



COMMONWEALTH OF PENNSYLVANIA

April 8, 2025

**E-FILED**

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**

Dear Secretary Chiavetta:

Enclosed please find the PreServed Testimony, Exhibits, and Verification Statements, on behalf of the Office of Small Business Advocate (“OSBA”), pursuant to the Order Granting Joint Stipulation for Admission of Evidence, that was issued on March 28, 2025, in the above-referenced proceeding.

Copies will be served on all known parties in this proceeding, as indicated on the attached Certificate of Service.

If you have any questions, please do not hesitate to contact me.

Sincerely,

*/s/ Steven C. Gray*

Steven C. Gray  
Senior Attorney  
Assistant Small Business Advocate  
Attorney I.D. No. 77538

*Enclosures*

cc: Rebecca Forbes  
Kevin Higgins  
Parties of Record



COMMONWEALTH OF PENNSYLVANIA

February 14, 2025

The Honorable F. Joseph Brady  
Administrative Law Judge  
Pennsylvania Public Utility Commission  
Philadelphia District Office  
801 Market Street  
Philadelphia, PA 19107

**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**

Dear Judge Brady:

Enclosed please find the Direct Testimony and Exhibits of Rebecca Forbes, labelled OSBA Statement No. 1, on behalf of the Office of Small Business Advocate (“OSBA”), in the above-referenced proceeding.

As evidenced by the enclosed Certificate of Service, all known parties will be served, as indicated.

If you have any questions, please do not hesitate to contact me.

Sincerely,

*/s/ Steven C. Gray*

Steven C. Gray  
Senior Attorney  
Assistant Small Business Advocate  
Attorney ID No. 77538

*Enclosures*

cc: PA PUC Secretary Rosemary Chiavetta (Cover Letter & Certificate of Service only)  
Rebecca Forbes  
Kevin Higgins  
Parties of Record

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Aqua Pennsylvania	:	
Wastewater, Inc. pursuant to Sections 1102	:	Docket No. A-2022-3033138
and 1329 of the Public Utility Code for:	:	
(1) approval of the acquisition by Aqua of the	:	
wastewater system assets of the City of Beaver	:	
Falls situated within the City of Beaver Falls	:	
Eastvale Borough, and West Mayfield Borough,	:	
Beaver County, Pennsylvania; (2) approval of	:	
the right of Aqua to begin to offer, render,	:	
furnish and supply wastewater service to the	:	
public in the City of Beaver Falls, Beaver	:	
County, Pennsylvania; (3) an order	:	
approving the acquisition that includes the	:	
ratemaking rate base of the City of Beaver Falls	:	
wastewater system assets pursuant to Section	:	
1329(c)(2) of the Public Utility Code; and (4)	:	
request for Approval of Contracts, between Aqua	:	
and the City of Beaver Falls, Pursuant to Section	:	
507 of the Public Utility Code	:	

**Direct Testimony**

**of**

**REBECCA K. FORBES**

**on behalf of the**

**Pennsylvania Office of Small Business Advocate**

**Topics:**

**Proposed Acquisition Price  
Rate Base Impact**

**Date Served: February 14, 2025**

**Date Submitted for the Record: \_\_\_\_\_**

1                                   **DIRECT TESTIMONY OF REBECCA K. FORBES**

2

3    **INTRODUCTION**

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

5    A.     My name is Rebecca K. Forbes. My business address is 111 East Broadway,  
6           Suite 1200, Salt Lake City, Utah, 84111.

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

8    A.     I am a Consultant at Energy Strategies, LLC. Energy Strategies is a private  
9           consulting firm specializing in economic and policy analysis applicable to energy  
10          production, transportation, and consumption.

11   **Q.     ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

12   A.     My testimony is being sponsored by the Pennsylvania Office of Small Business  
13          Advocate (“OSBA”).

14   **Q.     PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND**  
15          **QUALIFICATIONS.**

16   A.     I received a Bachelor of Science in Business Administration from Notre  
17          Dame de Namur University in 2014. Prior to joining Energy Strategies, I held  
18          positions at NorthWestern Energy and Pacific Gas and Electric Company. At  
19          NorthWestern Energy I led efforts related to the company’s Federal Energy  
20          Regulatory Commission (“FERC”) compliance and regulatory initiatives, in  
21          addition to evaluating western market expansion opportunities. At Pacific Gas and  
22          Electric Company, I held positions with responsibility for the company’s energy  
23          storage and competitive transmission project development strategy, and FERC

1 policy and regulatory work, including submitting expert testimony before the  
2 FERC.

