



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET, HARRISBURG, PA 17120

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

March 31, 2025

Via Electronic Filing

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

Re: Application of Aqua Pennsylvania Wastewater, Inc. Pursuant to Sections 507, 508, 1102 and 1329 of the Public Utility Code for Approval of its Acquisition of the Wastewater System Assets of the City of Beaver Falls
Docket No. A-2022-3033138
I&E Pre-Served Testimony, Exhibits, and Verifications

Dear Secretary Chiavetta:

Enclosed for electronic filing please find the Bureau of Investigation and Enforcement's Pre-Served Testimony, Exhibits, and Verification Statements in the above-captioned proceeding. The following documents were admitted into the record via Administrative Law Judge F. Joseph Brady's Order Granting Joint Stipulation for Admission of Evidence that was issued on March 28, 2025:

Christopher Keller:	I&E Statement No. 1	I&E Exhibit No. 1 (w/ Verification)
Ethan H. Cline:	I&E Statement No. 2	I&E Exhibit No. 2 (w/ Verification)
Christopher Keller:	I&E Statement No. 1-SR (w/ Verification)	
Ethan H. Cline:	I&E Statement No. 2-SR (w/ Verification)	

Copies of this letter are being served on parties per the attached Certificate of Service. Should you have any questions, please do not hesitate to contact me.

Sincerely,

Carrie B. Wright
Deputy Chief Prosecutor
Bureau of Investigation and Enforcement
PA Attorney ID No. 208185
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carwright@pa.gov

CBW/ac
Enclosures

cc: Administrative Law Judge F. Joseph Brady (*Cover Letter and Certificate of Service only - via email*)
Pamela McNeal, Legal Assistant (*Cover Letter and Certificate of Service only - via email*)
Per Certificate of Service (*Cover Letter and Certificate of Service only - via email*)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Aqua Pennsylvania :
Wastewater, Inc. Pursuant to Sections :
507, 508, 1102 and 1329 of the Public : Docket No. A-2022-3033138
Utility Code for Approval of its :
Acquisition of the Wastewater System :
Assets of the City of Beaver Falls :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Letter Regarding Pre-Served
Testimony, Exhibits, and Verification Statements** dated March 31, 2025, in the manner and
upon the persons listed below:

Served via Electronic Mail Only

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**I&E Statement No. 1
Witness: Christopher Keller**

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

**Application of Aqua Pennsylvania Wastewater, Inc. Pursuant to Sections
507, 508, 1102 and 1329 of the Public Utility Code for Approval of its
Acquisition of the Wastewater System Assets of the City of Beaver Falls**

Docket No. A-2022-3033138

Direct Testimony

of

Christopher Keller

Bureau of Investigation & Enforcement

Concerning:

**Summary of 66 Pa. C.S. § 1102 and 66 Pa. C.S. § 1329
Easements and Other Property Rights
Potential Future Rate Impact Implications**

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1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Christopher Keller. My business address is Pennsylvania Public
4 Utility Commission, Commonwealth Keystone Building, 400 North Street,
5 Harrisburg, PA 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) in
9 the Bureau of Investigation & Enforcement (I&E) as a Fixed Utility Financial
10 Analyst.

11

12 **Q. WHAT IS YOUR EDUCATION AND EMPLOYMENT BACKGROUND?**

13 A. An outline of my education and employment history is attached as Appendix A.

14

15 **Q. PLEASE DESCRIBE THE ROLE OF I&E IN RATE PROCEEDINGS.**

16 A. I&E is responsible for protecting the public interest in proceedings before the
17 Commission. I&E's analysis in the proceedings is based on its responsibility to
18 represent the public interest. This responsibility requires the balancing of the
19 interests of ratepayers, the regulated utility, and the regulated community as a
20 whole.

1 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

2 A. The purpose of my direct testimony is to address issues related to the application
3 of Aqua Pennsylvania Wastewater, Inc. (Aqua) for approval of the acquisition of
4 the wastewater collection and conveyance system (wastewater system) assets of
5 the City of Beaver Falls (Beaver Falls) in Beaver County, Pennsylvania.
6 Specifically, I am addressing the easements and other property rights and the
7 potential future rate implications.

8
9 **Q. DOES YOUR TESTIMONY INCLUDE AN EXHIBIT?**

10 A. Yes. I&E Exhibit No. 1 contains schedules that support my direct testimony.
11

12 **Q. WHAT IS AQUA REQUESTING IN THIS APPLICATION?**

13 A. First, under 66 Pa. C.S. §§ 1102 and 1329, Aqua is requesting approval to acquire
14 Beaver Falls' wastewater system assets and the right to begin furnishing
15 wastewater service in the areas currently served by Beaver Falls.¹ Second, under
16 66 Pa. C.S. § 1329 (Section 1329), Aqua is seeking to utilize the fair market value
17 to establish the ratemaking rate base of \$41,250,000 for Beaver Falls' wastewater
18 system assets based on the negotiated purchase price.² Finally, under 66 Pa. C.S.
19 § 507, Aqua is seeking approval for (a) the Asset Purchase Agreement dated
20 October 20, 2021 entered between Aqua and Beaver Falls, and (b) the assignment

¹ Aqua Application, p. 2.

² Aqua Application, p. 6.

1 of sewage conveyance and/or treatment agreements (including addendums to the
2 agreements) entered among Beaver Falls and other municipal authorities.³

3
4 **SUMMARY OF 66 PA. C.S. § 1329 AND 66 PA. C.S. § 1102**

5 **Q. WHAT TYPE OF FAIR MARKET VALUATION DOES SECTION 1329**
6 **ALLOW?**

7 A. Section 1329 allows consideration of the fair market valuation of two independent
8 utility valuation experts (UVEs) in the acquisition of water and wastewater
9 systems owned by a municipal corporation or authority. One UVE is selected by
10 the buyer and the other is selected by the seller. Each valuation must be made in
11 compliance with the Uniform Standards of Professional Appraisal Practice
12 (USPAP), employing the cost, market, and income approaches. Further, Section
13 1329 states that the ratemaking rate base of the selling utility shall be the lesser of
14 the negotiated purchase price or the fair market value of the selling utility.

15
16 **Q. HOW ARE FAIR MARKET VALUATIONS INCORPORATED INTO**
17 **SECTION 1102 APPLICATIONS?**

18 A. The results of the UVEs' analyses are incorporated into the Section 1102
19 application for a certificate of public convenience to be submitted to the
20 Commission for approval.⁴

³ Aqua Application, pp. 6-7 and pp. 20-22.

⁴ http://www.puc.pa.gov/filing_resources/issues_laws_regulations/section1329_applications.aspx, (accessed on January 22, 2025).

1 **EASEMENTS AND OTHER PROPERTY RIGHTS**

2 **Q. DID AQUA INDICATE THAT IT IDENTIFIED ALL REAL ESTATE,**
3 **INCLUDING LEASES, EASEMENT RIGHTS, AND ACCESS TO PUBLIC**
4 **RIGHTS-OF-WAY THAT MUST BE TRANSFERRED TO AQUA TO**
5 **FACILITATE AQUA’S OPERATION OF BEAVER FALLS’**
6 **WASTEWATER SYSTEM?**

7 A. No. In Aqua’s response to Standard Data Request No. 9,⁵ Aqua states that it is not
8 presently aware of any needed leases, easements, or access to public rights-of-way
9 that will not be transferred at closing, however, Aqua states that they are working
10 with the abstractor reviewing real property records to determine if any easements
11 are needed, including the Eastvale Pump Station and is trying to identify the
12 counterparty entity to a capital lease agreement from 2014.

13 Additionally, in response to I&E-II-20,⁶ Aqua states that while Beaver Falls
14 is currently able to convey or assign certain express easements to Aqua over city-
15 owned properties and rights-of-way, Beaver Falls still needs to acquire and
16 confirm its existing property interests in certain easements and/or properties where
17 pipes or other facilities exist outside of the public right-of-way but there are no
18 express easements on record. Aqua states that Beaver Falls is currently in the
19 process of developing easement documents for existing sewer line locations where
20 existing easements were not discovered. Finally, Aqua states that the Eastvale

⁵ Aqua Filing, Exhibit AA.
⁶ I&E Exhibit No. 1, Schedule 1.

1 Pump Station, which is owned by Beaver Falls, is located on a paper street and is
2 currently surveying the area and developing an easement plat and in the process of
3 developing a quiet title action where the pump station is located.
4

5 **Q. WHAT IS YOUR RECOMMENDATION REGARDING MISSING**
6 **EASEMENTS AND OTHER PROPERTY RIGHTS?**

7 A. I recommend that the Commission condition the approval of Aqua's Application
8 that the closing of the transaction not be permitted to occur unless and until Beaver
9 Falls has (1) identified all missing easements including rights-of-way and other
10 property rights; (2) taken any and all necessary actions to obtain the missing
11 easements and other property rights so that they may be conveyed to Aqua at
12 closing; and (3) borne all costs and expenses for obtaining and conveying the
13 missing easements and other property rights so that Aqua's ratepayers are not
14 burdened with those costs.

15 Additionally, I recommend that the Commission condition the approval of
16 Aqua's Application that for circumstances beyond Beaver Falls' control where it
17 is unable to transfer all missing easements including rights-of-way and other
18 property rights before or at the closing of the transaction, Aqua and Beaver Falls
19 may at their discretion close the transaction without the transfer of missing
20 easements and other property rights, provided that an escrow account be
21 established of an appropriate dollar amount from the purchase price to be used to
22 obtain any post-closing transfers of the easements and other real property rights.

