
the
Direct Testimony**

of

Joseph Kubas

Bureau of Investigation and Enforcement

Concerning:

**Current And Potential Rates
Public Benefit
Cost of Service Study
Rights of Way**

Respondent: William C. Packer
Date: 07/09/2024

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

OFFICE OF CONSUMER ADVOCATE

SET I INTERROGATORIES

OCA-I-23 Reference Exhibit B, the Asset Purchase Agreement, Section 6.05(e), Escrow at Closing for Missing Easement. Provide the following information:

- a. If it is Aqua's position that transaction should be permitted to close before it has secured all easements necessary to operate the system, explain how Aqua proposes to service/access portions of the system where easements have not been secured.
- b. If it is Aqua's position that transaction should be permitted to close before it has secured all easements necessary to operate the system, indicate whether and how Aqua would propose to adjust the proposed ratemaking rate base value it seeks to establish in this case.
- c. Indicate why the escrow amount of \$2,000 per missing easement was established and identify all of the factors that were considered to establish that \$2,000 was an appropriate amount.

RESPONSE

- a. It is Aqua's position that transaction should be permitted to close before it has secured all *written* easements necessary to operate the system. For instances where written easements have not been secured as of Closing, Seller still grants to Aqua a license of all of the rights held by Seller to such real estate as of Closing. Please see Application Exhibit B, Section 6.05(d). In addition, the Seller has a continuing obligation after Closing to deliver written Easements for any real estate interests that had not been reduced to writing as of Closing, including the obligation to exercise its power of eminent domain, if necessary. Please see Application Exhibit B, Section 6.05(e). Last, for each Missing Easement in existence as of Closing, Aqua withholds \$2,000 from the Purchase Price otherwise payable to Seller until each Missing Easement is delivered.

- b. Aqua would not propose to adjust the ratemaking rate base. The easements for the system were valued at \$1 per easement in the engineering assessment for a total of \$276 which were included at that original cost amount in the cost approach of each appraisal.

- c. The escrow amount of \$2,000 was chosen based on a few factors. First, despite the \$1.00 valuation assigned to each Missing Easement in the engineering assessment, Aqua wanted the Seller to be sufficiently incentivized to comply with its obligation to deliver all Easements. The \$2,000 represents a reasonable average amount to compensate Aqua for securing Missing Easements itself in the event that the Seller fails to do so. Specifically, most property owners execute the Easement Agreement without demanding compensation or disputing the existence of Seller's rights in the Easement. For those instances, the cost of securing the Easement is de minimis. However, if a situation arises where a property owner challenges the Easement or demands compensation, the cost could be greater.

Respondent: William C. Packer
Date: 07/09/2024

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2023-3041695

OFFICE OF CONSUMER ADVOCATE

SET I INTERROGATORIES

OCA-I-24 Reference Exhibit B, the Asset Purchase Agreement, Section 6.05, Easements. Provide the following information:

- a. Indicate whether Greenville Sewer Authority engaged an engineer to develop the Easement Map described in Section 6.05.
- b. If the answer to subpart a is yes, identify the engineer and confirm when the Easement Map was/will be completed. If the answer is no, explain why not.
- c. If the Easement Map is completed, please provide a copy.

RESPONSE

- a. Yes.
- b. Greenville Sewer Authority has engaged KLH Engineers, Inc. to develop the Easement Map, please see the response to part c.
- c. The Easement Map is in a workable form, but it is constantly updated as new easements are obtained or found during this process. Please see CONFIDENTIAL OCA-I-22 Attachment 2 for a copy of the current version of the easement map.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Aqua Pennsylvania Wastewater, :
Inc. for approval of the acquisition of Greenville :
Sanitary Authority situated within the Borough : Docket No.: A-2023-3041695
of Greenville, Hempfield Township, and West :
Salem Township, Mercer County, Pennsylvania :

VERIFICATION OF JOSEPH KUBAS

I, **Joseph Kubas**, on behalf of the Bureau of Investigation and Enforcement, hereby verify that **I&E Statement No. 1, I&E Exhibit No. 1** and **I&E Statement No. 1-SR** were prepared by me or under my direct supervision and control.

Furthermore, the facts contained therein are true and correct to the best of my knowledge, information and belief and I expect to be able to prove the same if called to the stand at any evidentiary hearing held in this matter.

This Verification is made subject to the penalties of 18 Pa. C.S. § 4904 relating to unsworn falsification to authorities.

Signed in Camp Hill, Pennsylvania, this 14th day of August, 2024.

_ /s/ Joseph Kubas _____
Joseph Kubas

**I&E Statement No. 1-SR
Witness: Joseph Kubas**

**Application of Aqua Pennsylvania Wastewater Inc,
for Acquisition of the Wastewater Collection and Treatment System Assets
of the Greenville Sewer Authority**

Docket No. A-2023-3041695

Surrebuttal Testimony

of

Joseph Kubas

Bureau of Investigation and Enforcement

Concerning:

Current And Potential Rates

Public Benefit

Cost of Service Study

Rights of Way

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1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Joseph Kubas. My business address is Pennsylvania Public Utility
4 Commission, Commonwealth Keystone Building, 400 North Street, Harrisburg,
5 Pennsylvania 17120.

6

7 **Q. ARE YOU THE SAME JOSEPH KUBAS THAT SUBMITTED DIRECT**
8 **TESTIMONY ON JULY 26, 2024?**

9 A. Yes.

10

11 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

12 A. The purpose of my surrebuttal testimony is to address the rebuttal testimony of Zack
13 Martin, (Aqua St. No. 1-R), Mark J. Bubel Sr, (Aqua St. No. 2-R), William C.
14 Packer (Aqua St. No. 3-R), and Harlod Walker III (Aqua St. No. 5-R) all submitted
15 on behalf of Aqua Pennsylvania Wastewater Inc. (“Aqua” or “Company”) as part of
16 the Application to acquire the Greenville Sewer Authority (“GSA”). I will also
17 address the rebuttal testimony of Jasson Urey (Greenville St. No. 1-R) and Dylan W.
18 D’Acendis (Greenville St. No. 2-R) both submitted on behalf the Borough of
19 Greenville (“Greenville” or “Borough”).

20

21 **Q. DOES YOUR SURREBUTTAL TESTIMONY INCLUDE AN EXHIBIT?**

22 A. No.

1 **Q. WHAT IS AQUA REQUESTING IN THIS PROCEEDING?**

2 A. As stated in my direct testimony, Aqua is proposing to purchase the assets, rights,
3 and property of the GSA wastewater system for \$18,000,000 (Aqua St. No. 3, p.
4 6). Aqua has filed an application for approval of its acquisition of substantially all
5 of GSA's assets, properties, and rights related to its wastewater collection and
6 treatment system, related wastewater service rights, fair market valuation
7 ratemaking treatment, accrual and deferral of certain post-acquisition
8 improvement costs, and certain contracts with municipal corporations (I&E St.
9 No. 1, pp. 2-5).

10

11 **CURRENT AND POTENTIAL FUTURE RATE IMPACT**

12 **Q. DID THE APPLICATION DESCRIBE ANY POTENTIAL FUTURE RATE**
13 **INCREASES?**

14 A. Yes. According to the estimate provided by the Company the average bill for a
15 GSA residential customer will increase from \$23.09 per month to \$64.84 per
16 month, which equates to an increase of \$21.75 per month or 180.85% under full
17 cost of service with no subsidy being provided by Aqua water customers (Aqua
18 St. No. 3, p. 17).

1 **Q. PLEASE SUMMARIZE THE CONCLUSIONS YOU REACHED IN YOUR**
2 **DIRECT TESTIMONY CONCERNING THE POTENTIAL INCREASE IN**
3 **THE AVERAGE RESIDENTIAL BILL.**

4 A. First, I determined that the comparison is just an estimate. Second, I determined
5 that the estimated proposed bill of \$64.84 per month is lower than the current
6 Zone 1 average residential wastewater bill. Third, I conclude that the Company's
7 analysis that determined \$64.84 per month is incomplete (I&E St. No. 1, pp. 6-8).

8
9 **Q. WHAT RATIONALE DID YOU PROVIDE THAT THE AVERAGE BILL**
10 **IS JUST AN ESTIMATE?**

11 A. While I understood that the \$64.84 was merely an estimate, I showed that the
12 \$64.84 per month is likely understated and that the customers will most certainly
13 eventually experience a higher average residential wastewater bill. The estimated
14 proposed bill of \$64.84 per month does not consider that the Company and/or the
15 Commission will ultimately consolidate the GSA rates with the Zone 1 wastewater
16 rates. The current average Zone 1 residential bill is \$95.19 per month (Aqua
17 Volume 5, Sch. 7-WW, p. 1, Docket R-2024-3047824). If rates were consolidated
18 in the next base rate case, GSA customers would experience an increase of at least
19 \$72.10, (\$95.19 - \$23.09) per month or 312.3%. Also, the Company's average bill
20 analysis only includes one year of plant additions. and I believe the next case will
21 include additional years of plant additions, and thus higher rates. In conclusion, I
22 determined that the Company's estimated increase of 180.85% in the average GSA

1 residential customer's bill alone is substantial enough to deny the Petition, because
2 this estimate represents a substantial near term burden to GSA customers, or the
3 GSA revenue requirement will be shifted to Aqua water customers to make Aqua
4 whole. Finally, since I have shown that the \$64.84 per month estimated average
5 residential monthly bill is likely understated, the impact to GSA and/or other Aqua
6 water customers will likely be much greater.

7
8 **Q. DID AQUA ADDRESS YOUR TESTIMONY CONCERNING THE**
9 **CONSOLIDATION OF RATE ZONES, POTENTIAL RATE INCREASES**
10 **AND OVERALL RATE INCREASES?**

11 A. Yes. Aqua believes that my testimony describing how the customers of GSA
12 could eventually pay Zone 1 rates is speculative, that Aqua didn't propose any rate
13 consolidation in this case. Aqua also states that it has not stated if it will file a
14 base rate case in 2025. Finally, the Company continues to believe the multiple
15 benefits outweigh the rate increases (Aqua St. No. 3-R, pp. 15-16).

16
17 **Q. DO YOU BELIEVE GSA CUSTOMERS EVENTUALLY PAYING ZONE 1**
18 **RATES IS SPECULATIVE?**

19 A. No. While I agree that the time it will take for single tariff pricing to occur, in my
20 31 years of experience, and past Company practices, the Company usually
21 proposes to consolidate rates over several rate cases. This is supported by the fact
22 that GSA will eventually be included in the statewide wastewater COSS.

1 Including GSA in with all other wastewater systems supports eventually charging
2 GSA customers the same rates as all other wastewater customers in the same class.
3 Therefore, while the timing may not be known, the concept of single tariff pricing
4 is not.

5 For example, in Aqua’s currently filed wastewater rate case at Docket No.
6 R-2024-3047824, Aqua explains it has 15 different wastewater rate zones and 7
7 different third-party customers (Aqua Ex. 5-B, Part II, Sch. 2-WW). As described
8 in Aqua Statement No. 5, p. 19 of that filing, the Company is proposing to
9 consolidate Rate Zones 1A, 7, 9, 10, and 12 into Rate Zone 1, consolidate Rate
10 Zones 8 and 11 into Rate Zone 2, and leave Rate Zones 3, 4, 5, 6, and 13 as
11 standalone rate zones with Rate Zones 2, 3, 4, and 5 receiving no increase. This
12 demonstrates that my belief that GSA customers will eventually pay Rate Zone 1
13 rates is not at all speculative.

14
15 **Q. DOES THE COMPANY’S CLAIM THAT IT HASN’T YET DECIDED**
16 **WHEN TO FILE ITS NEXT BASE RATE CASE MATTER?**

17 A. No. The Company doesn’t disagree with my point, only stating that it hasn’t
18 decided when to file the next base rate case. But the exact timing of that filing
19 doesn’t matter. What matters is that regardless of the date the next base rate case
20 is filed, the Company’s inclusion of only one year of plant additions in this case
21 does not include future years that will be reflected in the next base rate filing as
22 any fully projected future test year (“FPFTY”) in that proceeding will necessarily

1 be beyond the one-year of plant additions projected here as the currently in house
2 base rate proceeding is based on an FPFTY ending December 31, 2025. For
3 example, if the Company files a base rate case in 2026 there will be four years of
4 additional plant for 2024, 2025, 2026 and 2027. This trend continues until the
5 Company files a base rate case, a trend which shows that the longer the Company
6 delays a base rate case, more years of plant will be included, and more costs will
7 be assigned or allocated to the GSA customers.

8
9 **Q. DO YOU AGREE WITH THE COMPANY THAT THE BENEFITS**
10 **OUTWEIGH THE FUTURE RATE INCREASES?**

11 A. No. As described by the Office of Consumer Advocate (“OCA”) (OCA St. No. 1),
12 in my direct testimony and herein, the Company has failed to show there are any
13 substantial affirmative public benefits that would outweigh the potential rate
14 increases that the GSA and/or Aqua customers will experience.

15
16 **POTENTIAL PUBLIC BENEFIT**

17 **Q. PLEASE SUMMARIZE YOUR CONCERNS REGARDING THE LACK OF**
18 **SUBSTANTIAL PUBLIC BENEFIT YOU EXPRESSED IN YOUR DIRECT**
19 **TESTIMONY.**

20 A. I believed the Company has not shown the Application will result in substantial
21 public benefit for several reasons. First, it has not been shown that the claimed
22 improvements could not be done by GSA at a potentially lower cost, and in the

1 one case, the alleged benefit of keeping the same employees is only maintaining
2 the status quo. Second, the Borough's financial troubles should not be resolved
3 via GSA and Aqua ratepayers. Third, I do not believe the potential service
4 improvements outweigh the large increase in the average bill of a GSA customer,
5 which I have shown could be even larger than estimated by Aqua. Fourth, the
6 seller's lack of investment should not be used by Aqua as a public benefit. Fifth, I
7 do not believe GSA should be considered a trouble system. Sixth, the claims that
8 GSA customers would be treated better under Aqua and the Commission could
9 also occur if GSA applies the same treatment to GSA customers. Finally, while I
10 agree that the alleged economies of scale could occur, there is a lack of details,
11 and any savings could take a while, if they reach GSA customers at all. The
12 alleged economies of scale should be weighed against the generally higher cost of
13 operations incurred by Aqua that will be passed onto GSA customers and likely all
14 Aqua water customers.

15
16 **Q. WHAT WAS YOUR RESPONSE TO AQUA'S OVERALL CLAIMS THAT**
17 **IT COULD DO A BETTER JOB OF OPERATING THE SYSTEM, MAKE**
18 **IMPROVEMENTS TO THE OPERATIONS OF THE SYSTEM, AND**
19 **UPDATE THE GSA PLANT IN SERVICE?**

20 **A.** I stated in testimony that there was no indication that GSA could not achieve the
21 same results with the same or less money (I&E St. No. 1, pp. 11-13).