3 I joined Energy Strategies in 2022, where I provide analysis on energy  
4 issues in support of testimony presented in utility regulatory proceedings. During  
5 my time at Energy Strategies, I have assisted in approximately 25 cases in 15  
6 jurisdictions, and I have submitted expert testimony before the Utah Public  
7 Service Commission.

8 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

9 A. No, this is my first opportunity to testify before this Commission.

10

11 **OVERVIEW AND CONCLUSIONS**

12 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**  
13 **PROCEEDING?**

14 A. My testimony responds to the application of Aqua Pennsylvania Wastewater,  
15 Inc.’s (“Aqua”), pursuant to Sections 507, 508, 1102, and 1329 of the  
16 Pennsylvania Public Utility Code, for acquisition of all the assets, properties and  
17 rights related to the wastewater collection and treatment system owned by the  
18 City of Beaver Falls (“Beaver Falls” or “the City”).

19 **Q. WHAT CONCLUSIONS AND RECOMMENDATIONS DO YOU OFFER**  
20 **IN YOUR TESTIMONY?**

21 A. I recommend that the Commission reject Aqua’s proposed acquisition of Beaver  
22 Falls under the current terms, as Aqua has not demonstrated that a ratemaking rate  
23 base of \$41,250,000 that would result from the \$41,250,000 purchase price is

1 reasonable. While the OSBA is not opposed to the acquisition at a fair price, Aqua  
2 has not shown that requiring customers to fund a significant acquisition premium  
3 beyond the system’s depreciated original cost serves the public interest.

4 Alternatively, if the Commission chooses to approve the acquisition, I  
5 recommend it do so with the condition that the Commission’s Reasonableness  
6 Review Ratio (“RRR”) be applied in a manner that would cap the acquisition  
7 premium eligible for inclusion in rate base at the RRR. That is to say, the amount  
8 allowed in rate base should not exceed \$8,454,113.<sup>1</sup>

9

10 **RESPONSE TO THE ACQUISITION PROPOSAL**

11 **Q. PLEASE DESCRIBE THE PROPOSED TRANSACTION.**

12 A. Aqua witness William C. Packer explains in his direct testimony that the Asset  
13 Purchase Agreement (“APA”) was signed on October 21, 2021, following arms-  
14 length negotiations between Aqua and Beaver Falls. He states that the purchase  
15 price is \$41,250,000 and explains that according to the APA, Aqua will adopt  
16 Beaver Falls’ sanitary wastewater rates in effect at closing, while Aqua’s tariff  
17 rules and regulations will apply following closing.<sup>2</sup>

18 **Q. HOW DOES THE PURCHASE PRICE COMPARE TO THE NET BOOK**  
19 **VALUE OF BEAVER FALL’S ASSETS?**

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<sup>1</sup> \$5,032,210 x 1.68 = \$8,454,113 (Net Book Value x RRR)

<sup>2</sup> Direct Testimony of William C. Packer (Aqua Statement No. 1), p. 8.

1 A. The Amended Application, dated March 28, 2024, states that the original cost of  
2 Beaver Falls used and useful plant in service is \$12,898,487, with a depreciation  
3 reserve of \$7,866,277<sup>3</sup>, resulting in a net book value of just \$5,032,210.<sup>4</sup>

4 Yet, the proposed purchase price of \$41,250,000 is a staggering \$36,217,790  
5 above the net book value—more than eight times original cost less depreciation.

6 This excessive premium raises serious concerns about whether customers will  
7 ultimately be asked to pay for this premium in future rates.

8 **Q. WHAT DOES AQUA STATE IS THE RATE BASE DETERMINATION**  
9 **FOR THE BEAVER FALLS SYSTEM?**

10 A. Mr. Packer states that according to Section 1329, the ratemaking rate base is the  
11 lesser of either the purchase price in the APA, which is \$41,250,000, or the fair  
12 market value which is \$42,245,674. He concludes that since the purchase price is  
13 lower than the fair market value, the ratemaking rate base for the Beaver Falls  
14 System is \$41,250,000.<sup>5</sup>

15 **Q. DO YOU BELIEVE THAT THE NEGOTIATED PRICE TO THIS**  
16 **TRANSACTION REPRESENTS A REASONABLE RESULT THAT THE**  
17 **COMMISSION CAN RELY UPON IN ESTABLISHING RATE BASE AND**  
18 **GOING-FORWARD RATES FOR CUSTOMERS THAT ARE IN THE**  
19 **PUBLIC INTEREST?**

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<sup>3</sup> Amended Application, dated March 28, 2024, p. 5.

<sup>4</sup> Net Book Value = Original Asset Cost – Accumulated Depreciation

<sup>5</sup> Direct Testimony of William C. Packer (Aqua Statement No. 1), p. 21.