1 **Q. WHAT IS THE BASIS OF YOUR RECOMMENDATION?**

2 A. Adopting the above condition is necessary to ensure that the UVEs' assumptions
3 that all necessary land rights would be conveyed to Aqua at closing are accurate. I
4 note that Section 6.05 (Easements) of the Asset Purchase Agreement⁷ provides a
5 process for identification and conveyance of property easements and other
6 property rights, however, in Section 6.05(f) (Unscheduled Property) of the Asset
7 Purchase Agreement,⁸ Aqua and Beaver Falls have acknowledged that Beaver
8 Falls may own interests in or have the legal right to use or occupy the real property
9 and easements that are necessary or essential to the operation of the wastewater
10 system and that are not specifically identified in Schedule 4.09 (Unscheduled Real
11 Property) of the Asset Purchase Agreement. Therefore, it is essential that the
12 Commission accept my recommendation to ensure that ratepayers are protected
13 from the uncertainty and the costs of acquiring the missing easements and other
14 property rights necessary for Aqua's operation of Beaver Falls' wastewater
15 system.

⁷ Aqua Filing, Exhibit B, pp. 28-30.

⁸ Aqua Filing, Exhibit B, p. 30.

1 **POTENTIAL FUTURE RATE IMPACT IMPLICATIONS**

2 **Q. DO YOU HAVE ANY CONCERNS REGARDING THE FUTURE RATE**
3 **IMPACT FOR BEAVER FALLS CUSTOMERS IF THE ACQUISITION IS**
4 **APPROVED BY THE COMMISSION?**

5 A. Yes. I am concerned about the potential rate impact on Beaver Falls’ customers if
6 this acquisition is approved by the Commission for two reasons. First, the cost of
7 capital for capital improvements to Beaver Falls’ system will be significantly
8 higher if they are to be recovered through rates by Aqua rather than by Beaver
9 Falls. Second, if the acquisition of Beaver Falls by Aqua is approved by the
10 Commission, Beaver Falls customers’ rates would include the recovery of federal
11 and state taxes as well as depreciation, which is currently not the case for Beaver
12 Falls customers.

13
14 **Q. WHAT WOULD BE THE IMPACT OF THE ESTIMATED CAPITAL**
15 **IMPROVEMENTS OVER THE NEXT TEN YEARS TO BEAVER FALLS’**
16 **SYSTEM IF THEY WERE PERFORMED BY AQUA OR BEAVER**
17 **FALLS?**

18 A. Aqua estimates it will invest approximately \$10,200,000 in capital projects over
19 the next ten years to improve Beaver Falls’ system.⁹ Aqua used a weighted
20 average cost of capital of 7.24% in calculating the revenue deficiency and overall

⁹ Aqua Statement No. 2, p. 8.

1 impact on customers in the proposed transaction.¹⁰ In comparison, Aqua’s fair
2 market valuation report prepared by ScottMadden, Inc. (ScottMadden) used
3 weighted average cost of capital (WACC) of 6.62% for Beaver Falls.¹¹ It should
4 be noted that the WACC for Beaver Falls is a hypothetical capital structure which
5 includes common equity even though a municipality’s only source of capital is
6 debt where ScottMadden used 3.04%.¹²

7 The example below illustrates the impact of the cost of capital for Aqua and
8 Beaver Falls (excluding the cost of common equity for Beaver Falls):

9

Company	Cost of Capital	Estimated Capital Improvements Over the Next 10 Years	Impact
Aqua	7.24%	\$10,200,000	\$738,480
Beaver Falls	3.04%	\$10,200,000	<u>\$310,080</u>
Difference			<u>\$428,400</u>

10 In this example, the cost of capital for improvements to Beaver Falls’ system over
11 the next ten years would be \$428,400 higher if it were performed by Aqua rather
12 than by Beaver Falls. This is primarily because debt is the only source of capital for
13 Beaver Falls (a municipality) compared to Aqua (an investor owned utility) which
14 utilizes both common equity and debt resulting in a substantially higher cost of
15 capital.

¹⁰ Aqua Statement No. 1, Appendix A, p. 1.

¹¹ Aqua Exhibit Q, Appendix H, p. 1.

¹² Aqua Exhibit Q, Appendix H, p. 1.

1 In fact, this cost disparity becomes even greater when the Aqua return is
2 grossed up for the tax impact that is not attributable to a municipality. Using the tax
3 gross up factor from Aqua's most recent base rate case of 1.39073¹³ increases the
4 impact of \$738,480 of plant additions to \$1,027,026 ($\$738,480 \times 1.39073$), which
5 increases the difference by \$716,946 ($\$1,027,026 - \$310,080$).

6
7 **Q. HOW WOULD TAXES AND DEPRECIATION IMPACT BEAVER FALLS**
8 **CUSTOMERS' RATES IF THE ACQUISITION OF BEAVER FALLS BY**
9 **AQUA IS APPROVED BY THE COMMISSION?**

10 A. Municipalities such as Beaver Falls do not pay federal and state income taxes unlike
11 Aqua which does pay federal and state taxes as an investor-owned utility. If Beaver
12 Falls is acquired by Aqua, Aqua's federal and state taxes would then be recovered in
13 rates from Beaver Falls' customers. Additionally, annual depreciation is also
14 included in rates for investor-owned utilities such as Aqua, but this is not the case for
15 municipal owned utilities like Beaver Falls. Finally, Aqua would earn both a return
16 *on* its investment through a rate of return which includes common equity for Aqua as
17 well as a return *of* its investment through depreciation, which neither is the case for
18 Beave Falls. Therefore, if the Commission approves the acquisition, Beaver Falls
19 customers' rates would increase to cover state and federal taxes as well as annual
20 depreciation in rates in a future base rate case filing.

¹³ Docket Nos. R-2024-3047822 and R-2024-3047824. Aqua Exhibit 1-A, Schedule A-5, line 14.

1 **Q. ARE YOU MAKING ANY RECOMMENDATIONS REGARDING YOUR**
2 **CONCERNS ABOUT THE FUTURE RATE IMPACTS IF THE**
3 **ACQUISITION IS APPROVED BY THE COMMISSION?**

4 A. No. While I am not making a recommendation for the Commission to deny the
5 application for Aqua to acquire Beaver Falls' system, I believe it is important to
6 remind all parties, including the Commission, of the potential impact of the
7 acquisition on Beaver Falls and Aqua customer rates. I&E witness Ethan Cline
8 discusses potential rate impacts in I&E Statement No. 2.

9
10 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

11 A. Yes.

Professional and Educational Experience
Christopher Keller

Professional Experience

January 2014 to Present
Fixed Utility Financial Analyst
Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania
Bureau of Investigation & Enforcement

September 2008 to January 2014
Insurance Company Financial Analyst
Pennsylvania Insurance Department, Harrisburg, Pennsylvania
Bureau of Licensing & Financial Analysis

Education and Training

FAI Utility Finance and Accounting for Financial Professionals, Boston, MA
May 21-23, 2014

York College of Pennsylvania, York, Pennsylvania
Master of Business Administration, Finance Concentration, 2008
Bachelor of Science, Accounting, 2006

Testimony Submitted

I have testified and/or submitted testimony in the following proceedings:

- Docket No. P-2024-3051313 – Rock Spring Water Company (529 Investigation)
- Docket No. R-2024-3047822 – Aqua Pennsylvania, Inc. (ROR)
- Docket No. R-2024-3047824 – Aqua Pennsylvania Wastewater, Inc. (ROR)
- Docket No. M-2023-3042180 - Venango Water Company, Sugarcreek Water Company, West Hickory Water Company, Plumer Water Company, Fryburg Water Company, Cooperstown Water Company, and Blaine E. Rhodes Sewer Company (529 Investigation)
- Docket No. R-2024-3048828 – UGI Utilities, Inc. – Gas Division (1307(f))
- Docket No. R-2024-3046932 – PECO Energy Company – Gas Division (O&M)
- Docket No. R-2024-3046523 – Duquesne Light Company (ROR)
- Docket No. R-2023-3044549 – Peoples Natural Gas Company LLC (O&M)
- Docket No. R-2023-3040258 – Columbia Water Company (O&M and ROR)
- Docket No. R-2023-3040290 – UGI Utilities, Inc. – Gas Division (1307(f))
- Docket No. R-2022-3037368 – UGI Utilities, Inc. – Electric Division (O&M)
- Docket No. R-2022-3035730 – National Fuel Gas Distribution Corporation (O&M)
- Docket No. R-2022-3031340 – York Water Company – Water (ROR)
- Docket No. R-2022-3032806 – York Water Company – Wastewater (ROR)
- Docket No. R-2022-3032300 – Valley Energy, Inc. (ROR)

**Professional and Educational Experience
Christopher Keller**

Testimony Submitted (Continued)

I have testified and/or submitted testimony in the following proceedings:

- Docket No. R-2022-3031704 – Borough of Ambler – Water Department (ROR)
- Docket No. R-2022-3032242 – UGI Utilities, Inc. – Gas Division (1307(f))
- Docket No. R-2022-3031211 – Columbia Gas of Pennsylvania, Inc. (ROR)
- Docket No. A-2021-3026132 – Aqua Pennsylvania Wastewater, Inc. – Acquisition of the Wastewater Collection and Conveyance System Assets of East Whiteland Township (1329)
- Docket No. P-2021-3030012 – Metropolitan Edison Company (DSP)
- Docket No. P-2021-3030013 – Pennsylvania Electric Company (DSP)
- Docket No. P-2021-3030014 – Pennsylvania Power Company (DSP)
- Docket No. R-2024-3046932 – PECO Energy Company – Gas Division (ROR)
- Docket No. P-2021-3030021 – West Penn Power Company (DSP)
- Docket No. R-2021-3026116 – Borough of Hanover – Water (ROR)
- Docket No. R-2021-3025206 – Community Utilities of Pennsylvania – Water Division (ROR)
- Docket No. R-2021-3025207 – Community Utilities of Pennsylvania – Wastewater Division (ROR)
- Docket No. R-2021-3025652 – UGI Utilities, Inc. – Gas Division (1307(f))
- Docket No. R-2021-3024750 – Duquesne Light Company (O&M and ROR)
- Docket No. R-2021-3024296 – Columbia Gas of Pennsylvania, Inc. (ROR)
- Docket No. R-2020-3018929 – PECO Energy Company – Gas Division (ROR)
- Docket No. P-2020-3020914 – Twin Lakes Utilities, Inc. (529 Proceeding)
- Docket No. R-2020-3018835 – Columbia Gas of Pennsylvania, Inc. (ROR)
- Docket No. R-2020-3019680 – UGI Utilities, Inc. (1307(f))
- Docket No. P-2020-3019356 – PPL Electric Utilities Corporation (DSP)
- Docket No. R-2019-3015162 – UGI Utilities, Inc. – Gas Division (ROR)
- Docket No. R-2019-3010955 – City of Lancaster – Sewer Fund (O&M)
- Docket No. R-2019-3009647 – UGI Utilities, Inc. – Gas Division (1307(f))
- Docket No. R-2018-3006818 – Peoples Natural Gas Company LLC (O&M)
- Docket No. R-2018-3000124 – Duquesne Light Company (O&M)
- Docket No. R-2018-3001631 – UGI Central Penn Gas, Inc. (1307(f))
- Docket No. R-2018-3001632 – UGI Penn Natural Gas, Inc. (1307(f))
- Docket No. R-2018-3001633 – UGI Utilities, Inc. (1307(f))
- Docket No. R-2018-2645938 – Philadelphia Gas Works (1307(f))
- Docket No. P-2017-2637855 – Metropolitan Edison Company (DSP)
- Docket No. P-2017-2637857 – Pennsylvania Electric Company (DSP)
- Docket No. P-2017-2637858 – Pennsylvania Power Company (DSP)
- Docket No. P-2017-2637866 – West Penn Power Company (DSP)
- Docket No. R-2017-2602627 – UGI Central Penn Gas, Inc. (1307(f))

**Professional and Educational Experience
Christopher Keller**

Testimony Submitted (Continued)

I have testified and/or submitted testimony in the following proceedings:

- Docket No. R-2017-2602638 – UGI Utilities, Inc. (1307(f))
- Docket No. R-2017-2586783 – Philadelphia Gas Works (O&M)
- Docket No. R-2017-2587526 – Philadelphia Gas Works (1307(f))
- Docket No. I-2016-2526085 – Delaware Sewer Company (529 Proceeding)
- Docket No. R-2016-2531550 – Citizens' Electric Company (O&M)
- Docket No. R-2016-2531551 – Wellsboro Electric Company (O&M)
- Docket No. R-2016-2537349 – Metropolitan Edison Company (CWC and CAP)
- Docket No. R-2016-2537352 – Pennsylvania Electric Company (CWC and CAP)
- Docket No. R-2016-2537355 – Pennsylvania Power Company (CWC and CAP)
- Docket No. R-2016-2537359 – West Penn Power Company (CWC and CAP)
- Docket No. R-2016-2543311 – UGI Central Penn Gas, Inc. (1307(f))
- Docket No. R-2015-2518438 – UGI Utilities, Inc. – Gas Division (CWC and USP)
- Docket No. P-2015-2511333 – Metropolitan Edison Company (DSP)
- Docket No. P-2015-2511351 – Pennsylvania Electric Company (DSP)
- Docket No. P-2015-2511355 – Pennsylvania Power Company (DSP)
- Docket No. P-2015-2511356 – West Penn Power Company (DSP)
- Docket No. R-2015-2468056 – Columbia Gas of Pennsylvania, Inc. (O&M)
- Docket No. P-2014-2404341 – Delaware Sewer Company (529 Investigation)
- Docket No. R-2014-2452705 – Delaware Sewer Company (O&M)
- Docket No. R-2014-2428304 – Borough of Hanover – Water (O&M)
- Docket No. R-2014-2419774 – Wellsboro Electric Company (Customer Choice Support Charge)
- Docket No. R-2014-2420279 – UGI Central Penn Gas, Inc. (1307(f))

Assisted with the Following Cases

- Docket No. R-2017-2631441 – Reynolds Water Company (ROR)
- Docket No. R-2016-2580030 – UGI Penn Natural Gas, Inc. (ROR)
- Docket No. R-2014-2462723 – United Water Pennsylvania (CWC)
- Docket No. R-2014-2428742 – West Penn Power Company (CWC)
- Docket No. R-2014-2428743 – Pennsylvania Electric Company (CWC)
- Docket No. R-2014-2428744 – Pennsylvania Power Company (CWC)
- Docket No. R-2014-2428745 – Metropolitan Edison Company (CWC)
- Docket No. R-2013-2397353 – Pike County Light & Power Company (Gas) (O&M)
- Docket No. R-2013-2397237 – Pike County Light & Power Company (Electric) (O&M)

I&E Exhibit No. 1
Witness: Christopher Keller

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

**Application of Aqua Pennsylvania Wastewater, Inc. Pursuant to Sections
507, 508, 1102 and 1329 of the Public Utility Code for Approval of its
Acquisition of the Wastewater System Assets of the City of Beaver Falls**

Docket No. A-2022-3033138

Exhibit to Accompany

the

Direct Testimony

of

Christopher Keller

Bureau of Investigation and Enforcement

Concerning:

**Summary of 66 Pa. C.S. § 1102 and 66 Pa. C.S. § 1329
Easements and Other Property Rights
Potential Future Rate Impact Implications**

Respondent: Charles Jones, Jr.
Date: 04/29/2024

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2022-3033138

BUREAU OF INVESTIGATION AND ENFORCEMENT

SET II INTERROGATORIES

I&E-II-20 Reference Aqua Filing Exhibit B, Asset Purchase Agreement, Section 4.09 provisions regarding the transfer of the City of Beaver Falls' real estate including leases, easement rights, and access to public rights-of-way related to the system:

- A. State whether the City of Beaver Falls has identified all real estate, including leases, easement rights, and access to public rights-of-way that must be transferred to Aqua to facilitate Aqua's operation of the City of Beaver Falls' wastewater system.
- B. If the City of Beaver Falls has identified all real estate, including leases, easement rights, and access to public rights-of-way that must be transferred to Aqua to facilitate Aqua's operation of the City of Beaver Falls' wastewater system, state whether it has the present ability to transfer everything to Aqua. If not, explain why not.
- C. If the City of Beaver Falls has not identified all real estate, including leases, easement rights, and access to public rights-of-way that must be transferred to Aqua to facilitate Aqua's operation of the City of Beaver Falls' wastewater system, explain why not and provide the anticipated date that identification will be complete.

RESPONSE

- A. Yes. Additional field survey work has begun to identify the specific location of certain sewer pipes crossing private property. Those properties over which the pipes are located have all been identified.
- B. The City of Beaver Falls is presently able to convey/assign certain recorded express easements to Aqua as well as easements over City-owned properties and public rights-of-way. However, the City must still acquire and/or otherwise confirm its existing property interests in certain easements and/or properties where pipes or other facilities exist outside of the public right-of-way but there are no express easements of record. The City is currently in the

process of developing easement documents for existing sewer line locations where existing easements were not discovered.

The Eastvale Pump Station owned by Beaver Falls is located in Eastvale Borough. The pump station is located on a paper street in Eastvale. Beaver Falls is currently surveying the area and developing an easement plat. Beaver Falls is in the process of developing a quiet title action for the property that the pump station is on.

C. Not applicable.

**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-2022-3033138
Code for Approval of its Acquisition of the :
Wastewater System Assets of the City of :
Beaver Falls :

VERIFICATION OF CHRISTOPHER KELLER

I, **Christopher Keller**, on behalf of the Bureau of Investigation and Enforcement, hereby verify that the **I&E Statement No. 1**, and **I&E Exhibit No. 1**, 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 Harrisburg, Pennsylvania, this 12th day of February 2025.

/s/ Christopher Keller
Christopher Keller

**I&E Statement No. 2
Witness: Ethan H. Cline**

**Application of Aqua Pennsylvania Wastewater, Inc. Pursuant to Sections 507, 1102,
and 1329 of the Public Utility Code for its Acquisition of the Wastewater System
Assets of Beaver Falls**

Docket No. A-2022-3033138

Direct Testimony

of

Ethan H. Cline

Bureau of Investigation and Enforcement

Concerning:

**Potential Rate Impact
Distribution System Improvement Charge
Cost of Service Study**

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1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Ethan H. Cline. My business address is Pennsylvania Public Utility
4 Commission, 400 North Street, Harrisburg, PA 17120.

5

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

7 A. I am employed by the Pennsylvania Public Utility Commission in the Bureau of
8 Investigation and Enforcement (“I&E”) as a Fixed Utility Valuation Engineer.

9

10 **Q. WHAT IS YOUR EDUCATION AND EMPLOYMENT EXPERIENCE?**

11 A. An outline of my education and employment experience is attached as
12 Appendix A.

13

14 **Q. PLEASE DESCRIBE THE ROLE OF I&E IN RATE PROCEEDINGS.**

15 A. I&E is responsible for representing the public interest in rate and other
16 proceedings before the Commission. I&E's analysis in this proceeding is based on
17 its responsibility to represent the public interest. This responsibility requires the
18 balancing of the interests of ratepayers, the utility company, and the regulated
19 community as a whole.