1 **Q. DID ANY PARTY ADDRESS YOUR CLAIM THAT THE BOROUGH**
2 **COULD DO ALL THE THINGS AQUA CLAIMS IT WILL DO?**

3 A. Not directly. The Company did cite several issues that the Borough is not
4 addressing (Aqua St. 1-R, pp. 2-10). The Borough also describes how it is an
5 aging system, how the Borough does not have the expertise to run the system, and
6 its desire to exit the wastewater business (Greenville St. 1-R, pp. 2-5). Finally,
7 rather than dispute the specific merits of the claim, Aqua simply states that it does
8 not matter if GSA can make the improvements and the fact is GSA does not want
9 to provide service to its residents. (Aqua St. No. 3, p. 16).

10

11 **Q. DID ANY PARTY ADEQUATELY ADDRESS YOUR POSITION THAT**
12 **GREENVILLE COULD CONTINUE AND DO A REASONABLE JOB OF**
13 **OPERATING THE WASTEWATER SYSTEM?**

14 A. No. The rebuttal testimony continues to state that Aqua will do a better job, and
15 that GSA has only talked about making wastewater system improvements. No
16 explanation was given as to why GSA could not improve the system or provide the
17 same service Aqua proposes it will enhance at potentially the same or lower cost.
18 While I understand Greenville's desire to exit the wastewater system and receive a
19 large infusion of cash, I believe the customers of Greenville and Aqua should be
20 the primary consideration.

1 **Q. WHAT SHOULD BE THE CONCERN WHEN DETERMINING IF**
2 **GREENVILLE CAN ALSO PROVIDE ADEQUATE SERVICE?**

3 A. The ratepayers, of both Aqua and Greenville should be the primary concern.
4 While the impact on Aqua’s water customers may not be large as a result of the
5 acquisition of this \$18,000,000 system, the effect on those customers has been
6 cumulative as Aqua has acquired other systems as well since the passage of Act
7 12. Regardless of that impact, the potential rate impact on Greenville customers is
8 likely to present a substantial burden to those customers. As stated in my direct
9 testimony, the Borough’s financial woes and windfall if the transaction is
10 approved, do not outweigh the lack of substantial public benefit of this transaction
11 (I&E St. No 1, p. 11). It should be noted that despite Mr. Urey’s testimony
12 pointing to Greenville’s Act 47 status and the restrictions imposed by that
13 designation (Greenville St. 1-R, p. 2), Greenville’s Act 47 status was ended in
14 November 2023 (<https://dced.pa.gov/newsroom/shapiro-administration-announces-end-of-greenvilles-distressed-municipality-status-under-act-47-after-more-than-two-decades/>).

17
18 **Q. DID YOU ADDRESS THE FINANCIAL HEALTH OF THE BOROUGH IN**
19 **YOUR DIRECT TESTIMONY?**

20 A. Yes. I disagreed with the Greenville position and believed that improving the
21 financial health of the Borough itself should not be considered in the
22 determination of whether there were substantial public benefits supporting this

1 acquisition. Simply put, the benefits to a seller's own financial health should not
2 be considered a "public benefit." (I&E St. No. 1, p. 11).

3
4 **Q. DID GREENVILLE RESPOND TO YOUR TESTIMONY CONCERNING**
5 **THE FINANCIAL HEALTH OF THE BOROUGH?**

6 A. Not directly. However, Greenville did restate the financial difficulties the
7 Borough faces of owning a wastewater system and operating a Borough among
8 other things (Greenville St. 1-R, pp. 6-7).

9
10 **Q. DO YOU CONTINUE TO BELIEVE THAT IMPROVING THE HEALTH**
11 **OF THE BOROUGH SHOULD NOT BE CONSIDERED A SUBSTANTIAL**
12 **PUBLIC BENEFIT?**

13 A. Yes. Any financial concerns of Greenville should not be the burden of Aqua and
14 GSA ratepayers to fix. I would note here that this statement is directly copied
15 from the article cited above wherein Greenville's Act 47 status was ended:

16 "Greenville has made significant strides to improve its
17 management practices and fiscal situation. The borough has
18 eliminated its structural operating deficit, and has exhibited
19 sound financial practices related to cash, budgetary, service
20 level and long-term solvency. Greenville's debt service has
21 consistently ranged from 11% to 12% of total annual general
22 operating expenditures, and timely debt service payments are
23 expected to continue without Act 47 participation.
24 Additionally, the borough has no outstanding claims or
25 judgments that would place it in jeopardy of financial default.
26 Surpluses are projected for the next five years, which affirms
27 that Greenville has the capacity to meet its ongoing obligations
28 after exiting distress."

1 Based on the above characterization with the summary being that surpluses
2 are projected for the next five years, Greenville’s claim of financial distress
3 regarding its ability to operate the GSA should be disregarded.

4
5 **Q. DID YOU ADDRESS THE GSA CLAIM THAT ITS CUSTOMERS NEED**
6 **THE COMMISSION TO PROTECT THEM AND/OR PROVIDE**
7 **CUSTOMER PROTECTIONS?**

8 A. Yes. As I explained, it makes little sense to claim that the customers of GSA need
9 the Commission to protect them from the policies, practices and rates established
10 by GSA. I opined that if the policies, practices and rates of GSA are problematic,
11 the GSA should be more responsive to its customers and adopt the policies and
12 practices Aqua follows.

13 Finally, I do not believe it is appropriate for GSA to seek political cover by
14 shifting the responsibility of establishing adequate rates to the Commission, Aqua,
15 and Aqua’s existing ratepayers rather than correcting the issue on its own.

16
17 **Q. DID GREENVILLE RESPOND TO YOUR TESTIMONY CONCERNING**
18 **CUSTOMER PROTECTIONS?**

19 A. Yes. Greenville restates its praise of Aqua’s customer assistance programs and the
20 oversight of the Commission. Finally, Greenville states that it is not looking for
21 political cover (Greenville St. 1-R, pp. 6-7).

1 **Q. DID GREENVILLE PROVIDE ANY VALID REASON AS TO WHY IT**
2 **CANNOT IMPLEMENT A SIMILAR CUSTOMER ASSISTANCE**
3 **PROGRAM AND WHY IT NEEDS COMMISSION OVERSIGHT?**

4 A. No. Greenville failed to describe why it could not implement the same or similar
5 customer assistance program. I would note here that GSA customers probably
6 have much less of a need for customer assistance programs at current GSA rates
7 than they will under Aqua rates. Greenville also failed to explain why it needs the
8 Commission’s oversight. I believe GSA is a properly run municipal authority like
9 many others in the Commonwealth that can and will operate successfully without
10 Commission oversight.

11
12 **Q. DID AQUA CLAIM THAT KEEPING THE SAME SIX GSA EMPLOYEES**
13 **SHOULD BE CONSIDERED AN “AFFIRMATIVE PUBLIC BENEFIT?”**

14 A. Yes (Aqua St. No. 1, pp. 6, 9 and 18).

15
16 **Q. DID YOU ADDRESS AQUA’S CLAIM THAT KEEPING THE SAME SIX**
17 **GSA EMPLOYEES IS CONSIDERED AN “AFFIRMATIVE PUBLIC**
18 **BENEFIT?”**

19 A. Yes. I concluded Aqua’s promise to keep the same six employees should be
20 considered maintaining the status quo. While I understand this is a positive
21 benefit to the six employees, keeping something the same is not an affirmative
22 public benefit (I&E St. No. 1, p. 12).

1 **Q. DID AQUA ADDRESS YOUR TESTIMONY CONCERNING THE SAME**
2 **SIX GSA EMPLOYEES?**

3 A. Yes. Aqua continues to claim that ensuring the employment of these six
4 employees should be considered a benefit to customers and the community. Aqua
5 goes on to state that Aqua plans to offer more training to these six employees and
6 thus promising to train these six employees is not “maintaining the status quo”
7 (Aqua St. No. 1-R, p. 11).

8
9 **Q. DO YOU CONTINUE TO BELIEVE THAT KEEPING SIX EMPLOYEES**
10 **IS MAINTAINING THE “STATUS QUO?”**

11 A. Yes. Six employees now and six employees after the acquisition is clearly the
12 same number of employees.

13
14 **Q. PLEASE DESCRIBE WHAT THE COMPANY STATED ABOUT THESE**
15 **EMPLOYEES IN ITS DIRECT TESTIMONY COMPARED TO THE NEW**
16 **CLAIM CONCERNING THESE SIX EMPLOYEES.**

17 A. In its direct testimony, Aqua originally claimed these employees are highly skilled
18 and experienced, with two being certified operators (Aqua St. No. 1, p. 18). In
19 rebuttal, Aqua appears to downplay this fact and claims that its commitment to
20 offer further training to these six employees is a “public benefit.”

1 **Q. PLEASE ADDRESS THE COMPANY’S NEW CLAIM CONCERNING**
2 **FURTHER TRAINING OF THESE SIX EMPLOYEES.**

3 A. While I haven’t evaluated each employee, the Company’s direct testimony states
4 that these employees are experienced and currently well trained. While I do
5 understand that more training is generally helpful, it appears that GSA has been
6 hiring trained employees and/or has the ability to train employees. If further
7 training is desirable or needed, Aqua failed to show that such training cannot be
8 provided by GSA, or that GSA would not hire trained employees or provide
9 additional training to existing employees.

10

11 **Q. IS IT YOUR OPINION THAT GSA IS NOT A TROUBLED SYSTEM?**

12 A. Yes, for several reasons. First, according to the Company, GSA is complying with
13 a DEP Consent Order since January 1, 2022. Second, the system is in compliance
14 with rules and regulations of the US Department of Environmental Protection and
15 has adequate capacity for new customers (Aqua St. No. 2, pp. 13-15).

16 Additionally, GSA is a municipal system and can increase rates at any time
17 and would not need to go through the same approval process as Aqua would.

18 Therefore, raising sufficient revenue to address any arising issues should not be a
19 problem. Therefore, I believe the GSA system should not be considered a
20 “troubled system.” (I&E St. No. 1, p. 12).

1 **Q. DID THE COMPANY ADDRESS YOUR RECOMMENDATION?**

2 A. Yes, in addressing similar arguments set forth by the OCA, the Company states
3 that it is a troubled system because of several operational deficiencies (Aqua St.
4 No. 1-R, pp. 1-6). The Company goes on to claim ongoing and recent compliance
5 violations (Aqua St. No. 1-R, pp. 5-7 and St. 2-R. pp. 11-12). The Company also
6 claims my testimony stated that a system must be a troubled system for there to be
7 a “public benefit” of the transaction (Aqua St. No. 2-R, p. 12). Finally, the
8 Company states that a system does not have to be a “troubled system” for the
9 Commission to determine the affirmative public benefit of the transaction (Aqua
10 St. No. 1-R, p. 11).

11

12 **Q. DO YOU CONTINUE TO BELIEVE THAT GSA IS NOT A TROUBLED**
13 **SYSTEM?**

14 A. Yes, for the reasons described in my direct testimony, GSA is not a troubled
15 system (I&E St. No. 1, pp. 11-12).

16

17 **Q. DO THE PAST OR RECENT VIOLATIONS CAUSE YOU TO BELIEVE**
18 **THAT GSA SHOULD BE CONSIDERED A TROUBLED SYSTEM?**

19 A. No. Violations in and of themselves are not always indicative of a trouble system
20 so long as those violations are corrected in a timely manner. As described in my
21 direct testimony, GSA is operating the system and addressing these violations in a
22 timely manner (I&E St. No. 1, p. 12). Similarly, the OCA determined that the

1 GSA system is neither distressed, underfunded, or non-viable (OCA St. No. 1, pp.
2 14-15).

3
4 **Q. DID YOU SUGGEST THAT THE COMMISSION CAN ONLY APPROVE**
5 **THIS APPLICATION AS A TROUBLED SYSTEM?**

6 A. No.

7
8 **Q. PLEASE ADDRESS THE COMPANY’S CLAIM THAT THE**
9 **COMMISSION CAN APPROVE THIS TRANSACTION WITHOUT**
10 **DETERMINING IF GSA IS A TROUBLED SYSTEM.**

11 A. I am advised by counsel that the legal requirements of this acquisition will be
12 addressed in briefs. However, while it is possible to approve the Application with
13 the Commission determining it is not a troubled system as evidenced by the
14 Commission’s approvals of prior acquisitions of non-troubled system, Aqua itself
15 goes to great lengths to support its notion that the GSA system is troubled. It uses
16 this testimony and infers that the GSA system is a “troubled system” to support the
17 claim that the acquisition will result in affirmative public benefits. If the GSA
18 system were truly troubled, it would be much easier for Aqua to prove that it is
19 doing more for GSA than maintaining the status quo. Therefore, if the
20 Commission determines GSA is not a troubled system, this effectively eliminates
21 the affirmative public benefit Aqua alleges in this acquisition.

1 **Q. DID YOU ADDRESS THE COMPANY’S ALLEGATION CONCERNING**
2 **THE ECONOMIES OF SCALE THAT COULD BE ACHIEVED BY AQUA**
3 **ACQUIRING THE GSA SYSTEM?**

4 A. Yes. In direct testimony, I agreed there is the potential to achieve some economies
5 of scale; however, there is no definitive timeline for when these economies of
6 scale might be achieved or if these would actually benefit GSA customers who
7 will already be on a path to substantial rate increases. Plus, the details have not
8 been quantified, and given the higher costs investor owned utilities incur to
9 provide service, I believe they may not be significant. I would also note that this
10 system will not be physically interconnected to any other Aqua system, thus the
11 normal economies of scale achieved by combining treatment plants and/or closing
12 a treatment plant will not be achieved through this acquisition (I&E St. No. 1, p.
13 13).

14
15 **Q. DID AQUA ADDRESS YOUR CONCERNS ABOUT ITS ACHIEVEMENT**
16 **OF ECONOMIES OF SCALE?**

17 A. Yes. Aqua claims that I stated that there would be no economies of scale (Aqua
18 St. No. 3-R, p. 17).

19
20 **Q. IS THIS AN ACCURATE SUMMATION OF YOUR DIRECT TESTIMONY**
21 **CONCERNING ECONOMIES OF SCALE?**

22 A. No. As described above and in my direct testimony, I simply doubted the timing

1 and value of the potential economies of scale, not the claim that it is possible that
2 at some unknown point in time Aqua may achieve them at some unknown level.
3 (I&E St. No. 1, p. 13). I continue to doubt that these economies of scale, if
4 achieved, will be sufficient to be considered an affirmative public benefit.

