

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

**Application of Aqua Pennsylvania
Wastewater, Inc. for Approval
of the Acquisition of Greenville**

**Public Meeting held December 12, 2024
3041695-OSA
Docket No. A-2023-3041695**

STATEMENT OF CHAIRMAN STEPHEN M. DeFRANK

Before the Commission is the Recommended Decision and Exceptions thereto in the Application of Aqua Pennsylvania Wastewater, Inc. (Aqua) for Approval to Acquire Greenville Sanitary Authority (GSA). The Application was filed pursuant to 66 Pa.C.S. §§ 1102 and 1329. GSA is located in Greenville Borough, Mercer County, where it serves 2,281 customers. GSA also provides bulk treatment service to Hempfield Township and West Salem Township. GSA's system has a depreciated original cost of \$6.8 million. The Application seeks approval of an Asset Purchase Agreement valuing GSA's assets at \$18 million.

When reviewing 1329 applications the Commission must determine whether or not the acquisition results in an overall affirmative public benefit. This analysis is unique for each application insofar as we must compare all the potential harms, such as rate increases for the acquired entity and the acquiring utility, with all the purported benefits, including improvements in service, security, and operations, as well as financial support for the acquired entity.

There is no doubt that this acquisition, if approved, will increase rates to GSA customers. However, I assert that such rate increases are necessary and prudent since the record here indicates GSA is indeed a distressed utility. According to the Greenville Borough (Greenville), GSA has only performed reactive maintenance. Greenville further states the GSA assets are past their life expectancy and in need of replacement or major repair. GSA requires a complete overhaul of its system to address a Consent Order and Agreement (COA) entered into with the Department of Environmental Protection entailing \$46 million in required capital investment. Compounding this challenging situation are the financial circumstances of Greenville Borough, which just recently worked its way out of Act 47 distressed status after 21 years, exiting that status only in November of last year. As GSA states in its Main Brief, the sale "*[s]ecures future financial stability for the Borough and its residents and provides flexibility to make necessary future capital investments within the Borough.*"¹

Aqua indicates it will remedy the COA issues at approximately half the cost projected by GSA, generating savings of approximately \$20 million. Further, Aqua has exhibited plans to

- modernize GSA's operations and billing,
- update GSA's physical and cyber security hygiene,
- provide payment assistance for income eligible customers, and
- increase contributions to its hardship fund by an additional \$25,000 for three years.


I further note that GSA's existing monthly residential wastewater bills are approximately \$28 a month. This is roughly 25% to 30% of the monthly residential tariffed bills for the major regulated

¹ GSA Main Brief, page 8.

wastewater utilities the Commonwealth. As such, while rate increases will result from this transaction, such increases are indeed required to ensure safe and reasonable service and will still result in GSA rates below those of other regulated customers in the Commonwealth.

I contend that all these factors, as exhibited on the record, cumulate to a net overall affirmative public benefit. This substantiates the use of the 1329 fair market valuation to facilitate the distressed GSA's and formerly distressed Greenville Borough's exit from wastewater utility operations.

December 12, 2024
Date



Stephen M. DeFrank
Chairman