20

21 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

22 A. The purpose of my direct testimony is to address regulatory issues relating to the

1 Application (“Application” or “Transaction”) of Aqua Pennsylvania Wastewater,
2 Inc. (“Aqua” or “Company”) for approval of its acquisition of the wastewater
3 system assets of Beaver Falls (“Beaver Falls”), related wastewater service rights,
4 fair market valuation ratemaking treatment, accrual and deferral of certain post-
5 acquisition improvement costs, and certain contracts with municipal corporations.
6

7 **Q. DOES YOUR DIRECT TESTIMONY INCLUDE AN EXHIBIT?**

8 A. Yes. I&E Exhibit No. 2 contains an exhibit in support of my direct testimony.
9

10 **Q. WHAT IS AQUA REQUESTING IN THIS APPLICATION?**

11 A. Under 66 Pa. C.S. § 1102 (“Section 1102”), Aqua is requesting approval to
12 acquire the Beaver Falls wastewater collection system and for the right to begin
13 providing wastewater service in the areas currently served by Beaver Falls.
14 Additionally, under 66 Pa. C.S § 1329 (“Section 1329”), Aqua is seeking to utilize
15 the purchase price of \$41,250,000 for the ratemaking rate base of Beaver Falls
16 assets. The \$41,250,000 purchase price is slightly less than the fair market value
17 of \$42,245,674. Aqua is first asking that the Commission approve its acquisition
18 agreement between the City of Beaver Falls and Aqua. As noted in the
19 Application, Beaver Falls accepts wastewater flow into its collection system from
20 seven municipalities including North Sewickley Township, Patterson Township,
21 West Mayfield Borough, White Township, Patterson Heights Borough, Big
22 Beaver Municipal Authority, and Eastvale Borough (collectively, “Contributing

1 Municipalities”). The Company is seeking to negotiate pro forma agreements with
2 all Contributing Municipalities, both those that had existing agreements and those
3 that did not, to establish the same arrangements for rates and services.

4 Contributing Municipalities that do not enter into a negotiated agreement with
5 Aqua will be charged the bulk rate set forth in Aqua’s tariff supplement. If the
6 negotiation with the Contributing Municipalities changes the proposed agreement,
7 the Company will provide any updated agreement for review, and the final form of
8 the agreement will be supplied to the Commission for approval under Section 507.
9 (Aqua St. No. 1, pp. 22-24).

10
11 **Q. WHY DOES AQUA NEED APPROVAL OF THE ACQUISITION UNDER**
12 **SECTION 1102?**

13 A. Section 1102 requires the Commission to issue a Certificate of Public
14 Convenience prior to the Company acquiring the wastewater assets of Beaver
15 Falls and providing wastewater service in Beaver Falls’s service territory. The
16 Commission will only grant a Certificate of Public Convenience if it determines
17 that such a certificate is "necessary or proper for the service, accommodation,
18 convenience or safety of the public.” (66 Pa. C.S. § 1103(a)). Further, “the
19 Commission, in granting such certificate, may impose such conditions as it may
20 deem to be just and reasonable.” (66 Pa. C.S. § 1103(a)).

1 **Q. WHAT DOES 66 Pa. C.S. § 1329 ALLOW?**

2 A. Section 1329 allows investor-owned water and wastewater utilities to use the fair
3 market valuation in the acquisition of water and wastewater systems that are
4 owned by a municipal corporation or authority. Using the Section 1329
5 framework enables the investor-owned utility to establish the ratemaking rate base
6 of the acquired property in the same proceeding that it seeks to acquire the
7 property.

8
9 **Q. WHAT DOES THE FAIR MARKET VALUE APPROACH REQUIRE?**

10 A. The fair market valuation approach dictates that once the buyer and the seller
11 agree to its use, they must engage the services of a licensed engineer to assess the
12 tangible assets of the seller. The licensed engineer assessment is then presented to
13 two utility valuation experts (“UVE”), one to represent the buyer and one to
14 represent the seller, to conduct independent analyses based on the Uniform
15 Standards of Professional Appraisal Practice, employing the cost, market, and
16 income approaches. The results of the UVEs’ analyses are then incorporated into
17 the application submitted to the Commission for approval under Section 1329 of
18 the Code.¹ For ratemaking purposes, the valuation will be the lesser of the fair
19 market value or the negotiated purchase price. Finally, Section 1329 allows the
20 acquiring public utility’s post-acquisition improvement costs not recovered

¹ http://www.puc.pa.gov/filing_resources/issues_laws_regulations/section1329_applications.aspx.

1 through a distribution system improvement charge (“DSIC”) to be deferred for
2 book and ratemaking purposes.

3
4 **Q. WHAT ISSUES WILL YOU ADDRESS IN YOUR DIRECT TESTIMONY?**

5 A. My direct testimony will address the potential rate impact on Beaver Falls customers,
6 the Company’s proposal regarding the DSIC and the necessity of requiring Aqua to
7 undertake a separate Cost of Service Study for the Beaver Falls system in its next
8 base rate case.

9
10 **Q. WHAT IS I&E’S OVERALL RECOMMENDATION REGARDING THE**
11 **ACQUISITION?**

12 A. I&E’s overall recommendation is that the Commission approve Aqua’s Application
13 on the condition that Aqua’s amended Long-Term Infrastructure Improvement Plan
14 (“LTIIIP”) to include the Beaver Falls system be filed within 90 days of the Closing,
15 Aqua not include Beaver Falls system-related investments in its DSIC unless and
16 until the DSIC is charged to Beaver Falls customers, and the inclusion of a separate
17 cost of service study in the next base rate case as I discuss below.

1 **CURRENT AND POTENTIAL FUTURE RATE IMPACT**

2 **Q. DOES THE APPLICATION INCLUDE ANY PROVISIONS REGARDING**
3 **CURRENT RATES AND WHEN THESE CURRENT RATES COULD**
4 **INCREASE?**

5 A. Yes. As described by Aqua witness Packer, on page 10 of Aqua St. No. 1, Section
6 7.04(a) of the APA provides that Aqua will not propose to increase Beaver Fall’s
7 base rates until the next Aqua base rate case. The Company stated that it will
8 continue to bill customers on a quarterly and monthly basis, including the
9 Contributing Municipalities, who are billed quarterly with the exception of North
10 Sewickley Township, which is billed monthly. After closing, Aqua will apply its
11 then-existing miscellaneous fees and charges in the Company’s tariff (Aqua St.
12 No. 1, pp. 10-12).

13
14 **Q. DO YOU OPPOSE THIS PROPOSAL NOT TO INCREASE PRESENT**
15 **RATES UNTIL THE NEXT RATE CASE OR THE TRANSITION TO**
16 **MONTHLY BILLING?**

17 A. I do not.

18
19 **Q. DOES THE APPLICATION DESCRIBE ANY POTENTIAL FUTURE**
20 **RATE INCREASES?**

21 A. Yes. According to the estimate provided by the Company the average bill for a
22 Beaver Falls residential customer could increase from the existing \$97.24 per

1 quarter to \$266.52 per quarter which equates to an increase of \$169.28 per quarter
2 or 174.09% under the assumption that Beaver Falls assumes one hundred percent
3 of the revenue requirement generated by that system, that is with no subsidy being
4 provided by Aqua water customers (Aqua St. No. 1, p. 18).

5
6 **Q. DOES THE 174.09% INCREASE DESCRIBED BY AQUA REPRESENT**
7 **THE MAXIMUM INCREASE THAT COULD BE EXPERIENCED BY**
8 **BEAVER FALLS CUSTOMERS ONCE THEY ARE ACQUIRED?**

9 A. No. After the present acquisition was filed, Aqua filed a request for an increase in
10 base rates at Docket Nos. R-2024-3047822 and R-2024-3047824 that was
11 approved by the Commission on February 6, 2025. Therefore, the difference
12 between the present rates of Beaver Falls and the effective rates of the Company
13 will be even larger than the 174.09% difference described in Aqua Statement No.
14 1. Additionally, the target rates for consolidation of Beaver Falls into Rate Zone 1
15 will be even larger as Beaver Falls rates will not be increased until Aqua files yet
16 another base rate increase sometime in the future. While I recognize that it is
17 unlikely that any party will propose the Beaver Falls rates be set equal to Aqua's
18 Rate Zone 1 rates in the first base rate case after closing, it is important to note that
19 the Beaver Falls customers are likely to experience significant rate increases over
20 the next several base rate cases as their rates "catch up" with Aqua's Rate Zone 1
21 rates.

1 **DESCRIPTION OF THE SYSTEM**

2 **Q. PLEASE DESCRIBE THE BEAVER FALLS SYSTEM.**

3 A. Beaver Falls currently provides wastewater collection and treatment service to
4 approximately 3,190 customers in the City and provides transmission and treatment
5 service for seven contributory municipalities / municipal authorities, a system that
6 includes, but is not limited to, collection and conveyance assets, pumping stations,
7 manholes, and land and land rights (Aqua St. No. 1, p. 8). Beaver Falls currently
8 accepts flows but does not own any of the collection and conveyance sewers, of the
9 Contributing Municipalities (Aqua St. No. 4, pp. 4-5). The assets that Aqua is
10 seeking to purchase from Beaver Falls consist of approximately 36.3 miles of pipe
11 and a treatment plant with a hydraulic design capacity of 4.8 million gallons per day.
12 (Aqua St. No. 4, p. 5).