5
6 **Q. DID AQUA ADEQUATELY ADDRESS YOUR ECONOMIES OF SCALE**
7 **TESTIMONY?**

8 A. No. To do so, Aqua should have provided information regarding the timing and
9 some quantification of the economies of scale it believes it can achieve.

10 Therefore, the Commission should accept my testimony that states the potential to
11 achieve some economies of scale has not been quantified, has not been described
12 within a time frame, and is at best speculative. Furthermore, the undisputed fact
13 that the GSA treatment plant will remain a stand-alone plant, not connected to the
14 rest of the Aqua system, adds to the lack of economies of scale that might
15 otherwise be achievable (I&E St No. 1, p 13).

16
17 **Q. DID THE COMPANY PROVIDE ANY TESTIMONY THAT WOULD**
18 **CHANGE YOUR RECOMMENDATION CONCERNING THE LACK OF**
19 **SUBSTANTIAL PUBLIC BENEFIT.**

20 A. No. I continue believe the Company has not shown the Application will result in
21 substantial public benefit for several reasons as described above and in my direct
22 testimony (I&E St. No. 1, pp. 13-14).

1 **Q. DID THE COMPANY PROVIDE ANY TESTIMONY THAT WOULD**
2 **CHANGE YOUR RECOMMENDATION AS TO WHETHER THIS**
3 **TRANSACTION SHOULD BE APPROVED?**

4 A. Aside from my position that there is no clear affirmative public benefit to this
5 transaction, there are two more basic reasons the Application should not be
6 approved. First, there is no indication that the Borough cannot provide the same
7 level of service for the same or lower cost. Second, GSA and other Aqua water
8 customers will face much higher rates in the future, which I believe negates any
9 potential benefits of the transaction that may or may not occur.

10

11 **COST OF SERVICE STUDY**

12 **Q. WHAT DID YOU RECOMMEND CONCERNING THE GSA**
13 **WASTEWATER SYSTEM?**

14 A. I recommended that Aqua include a separate cost of service study for the
15 wastewater system of GSA. I also recommend that the bulk service customers be
16 grouped into a single separate class so that the parties and the Commission can
17 determine if the revenue received from these bulk customers, including operating
18 the West Salem sewer system, is more or less than the cost of providing service to
19 these bulk customers (I&E St. No. 1, p 16).

20

21 **Q. WHAT WAS THE BASIS FOR YOUR RECOMMENDATION?**

22 A. I made this recommendation to determine GSA's revenue, rate base, expenses and

1 taxes separate from the rest of Aqua for the reasons stated in my direct testimony.
2 Specifically, this recommendation will separate the cost of providing service to
3 bulk customers (I&E St. No. 1, pp. 14-15).

4
5 **Q. DID AQUA ADDRESS YOUR COST OF SERVICE**
6 **RECOMMENDATION?**

7 A. Yes. Aqua stated that the recommendation makes sense but reserves final
8 determination until its able to see the final rate design and COSS analysis that goes
9 into evaluating such change (Aqua St. No. 3-R, p. 17).

10

11 **Q. IS AQUA'S REQUEST TO REVIEW THE RESULTS OF THE COSS**
12 **ACCEPTABLE?**

13 A. No. It's not clear what Aqua needs to review. Therefore, as describe in my direct
14 testimony, Aqua should be required to provide a separate COSS, with the cost of
15 providing service to bulk customers a separate class in the next base rate case
16 (I&E St. No. 1, pp. 14-15).

1 **EASEMENTS AND OTHER PROPERTY RIGHTS**

2 **Q. AS A PART OF AQUA’S APPLICATION, DID AQUA INDICATE THAT**
3 **IT IDENTIFIED AND CONFIRMED ALL REAL ESTATE, INCLUDING**
4 **LEASES, EASEMENT RIGHTS, AND ACCESS TO PUBLIC RIGHTS-OF-**
5 **WAY THAT MUST BE TRANSFERRED TO AQUA TO FACILITATE**
6 **AQUA’S OPERATION OF GSA’S WASTEWATER SYSTEM?**

7 A. No. The Company provided a list of 276 missing easements in the Application
8 (Exhibit B, Sch. 6.05. e).

9

10 **Q. WHAT DID YOU RECOMMEND TO ADDRESS THESE MISSING**
11 **EASEMENTS AND OTHER PROPERTY RIGHTS?**

12 A. I recommended that the Commission condition any approval of Aqua’s
13 Application that the closing of the acquisition transaction not be permitted to occur
14 unless and until GSA provides proof to the satisfaction of Aqua that it has: (1)
15 identified all missing easements including public rights-of-way and other property
16 rights; (2) taken any and all necessary actions to obtain the missing easements and
17 other property rights so that they may be conveyed to Aqua at closing; and (3)
18 borne all costs and expenses for obtaining and conveying the missing easements
19 and other property rights so that Aqua’s ratepayers are not burdened with those
20 costs.

21 Additionally, I recommended that the Commission condition any approval
22 of Aqua’s Application that for circumstances beyond GSA’s control where it is

1 unable to transfer all missing easements including public rights-of-way and other
2 property rights before or at the closing of the transaction, Aqua and GSA may at
3 their discretion close the transaction without the transfer of missing easements and
4 other property rights, provided that an escrow account be established at an
5 appropriate dollar amount to be used to obtain any post-closing transfers of the
6 easements and other real property rights (I&E St. No. 1, pp. 18-20).

7
8 **Q. WHAT WAS THE BASIS FOR YOUR RECOMMENDATION**
9 **CONCERNING EASEMENTS AND OTHER PROPERTY RIGHTS?**

10 A. To ensure that ratepayers are protected from the uncertainty about the transfer of
11 missing or unidentified easements and other property rights and the costs of
12 acquiring missing easements and other property rights necessary for Aqua's
13 operation of GSA's wastewater system before the engineering report is completed
14 (I&E St. No. 1, pp. 19-20).

15
16 **Q. DID AQUA ADDRESS YOUR TESTIMONY CONCERNING EASEMENT**
17 **AND OTHER PROPERTY RIGHTS?**

18 A. Yes. Both Aqua witness Packer and Walker addressed my direct testimony (Aqua
19 St. No. 3-R and Aqua St. No. 6-R).

1 **Q. WHAT DID AQUA WITNESS PACKER STATE CONCERNING YOUR**
2 **EASEMENT AND OTHER PROPERTY RIGHTS TESTIMONY?**

3 A. Mr. Packer states that Aqua is mostly agreeable to my recommendation. What is
4 not clear is if Aqua agrees with my recommendation that any additional cost
5 should be borne by Aqua or GSA, not ratepayers (Aqua St. No. 3-R, p. 18).

6

7 **Q. PLEASE ADDRESS WITNESS PACKER’S REBUTTAL TESTIMONY**
8 **CONCERNING YOUR EASEMENT AND OTHER PROPERTY RIGHTS**
9 **TESTIMONY?**

10 A. As described in my direct testimony, I believe if the acquisition is approved, Aqua
11 or GSA should bear the additional burden of acquiring the missing 276 easements
12 to protect ratepayers after the acquisition is consummated.

13

14 **Q. WHAT DID AQUA WITNESS WALKER STATE CONCERNING YOUR**
15 **EASEMENT AND OTHER PROPERTY RIGHTS TESTIMONY?**

16 A. Mr. Walker states that my testimony claims that the appraisals assume that all
17 necessary property rights will be transferred to Aqua. Mr. Walker also states that
18 since the appraised value of the GSA system included \$276 of the value of the 276
19 missing easements, the value of the appraisals was correct as of May 31, 2023
20 (Aqua St. No. 6-R, pp. 2-3).

1 **Q. DID YOU RECOMMEND A CHANGE IN THE APPRAISALS AS A**
2 **RESULT OF THE MISSING EASEMENTS AND NECESSARY**
3 **PROPERTY RIGHTS?**

4 A. No, I pointed out that the appraisals did not include the final cost of acquiring all
5 276 easements. However, in my direct testimony I recommended a solution to this
6 problem, since Aqua or GSA could incur additional cost to identify and acquire
7 the easements, which Aqua did not dispute. I recommended that this unknown
8 future cost should be borne by GSA and/or Aqua. The appraisals including the
9 nominal cost of \$1 per easement does not end the issue. The issue is resolved by
10 the Commission determining that any further costs will not be borne by Aqua
11 ratepayers.

12
13 **Q. WHAT DID THE GSA STATE CONCERNING YOUR EASEMENT AND**
14 **OTHER PROPERTY RIGHTS TESTIMONY?**

15 A. GSA stated that my position is inconsequential to the appraisals because Scott
16 Madden calculated the original cost of each easement at \$1. Therefore, the GSA
17 believes the inclusion of all easements would not materially affect the indicated
18 value of the appraisal (GSA St. 2-R, p. 6).

19
20 **Q. DOES GSA ALSO MISS THE POINT OF YOUR TESTIMONY?**

21 A. Yes. I agree that the appraisals included \$276 for 276 easements. The problem is
22 that after the appraisal date a party could incur additional cost to acquire

1 easements and rights of way. In my direct testimony I recommended a solution to
2 this problem, since Aqua or GSA could incur additional cost to identify and
3 acquire the easements, which Aqua did not dispute. Therefore, if GSA is willing
4 to consider the easement and right of way issue “moot,” that is acceptable as long
5 as no additional costs are borne by Aqua ratepayers.

6
7 **OVERALL RECOMMENDATIONS**

8 **Q. WHAT IS YOUR OVERALL RECOMMENDATION?**

9 A. I continue to recommend that the Commission not approve this Application because
10 of the lack of affirmative public benefits. However, if the Commission does approve
11 the Application, I recommend that Aqua provide a separate COSS in the next base
12 rate case for the GSA wastewater system. I also recommend that the missing
13 easements be addressed as described above.

14
15 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

16 A. Yes. However, I reserve the right to supplement my testimony or to revise
17 recommendations if additional issues or facts arise during this proceeding.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Aqua Pennsylvania Wastewater, :
Inc. for approval of the acquisition of Greenville :
Sanitary Authority situated within the Borough : Docket No.: A-2023-3041695
of Greenville, Hempfield Township, and West :
Salem Township, Mercer County, Pennsylvania :

VERIFICATION OF JOSEPH KUBAS

I, **Joseph Kubas**, on behalf of the Bureau of Investigation and Enforcement, hereby verify that **I&E Statement No. 1, I&E Exhibit No. 1** and **I&E Statement No. 1-SR** were prepared by me or under my direct supervision and control.

Furthermore, the facts contained therein are true and correct to the best of my knowledge, information and belief and I expect to be able to prove the same if called to the stand at any evidentiary hearing held in this matter.

This Verification is made subject to the penalties of 18 Pa. C.S. § 4904 relating to unsworn falsification to authorities.

Signed in Camp Hill, Pennsylvania, this 14th day of August, 2024.

_ /s/ Joseph Kubas _____
Joseph Kubas

OSBA STATEMENT NO. 1

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Aqua Pennsylvania : Docket No. A-2023-3041695
Wastewater, Inc. Pursuant to Sections :
1102 and 1329 of the Public Utility :
Code, for approval of the Acquisition :
by Aqua of the wastewater system :
Assets of the Greenville Sanitary :
Authority Situated within the Borough :
of Greenville, Hempfield Township, :
and West Salem Township, Mercer :
County, Pennsylvania :

**Direct Testimony of Jason Hails and Roger Cathcart
of Quantiv Advisory, LLC**

on behalf of

Pennsylvania Office of Small Business Advocate

July 26, 2024

Topics:

Purchase Price

Capital Plan

Rate Increases

Date Served: July 26, 2024

Date Submitted for the Record: _____

1 **DIRECT TESTIMONY OF JASON HAILS and ROGER CATHCART**

2

3 **INTRODUCTION**

4 **Q. PLEASE STATE YOUR NAMES AND BUSINESS ADDRESS.**

5 A. Our names are Jason Hails and Roger Cathcart, and our business address is 925
6 Wappoo Rd., Suite A, Charleston, South Carolina 29407.

7

8 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

9 A. Jason Hails is the Co-Founder and a Member of Quantiv Advisory, LLC, and
10 Roger is a Senior Regulatory Advisor of Quantiv Advisory, LLC and the Owner
11 and Principal of Cathcart Advisors, Inc. Quantiv is a private consulting firm
12 specializing in the provision of financial and operational analysis and regulatory
13 expertise in the Energy and Utility sector.

14

15 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

16 A. Our testimony is being sponsored by the Pennsylvania Office of Small Business
17 Advocate (“OSBA”).

18

19 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND
20 QUALIFICATIONS.**

21 A. Jason Hails, MBA, has over 30 years of business experience, with 25 years of
22 experience in the Energy & Utility sector. Prior to establishing Quantiv Advisory,
23 LLC, Mr. Hails for 13 years was a Partner of MNP LLP (an 8,000+ person

1 Canadian Professional Services firm) and its National Leader of Energy &
2 Utilities. Prior to MNP LLP, Mr. Hails worked with the Big 4 and several energy
3 companies, including an integrated Utility and a national Propane company. Mr.
4 Hails has worked with over 50 energy companies, Regulators and Energy
5 Agencies, providing operational and financial consulting and regulatory services.
6 Mr. Hails is an Acknowledged Expert Witness in 5 jurisdictions, having provided
7 written and oral testimony on behalf of Utilities, Commissions and Intervenors.

8
9 Mr. Cathcart has been in public practice for 35 years as a Chartered Public
10 Accountant (CPA, CA) and Chartered Business Valuator (CBV). For the last 25
11 years, Mr. Cathcart has consulted in the field of public utility rate regulation being
12 engaged as a Senior Advisor to The Public Utilities Board of Manitoba and a
13 Consultant to various other Boards and Commissions as they adjudicate Utility
14 applications and other regulatory matters. Working with an interdisciplinary
15 team, Mr. Cathcart analyses complex financial filings and identifies issues. In his
16 capacity, he is responsible for the interpretation of accounting standards,
17 preparation of financial analysis, briefings and reports related to the Board's
18 review of franchise applications, rate base, rate of return applications, cost of
19 service applications and rate change applications. Mr. Cathcart has provided oral
20 testimony before the Nova Scotia Energy and Review Board, and has supported
21 the development of evidence for dozens of cases before various Boards.

22

23 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

1 A. This is the first instance of testimony before the Commission.

2 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
3 **PROCEEDING?**

4 A. Our testimony addresses whether the acquisition by Aqua Pennsylvania Water
5 Inc. (“Aqua”) of the wastewater system Assets of the Greenville Sanitary
6 Authority (“GSA”) under the terms proposed in the Application is in the public
7 interest. The absence of comment on our part regarding a particular issue does not
8 signify support for or opposition to the filing with respect to that issue.