13

14 **Q. WHAT IS THE CONDITION OF BEAVER FALLS' WASTEWATER**
15 **COLLECTION AND CONVEYANCE ASSETS?**

16 A. Aqua witness Bubel details, on pages 9-13 of Aqua Statement No. 2, the
17 environmental compliance issues experienced by the Beaver Falls system recently.
18 The environmental issues contain Notices of Violation (“NOV”) by the Pennsylvania
19 Department of Environmental Protection (“DEP”) in August 2017 and November
20 2018 related to effluent limitation exceedances of its National Pollutant Discharge
21 Elimination System (“NPDES”), and one NOV in July 2021 related to total
22 suspended solids (“TSS”) violation and from the sampler refrigerator not keeping

1 samples at six degrees Celsius, though new sampler and refrigerators were ordered to
2 replace the existing refrigerator. Additionally, in September 2018 the City
3 experienced a secondary bypass of 1,035,000 gallons due to high levels of rainfall;
4 the City entered into a Consent Assessment of Civil Penalty with DEP in 2019 for
5 failure to comply with effluent limitations under its NPDES permit on multiple
6 occasions from 2016-2019, and the City is currently under a Corrective Action Plan
7 (“CAP”) with DEP. According to Mr. Bubel, the CAP requires updating the existing
8 sewer collection system mapping, administering a Connection Management Plan,
9 and continuing to prevent unpermitted discharges.

10
11 **LTIP AND DSIC**

12 **Q. WHAT ARE AQUA’S STATED INTENTIONS REGARDING THE LTIP**
13 **AND DSIC FOR BEAVER FALLS CUSTOMERS?**

14 A. On page 11 of Aqua Statement No. 1, Aqua witness Packer stated that the
15 Company intends to amend its LTIP to include Beaver Falls at some undefined
16 time after closing and then file the amended LTIP and request a DSIC for Beaver
17 Falls customers at that time instead of implementing a DSIC for Beaver Falls
18 customers immediately after closing.

19
20 **Q. DO YOU BELIEVE THE COMPANY’S INTENDED PLAN FOR THE**
21 **LTIP AND DSIC IS REASONABLE?**

22 A. No. As stated on page 16 of Aqua Statement No. 1, a benefit to Aqua’s existing

1 customers is that the acquisition of the Beaver Falls system results in an
2 approximately 5% increase in Aqua's customer base. Aqua's claim is that this
3 larger customer base will reduce the incremental cost per customer for future
4 infrastructure investments. Delaying the implementation of the DSIC for Beaver
5 Falls customers only serves to delay and reduce the effectiveness, even if slightly,
6 of this sole benefit for Aqua's existing customers.

7
8 **Q. WHAT DO YOU RECOMMEND REGARDING THE LTIP AND DSIC**
9 **FOR BEAVER FALLS CUSTOMERS?**

10 A. I recommend that Aqua file its amended LTIP including Beaver Falls and apply
11 the DSIC to the acquired Beaver Falls customers within 90 days of closing. By
12 applying the DSIC to acquired Beaver Falls customers as quickly as possible after
13 closing, the existing customers are able to benefit from the reduction to
14 incremental cost per customer for the infrastructure investments without delay,
15 thus maximizing this claimed benefit to existing customers.

16
17 **COST OF SERVICE STUDY**

18 **Q. WHAT IS YOUR COST OF SERVICE STUDY RECOMMENDATION?**

19 A. I recommend that Aqua include a separate cost of service study for the wastewater
20 system of Beaver Falls using the same methodology it used for other systems
21 acquired through Section 1329 proceedings in the base rate case at Docket Nos. R-
22 2024-3047822 and R-2024-307824 for the reasons stated below. I also

1 recommend that the Contributing Municipalities be included as a separate rate
2 class in the cost of service study for Beaver Falls so that costs can be properly
3 allocated, and a reasonable rate can be determined at that time.

4
5 **Q. WHY IS KNOWING THE COST TO SERVE THE BEAVER FALLS**
6 **SYSTEM IMPORTANT?**

7 A. In general, the primary goal of a COSS is to determine a utility's revenue
8 requirement to provide service to its different customer classes. In this case, a
9 COSS for the Beaver Falls wastewater system is beneficial because it:

- 10 • Determines the cost to operate the Beaver Falls wastewater system
11 separately.
- 12 • Calculates the costs of the utility's different services.
- 13 • Separates the costs between the utility's different customer classes and
14 service areas.
- 15 • Attributes costs to the utility's different customer classes and service areas.
- 16 • Determines how costs will be recovered from the utility's different
17 customer classes and service areas.

18 Moreover, a COSS can establish the existence and extent of subsidization (inter-
19 and intra-class) and assist in determining the appropriate amount of revenue
20 requirement to be shifted from wastewater customers to water customers, which
21 Aqua has utilized in past base rate cases. Therefore, without the COSS that
22 includes segregated wastewater costs, the appropriate ratemaking

1 recommendations for those costs cannot be proposed or implemented.

2 Additionally, and specifically for the present case, a separate COSS will help to
3 determine the proper allocation of any revenue shortfall among Aqua's existing
4 customers.

5
6 **Q. HAS AQUA IDENTIFIED HOW MUCH OF ITS CURRENT RATE BASE**
7 **IS THROUGH FAIR MARKET VALUE ADDITIONS?**

8 A. Yes. In its response to Office of Consumer Advocate discovery OCA-I-8,
9 attached as I&E Exhibit No. 2, Schedule 1, the Company provided a chart that
10 showed approximately 55.44% of its current wastewater rate base consists of fair
11 market value additions. The magnitude of the rate base share related to these
12 acquisitions further highlights the importance of requiring separate COSS' to
13 ensure that costs related to these acquisitions and any proposed subsidizations by
14 other Aqua customers are clearly identified.

15
16 **Q. HAS THE COMMISSION PREVIOUSLY ADDRESSED THE**
17 **IMPORTANCE OF REQUIRING COST OF SERVICE STUDIES FOR**
18 **ACQUIRED SYSTEMS?**

19 A. Yes. The topic of a separate COSS being required for a Section 1329 acquisition
20 was first broached in Aqua's acquisition of New Garden at Docket No. A-2016-
21 2580061, which was the first proceeding before the Commission to employ the
22 fair market valuation under Section 1329. In that case, the Commission required

1 Aqua to prepare a COSS for use in its next base rate case to separate the costs,
2 capital, and operating expenses of providing wastewater service to the newly
3 acquired New Garden customers. Pages 69-70 of the Commission's Order
4 approving Aqua's acquisition of the New Garden system state the following:

5 Specifically, Aqua shall develop and file a cost-of-service
6 study in its next rate case pursuant to our regulations that
7 separates costs, capital, and operating expenses of providing
8 wastewater service to the New Garden customers as a stand-
9 alone rate group. Moreover, Aqua is directed to address the
10 pros and cons of designing New Garden rates as a separate rate
11 group. As a result, all parties and the Commission will be
12 informed of the overall rate impact on Aqua customers and,
13 alternatively, the result of establishing New Garden as a
14 separate rate zone.

15
16 **Q. HAS AQUA PREVIOUSLY PROVIDED SEPARATE COST OF SERVICE**
17 **STUDIES FOR SYSTEMS ACQUIRED THROUGH SECTION 1329**
18 **APPLICATIONS IN A BASE RATE CASE?**

19 A. Yes. In its most recent base rate case at Docket Nos. R-2024-3047822 and R-
20 2024-3047824, the Company included several separate COSS' for wastewater
21 systems it acquired through Section 1329 applications.

22
23 **Q. WHY DO YOU RECOMMEND IN THIS PROCEEDING THAT THE**
24 **CONTRIBUTING MUNICIPALITIES SHOULD BE SEPARATELY**
25 **IDENTIFIED IN THE BEAVER FALLS COSS?**

26 A. As cited previously, it is an important consideration that the owner of the Beaver

1 Falls system has no control or input regarding conditions in the systems of the
2 Contributing Municipalities. Since, the Beaver Falls system must be sized to
3 address the contributed wastewater flows, it is important to know the share paid by
4 the Contributing Municipalities covers the cost to serve those municipalities.
5 Excess I&I or increased flows due to population growth in those systems could
6 drive infrastructure investments in the Beaver Falls system, and those costs should
7 not be paid by Beaver Falls customers but rather through rates charged to the
8 Contributing Municipalities.

9
10 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

11 A. Yes. However, I reserve the right to supplement or revise my recommendations if
12 additional information is received that would alter my position in this direct
13 testimony.

ETHAN H. CLINE

PROFESSIONAL EXPERIENCE AND EDUCATION

EXPERIENCE:

03/2009 - Present

Bureau of Investigation and Enforcement, Pennsylvania Public Utility Commission - Harrisburg, Pennsylvania

Fixed Utility Valuation Engineer – Assists in the performance of studies and analyses of the engineering-related areas including valuation, depreciation, cost of service, quality and reliability of service as they apply to fixed utilities. Assists in reviewing, comparing and performing analyses in specific areas of valuation engineering and rate structure including valuation concepts, original cost, rate base, fixed capital costs, inventory processing, excess capacity, cost of service, and rate design.

06/2008 – 09/2008

Akens Engineering, Inc. - Shiremanstown, Pennsylvania

Civil Engineer – Responsible, primarily, for assisting engineers and surveyors in the planning and design of residential development projects

10/2007 – 05/2008

J. Michael Brill and Associates - Mechanicsburg, Pennsylvania

Design Technician – Responsible, primarily, for assisting engineers in the permit application process for commercial development projects.

01/2006 – 10/2007

CABE Associates, Inc. - Dover, Delaware

Civil Engineer – Responsible, primarily, for assisting engineers in performing technical reviews of the sewer and sanitary sewer systems of Sussex County, Delaware residential development projects.