9
10 **Q. PLEASE SUMMARIZE CONCLUSIONS AND RECOMMENDATIONS**
11 **OFFERED IN YOUR TESTIMONY.**

12 A. In our opinion:

- 13 • The terms of the proposed Application are not in the public interest, as the
14 transaction may lead to unfair and unreasonable rate increases for Greenville
15 Wastewater customers.
- 16 • The purchase price could be considered too high, resulting in an unnecessary
17 escalation of rate base
- 18 • Justification for the Aqua proposed capital plan is not evident. We
19 recommend that a revised and detailed capital asset condition assessment
20 should be provided along with a business case, along with a prioritization and
21 rationalization of the capital spending should be done to ensure that pacing of
22 capital spending is supported and mitigates the magnitude of rate increases.

- 1 • While Aqua proposes that there is public benefit in avoided capital costs, GSA
2 could clearly alter its capital plan to match the efficiency and efficacy of the
3 Aqua plan, thereby eliminating that purported benefit.
- 4 • We recommend that the Utility Valuation Experts update their valuation
5 models to reflect current circumstances and evidence, given the delays in
6 progression of the case.
- 7 • We are of the view that Aqua proposal to seek the 100% recovery of the
8 revenue requirement deficiency from the customers of GSA will result in bill
9 increases that would constitute rate shock. We believe that rates should be
10 increased gradually to mitigate rate shock to GSA customers, and recommend
11 a multi-year phase in plan be proposed to move GSA customers to a system-
12 wide average for wastewater over the ten-year planning horizon.
- 13 • We recommend that Aqua file a revised revenue requirement deficiency
14 determination reflecting the updated purchase price, capital plan, and any
15 other refinements to the terms of the agreement to reflect a multi-year phase-
16 in of GSA customer rates.

17

18 **GENERAL TERMS OF THE ACQUISITION PROPOSAL**

19 **Q. PLEASE DESCRIBE THE GENERAL TERMS OF THE ACQUISITION**
20 **PROPOSAL.**

21 **A.** The Application was filed by Aqua on November 17, 2023, and requests that the
22 Commission: (1) approve Aqua’s acquisition of the wastewater system assets
23 (“Acquired Assets”) of GSA; (2) approve the right of Aqua to begin providing

1 wastewater service in the requested territory; and (3) in its Order approving the
2 acquisition, incorporate the ratemaking rate base of the Acquired Assets as
3 determined under Section 1329(c)(2) of the Public Utility Code, 66 Pa. C.S. §
4 1329(c)(2). Aqua also requests that the Commission, to the extent necessary,
5 issue certificates for filing, pursuant to Section 507 of the Public Utility Code, 66
6 Pa.C.S. § 507, for certain municipal contracts that Aqua has included in their
7 Application. (App. Para 3.) Acquired Assets include the assets, properties and
8 rights of the GSA used in the system and all treatment and collection facilities,
9 pipes, pumping stations, generators, improvements, manholes and pipelines and
10 billing- and collections-related assets necessary to run the wastewater system
11 Aqua is seeking approval of the purchase of Acquired Assets of GSA pursuant to
12 their Agreement dated April 27, 2023, with a purchase price is Eighteen Million
13 Dollars (\$18,000,000).¹

14

15 **Q. HAVE YOU REVIEWED AND ASSESSED THE REVENUE**
16 **REQUIREMENTS AND RESULTANT CUSTOMER RATE**
17 **IMPLICATIONS OF THE APPLICATION?**

18 A: Yes. Aqua notes that “The acquisition will not have any immediate impact on the
19 rates of either existing customers of Aqua or the GSA. As discussed in the
20 testimony of Mr. Packer and presented in the Notice to customers, the increase in
21 rate base may ultimately require an increase in revenue. The hypothetical impact
22 on rates is outweighed by the recognized benefits of Aqua’s ownership...”²

¹ Aqua Application, Page 6, Statement No. 22.

² Aqua Application, Page 15, Statement 53.G.

1 The increase in revenue appears to be more of a certainty than hypothetical. The
2 negotiated purchase price of \$18,000,000 is slightly below the lower of the of the
3 two fair market value appraisals by the Utility Valuation Experts (“UVE”) which
4 is \$ \$18,757,633, and both valuations rely upon significant revenue increases to
5 arrive at the average valuation of the two valuations of \$21,408,817³. In addition,
6 Aqua submitted evidence of significant forecast increases in revenue for
7 Greenville Wastewater post-transaction (reviewed below). These revenue
8 increases will be funded by commensurately significant increases in customer
9 rates, to be determined at the next rate case that addresses Greenville Wastewater
10 customer rates.

11
12 Significant rate increases resulting from this transaction are apparent in the
13 valuations of Gannett Fleming Valuation and Rate Consultants, LLC (“Gannett”)
14 and ScottMadden, Inc. (“ScottMadden”), which rely on significantly higher
15 revenue projections in 2024 and beyond than GSA current (2023) revenue. While
16 GSA budgeted total fees for services in the sewer fund budget of \$ 1,266,763 for
17 2022 and \$ 1,265,499 for 2023⁴, the ScottMadden valuation income approach
18 relied on revenue increases of 20% per year from 2024 to 2029 increasing to
19 \$3,793,559 in total revenues 2029⁵. This 2029 revenue, relied upon by
20 ScottMadden to ascertain an income approach value of \$19,372,669, represents a
21 300% increase from GSA’s 2023 budget. The Gannett valuation income

³ Aqua Application, Page 16, Statement 57.

⁴ Exhibit J4 – Town of Greenville 2023 Sewer Fund Budget, Page 2 of 4.

⁵ Supporting MS Excel worksheets to Exhibit R - ScottMadden Valuation, Excel worksheet Tab 3.1 Income Approach.

1 approach (Pro Forma and Estimated Operations With IOU Ownership DCF With
2 Capitalization of Terminal Value Model) relies on even higher total revenues,
3 with 2029 revenues escalating to \$4,448,905⁶, representing a 352% increase from
4 GSA's 2023 budget. Gannett's final valuation is \$24,060,000 (rounded)⁷.

5
6 Significant increases are also projected in Aqua's financial projections for
7 Greenville Wastewater post-acquisition. The projections are limited to forecasts
8 out to 2027 (not 2029), however the 2027 revenue projection of \$3,896,219,
9 which is 308% higher than GSA's 2023 budgeted fees for service. Notably, this
10 revenue increase is due in large part to the opening rate base of \$18,000,000 (the
11 purchase price) and forecast capital additions. O&M only increases 13% from
12 2023 to 2027.⁸ A lower rate base, pegged at the purchase price, would result in a
13 commensurately smaller need for rate increases to generate the revenue required
14 post-transaction.

15
16 **Q. HAVE YOU REVIEWED AND ASSESSED THE PURCHASE PRICE AND**
17 **THE FAIR MARKET VALUATIONS?**

18 A: Yes. The fair market value assessments of the UVEs are key inputs to the
19 determination of the negotiated purchase price, therefore different determinations
20 of value may lead to a different negotiated purchase price. The average value of
21 the two valuations, as noted above, is \$21,408,817. While the valuations are

⁶ Exhibit Q - Gannett Valuation, Exhibit 16, Page 2 of 6, PDF page 147 of 492.

⁷ Exhibit Q - Gannett Valuation, Report Page 1, PDF page 3 of 492.

⁸ OCA IR Response - OCA-I-15 Attachment 1 CONFIDENTIAL, Appendix A.

1 robust and thoughtful, as expected, we do note that the valuation approach, input
2 assumptions and professional judgement within the valuation analysis may result
3 in high variability in outcomes. Examples of variability are noted below.

4
5 Cost Approach - The net book value of the Greenville Wastewater of system is
6 \$4,534,638⁹, therefore the average UVE valuations represents a 472% premium
7 on the net book value. The purchase price of \$18,000,000 represents a premium
8 of \$13,465,362 or 397% higher than the net book value. A write-up of the rate
9 base to \$18,000,000 is shown to have a material increase on revenue requirements
10 and therefore rates for GSA customers.

11
12 Market Approach – The value conclusion of ScottMadden’s report is
13 \$18,136,695, incorporating a combination of methods and different jurisdiction
14 results. As it relates to methods, this market value is based on a 75% weighting to
15 the method using ‘Purchase Price to Customer Multiples to Customer Count’
16 (“Customer Count”) ratio, which results in a value conclusion of \$21,635,289,
17 while a 25% weighting is applied to the method using ‘Market Value of Invested
18 Capital to Net Plant of Publicly-Traded Water Utilities’ (“MVIC”), yielding a
19 value of \$7,640,914. The selected weighting is based on professional judgement
20 but yields high variability in the value conclusion. If the weighting were inversed
21 (75% to MVIC, 25% to Customer Count), the market value conclusion would be
22 \$11,139,508, which is \$6,997,187 less than the overall market approach value

⁹ Supporting MS Excel worksheets to Exhibit R - ScottMadden Valuation, Excel worksheet Tab 1.1 Cost Approach Summary.

1 noted above of \$18,136,695¹⁰. Even within the Customer Count ratio method
2 from the ScottMadden report, the value using the Nationwide Average Multiple is
3 significantly different than value using the Pennsylvania Average Multiple, shown
4 below¹¹. Using the Pennsylvania average multiple yields a much higher value.

ScottMadden Market Value Using the Purchase Price to Customer Multiples to Customer Count' ("Customer Count") ratio method	
Pennsylvania Average Multiple	\$25,467,183
Nationwide Average Multiple	\$17,803,395
Difference	\$7,663,788

5
6 Income Approach – The income approach using projected cashflows in the future
7 is highly dependent on revenue and cost inputs. As noted above, the
8 ScottMadden income approach incorporated 20% increases until 2029, and 6%
9 increases thereafter to generate the revenue that would be required to sustain
10 operating and capital expenditures (“capex”) while achieving an appropriate rate
11 of return. A leading input within these calculations is capex, and ScottMadden’s
12 discounted cashflow model includes \$46,380,000 of capex in the 2024 to 2026
13 period, or \$15,460,000 in each of the three years¹². This capex input is
14 significantly higher than the \$20.4 million that Aqua plans to spend post-
15 acquisition to implement necessary capital upgrades, and if these lower amounts
16 were used in the formula to generate revenue requirements, revenue would be
17 significantly less, resulting in lower rate increases than implied by the model.

¹⁰Supporting MS Excel worksheets to Exhibit R - ScottMadden Valuation, Excel worksheet Tab 2.1 Market.

¹¹ Supporting MS Excel worksheets to Exhibit R - ScottMadden Valuation, Excel worksheet Tab 2.1 Market.

¹² Supporting MS Excel worksheets to Exhibit R - ScottMadden Valuation, Excel worksheet Tab 3.1 Income Approach.

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We recommend that the UVEs update their models to better reflect updated information given the valuations now being dated with various case extensions over the last 9 months and potentially material changes in justified and prioritized capital spending plans.

Q. DO YOU BELIEVE THE PURCHASE PRICE IS FAIR AND REASONABLE?

A. No. The negotiated purchase price of \$18,000,000 is \$13,465,362 or 397% higher than the net book value of the Greenville system assets, which will heavily burden existing Greenville customers if rates are increased to accommodate the cashflow requirements to generate a return for the new system owner.

Both parties to the transaction, Aqua and GSA, have an inherent incentive to maximize the price paid for the system assets. GSA as the seller would like to command as high a price as possible, while Aqua as the buyer is incented to maximize its rate base, and therefore the return on its rate base, provided that the Commission approves the purchase price.

A lower purchase price could satisfy both parties while moderating potential rate impacts to GSA customers.

1 **Q. HAVE YOU REVIEWED AND ASSESSED THE CAPITAL PLAN AND**
2 **THE RATE BASE PRESENTED IN THE APPLICATION EVIDENCE?**

3 A. Yes. Aqua identified upgrades to the GSA WWTP and gravity collection systems
4 based on compliance, facility conditions observed, facility age, and safety. Aqua
5 estimates that it will invest approximately \$20.4 million over the next 10 years in
6 the entire System.¹³ This contrasts with GSA estimated upgrades of \$45.6 million.
7 GSA indicates that it has incurred \$2.8 million in engineering design costs.

8
9 Aqua Aqua's review of the GSA System and the plans that the GSA had
10 developed, Aqua has identified a more cost effective solution to that as proposed
11 by GSA. Aqua's acquisition of the GSA System are purported to directly save
12 customers over \$20 million in avoided capital improvement costs.

13
14 Aqua states that specifically, Aqua's revised plans for the GSA WWTP upgrades
15 save the GSA customers over \$20 million in avoided capital costs further
16 demonstrate that the proposed transaction is in the public interest, and which
17 would not occur absent Aqua's acquisition of the GSA System.¹⁴

18
19 Aqua noted concerns for the future safe, adequate, and reliable wastewater utility
20 service for the GSA System¹⁵ that will be addressed by the Aqua ownership:

¹³ Exhibit X Aqua Pennsylvania Wastewater Inc Direct Testimony of Mark J. Bubel, SR. Pg.10 lines 3-12

¹⁴ Exhibit X Aqua Pennsylvania Wastewater Inc Direct Testimony of Mark J. Bubel, SR. Pg.17 lines 12-18.

¹⁵ Exhibit X Aqua Pennsylvania Wastewater Inc Direct Testimony of Zach Martin.

- 1 • Quantity of Licensed Operators, Access to Training, and Redundancy of
- 2 Operators;
- 3 • Limited or Lacking Process Control Testing;
- 4 • Laboratory Sample System Management;
- 5 • Permit Compliance Issues;
- 6 • Lack of Emergency Preparedness Planning;
- 7 • Lacking Safety & Security Equipment & Training;
- 8 • Hazardous Chemical Storage, Labeling, Safety, and Dichlorination;
- 9 • WWTP Ventilation Issues;
- 10 • WWTP physical safety measures;
- 11 • WWTP Security deficiencies;
- 12 • Inadequate SCADA and operator alarm systems;
- 13 • Use of homemade patchwork of physical assets;
- 14 • Insufficient emergency/1 standby power generation; and
- 15 • Non-use of Asset Management or Compliance Management Software
- 16 Systems.

17

18 Aqua indicated that as part of its due diligence it had met with the Pennsylvania
19 Department of Environmental Protection (DEP) regarding its capital
20 improvements to the GSA WWTP to meet the Consent Order and Agreement
21 (COA) entered into by the GSA. The focus on meeting the facility's' effluent total
22 residual chlorine ("TRC") limit. Aqua plans to implement a dichlorination
23 chemical feed system, as part of its capital improvement upgrades to meet the

1 TRC limit as well as plans to make collection system improvements to GSA’s
 2 WWTP. Aqua estimates the cost to complete these upgrades at \$16.7 million¹⁶.
 3 Aqua in provided an estimate of its capital spending over the next ten years as
 4 reflected in the schedule below¹⁷ It is not clear from the evidence filed that the
 5 level of capital spending proposed is reasonable.

	System Component	Description	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	TOTAL
1	Safety Measures (Safety)	Miscellaneous	\$50,000										\$50,000
2	Collection (Compliance)	Temporary Metering Program	\$100,000										\$100,000
3	Collection (Compliance)	MH Rehabilitation		\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$1,125,000
4	Collection (Compliance)	Prioritized Main Rehabilitation and replacement		\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$1,800,000
5	Collection (New)	New Customer Connections	\$60,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$150,000
6	Collection (Compliance)	Existing Lateral Repairs	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$500,000
7	Treatment Audit	Plant Audit	\$75,000										\$75,000
8	Treatment (Compliance)	Dechlorination System / Re-aeration	\$350,000										\$350,000
9	Treatment (Safety)	Existing Headworks Building Modifications / HVAC Upgrades	\$100,000	\$750,000									\$850,000
10	Treatment (Safety/Compliance)	Effluent Pumping Station					\$150,000		\$1,000,000	\$1,000,000			\$2,150,000
11	Treatment (Compliance)	Two New Primary Clarifiers					\$150,000		\$1,000,000	\$1,500,000			\$2,650,000
12	Treatment (Safety)	Demo Existing Primary Clarifiers									\$100,000		\$100,000
13	Treatment (Compliance)	TF Improvements					\$300,000	\$2,000,000	\$2,000,000				\$4,300,000
14	Treatment (Compliance)	Flocculation Clarifier Repair								\$750,000			\$750,000
15	Treatment (Safety / Compliance)	Anaerobic Digester Conversion	\$150,000	\$750,000									\$900,000
16	Treatment (Safety / Compliance)	Electrical Upgrades / Arc Flash remediation	\$125,000	\$125,000	\$750,000					\$750,000			\$1,750,000
17	Treatment (Safety)	Convert from Cl Gas to Hypo		\$300,000									\$300,000
18	Treatment (Compliance)	SCADA System	\$50,000	\$200,000									\$250,000
19	Treatment (Compliance)	Audit projects	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$2,250,000
		TOTALS	\$1,460,000	\$2,860,000	\$1,485,000	\$735,000	\$1,335,000	\$2,485,000	\$4,485,000	\$4,485,000	\$585,000	\$485,000	\$20,400,000
		Rolling Total	\$1,460,000	\$4,320,000	\$5,805,000	\$6,540,000	\$7,875,000	\$10,360,000	\$14,845,000	\$19,330,000	\$19,915,000	\$20,400,000	

7 This schedule provides Aqua’s estimate of its capital spending or additions to rate
 8 base for the GSA system. This schedule indicates a capital plan of \$20.4 million
 9 over the next ten years.

10
 11 **Q. DO YOU BELIEVE THE CAPITAL SPENDING ESTIMATES ARE**
 12 **SUPPORTED AND REASONABLE?**

13 **A:** No. It is not clear from what has been filed that the capital spending estimates are
 14 reasonable. However it is clear that Aqua has identified various capital
 15 improvement with would improve both reliability and safety of the wastewater
 16 system. Aqua identified \$16.7 million in upgrades that are required to meet the

¹⁶ Exhibit X Aqua Pennsylvania Wastewater Inc Direct Testimony of Mark J. Bubel, SR. Pg.11-12 .

¹⁷ Exhibit X Aqua Pennsylvania Wastewater Inc Direct Testimony of Mark J. Bubel, SR. Appendix A.

1 COA, the bulk of this spending was to meet COA requirements that GSA had
2 determined would cost \$45.6 million¹⁸.

3
4 The Year-1 spending is forecast at \$1,460,000. This total is not consistent with the
5 stated Year-1 capital investments of \$1,588,000 used in determining the revenue
6 requirement and rate impacts in the filing¹⁹.

7
8 In our opinion the planned capital spending schedule should be reconciled with
9 the planned GSA spend of \$45.6 million to assess the reasonableness of the
10 capital spending forecast presented and to support the avoided capital
11 improvement benefits which Aqua attributes to the transaction.

12
13 Aqua forecasts to spend \$1,460,000 in year 1 and doubling the capital spend to
14 \$2,860,000 in year 2 for a total of \$4.320,000 or 22.6% of the planned spending,
15 followed by capital investments totaling \$16,080,000 over the next eight years.

16 The level of capital spending in years 1 and 2 need to be assessed and to the
17 extent possible moderated. A capital asset condition assessment should be
18 provided and prioritization and rationing of capital spending should be done to
19 ensure that pacing of capital spending is supported and mitigates the magnitude of
20 rate increases. Aqua should be required to provide business cases supporting each
21 of its capital spending projects which articulate the need for the spending and the

¹⁸ Exhibit X Aqua Pennsylvania Wastewater Inc Direct Testimony of Mark J. Bubel, SR. Page 10 lines 5-7.

¹⁹ Exhibit Y (Updated) Aqua Statement No. 3 Direct Testimony of William C. Packer – Appendix A page 1 of 11.

1 benefits to the GSA system. This should be reconciled with GSA capital
2 spending plans.

3

4 **Q: DO YOU HAVE ANY COMMENTS ON SPECIFIC LINE ITEMS WITHIN**
5 **THE CAPITAL SPENDING PLAN?**

6 A: Yes.

7 Line 2 Temporary Metering – On the face of it is not clear whether the temporary
8 metering program could be considered integration costs. Details of this program
9 will need to be provided to determine whether it should be included in capital
10 additions.

11

12 Line 7 Plant Audit - Regarding the \$75,000 spending on a plant audits (item 7 on
13 the above table), it is not clear whether this cost should be included. We would
14 expect that Aqua had undertaken a plant audit and inspection as part of its due
15 diligence process. It appears to represent a cost that would have been incurred in
16 the due diligence process for the acquisition of GSA. Clarification should be
17 provided to support this capital spend.

18

19 Line 19 Audit projects - Aqua forecasts \$350,000 in Audit projects for each of the
20 next five years , followed by \$100,000 in annual spending thereafter. We believe
21 this level of expenditure should be moderated and Aqua should consider a lower
22 annual expenditure level of \$225,000 each year to mitigate rates. Aqua should
23 prioritize its spending to meet the n

1 **Q. REGARDING RATE BASE AND RATE IMPACTS, HAVE YOU**
2 **REVIEWED AND CONSIDERED THE IMPLICATIONS OF SECTION**
3 **7.04 IN THE ASSET PURCHASE AGREEMENT (APA)?**

4 A. Section 7.04 addresses the current wastewater rates applicable to GSA customers
5 under the terms of the APA. The key provisions of Section 7.04 are as follows:

6 1) Aqua shall implement rates that are no higher than the currently effective rates
7 paid by GSA customers upon the close of the proposed transaction Closing as set
8 out in Schedule 7.04(a);

9 2) Aqua may apply PA PUC permitted or required surcharges or pass-through
10 costs (the “Rate Base”) to GSA’s customers after Closing; and

11 3) The above rate provisions “shall be part of Buyer’s requested PA PUC
12 Governmental Approval.”

13 We also understand that Aqua shall not implement a base rate increase for GSA’s
14 customers until the Company’s first base rate case following the Closing date;

15

16 **Q: HOW DO THE CURRENT RATES PAID BY GSA CUSTOMERS**
17 **COMPARE TO THOSE PAID BY AQUA’S EXISTING WASTEWATER**
18 **SYSTEM CUSTOMERS?**

19 A: GSA’s retail rates are lower than that charged by Aqua to its wastewater
20 customers. The current average monthly bill for a residential customer in the

1 GSA, is \$23.09.²⁰ Based on the aqua submission of Mr. Packer, Aqua’s weighted
2 average residential bill is 84.33 per month.²¹

3

4 **Q: DOES THE APA ADDRESS THE LEVEL OF RATES APPLICABLE TO**
5 **GSA CUSTOMERS UPON THE COMPLETION OF AQUA’S NET BASE**
6 **RATE PROCEEDING?**

7 A: No. Mr. Packer testified that according the APA, the acquired GSA customers
8 will be charged the existing rates upon closing. Aqua’s tariff rules and regulations
9 will apply. Mr. Packer has indicated. However, based on calculations provided
10 indicates that Aqua would through illustrated calculations provided move GSA
11 customers to their full cost of service based on the rate base additions and fair
12 market value from the acquisition.

13

14 **Q: HOW DOES AQUA PROPOSE TO RECOVER THE COST OF SERVICE**
15 **POST-APA ON A SYSTEM-WIDE OR STAND-ALONE BASIS?**

16 A: Aqua proposes that the costs related to the GSA acquisition and related cost of
17 service be recovered 100% from GSA customers on a stand-alone basis for the
18 operation of the GSA wastewater system. The proposed underlying rates for the
19 GSA would be covering 100% of the cost of service for the acquisition including

²⁰ Exhibit Y (Updated) Aqua Statement No. 3 Direct Testimony of William C. Packer – Appendix A page 2 of 11.

²¹ Exhibit Y (Updated) Aqua Statement No. 3 Direct Testimony of William C. Packer – Appendix A page 6 of 11.

1 the return on rate base and operating costs with no allocation to other existing
 2 Aqua customers.

3

4 **Q: HAS THE COMPANY ESTIMATED THE INCREMENTAL RATE**
 5 **IMPACT OF THE PROPOSED TRANSACTION ON GSA’S EXISTING**
 6 **CUSTOMERS?**

7 **A:** Yes. Aqua estimates that the revenue deficiency related to the proposed
 8 transaction is currently about \$2.2 million, as indicated in Appendix A to Mr.
 9 Packer's direct evidence. The overall incremental rate impact would be 180.85%
 10 if Aqua were to recover from GSAs current customers 100% of its claimed \$2.2
 11 million revenue shortage. A summary of the revenue shortfall in Appendix A is as
 12 follows:

Line	Item	Reference	2023
1	Revenue		\$1,229,219
2	O&M		996,206
3	Depreciation		605,269
4	Taxes Other		43,628
5	Income(loss) before taxes		(415,884)
6	Taxes recovered (21% Federal & 8.99% State)		(212,111)
7	Operating income (loss)		(203,773)
8	Rate Base at Fair Market Value		18,000,000
9	Capital Investment Year 1		1,588,000
10	Rate Base (Including Capital Investments less Depreciation)	Lines 8+9-3	18,982,731
11	Interest expense (synchronized with rate base)		349,662
12	Required return (7.237%) on rate base	Line 10 @7.237%	1,373,780
13	Operating Income Deficiency	Lines 7+12	1,576,975
14	Gross Revenue Conversion Factor for taxes.		@1.409220
15	Revenue Deficiency (Excess)	Line 13 @ 1.409220	\$2,223,000
16	Revenue Deficiency (Excess) Percentage	Line 15/ 1	180.85%

13

1 Based on the above analysis, AP has determined a revenue deficiency of 80.85%,
2 meaning that revenue needs to increase by that amount given the purchase price
3 and capital investments contemplated in the forecast.

4
5 **Q: DOES THE ESTIMATED 180.85% INCREMENTAL RATE IMPACT OF**
6 **THE PROPOSED TRANSACTION ON GSA'S EXISTING CUSTOMERS**
7 **INCLUDE THE RATE MITIGATION MEASURES?**

8 A: No it does not. Mr. Packer testified that Aqua has not proposed any rate
9 mitigation measure. Aqua could have proposed a rate stabilization plan but have
10 acknowledged it has not in this Application. A rate stabilization plan is defined in
11 Section 1329(g) of the Code, 66 Pa.C.S. § 1329(g), as a plan that will hold rates
12 constant or phase rates in over a period of time after the next base rate case.

13
14 **Q: DO YOU HAVE ANY CONCERN WITH THE PROPOSED RATE**
15 **INCREASE?**

16 A: Yes. As a result of the acquisition of GSA based on the assumed purchase price
17 and the proposed capital spending, the rates are forecast to increase materially.
18 AP has indicated that the current average monthly bill of a GSA residential
19 customer is approximately \$23.09 per month. As set out in the table below, the
20 average bill would increase to approximately \$64.84 per month or a 180.85%
21 increase, which assumes that one hundred percent of the revenue requirement
22 deficiency is borne by the acquired customers of the GSA²².

²² Exhibit Y (Updated) Aqua Statement No. 3 Direct Testimony of William C. Packer Page 17 and Appendix A page 1 of 11

1 The indicated bill changes result in a material increase in amounts collected from
 2 GSA customers. The following tables summarize the average bill impacts on a
 3 monthly and yearly basis.

4 **Proposed Year 1 – Monthly Average Bill Change by Customer Class**

Customer Class	Customers	Existing Monthly Avg. Bill	Proposed Monthly Avg. Bill	Estimated Monthly Increase	Estimated Percentage Increase*
		(a)	(b)	[b-a]	
Residential	2,082	\$23.09	\$64.84	\$41.75 ²³	180.85%
Commercial	183	\$55.76	\$156.61	\$100.85	180.85%
Industrial	2	\$61.59	\$172.97	\$111.38	180.85%
Public	14	\$52.57	\$147.63	\$95.06	180.85%
Bulk 80% Revenue Deficiency	2	\$21,650	\$60,803.27	39,153.27	180.85%
To meet 100% of full cost recovery for revenue deficiency of 180.85%					

5

6 **Proposed Year 1 - Yearly Average Bill Change by Customer Class**

Customer Class	Customers	Billed Dollars	Proposed Annual Billed	Estimated Yearly Increase
		(a)	(b)	[b-a]
Residential	2,082	\$277	\$778	\$501
Commercial	183	669	1,879	\$1,210
Industrial	2	739	\$2,076	\$1,337
Public	14	631	\$1,772	1,141
Bulk 80% Revenue Deficiency	2	\$259,800	\$729,639	469,839

7

8

9

²³ We note the formulas in OCA 1-15 Attachment 1 Revenue Calculation Support appears to be mislabeled as the formula determines the monthly increase, not the estimated quarterly increase in the column title.