EDUCATION:

Pennsylvania State University, State College, Pennsylvania
Bachelor of Science; Major in Civil Engineering, 2005

- Attended NARUC Rate School, Clearwater, FL
- Attended Society of Depreciation Professionals Annual Conference and Training, 2017, 2018, and 2019

TESTIMONY SUBMITTED:

I have testified and/or submitted testimony in the following proceedings:

1. Clean Treatment Sewage Company, Docket No. R-2009-2121928
2. Pennsylvania Utility Company – Water Division, Docket No. R-2009-2103937
3. Pennsylvania Utility Company – Sewer Division, Docket No. R-2009-2103980
4. UGI Central Penn Gas, Inc., 1307(f) proceeding, Docket No. R-2010-2172922
5. AQUA Clarion Wastewater Operations, Docket No. R-2010-2166208
6. AQUA Claysville Wastewater Operations, Docket No. R-2010-2166210
7. Citizens’ Electric Company of Lewisburg, Pa, Docket No. R-2010-2172665
8. City of Lancaster – Bureau of Water, Docket No. R-2010-2179103
9. Peoples Natural Gas Company LLC, Docket No. R-2010-2201702
10. UGI Central Penn Gas, Inc., Docket No. R-2010-2214415
11. Pennsylvania-American Water Company, Docket No. R-2011-2232243
12. Pentex Pipeline Company, Docket No. A-2011-2230314
13. Peregrine Keystone Gas Pipeline, LLC, Docket No. A-2010-2200201
14. Philadelphia Gas Works 1307(f), Docket No. R-2012-2286447
15. Peoples Natural Gas Company LLC, Docket No. R-2012-2285985
16. Equitable Gas Company, Docket Nos. R-2012-2312577, G-2012-2312597
17. City of Lancaster – Sewer Fund, Docket No. R-2012-2310366
18. Peoples TWP, LLC 1307(f), Docket No. R-2013-2341604
19. UGI Penn Natural Gas, Inc. 1307(f), Docket No. R-2013-2361763
20. UGI Central Penn Gas, Inc. 1307(f), Docket No. R-2013-2361764
21. Joint Application, Docket Nos. A-2013-2353647, A-2013-2353649, A-2013-2353651
22. City of Dubois – Bureau of Water, Docket No. R-2013-2350509
23. The Peoples Water Company, Docket No. R-2013-2360798
24. Pennsylvania American Water Company, Docket No. R-2013-2355276
25. Generic Investigation Regarding Gas-on-Gas Competition, Docket Nos. P-2011-227868, I-2012-2320323
26. Philadelphia Gas Works 1307(f), Docket No. R-2014-2404355
27. Pike County Light and Power Company (Gas), Docket No. R-2013-2397353
28. Pike County Light and Power Company (Electric), Docket No. R-2013-2397237
29. Peoples Natural Gas Company LLC 1307(f), Docket No. R-2014-2403939
30. UGI Penn Natural Gas, Inc. 1307(f), Docket No. R-2014-2420273
31. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2014-2420276
32. UGI Central Penn Gas, Inc. 1307(f), Docket No. R-2014-2420279
33. Emporium Water Company, Docket No. R-2014-2402324
34. Borough of Hanover – Hanover Municipal Water, Docket No. R-2014-2428304
35. Philadelphia Gas Works 1307(f), Docket No. R-2015-2465656
36. Peoples Natural Gas Company LLC 1307(f), Docket No. R-2015-2465172
37. Peoples Natural Gas Company – Equitable Division 1307(f), Docket No. R-2015-2465181
38. PPL Electric Utilities Corporation, Docket No. R-2015-2469275
39. UGI Penn Natural Gas, Inc. 1307(f), Docket No. R-2015-2480934

40. UGI Central Penn Gas, Inc. 1307(f), Docket No. R-2015-2480937
41. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2015-2480950
42. UGI Utilities, Inc. – Gas Division, Docket No. R-2015-2518438
43. Joint Application of Pennsylvania American Water, et al., Docket No. A-2016-2537209
44. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2016-2543309
45. UGI Central Penn Gas, Inc. 1307(f), Docket No. R-2016-2543311
46. City of Dubois – Company, Docket No. R-2016-2554150
47. UGI Penn Natural Gas, Inc., Docket No. R-2016-2580030
48. UGI Central Penn Gas, Inc. 1307(f), Docket No. R-2017-2602627
49. UGI Penn Natural Gas, Inc. 1307(f), Docket No. R-2017-2602633
50. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2017-2602638
51. Application of Pennsylvania American Water Company Acquisition of the Municipal Authority of the City of McKeesport, Docket No. A-2017-2606103
52. Pennsylvania American Water Company, Docket No. R-2017-2595853
53. Pennsylvania American Water Company Lead Line Petition, Docket No. P-2017-2606100
54. UGI Utilities, Inc. – Electric Division, Docket No. R-2017-2640058
55. Peoples Natural Gas Company, LLC – Peoples and Equitable Division 1307(f), Docket Nos. R-2018-2645278 & R-2018-3000236
56. Peoples Gas Company, LLC 1307(f), Docket No. R-2018-2645296
57. Columbia Gas of Pennsylvania, Inc., Docket No. R-2018-2647577
58. Duquesne Light Company, Docket No. R-2018-3000124
59. Suez Water Pennsylvania, Inc., Docket No. R-2018-3000834
60. Application of Pennsylvania American Water Company Acquisition of the Municipal Authority of the Township of Sadsbury, Docket No. A-2018-3002437
61. The York Water Company, Docket No. R-2018-3000006
62. Application of SUEZ Water Pennsylvania, Inc. Acquisition of the Water and Wastewater Assets of Mahoning Township, Docket Nos. A-2018-3003517 and A-2018-3003519
63. Pittsburgh Water and Sewer Authority, Docket Nos. R-2018-3002645 and R-2018-3002647
64. Joint Application of Aqua America, Inc. et al., Acquisition of Peoples Natural Gas Company LLC, et al., Docket Nos. A-2018-3006061, A-2018-3006062, and A-2018-3006063
65. Implementation of Chapter 32 of the Public Utility Code Regarding Pittsburgh Water and Sewer Authority, Docket Nos. M-2018-2640802 and M-2018-2640803
66. Philadelphia Gas Works 1307(f), Docket No. R-2019-3007636
67. People Natural Gas Company, LLC, Docket No. R-2018-3006818
68. Application of Pennsylvania American Water Company Acquisition of the Steelton Borough Authority, Docket No. A-2019-3006880
69. Application of Aqua America, Inc. et al., Acquisition of the Wastewater System Assets of the Township of Cheltenham, Docket No. A-2019-3006880
70. Philadelphia Gas Works, Docket No. R-2019-3009016
71. Wellsboro Electric Company, Docket No. R-2019-3008208
72. Valley Energy, Inc., Docket No. R-2019-3008209
73. Citizens’ Electric Company of Lewisburg, Pa, Docket Non. R-2019-3008212

74. Application of Aqua America, Inc. et al., Acquisition of the Wastewater System Assets of the East Norriton Township, Docket No. A-2019-3009052
75. Peoples Natural Gas Company, LLC 1307(f), Docket No. R-2020-3017850
76. Peoples Gas Company, LLC 1307(f), Docket No. R-2020-3017846
77. Philadelphia Gas Works, Docket No. R-2020-3017206
78. Pittsburgh Water and Sewer Authority, Docket Nos. R-2020-3017951 et al.
79. Columbia Gas of Pennsylvania, Docket No. R-2020-3018835
80. Pennsylvania America Water Company, Docket Nos. R-2020-3019369 and R-2020-3019371
81. PECO Energy Company – Gas Division, Docket No. R-2020-3019829
82. PGW 1307(f), Docket No. R-2021-3023970
83. Peoples Natural Gas Company, LLC 1307(f), Docket No. R-2021-3023965
84. Peoples Gas Company, LLC 1307(f), Docket No. R-2021-3023967
85. UGI Utilities, Inc. – Electric Division, Docket No. R-2021-3023618
86. Columbia Gas of Pennsylvania, Inc., Docket No. R-2021-3024926
87. Duquesne Light Company, Docket No. R-2021-3024750
88. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2021-3025652
89. Pittsburgh Water and Sewer Authority, Docket Nos. R-2021-3024773 et al.
90. Application of Aqua America Wastewater, Inc. et al., Acquisition of the Wastewater System Assets of Lower Makefield Township, Docket No. A-2021-3024267
91. Aqua Pennsylvania Water, Inc. and Aqua Pennsylvania Wastewater, Inc., Docket Nos. R-2021-3027385 and R-2021-3027386
92. Application of Pennsylvania-American Water Company for Acquisition of the Wastewater Collection and Treatment System Assets of the York City Sewer Authority, Docket No. A-2021-3024681
93. City of Lancaster – Bureau of Water, Docket No. R-2021-3026682
94. Application of Aqua America Wastewater, Inc. et al., Acquisition of the Wastewater System Assets of East Whiteland Township, Docket No. A-2021-30246132
95. UGI Utilities, Inc. – Gas Division, Docket No. R-2021-3030218
96. Peoples Natural Gas Company, LLC 1307(f), Docket No. R-2022-3030661
97. Columbia Gas of Pennsylvania, Inc., Docket No. R-2022-3031211
98. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2022-3032242
99. Pennsylvania American Water Company, Docket Nos. R-2022-3031672 and R-2022-3031673
100. The York Water Company, Docket Nos. R-2022-3031340 and R-2022-3032806
101. Columbia Gas of Pennsylvania, Inc., Docket No. R-2022-3032167
102. National Fuel Gas Distribution Corporation, Docket No. R-2022-3035730
103. UGI Utilities, Inc. – Electric Division, Docket No. R-2022-3037368
104. Application of Pennsylvania-American Water Company for Acquisition of the Wastewater Collection and Treatment System Assets of the Butler Area Sewer Authority, Docket No. A-2022-3037047
105. Philadelphia Gas Works, Docket No. R-2023-3037933
106. Pittsburgh Water and Sewer Authority, Docket Nos. R-2023-3039920 et al.
107. Pennsylvania-American Water Company, Docket Nos. R-2023-3043189 and R-2023-3043190

108. Peoples Natural Gas Company, LLC, Docket No. R-2023-3044549
109. Duquesne Light Company, Docket No. R-2024-3046523
110. PECO Energy Company – Gas Division, Docket No. R-2024-3046932
111. Aqua Pennsylvania Water, Inc. and Aqua Pennsylvania Wastewater, Inc.,
Docket Nos. R-2024-3047822 and R-2024-3047824

**I&E Exhibit No. 2
Witness: Ethan H. Cline**

**Application of Aqua Pennsylvania Wastewater, Inc. Pursuant to Sections 507, 1102,
and 1329 of the Public Utility Code for its Acquisition of the Wastewater System
Assets of Beaver Falls**

Docket No. A-2022-3033138

Exhibit to Accompany

the

Direct Testimony

of

Ethan H. Cline

Bureau of Investigation and Enforcement

Concerning:

**Potential Rate Impact
Distribution System Improvement Charge
Cost of Service Study**

Respondent: William C. Packer
Date: 12/23/2024

APPLICATION OF AQUA PENNSYLVANIA WASTEWATER, INC.

DOCKET NO. A-2022-3033138

OFFICE OF CONSUMER ADVOCATE

SET I INTERROGATORIES

OCA-I-8 How much of Aqua's current (projected) rate base 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%

**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-2022-3033138
Code for Approval of its Acquisition of the :
Wastewater System Assets of the City of :
Beaver Falls :

VERIFICATION OF ETHAN CLINE

I, **Ethan Cline**, on behalf of the Bureau of Investigation and Enforcement, hereby verify that the **I&E Statement No. 2**, and **I&E Exhibit No. 2**, 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 Mechanicsburg, Pennsylvania, this 13th day of February 2025.

/s/ Ethan Cline

Ethan Cline

**I&E Statement No. 1-SR
Witness: Christopher Keller**

**Application of Aqua Pennsylvania Wastewater, Inc. Pursuant to Sections 507, 508,
1102 and 1329 of the Public Utility Code for Approval of its Acquisition of the
Wastewater System Assets of the City of Beaver Falls**

Docket No. A-2022-3033138

Surrebuttal Testimony

of

Christopher Keller

Bureau of Investigation & Enforcement

Concerning:

**Easements and Other Property Rights
Potential Future Rate Impact Implications**

TABLE OF CONTENTS

INTRODUCTION 1

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POTENTIAL FUTURE RATE IMPACT IMPLICATIONS..... 6

1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Christopher Keller. My business address is Pennsylvania Public
4 Utility Commission, Commonwealth Keystone Building, 400 North Street,
5 Harrisburg, PA 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) in
9 the Bureau of Investigation & Enforcement (I&E) as a Fixed Utility Financial
10 Analyst.

11

12 **Q. ARE YOU THE SAME CHRISTOPHER KELLER WHO SUBMITTED**
13 **THE DIRECT TESTIMONY CONTAINED IN I&E STATEMENT NO. 1**
14 **AND I&E EXHIBIT NO. 1?**

15 A. Yes.

16

17 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

18 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of
19 Aqua Pennsylvania Wastewater, Inc. (Aqua) witness William C. Packer.¹

¹ Aqua Statement No. 1-R.

1 **Q. DOES YOUR SURREBUTTAL TESTIMONY INCLUDE AN**
2 **ACCOMPANYING EXHIBIT?**

3 A. No. However, I will refer to my direct testimony² and exhibit³ in this surrebuttal
4 testimony.

5

6 **EASEMENTS AND OTHER PROPERTY RIGHTS**

7 **Q. SUMMARIZE YOUR RECOMMENDATION FOR EASEMENTS AND**
8 **OTHER PROPERTY RIGHTS.**

9 A. In direct testimony, I recommended that the Commission condition the approval of
10 Aqua's Application that the closing of the transaction not be permitted to occur
11 unless and until the City of Beaver Falls (Beaver Falls) has (1) identified all
12 missing easements including rights-of-way and other property rights; (2) taken any
13 and all necessary actions to obtain the missing easements and other property rights
14 so that they may be conveyed to Aqua at closing; and (3) borne all costs and
15 expenses for obtaining and conveying the missing easements and other property
16 rights so that Aqua's ratepayers are not burdened with those costs.⁴

17 I also recommended that the Commission condition the approval of Aqua's
18 Application that for circumstances beyond Beaver Falls' control where it was
19 unable to transfer all missing easements including rights-of-way and other
20 property rights before or at the closing of the transaction, Aqua and Beaver Falls

² I&E Statement No. 1.

³ I&E Exhibit No. 1.

⁴ I&E Statement No. 1, p. 5, lines 7-14.

1 may at their discretion close the transaction without the transfer of missing
2 easements and other property rights, provided that an escrow account be
3 established of an appropriate dollar amount from the purchase price to be used to
4 obtain any post-closing transfers of the easements and other real property rights.⁵

5 My recommendation was based on Aqua's response to Standard Data
6 Request No. 9⁶ which stated that it is not presently aware of any needed leases,
7 easements, or access to public rights-of-way that will not be transferred at closing.
8 However, Aqua stated that they are working with the abstractor reviewing real
9 property records to determine if any easements are needed, including the Eastvale
10 Pump Station and is trying to identify the counterparty entity to a capital lease
11 agreement from 2014.⁷

12 Additionally, in response to I&E-II-20,⁸ Aqua stated that while Beaver Falls
13 is currently able to convey or assign certain express easements to Aqua over city-
14 owned properties and rights-of-way, Beaver Falls still needs to acquire and
15 confirm its existing property interests in certain easements and/or properties where
16 pipes or other facilities exist outside of the public right-of-way but there are no
17 express easements on record. Aqua stated that Beaver Falls is currently in the
18 process of developing easement documents for existing sewer line locations where
19 existing easements were not discovered. Finally, Aqua stated that the Eastvale

⁵ I&E Statement No. 1, p. 5, lines 15-22.

⁶ Aqua Filing, Exhibit AA.

⁷ I&E Statement No. 1, p. 4, lines 7-12.

⁸ I&E Exhibit No. 1, Schedule 1.

1 Pump Station, which is owned by Beaver Falls, is located on a paper street and is
2 currently surveying the area and developing an easement plat and in the process of
3 developing a quiet title action where the pump station is located.⁹

4 I stressed the importance of the Commission accepting my recommendation
5 to ensure that ratepayers are protected from the uncertainty and the costs of
6 acquiring the missing easements and other property rights necessary for Aqua's
7 operation of Beaver Falls' wastewater system.¹⁰

8
9 **Q. DID ANY COMPANY WITNESS RESPOND TO YOUR**
10 **RECOMMENDATION?**

11 A. Yes. Aqua witness William C. Packer responded to my recommendation.¹¹

12
13 **Q. SUMMARIZE MR. PACKER'S RESPONSE CONCERNING MISSING**
14 **EASEMENTS AND OTHER PROPERTY RIGHTS.**

15 A. Mr. Packer provided an update regarding the 2014 capital lease agreement stating
16 that a settlement has been reached with the Contributing Municipalities and that
17 the 2014 capital lease agreement expired on December 31, 2024.¹²

18 Mr. Packer disagrees with my recommendation and states that missing
19 easements should not prevent the sale of the Beaver Falls' system from closing.

⁹ I&E Statement No. 1, p. 4 line 13 through p. 5, line 3.

¹⁰ I&E Statement No. 1, p. 6, lines 11-15.

¹¹ Aqua Statement No. 1-R, pp. 16-18.

¹² Aqua Statement No. 1-R, pp. 16-17.

1 Mr. Packer states that the reality is that not all property rights are accounted for at
2 the closing of a transaction and is already contemplated in the Asset Purchase
3 Agreement (APA) entered between Aqua and Beaver Falls and that an escrow fund
4 would be established to ensure the easements are transferred. Finally, Mr. Packer
5 references a Commission order from the Greenville Sanitary Authority 1329
6 proceeding where the Commission ruled that missing easements should not
7 prevent the closing of the transaction.¹³

8
9 **Q. DO YOU HAVE ANY CHANGES TO YOUR RECOMMENDATION IN**
10 **RESPONSE TO MR. PACKER'S REBUTTAL TESTIMONY?**

11 A. Yes. As explained by Mr. Packer, the APA between Aqua and Beaver Falls already
12 ensures that easements will be obtained and that an escrow fund will be
13 established to ensure the easements are transferred under Section 6.05(e) of the
14 APA.¹⁴ Therefore, I am withdrawing my recommendation after reviewing the
15 information provided by Mr. Packer in his rebuttal testimony.

¹³ Aqua Statement No. 1-R, pp. 17-18.

¹⁴ Aqua Exhibit B, p. 36.

1 **POTENTIAL FUTURE RATE IMPACT IMPLICATIONS**

2 **Q. SUMMARIZE YOUR CONCERNS REGARDING THE POTENTIAL RATE**
3 **IMPACT IMPLICATIONS FOR BEAVER FALLS CUSTOMERS IF THE**
4 **ACQUISITION IS APPROVED BY THE COMMISSION.**

5 A. In direct testimony, I raised concerns about the potential rate impact on Beaver
6 Falls' customers if this acquisition is approved by the Commission. I expressed
7 concern that the cost of capital for capital improvements to Beaver Falls' system
8 would be significantly higher if they were to be recovered through rates by Aqua
9 rather than by Beaver Falls. I also expressed concern that if the acquisition of
10 Beaver Falls by Aqua is approved by the Commission, Beaver Falls customers'
11 rates would include the recovery of federal and state taxes as well as depreciation,
12 which is currently not the case for Beaver Falls customers.¹⁵

13 I also provided an example of the impact of the cost of capital where Aqua
14 estimated it will invest approximately \$10,200,000 in capital projects over the next
15 ten years to improve Beaver Falls' system. In that example, the cost of capital for
16 improvements to Beaver Falls' system over the next ten years would be \$428,400
17 higher if it were performed by Aqua rather than by Beaver Falls. This was primarily
18 due to the fact that debt is the only source of capital for Beaver Falls compared to
19 Aqua which utilizes both common equity and debt resulting in a substantially higher
20 cost of capital.