1 Overall under the proposed transaction, the additional revenues indicated to the
2 generated are as follows:

3 **Proposed Year 1 - Yearly Total Bill Change by Customer Class**

Rate Class	Customers	Billed Dollars	Proposed Billed	Estimated Yearly Increase
		(a)	(b)	[b-a]
Residential	2,082	\$576,687	\$1,619,605	\$1,042,918
Commercial	183	122,571	344,235	221,665
Industrial	2	1,478	4,151	2,673
Public	14	8,884	24,949	16,066
Bulk 80% Revenue Deficiency	2	519,600	1,459,278	939,678
Total Service Revenue	2,283	\$1,229,219	\$3,452,219	\$2,223,000

4

5 **Q: IS AQUA’S PROPOSAL TO SET GSA OVERALL RATES AT FULL**
6 **COST OF SERVICE ON A STANDALONE BASIS CONSISTENT WITH**
7 **THE COMMISSIONS LON-STANDING PRACTICE OF**
8 **IMPLEMENTING SINGLE TARIFF PRICING?**

9 A: No it is not. Single tariff pricing's basic tenet is that consumers should pay the
10 same prices for "like service" regardless of where they specifically are within a
11 utility's service area. In order to recover system-wide revenue targets, individual
12 utility rate zones are gradually combined into a single class, with class revenue
13 targets based on a system-wide class cost-of-service study. After rate
14 consolidation is finished, a utility will provide service to every customer in a
15 certain customer class under a single rate schedule that represents the average cost
16 of supplying the class across the system.

17

1 If utility rates are determined on a stand-alone basis within individual rate zones,
2 it will not be possible to achieve single tariff pricing²⁴.

3

4 **Q: WOULD AQUA’S PROPOSAL TO SET GSA’S OVERALL RATES AT**
5 **FULL COST OF SERVICE ON A STANDALONE BASIS IN ITS NEXT**
6 **RATE CASE PERMIT THE COMPANY TO BEGIN THE PROCESS OF**
7 **CONSOLIDATING GSA’S RATES?**

8 A: No. If GSA residential billed rates were set to increase from \$23.09 to \$64.84
9 based on an 180.85 % increase to meet the cost of service on a standalone basis,
10 Mr. Packer has acknowledged that the new higher monthly rate of \$64.84 would
11 be approximately 27% lower than the weighted average of all Aqua’s wastewater
12 rate zones from its most recent rate case and approximately 32% lower than
13 Aqua’s wastewater rate. Mr. Packer attributes the low GSA rates and revenue
14 deficiency due to an accumulation of deferred maintenance.²⁵

15

16 **Q: HOW DO YOU BELIEVE THESE RATE INCREASES SHOULD BE**
17 **ADDRESSED?**

18 A: The indicated rate increases are too extreme based on the current revenue
19 requirement shortfall. If there is to be a move to the Company’s system-wide
20 wastewater rates through a system wide cost of service, it would have to done
21 over time.

²⁴ OSBA Statement No. 1, Dk. No. A-2019-3015173, Direct Testimony and exhibit of Brian Kalcic on Behalf of the Pennsylvania Office of Small Business Advocate.

²⁵ Exhibit Y (Updated) Aqua Statement No. 3 Direct Testimony of William C. Packer – page 17 -18.

1 Aqua acknowledges that its rate increase is problematic but believes the increases
2 are warranted given and the increase in average monthly bill to \$64.84 will still
3 see its rates significantly lower than the current rates of the company. Aqua also
4 notes that given the improvements planned for the GSA system and the benefits
5 of the proceeds the GSA and its customers will receive by virtue of the
6 acquisition, the rate impacts are far outweighed by the benefits.

7
8 Aqua appears to have confused taxpayer benefits from ratepayer benefits. It is not
9 clear that the GSA will receive proceeds for the sale of the GSA system, nor is it
10 clear whether those benefits will be received by ratepayers.

11
12 **Q: HOW DO YOU BELIEVE GSA RATES SHOULD BE TRANSITIONED?**

13 A: Aqua acknowledges that there is more flexibility and opportunity to deal with rate
14 impacts over a much larger customer base. Aqua acknowledges this benefits both
15 existing and acquired customers to the extent that costs can be shared between the
16 systems over longer periods of time such that rate shock and affordability are
17 mitigated.

18
19 However, AP does not propose any rate mitigation measures either by a rate
20 stabilization plan or the sharing of costs over a larger customer base.

21

1 We believe that GSA rates should be set to fully recover costs over time. That
2 said the current indicative rate increases lead to rate shock. Gradualism should be
3 considered in the transition of the GSA system in the Aqua system.

4
5 Gradualism in setting water rates involves the practice of making small,
6 incremental adjustments over a period to establish pricing that is both equitable
7 and environmentally sound. This approach acknowledges the importance of
8 striking a balance between the financial sustainability of AP and the affordability
9 for GSA consumers. By implementing a gradual adjustment to water rates, Aqua
10 can effectively manage unexpected impacts on customers and establish a future
11 pricing structure that is more consistent and predictable.

12
13 We are of the view that Aqua proposal to seek the 100% recovery of the revenue
14 requirement deficiency from the customers of GSA will result in bill increases
15 that would constitute rate shock. We believe that rates should be increased
16 gradually to mitigate rate shock to GSA customers. The increases sought will
17 result in affordability issues for its customers. We propose consideration be given
18 to sharing the recovery of the deficiency of the GSA revenue requirement system
19 wide and make a multi-year plan to move GSA customer rates to a system
20 average.

21
22 We recommend the Commission consider alternatives to 100% recovery of the
23 revenue deficiency from the GSA customers as follows:

1

Revenue Requirement Deficiency Recovery Scenarios

	Recovery of Deficiency from GSA Customers				
Allocated to GSA Customers	100%	80%	50%	20%	10%
Rev Requirement Deficiency	180.85%	124.68%	90.42%	36.17%	18.85%
Residential	\$41.75	28.78	20.88	8.35	4.18
Commercial	\$100.85	69.53	50.42	20.17	10.08
Industrial	\$111.38	76.79	55.69	22.28	11.14
Public	\$95.06	65.54	47.53	19.01	9.51
Bulk 80% Revenue Deficiency	39,153	26,993	19,577	7,831	3,915
Allocated to Company	-	20%	50%	80%	90%
Revenue shortfall Recovered from Company	-	690,444	1,111,500	1,778,400	2,000,700
Increase % Company Waste Water	-	.99%	1.60%	2.56%	2.87%
% Increase Company Water ²⁶	-	.12%	0.20%	0.32%	0.36%

2

3 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS FOR RATE**4 **TRANSITION.**

5 A: As a condition for approval of the Proposed Transaction, we recommend that the
6 Commission require Aqua to begin to consolidate GSA's rates with the
7 Company's system-wide average rates for wastewater service in its next rate
8 proceeding over a ten-year period.

²⁶ Estimated rate impacts derived from OCA 1-15 Attachment 1 Appendix A calculations.

1 This would afford some time to allow for Aqua's purported system wide
2 synergies and benefits related to acquiring GSA to materialize. We believe that
3 movement to a system wide cost of service should be considered to move towards
4 implementation of single tariff pricing.

5

6 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

7 A. Yes, it does.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Aqua Pennsylvania : **Docket No. A-2023-3041695**
Wastewater, Inc. Pursuant to Sections :
1102 and 1329 of the Public Utility Code, :
for approval of the Acquisition by Aqua of :
the wastewater system Assets of the :
Greenville Sanitary Authority Situated :
within the Borough of Greenville, :
Hempfield Township, and West Salem :
Township, Mercer County, Pennsylvania :
:

VERIFICATION

I, Roger Cathcart, hereby state that the facts set forth in my Direct Testimony labelled OSBA Statement No. 1 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 19 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: July 25, 2024



Roger Cathcart

OSBA STATEMENT NO. 1-R

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Aqua Pennsylvania : Docket No. A-2023-3041695
**Wastewater, Inc. Pursuant to Sections :
1102 and 1329 of the :
Public Utility Code, for approval of the :
Acquisition by Aqua of the wastewater :
system Assets of the Greenville Sanitary :
Authority Situated within the Borough of :
Greenville, Hempfield Township, and :
West Salem Township, Mercer County, :
Pennsylvania :**

Rebuttal Testimony and Exhibit

of Jason Hails and Roger Cathcart

of Quantiv Advisory, LLC

On Behalf of the

Pennsylvania Office of Small Business Advocate (“OSBA”)

August 2, 2024

Topics:

Purchase Price

Date Served: August 2, 2024

Date Submitted for the Record: _____

1 **REBUTTAL TESTIMONY OF JASON HAILS and ROGER CATHCART**

2

3 **INTRODUCTION**

4

5 **Q. PLEASE STATE YOUR NAMES AND BUSINESS ADDRESS.**

6 A. Our names are Jason Hails and Roger Cathcart, and our business address is 925
7 Wappoo Rd., Suite A, Charleston, South Carolina 29407.

8

9 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

10 A. Jason Hails is the Co-Founder and a Member of Quantiv Advisory, LLC, and
11 Roger is a Senior Regulatory Advisor of Quantiv Advisory, LLC and the Owner
12 and Principal of Cathcart Advisors, Inc. Quantiv is a private consulting firm
13 specializing in the provision of financial and operational analysis and regulatory
14 expertise in the Energy and Utility sector.

15

16 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

17 A. Our rebuttal testimony is being sponsored by the Pennsylvania Office of Small
18 Business Advocate (“OSBA”).

19

20 **Q. ARE YOU THE SAME JASON HAILS AND ROGER CATHCART WHO**
21 **PREFILED TESTIMONY IN THIS PROCEEDING ON BEHALF OF THE**
22 **PENNSYLVANIA OFFICE OF SMALL BUSINESS ADVOCATE**
23 **(“OSBA”)?**

1 A. Yes.

2

3 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

4 A. Our rebuttal testimony responds to portions of testimony of Christine Maloni
5 Hoover on behalf of the Pennsylvania Office of Consumer Advocate (“OCA”),
6 Joseph Kubas of the Bureau of Investigation and Enforcement (“I&E”).

7

8 **REBUTTAL TESTIMONY**

9

10 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS RELATED TO**
11 **EVIDENCE OF PUBLIC BENEFIT OF THE PROPOSED ACQUISITION.**

12 A. Ms. Hoover concludes in her testimony that there is not sufficient evidence of
13 substantial affirmative public benefits that would arise from the transaction¹. Mr.
14 Kubas also stated he believed that Aqua had not shown the Application will result
15 in substantial public benefit². We agree with Ms. Hoover and Mr. Kubas that
16 there is insufficient evidence of public benefit, and while we noted our opinion
17 that the transaction is not in the public interest in our direct testimony³, we
18 recommend here that the transaction not be approved by the Commission with
19 terms as set in the Application.

20

¹ OCA Statement 1, Page 3, Lines 17-19.

² Direct Testimony of Joseph Kubas, Bureau of Investigation and Enforcement, Page 13, Lines 16-17.

³ Direct Testimony of Jason Hails and Roger Cathcart, Page 3.

1 **Q. DO YOU AGREE WITH THE OCA THAT NO ADJUSTMENTS BE**
2 **MADE TO THE UVE VALUATIONS?**

3 A. Ms. Hoover would recommend reasonable adjustments to the UVE valuations,
4 however the OCA recommends no adjustments be made by the UVE appraisers
5 based on her anticipation that those adjustments would not reduce the average of
6 the appraisals below the purchase price⁴. The UVE appraisals are an integral
7 component considered in the establishment of the approved purchase price, and it
8 has not been clearly established that adjustments to the valuations would yield an
9 average value higher than the proposed approved purchase price. Given the
10 materiality of potential adjustments to capital expenditure plans (Aqua's proposed
11 \$20.4 million vs. GSA's proposed \$45.6 million⁵ over 10 years) and required
12 annual rate increases, we suggest that adjusted UVE valuations could yield a
13 materially lower average valuation, either resulting in a lower average value than
14 the purchase price, or providing an updated benchmark for consideration of a
15 revised lower purchase price. Our recommendation is that the UVE valuations be
16 updated to confirm current proposed purchase price or inform a revised purchase
17 price.

18
19 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

20 A. Yes, it does.

⁴ OCA Statement 1, Page 4, Lines 2–7.

⁵ Exhibit X - Direct Testimony of Mark J. Bubel, Sr., Page 10, Line 7.

EXHIBIT QA-1

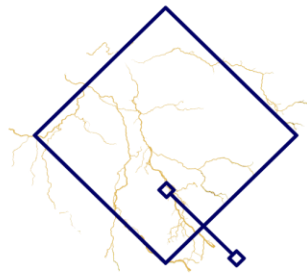
RÉSUMÉS AND EXPERT TESTIMONY LISTS

FOR

JASON HAILS

&

ROGER CATHCART



QUANTIV ADVISORY, LLC
STRATEGY. OPERATIONS. VALUATION.

Jason Hails, MBA Co-Founder and Director

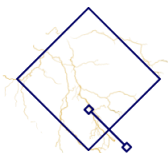
Consulting Executive Profile

Quantiv Advisory, LLC

- Jason is a Co-Founder and Director of Quantiv Advisory, LLC, a boutique Consulting firm. established in 2021, providing professional services to support our clients' growth, efficiency and compliance mandates.
- Quantiv is focused primarily on strategy, financial and operational advisory services and business quantification to small, medium and large enterprise and energy/utility companies and market participants.
- With offices in Charleston, SC, Nashville, TN, and the Toronto region, Quantiv serves clients across North America.
- Quantiv utilizes a network of close-knit subcontract professionals to ensure we bring the right people with the right skills to provide quality client service and value for money.
- Quantiv's delivery model is based on collaboration, discipline and objectivity. Quantiv works with its clients to bring business and technical insight to mission-critical initiatives and decision-making.

MNP LLP and Prior

- In May 2021 Jason retired as a 13-year direct-admit Partner with MNP LLP, located first in Calgary, AB and then for 10 years in the Greater Toronto Area. Led MNP's national Energy & Utilities practice.
- Industry executive with 30 years of progressively responsible experience and over 20 years in the Energy, Utilities and Natural Resource sectors.
- MNP LLP, a member of the Praxity global network of Firms, is a Canadian audit, tax and consulting services Firm with over 8,000 Staff and Partners across Canada, generating over \$1.5 Billion (Cdn) in gross revenue – a seven-fold increase in revenue since joining the Firm in 2008.
- For the last 22 years with professional service firms, led the development and execution of business unit and practice strategy; business development and sales; and led client engagements primarily in Consulting, Enterprise Risk and Transaction Services.
- In addition to Energy & Utility clients, worked extensively within other sectors, including all levels of Government, Mining, Oil & Gas, Pipelines, Software, Manufacturing, Transportation, Retail, Software/Digital and Not-for-Profit.
- Prior to MNP, worked in a Big-4 environment for 5 years, and previously with several Energy companies, including ENMAX Corporation (Alberta-based integrated utility) and Superior Propane. Early career experience included various sales and operations roles.