¹⁵ I&E Statement No. 1, p. 7, lines 5-12.

1 Additionally, I pointed out that municipalities such as Beaver Falls do not pay
2 federal and state income taxes unlike Aqua which does pay federal and state taxes as
3 an investor-owned utility. I noted that if Beaver Falls is acquired by Aqua, Aqua's
4 federal and state income taxes would then be recovered in rates from Beaver Falls'
5 customers. I provided an illustration showing the cost disparity becomes even greater
6 when the Aqua return is grossed up for the tax impact that is not attributable to a
7 municipality. When I applied the tax gross up factor from Aqua's most recent base
8 rate case, it increased the impact of \$10,200,000 of plant additions to \$1,027,026,
9 which increased the difference by \$716,916.¹⁶

10 Further, I stated that annual depreciation was also included in rates for
11 investor-owned utilities such as Aqua, but this is not the case for municipal owned
12 utilities like Beaver Falls. Finally, I stated that Aqua would earn both a return *on* its
13 investment through a rate of return which includes common equity for Aqua as well
14 as a return *of* its investment through depreciation, which neither is the case for
15 Beaver Falls. I concluded that if the Commission approves the acquisition, Beaver
16 Falls customers' rates would increase to cover state and federal income taxes as well
17 as annual depreciation in rates in a future base rate case filing.¹⁷

18 While I did not make a recommendation for the Commission to deny the
19 application for Aqua to acquire Beaver Falls' system, I noted that it was important

¹⁶ I&E Statement No. 1, p. 7, line 18 through p. 9, line 5.

¹⁷ I&E Statement No. 1, p. 9, lines 10-20.

1 to remind all parties, including the Commission, of the potential impact of the
2 acquisition on Beaver Falls and existing Aqua customers' rates.¹⁸

3
4 **Q. DID ANY COMPANY WITNESS RESPOND TO YOUR**
5 **RECOMMENDATION?**

6 A. Yes. Aqua witness William C. Packer responded to my recommendation.¹⁹

7
8 **Q. SUMMARIZE MR. PACKER'S RESPONSE REGARDING YOUR**
9 **CONCERNS OF THE POTENTIAL RATE IMPACT IMPLICATIONS FOR**
10 **BEAVER FALLS CUSTOMERS IF THE ACQUISITION WAS APPROVED**
11 **BY THE COMMISSION.**

12 A. Mr. Packer states that the cost of service differences between investor-owned
13 utilities and municipals has been present in every Section 1329 proceeding. Mr.
14 Packer disagrees with any inference that a difference in the pre-tax cost of capital
15 is a basis for denying the application for Aqua to acquire Beaver Falls' system.
16 Finally, Mr. Packer states that I ignore the financial benefits to the City of Beaver
17 Falls which offset the revenue deficiency created by the potential acquisition of
18 Beaver Falls' system by Aqua.²⁰

¹⁸ I&E Statement No. 1, p. 10, lines 4-8.

¹⁹ Aqua Statement No. 1-R, pp. 18-19.

²⁰ Aqua Statement No. 1-R, pp. 18-19.

1 **Q. DID YOUR CONCERNS ABOUT THE FUTURE RATE IMPACTS IGNORE**
2 **THE FINANCIAL BENEFITS FOR THE CITY OF BEAVER FALLS OR**
3 **INFER THAT THE APPLICATION FOR AQUA TO ACQUIRE BEAVER**
4 **FALLS' SYSTEM SHOULD BE DENIED?**

5 A. No. As I stated in my direct testimony, I merely reminded all parties, including the
6 Commission, of the potential impact of the acquisition on Beaver Falls and Aqua
7 customers' rates.²¹

8

9 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

10 A. Yes.

²¹ I&E Statement No. 1, p. 10, lines 4-8.

**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-2022-3033138
Code for Approval of its Acquisition of the :
Wastewater System Assets of the City of :
Beaver Falls :

VERIFICATION OF CHRISTOPHER KELLER

I, **Christopher Keller**, on behalf of the Bureau of Investigation and Enforcement, hereby verify that the **I&E Statement No. 1-SR** was 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 Harrisburg, Pennsylvania, this 4th day of March 2025.

/s/ Christopher Keller

Christopher Keller

**I&E Statement No. 2-SR
Witness: Ethan H. Cline**

**Application of Aqua Pennsylvania Wastewater, Inc. Pursuant to Sections 507, 1102,
and 1329 of the Public Utility Code for its Acquisition of the Wastewater System
Assets of Beaver Falls**

Docket No. A-2022-3033138

Surrebuttal Testimony

of

Ethan H. Cline

Bureau of Investigation and Enforcement

Concerning:

**Distribution System Improvement Charge
Cost of Service Study**

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INTRODUCTION 1

LTIP AND DSIC 2

COST OF SERVICE STUDY 3

1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Ethan H. Cline. My business address is Pennsylvania Public Utility
4 Commission, 400 North Street, Harrisburg, PA 17120.

5

6 **Q. ARE YOU THE SAME ETHAN CLINE THAT SUBMITTED DIRECT**
7 **TESTIMONY IN THIS CASE ON FEBRUARY 14, 2025?**

8 A. Yes. I submitted I&E Statement No. 2 and I&E Exhibit No. 2 on February 14,
9 2025.

10

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

12 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony
13 submitted by witnesses on behalf of Aqua Pennsylvania Wastewater, Inc. (“Aqua”
14 or “Company”) William C. Packer (Aqua St. No. 1-R) and Zach Martin (Aqua St.
15 No. 3-R).

16

17 **Q. DOES YOUR SURREBUTTAL TESTIMONY INCLUDE AN EXHIBIT?**

18 A. No.

1 **LTIP AND DSIC**

2 **Q. WHAT DID YOU RECOMMEND REGARDING THE LTIP AND DSIC**
3 **FOR BEAVER FALLS CUSTOMERS?**

4 A. I recommended that Aqua file its amended Long-Term Infrastructure
5 Improvement Plant (“LTIP”) including Beaver Falls and apply the Distribution
6 System Improvement Charge (“DSIC”) to the acquired Beaver Falls customers
7 within 90 days of closing. (I&E St. No. 2, pp. 9-10).

8
9 **Q. DID THE COMPANY RESPOND TO YOUR RECOMMENDATION?**

10 A. Yes. Aqua witness Packer stated that the Company would not include incremental
11 investments in Beaver Falls in the DSIC until Beaver Falls customers are subject
12 to the DSIC (Aqua St. No 1-R, p. 19). Aqua witness Martin stated that the
13 Company agreed to update its LTIP after closing on the Beaver Falls system and
14 proposed that the update occur within 180 days rather than the 90 days I
15 recommended (Aqua St. No. 3-R, p. 3).

16
17 **Q. IS AQUA’S PROPOSAL TO UPDATE ITS LTIP WITHIN 180 DAYS**
18 **AFTER CLOSING ON THE BEAVER FALLS SYSTEM REASONABLE?**

19 A. Yes. Aqua’s proposal to update its LTIP within 180 days after closing on the
20 Beaver Falls system is reasonable.

1 **COST OF SERVICE STUDY**

2 **Q. WHAT IS YOUR COST OF SERVICE STUDY RECOMMENDATION?**

3 A. I recommended that Aqua include a separate cost of service study (“COSS”) for
4 the wastewater system of Beaver Falls using the same methodology it used for
5 other systems acquired through Section 1329 proceedings in the base rate case at
6 Docket Nos. R-2024-3047822 and R-2024-307824 for the reasons stated in my
7 direct testimony. I also recommended that the Contributing Municipalities be
8 included as a separate rate class in the COSS for Beaver Falls so that costs can be
9 properly allocated, and a reasonable rate can be determined at that time. (I&E St.
10 No. 2, pp. 10-11).

11

12 **Q. DID THE COMPANY RESPOND TO YOUR RECOMMENDATIONS**
13 **REGARDING THE COSS?**

14 A. Yes. Aqua witness Packer stated that the Company agrees to include a separate
15 COSS for the Beaver Falls system in its next base rate case. Mr. Packer indicated
16 that he believes my recommendation to separately identify the Contributing
17 Municipalities in the COSS makes logical sense but reserves his final opinion until
18 he is able to see the resulting rate design and cost of service analysis that goes into
19 evaluating this change. (Aqua St. No. 1-R, p. 20).

1 **Q. DO YOU WISH TO CHANGE YOUR RECOMMENDATION**
2 **REGARDING TREATMENT OF THE CONTRIBUTING**
3 **MUNICIPALITIES?**

4 A. No. Because the Company did not explicitly agree to include the Contributing
5 Municipalities as a separate rate class in the Beaver Falls COSS, I continue to
6 recommend the Commission direct the Company to do so for the reasons I
7 described in my direct testimony.

8
9 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

10 A. Yes.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Aqua Pennsylvania, :
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Beaver Falls :

VERIFICATION OF ETHAN CLINE

I, **Ethan Cline**, on behalf of the Bureau of Investigation and Enforcement, hereby verify that the **I&E Statement No. 2-SR** was 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 Harrisburg, Pennsylvania, this 4th day of March 2025.



Ethan Cline