Clients

- Government clients have included numerous Departments and Agencies at the Federal, Provincial/State and Municipal levels, and over 40 Energy/Resource/Utility companies in Canada and the US and several dozen companies outside the Energy sector; all ranging in size from small Technology startups to resource companies with \$80 billion in Assets.
- In the Energy Sector, worked with electric/gas utilities and oil & gas companies, independent power producers, electricity system operators and energy regulators, providing analysis and advice to leverage growth opportunities, mitigate risk and assess/improve efficiency and effectiveness.
 - Larger Energy and Utility sector clients have included Duke Energy, PG&E, Kinder Morgan, Enbridge Inc., Enbridge Gas, BC Hydro, Hydro One, Hydro Ottawa, ENMAX, EPCOR, Manitoba Hydro, Fortis, SaskPower, Boralex, SNC-Lavalin T&D, Water Security Agency of Saskatchewan, City of Markham Water Department.

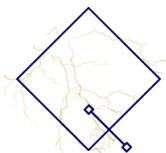
Leadership

- Developed and led MNP's Energy & Utilities cross-service-line Niche team of 25 across the country.
- For 3 years led MNP's Eastern Canada Consulting growth efforts with a team of 40 Consultants in 2017. Jason has been an integral part of MNP's leadership team to build these practices from the ground up over the past 12 years, with group revenues in the current range of \$60M.
- Success can be attributed to Jason's ability to expertly develop fit-for-purpose strategy and analytics, identify and refine critical paths for execution of strategy, and influence all Stakeholders (Clients, Peers and Staff) to drive towards common, timely and favorable outcomes.
- Credibility has grown in the industry by delivering consistently high-quality client solutions; solidifying his reputation among Board and Senior Executive teams and by maintaining a strong cross-industry community presence through industry associations and events.

Employment History

**Quantiv Advisory, LLC – Co-Founder and Director - 2021 to current
Nashville, TN and Charleston, SC**

Within a boutique Advisory firm environment with a small team, delivering financial and operational solutions to support our Clients' growth, efficiency and compliance mandates. First year engagements having included developing growth strategies, internal audit, performance improvement and regulatory services in the Energy, Transportation and Technology sectors.



Employment History **MNP LLP – Partner – 2008 to 2021**
(Calgary, Alberta to 2011 and Toronto, Ontario from 2011 to 2021)

Jason’s leadership of MNP’s Energy & Utilities niche is a cross-service line role, selling and delivering engagements across all lines of MNP business. Over the past 12+ years with MNP, Jason’s work has been primarily comprised of:

- Enterprise Risk Services (ERS) – Enterprise Risk Management, Internal Audit, Internal Controls.
- Consulting – Financial Advisory, Regulatory, Governance Technology Services, Capital Projects, Procurement and Operations Strategy.
- Transaction Services – Financial and Commercial Due Diligence, Business Development, Valuations.

Jason led or assumed an otherwise significant role in over 300 engagements with MNP. Roles within these engagements included Business Development Lead, Engagement Partner, Quality Assurance Partner or Subject Matter Expert. Given this diverse involvement, representative experience at MNP is highlighted functionally below.

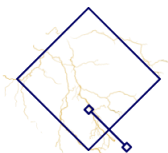
Enterprise Risk Services

- Coordinating joint delivery teams (consisting of Energy Consulting and ERS staff) for risk-related projects in many sectors.
- Development, implementation and evaluation of revenue, financial and system controls (ICFR, ITGCs) for numerous large entities across a variety of sectors.
- Conducted internal audits/reviews of system implementation projects (including SAP CRB, Oracle Cloud).
- Presented audit findings numerous times to Senior Executive, Audit Committee and Board of Directors.
- Conducted Enterprise Risk Management assessments for many companies. Advise on cybersecurity, business resilience, emerging risks and mitigation strategies.

Consulting

- Led numerous engagements to enhance the efficiency and effectiveness client operating environments, across many business disciplines. Undertaken numerous process improvement projects targeting efficiency and effectiveness in areas such as finance function, procurement, and vendor management (procure-to-pay), supply chain, capital project delivery, field services/customer connections, financial operations, billing and customer service (order to cash), etc.
- Participated in numerous Technology Implementations, including Enterprise, Billing and Customer Interface and Analytics. Roles have included Project Lead, Quality Assurance Lead, Internal Auditor and other support functions throughout the implementation lifecycle.

Employment History



- Worked extensively in the regulatory environment and has appeared as an acknowledged expert witness in four jurisdictions. Regulatory expertise includes all manner of cost of service, cost allocation, benchmarking and complex financial analysis/modeling.
- Assessments of operations and shared services costs have included exhaustive research, comparative analysis and benchmarking across sectors and jurisdictions. Analysis has required a strong understanding and normalization of localized market factors and the drivers of industry-specific performance/results.

Transaction Services

- Extensive experience with the evaluation of business expansion or divestiture opportunities.
- Transactions services have included:
 - Financial and commercial due diligence for the acquisition of projects, assets, businesses.
 - Asset valuation and impairment tests.
 - Business planning (feasibility, development economics, financial modeling and discounted cashflow analysis, business case, executive presentation) to justify corporate investments.
- Also worked with numerous early-stage companies, assessing market opportunities, positioning for growth and securing funding.
- Post-merger integration planning and execution.

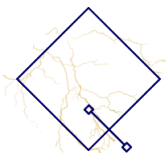
Leadership

- Completed MNP's multi-year Partner leadership development program.
- In a practice and people leadership role since joining MNP, leading MNP's Energy & Utilities niche, and having until recently led MNP's Consulting team in Ontario/Quebec, including Administrative staff, Consultants and Partners.
- Worked successfully across regions and service lines to build relationships and influence decision making to achieve corporate/Firm goals. Strong advocate for his staff, and able to inspire alignment between the Firm and the individual's professional interests.

KPMG – Senior Manager, Advisory Services – 2007 to 2008 – Calgary, Alberta

Employment History

- Senior Manager primarily within Enterprise Risk group, focused in the Energy sector and specifically Energy & Resources sectors in Western Canada. Role include the coaching and mentoring of staff, and contribution to the development of the go-to-market strategy for KPMG's Operational Advisory group.
- Conducted an ERM assessment for a large Energy company and developed/implemented a risk-based approach to internal controls for a National Railway and for a leading Telco.



- Conducted an audit (Specified Procedures) to review and implement upgrades to a large client's internal control (ICFR) program, including governance and oversight.
- Review and recommendations to improve accountability and transparency with the Alberta Royalty Regime.

PwC – Director, Advisory Services – 2005 to 2007 – Calgary, Alberta

- Worked within PwC's Advisory group in Consulting and Deals, inclusive of risk, consulting and corporate finance.
- Developed, managed and executed internal control compliance and optimization programs for a number of large integrated utilities, including ENMAX, EPCOR (including Capital Power), Fortis BC, Duke Energy, Pacific Gas & Electric. Similar work conducted for an upgrader and a downhole tools manufacturer.
- Conducted detailed financial due diligence for approximately 10 deals in the Energy and other sectors, including upstream oil and gas, oilfield services and technology companies.
- **BearingPoint** – Manager, Advisory Services – 2003 to 2005 – Calgary, AB
- **ENMAX Corporation** – Manager, Business Development – 2001 to 2003 – Calgary, AB
- **Superior Propane** – Financial Analyst, Merger Integration Team – 1999 to 2001 – Calgary, AB
- **Ernst & Young** – Staff Accountant – 1994 – Calgary, AB
- Various Industry Business Development and Operational Roles – 1993, 1995 to 1999 – Calgary

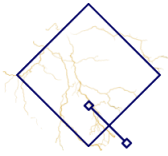
Regulatory Experience

Support

- Currently engaged as a Board Financial Expert Witness in the review of New Brunswick Power's 2025 and 2026 General Rate Application.
- Conducted numerous reviews and filed evidence for various cost of service and regulatory asset matters for ENMAX, EPCOR, Enbridge Gas, Gazifere and very recently Liberty Gas New Brunswick (2023) as an Acknowledged Expert (detailed assessment of Inter-affiliate costs).
- Quality Review Partner for MNP's Macro Environmental Expert Report on behalf of the Manitoba Public Utility Board for the NFAT hearing in 2014 (Keeyask and Conawapa).

Testimony

- Testified before the Nova Scotia Utility and Review Board as a Board Financial Expert for the 2023 General Rate Application proceeding for Eastward Energy (formerly Heritage Gas).
- Testified before the Nova Scotia Utility and Review Board as a Board Financial Expert in the review of the Halifax-Dartmouth Bridge Commission Rate Hearing in 2021.
- Testified before the Regie de l'énergie on behalf of Gazifere (Enbridge Inc.) regarding cost allocation (2016).
- I testified before the AUC, with ENMAX regarding Affiliate Transactions, Cost Allocation and Inter-affiliate costs (2014).
- Testified as part of Commission staff with the BCUC on two occasions:



- One regarding the establishment of a regulatory deferral account to account for hedging long-term debt (2016).
- One regarding exemptive relief for FortisBC (2015) with information management requirements.
- Also testified as a financial expert representing an intervenor group regarding the Heartland Transmission project (2011), a joint project between EPCOR and AltaLink.

Education and Certification

- B.A. (Hons.) – Economics and Political Science – York University (Toronto) – 1991
- M.B.A. – University of British Columbia – Sauder School of Business (Vancouver) – 1993
- Course - Electric System Operation for the Non-Engineer – Northwest Public Power Association – 2003

Volunteer and Board Involvement

- Treasurer and a Board Member of the Distress Centre in Calgary from 2008 to 2010. The Distress Centre operates 24/7 Crisis Lines, including Counselling, and operates the 211 public service system in Calgary.
- Treasurer and Board Member of the Ontario Sustainable Energy Association from 2013 to 2016.
- Formerly on the Infrastructure Committee, and currently on the Energy Committee of the Toronto Board of Trade up to 2021.



Roger Cathcart, CPA, CA, CBV

Quantiv Associate and President, Cathcart Advisors Inc.

Consulting Executive Profile

Mr. Cathcart is Senior Regulatory Advisor of Quantiv and the President of Cathcart Advisors Inc. He and has been in public practice for 37 years (of which ten years were in Assurance and Accounting Services), and as a Chartered Public Accountant (CPA, CA) and Chartered Business Valuator (CBV) has addressed many accounting issues over that period.

For the last 27 years, accounting experience in public utility rate regulation being engaged as a Senior Advisor to The Public Utilities Board of Manitoba. Working with an interdisciplinary team, Roger analyses complex financial filings and identifies issues. In his capacity, he is responsible for the interpretation of accounting standards, preparation of financial analysis, briefings and reports related to the Board's review of franchise applications, rate base, rate of return applications, cost of service applications and rate change applications for Manitoba Public Insurance, Centra Gas Manitoba Inc., Manitoba Hydro and other utilities under the Board's jurisdiction.

In his roles as Accounting Advisor to the MPUB since 1997, has provided advice including interpretation of accounting standards and impact of alternative accounting approaches on rates, implementation of International Financial Reporting Standards (IFRS) for Rate Regulated entities. Accounting for asset disposals and impairments. Listed are the following Applications that Mr. Cathcart provided Accounting related analysis and advice.

Roger has advised the Board on Manitoba Hydro's Needs for and Alternatives To Proposed Development Plan which reviewed the financial impact of alternative developments scenarios of Manitoba Hydro's \$16 billion development plan. Roger has advised on other energy matters such as DSM programs and rate design and cost of service in natural gas and electric utilities, the expansion of natural gas service into rural regions

Roger also has extensive experience in the preparation of economic impact studies in a diverse range of industries. Working collaboratively with Econometric Research Limited (ERL) he was the project manager in the preparation of Economic Impact Studies for the 2015 Toronto World Expo, the Canadian Wheat Board, the National Screen Institute Canada, the University of Manitoba, Manitoba Lotteries Corporation and The City of Calgary 2017 World Expo.



Regulatory Experience

Manitoba Hydro Electric Board

- 2023/24 & 2024/25 General Rate Application
- 2021/22 General Rate Application
- 2019/20 General Rate Application
- 2017/18 & 2018/19 General Rate Application
- 2016 Cost of Service Methodology Review
- 2015/16 & 2016/17 General Rate Application
- Interim Rate Increase for April 1, 2016
- 2014/15 & 2015/16 Manitoba Hydro General Rate Application
- Needs For Alternatives To (NFAT) of Manitoba Hydro's Preferred Development Plan: 2013-2014
- 2011/12 & 2012/13 Manitoba Hydro General Rate Application
- 2009/10 Conditional Rate Increase Application: 2009
- 2010 Diesel-generated electricity rates for Northern Manitoba communities
- Energy Intensive Industrial Rate Application: 2009
- Lower Income Energy Efficiency Program Review: 2007
- 2008/09 General Rate Application
- 2005/06 & 2006/07 General Rate Application
- 2006 Cost of Service Methodology Review
- 2003/04 & 2004/05 General Rate Application
- 2002/03 Status Update Application and the integration Activities of the Acquisition of Centra Gas Manitoba Inc. by Manitoba Hydro

Centra Gas Manitoba Inc.

- 2019/20 General Rate Application
- 2015/16 Cost of Gas Application
- 2013/14 General Rate Application
- Centra Gas Transportation & Storage Portfolio Application: 2012
- 2011/12 General Rate Application
- Review and Vary Application Related to Hedging of Primary Gas: 2010
- 2010/11 Cost of Gas Application
- Centra Gas Acquisition of Swan Vally Gas System : 2010
- 2009/10 and 2010/11 General Rate Application
- Fixed Rate and Fixed Term Natural Gas Supply Contracts Application: 2008
- Review of Retail Natural Gas Market Competitive Landscape: 2007
- 2007/08 and 2008/09 General Rate Application
- 2005/06 & 2006/07 General Rate Application
- 2003/04 General Rate Application
- 2002/03 Cost of Gas Application



- 2001/02 General Rate Application
- a Rate Setting Methodology and Rate Setting Process for Primary Gas: 2000
- Application of Centra Gas to offer a Western Transportation Service and Associated Agency Billing and Collection Service: 2000
- 1998/99 General Rate Application
- Review of Centra Gas' Price Management Policy & Plan related to Derivative Hedging Activities: 1999
- Centra Gas Feasibility Cost Assumption Application: 1998
- Generic Hearing to Review the Role of Centra Gas Manitoba Inc in the Natural Gas Supply Procurement, Transportation and Storage Function: 1997-1998
- Franchise expansion applications:1997–2015

Other Regulatory Experience

- Eastward Energy Inc 2024/25-2025/26 General Tariff Application Expert Report and Testimony provided to NUARB.
- Vermont Electric Division of a Major US Utility: Accounting function management, including improved monthly analyses and associated FERC regulatory reporting processes (processes were also adopted by all other properties): (1999-2000)
- Review of Water & Sewer Rate Applications for Municipalities in Manitoba – MPUB (2015, 2021)
- Municipal of Portage La Prairie - Waste Water Re-development:2021
- City of Winnipeg Water & Waste Water: 2011, 2015
- City of Winkler - Water and Waste Water Utility Rate Review: 2012
- City of Neepawa – Water and Waste Water Application Rate Review : 2012
- Nova Scotia Utility and Review Board: Rate related tax deferral issues and 2006 General Rate Application of Nova Scotia Power Inc.: (2006)
- Union Gas, Ontario: Review of affiliate transaction charges and its compliance with the Ontario Energy Board's Affiliated Relationship Code: (2007)
- Application for Pay Day Loans Rate in Manitoba: 2016, 2013, 2010

Education and Certification

- Bachelor of Arts (Economics) University of Winnipeg – 1984
- Bachelor of Commerce (Hons) (Accounting/Finance) University of Windsor – 1987
Chartered Accountant – Member of Institute of Chartered Professional Accountants Ontario – 1992, Manitoba – 1995
- Chartered Business Valuator (CBV) – Member of Institute of Chartered Business Valuators – 2002

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Aqua Pennsylvania : **Docket No. A-2023-3041695**
Wastewater, Inc. Pursuant to Sections :
1102 and 1329 of the Public Utility Code, :
for approval of the Acquisition by Aqua of :
the wastewater system Assets of the :
Greenville Sanitary Authority Situated :
within the Borough of Greenville, :
Hempfield Township, and West Salem :
Township, Mercer County, Pennsylvania :
:

VERIFICATION

I, Jason Hails, hereby state that the facts set forth in my Rebuttal Testimony labelled OSBA Statement No. 1 with associated Exhibit QA-1, 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 19 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: August 2, 2024

Jason Hails



**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Aqua Pennsylvania : **Docket No. A-2023-3041695**
Wastewater, Inc. Pursuant to Sections :
1102 and 1329 of the Public Utility Code, :
for approval of the Acquisition by Aqua of :
the wastewater system Assets of the :
Greenville Sanitary Authority Situated :
within the Borough of Greenville, :
Hempfield Township, and West Salem :
Township, Mercer County, Pennsylvania :
:

VERIFICATION

I, Roger Cathcart, hereby state that the facts set forth in my Rebuttal Testimony labelled OSBA Statement No. 1 with associated Exhibit QA-1, 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 19 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: August 2, 2024



Roger Cathcart

OSBA STATEMENT NO. 1-S

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Aqua : Docket No. A-2023-3041695
Pennsylvania Wastewater, Inc. :
Pursuant to Sections 1102 and :
1329 of the Public Utility Code, :
for approval of the Acquisition :
by Aqua of the wastewater :
system Assets of the Greenville :
Sanitary Authority Situated :
within the Borough of Greenville, :
Hempfield Township, and West :
Salem Township, Mercer County, :
Pennsylvania :

**Surrebuttal Testimony of Jason Hails and Roger Cathcart
of Quantiv Advisory, LLC**

on behalf of

Pennsylvania Office of Small Business Advocate

August 9, 2024

Topics:

Net Public Benefit

Appraisals

Date Served: August 9, 2024

Date Submitted for the Record: _____

1 **SURREBUTTAL TESTIMONY OF JASON HAILS and ROGER CATHCART**

2

3 **INTRODUCTION**

4

5 **Q. PLEASE STATE YOUR NAMES AND BUSINESS ADDRESS.**

6 A. Our names are Jason Hails and Roger Cathcart, and our business address is 925
7 Wappoo Rd., Suite A, Charleston, South Carolina 29407.

8

9 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

10 A. Jason Hails is the Co-Founder and a Member of Quantiv Advisory, LLC, and
11 Roger is a Senior Regulatory Advisor of Quantiv Advisory, LLC and the Owner
12 and Principal of Cathcart Advisors, Inc. Quantiv is a private consulting firm
13 specializing in the provision of financial and operational analysis and regulatory
14 expertise in the Energy and Utility sector.

15

16 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

17 A. Our surrebuttal testimony is being sponsored by the Pennsylvania Office of Small
18 Business Advocate (“OSBA”).

19

20 **Q. ARE YOU THE SAME JASON HAILS AND ROGER CATHCART WHO**
21 **PREFILED TESTIMONY IN THIS PROCEEDING ON BEHALF OF THE**
22 **PENNSYLVANIA OFFICE OF SMALL BUSINESS ADVOCATE**
23 **(“OSBA”)?**

1 A. Yes.

2

3 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

4 A. Our surrebuttal testimony responds to portions of rebuttal testimony of Mr. Packer
5 on behalf of Aqua Pennsylvania, Inc. (“Aqua PA”) and Mr. Walker of Gannett
6 Fleming Valuation and Rate Consultants, LLC (“Gannett Fleming”).

7

8 **SURREBUTTAL TESTIMONY**

9

10 **Q. PLEASE COMMENT ON MR. PACKER’S ASSERTION ON PAGE 20 OF**
11 **HIS REBUTTAL TESTIMONY REGARDING FULL COST RECOVERY**
12 **FROM GSA CUSTOMERS¹.**

13 A. While Aqua did not explicitly request a specific future rate increase with this
14 application, in his attempt to demonstrate a public benefit, Mr. Packer in his direct
15 testimony highlights an average bill increase to \$64.84 per month (a 180.85%
16 increase), the calculation of which was hinged off the assumption that 100% of
17 the revenue requirement deficiency resulting from the transaction is borne by the
18 acquired customers of GSA². We acknowledge that rates to recover the revenue
19 requirement flowing from this acquisition, if approved, is a matter for Aqua’s next
20 rate case, and would urge that a condition of that approval include Aqua present a
21 rate transition plan considering gradualism and cost sharing among a broader
22 Aqua customer base.

¹ Mr. Packer’s Rebuttal Testimony, Page 20.

² Exhibit Y (Updated), Direct Testimony of Mr. Packer, Page 17, Lines 5-8.

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Q. PLEASE COMMENT ON MR. PACKER’S ASSERTION ON PAGE 22 OF HIS REBUTTAL TESTIMONY REGARDING RATE INCREASES BEING PROBLEMATIC³.

A. Mr. Packer in his direct testimony, when asked about a rate increase being outweighed by the benefits, asserted that “While the percentage increase at face value one could think is problematic, the fact is that the current average bill for the GSA customers today at their existing rates is quite low because of the accumulation of deferred maintenance.”⁴ With this statement, Mr. Packer acknowledges that the percentage increase in rates could be considered problematic. Undoubtedly many GSA customers will consider a rate increase indicated in the application to be problematic.

Q. MR. PACKER IN HIS REBUTTAL TESTIMONY ON PAGE 22 DISAGREES WITH THE POSITION THAT AQUA HAS CONFUSED TAXPAYER AND RATEPAYER BENEFITS, AND COMMENTED ON CALCULATIONS OF NET PUBLIC BENEFIT. PLEASE COMMENT ON MR. PACKER’S STATEMENTS.

A. Acknowledging that the majority of GSA customers are residents of the Borough, Mr. Packer notes that the proposed transaction creates a net benefit specifically to residents, not GSA customers. We acknowledge that Borough’s financial position will improve because of an approved acquisition. However, we do not believe

³ Mr. Packer’s Rebuttal Testimony, Page 22.
⁴ Exhibit Y (Updated), Direct Testimony of Mr. Packer, Page 18, Lines 16-20.

1 that the benefits to the Borough should be considered as a public benefit in
2 approving the proposed acquisition given the shift in financial burden to GSA
3 ratepayers and a \$2.2 million shortfall in required revenue. If there are net
4 benefits for Borough residents from this transaction, it is not clear how those
5 specific benefits may be conferred upon residents, or GSA ratepayers, as it is not
6 evident how beneficial funds will be invested or distributed by the Borough.
7 Regardless of the magnitude of net benefit or net negative impact, and any
8 savings or cost will not be conferred upon ratepayers, including small businesses,
9 you would not see these benefits or costs distributed in the same way you would
10 see these benefits or costs incurred through rates, resulting in potential inequity in
11 the distribution of benefit or cost.

12

13 **Q. DO YOU HAVE ANY COMMENTS ON THE PUBLIC BENEFITS**
14 **ANALYSIS PROVIDED IN MR. PACKER’S REBUTTAL?**

15 A. Yes. In response to OCA-I-14, Mr. Packer provided a calculation of what Aqua
16 and the GSA believes to be the financial benefit related to the acquisition. We
17 take issues with the analysis.

18

19 The benefits calculation referred to in response to Ms. Hoover on page 8 of
20 \$168,131 is small (7.6% of the GSA revenue deficiency)⁵, and is highly
21 speculative based on a 10-year NPV calculation of avoided rate increases
22 (\$1,1155,655) based on GSA’s inflated capital plan estimate of \$45.6 million. As

⁵ OSBA Calculation ($\$168,131 / \$2,223,000 = 7.6\%$), from Mr. Packer’s Rebuttal Testimony, Table on Page 8.

1 discussed in prior OSBA testimony, there is no reason that GSA could not adopt a
2 much more comparably cost-effective plan like that proposed by Aqua (\$20.4
3 million). For instance, even a modest 14.5% reduction in this NPV calculation
4 would eliminate Mr. Packer's calculated benefit⁶. If it is considered reasonable
5 that GSA adopt an equivalent CAPEX program as Aqua is proposing, lowering
6 the NPV of avoided CAPEX drops by 55% to \$517,004, and according to Mr.
7 Packers calculations there would be a Net Public Impact (not benefit) of
8 (\$470,520)⁷. Furthermore, any number of other changes to variables of Mr.
9 Packer's calculated benefits could easily wipe away and further reduce purported
10 benefits and result in a negative or more negative net public impact. It is
11 therefore not clear that benefits are real and substantial, as asserted by Mr. Packer.

12
13 **Q. MR. WALKER OF GANNETT FLEMING IN HIS REBUTTAL**
14 **TESTIMONY ON PAGE 5 COMMENTED ON THE NET BOOK VALUE**
15 **OF GSA ASSETS. PLEASE COMMENT.**

16 A. The Net Book Value of \$4,534,638 is referenced to ScottMadden's supporting
17 schedules to Exhibit R.⁸, noted as Depreciated Original Cost (Net Book Value).

18
19 **Q. ON PAGE 4 OF MR. WALKER'S REBUTTAL TESTIMONY, HE**
20 **ASSERTED THAT YOU DID NOT PERFORM AN APPRAISAL OF THE**

⁶ OSBA Calculation ($\$1,115,655 \times 14.5\% = \$168,148$). from Mr. Packer's Rebuttal Testimony, Table on Page 8.

⁷ OSBA Calculation ($\$20.4M/\$45.6M = 45\%$, $\$1,155,655 \times (1-45\%) = -\$638,651$, $\$168,131 - \$638,131 = \$517,004$), from Mr. Packer's Rebuttal Testimony, Table on Page 8.

⁸ Supporting MS Excel worksheets to Exhibit R - ScottMadden Valuation, Excel worksheet Tab 1.1 Cost Approach Summary.

1 **AUTHORITY’S WASTEWATER SYSTEM ASSETS. WHAT WAS THE**
2 **NATURE OF YOUR ANALYSIS OF THE APPRAISALS THAT WERE**
3 **CONDUCTED?**

4 A. Mr. Packer is correct that we did not conduct an appraisal of the system assets, as
5 we were not engaged to do so. In our role with the OSBA, we conducted an
6 assessment of the appraisals of Gannett Fleming and ScottMadden. In our review,
7 we noted variables and assumptions used in the Income Approach that are not
8 reflective of the forecast operating realities of the GSA system over the next 10+
9 years, specifically referring to the capital expenditures (“CAPEX”) that are
10 proposed to be necessary to upgrade the system, and the rates that would need to
11 be charged to GSA customers for system services.

12
13 For instance, in ScottMadden’s Income approach, the valuation was based on an
14 unrealistic scenario of CAPEX of \$46.4 million from 2024 to 2026 and assumed
15 20% revenue increases until 2029, with 6% increases thereafter.⁹

16
17 Gannett Fleming’s Income Approach reflects inadequate annual CAPEX
18 estimates for post-2023 years based on estimates of 1.61% of prior year-end gross
19 GSA property, plant and equipment¹⁰. This assumption results in a total 10-year
20 capital expenditure (2024 to 2033) of only \$4,055,146. Revenues are escalated

⁹ CAPEX and Revenue growth calculated by OSBA from Exhibit R, ScottMadden Valuation Report, Schedule 3 Pages 1-3, PDF Pages 301–303.

¹⁰ Exhibit Q, Gannett Fleming Valuation Report, Exhibit 16, Page 6, PDF Page 151.

1 from \$1,402,964 in 2022 to \$4,448,905 in 2029. With equal annual increases in
2 revenue, this reflects an annual average growth rate of 18.1%¹¹.

3

4 While the valuations may meet the criteria established in Section 1329 of
5 14 the Pennsylvania Public Utility Code (“Code”), 66 Pa. C.S. § 1329
6 (“Determination of the fair market value of water and wastewater assets”), these
7 estimates and assumptions do not reflect necessary or advisable levels of
8 expenditure or rate increases. The valuation results would differ with realistic
9 estimates and assumptions, and therefore set a different benchmark for
10 consideration of Aqua and GSA in the negotiation of the purchase price. This
11 conclusion also pertains to the date of the appraisals. The valuation date of May
12 31, 2023, incorporates key inputs and calculations that are now 14 months old.

13

14 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

15 **A.** Yes, it does.

¹¹ CAPEX and Revenue growth calculated by OSBA from Exhibit Q, Gannett Fleming Valuation Report, Exhibit 16, Pages 1-3, PDF Pages 146-148.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Aqua Pennsylvania : **Docket No. A-2023-3041695**
Wastewater, Inc. Pursuant to Sections :
1102 and 1329 of the Public Utility Code, :
for approval of the Acquisition by Aqua of :
the wastewater system Assets of the :
Greenville Sanitary Authority Situated :
within the Borough of Greenville, :
Hempfield Township, and West Salem :
Township, Mercer County, Pennsylvania :
:

VERIFICATION

I, Jason Hails, hereby state that the facts set forth in my Surrebuttal Testimony labelled OSBA Statement No. 1-S, 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 19 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: August 8, 2024



Jason Hails

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Aqua Pennsylvania	:	Docket No. A-2023-3041695
Wastewater, Inc. Pursuant to Sections	:	
1102 and 1329 of the Public Utility Code,	:	
for approval of the Acquisition by Aqua of	:	
the wastewater system Assets of the	:	
Greenville Sanitary Authority Situated	:	
within the Borough of Greenville,	:	
Hempfield Township, and West Salem	:	
Township, Mercer County, Pennsylvania	:	
	:	

VERIFICATION

I, Roger Cathcart, hereby state that the facts set forth in my Surrebuttal Testimony labelled OSBA Statement No. 1-S, 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 19 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: August 8, 2024



Roger Cathcart