1 A. No. Typically, in a pricing negotiation, the seller aims for the highest price while  
2 the buyer seeks the lowest. A price agreed upon under these opposing incentives  
3 can generally be considered a fair compromise.

4 However, in this transaction, both parties appear to have aligned  
5 incentives—to secure the highest possible price as long as it is approved for  
6 inclusion in rate base. This dynamic may result in a price skewed toward the  
7 upper end of plausible values. Therefore, it is important for the Commission to  
8 assess whether the acquisition price and its rate impact are just and reasonable.

9 **Q. PLEASE EXPAND UPON WHY YOU BELIEVE BOTH PARTIES TO**  
10 **THIS TRANSACTION ARE INCENTIVIZED TO ATTAIN AS HIGH AN**  
11 **ACQUISITION PRICE AS POSSIBLE.**

12 A. Beaver Falls, as the seller, has a standard economic incentive to maximize the sale  
13 price. However, the buyer, Aqua, faces a misaligned incentive—since it may seek  
14 to include the acquisition price in its rate base in a later filing, it benefits from a  
15 higher purchase price rather than minimizing its investment outlay.

16 If Aqua were unable to include the acquisition premium in its rate base, it  
17 would be motivated to negotiate a price closer to net book value, bearing the risk  
18 of overpayment. However, if Aqua is able to shift this risk to customers – both its  
19 current customers as well as the customers it hopes to acquire in Beaver Falls –  
20 Aqua avoids the financial consequences of overpricing the acquisition, creating an  
21 unintended situation where the negotiating party does not bear the full risk of its  
22 decision. As a result, the Commission cannot assume that the negotiated price  
23 reflects a fair outcome or ensures just and reasonable rates.

1 **Q. ARE YOU AWARE THAT THE COMMISSION HAS ADOPTED A**  
2 **RELATIVELY NEW VALUATION METRIC IN SECTION 1329**  
3 **PROCEEDINGS, TERMED THE REASONABLENESS REVIEW RATIO**  
4 **(“RRR”)?**

5 A. Yes, I am. The Commission explained the adoption of the RRR as part of the need  
6 to create a guidepost for analyzing and making a final determination on the  
7 overall prudence of Section 1329 applications. The RRR is equal to the ratio of  
8 fair market value to the depreciated original cost of a barometer group of similarly  
9 situated investor-owned water utility companies. According to the Bureau of  
10 Technical Utility Services Report on the RRR for the year ended December 31,  
11 2023, the current RRR is 1.68.<sup>6</sup>

12 **Q. DOES AQUA COMMENT ON THE APPLICABILITY OF THE**  
13 **COMMISSION’S NEWLY ADOPTED RRR TO THE PROPOSED**  
14 **TRANSACTION?**

15 A. Yes. In the Supplemental Direct Testimony of William C. Packer, Mr. Packer  
16 states that the APA between Aqua and the City was signed in October 2021 and  
17 that the involved parties have worked diligently to arrive at a settlement to allow  
18 the transaction to move through the Commission’s approval process. He claims  
19 that the City, Aqua and the Litigating Municipalities have spent significant time  
20 and energy to move the Proposed Transaction forward and therefore the Proposed  
21 Transaction should be grandfathered.<sup>7</sup>

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<sup>6</sup> Docket Number: M-2024-3050303, Bureau of Technical Utility Services Report on the Reasonableness Review Ratio for the Year Ended 12.31.2023, pp. 3-8.

<sup>7</sup> Supplemental Direct Testimony of William C. Packer (Aqua Statement No. 1 Supp), p. 3.

1 **Q. DOES THE CITY COMMENT ON THE APPLICABILITY OF THE**  
2 **NEWLY ADOPTED RRR TO THE PROPOSED TRANSACTION?**

3 Yes. In her Direct Testimony, Beaver Falls Mayor Dr. Kenya Johns states that she  
4 recognizes that the purchase price of \$41,250,000 at which the City agreed to sell  
5 the system is not within the RRR but claims that they negotiated that price in  
6 good faith. Therefore, she concludes that the Commission should grandfather  
7 Beaver Falls from the RRR. Mayor Johns further states that the \$41.2M  
8 transaction price was a catalyst for the City to sell the system.<sup>8</sup>

9 **Q. HAS THE COMMISSION PROVIDED ANY INDICATION THAT SOME**  
10 **TRANSACTIONS MAY BE GRANDFATHERED AS PART OF THE**  
11 **ADOPTED RRR?**

12 A. Yes, in the final order adopting the RRR, the Commission states that:

13 Some parties raise concerns about retroactivity. The 2024 TSIO, however,  
14 was not intended to propose retroactive requirements. In fact, we  
15 acknowledged that some transactions may be in the midst of negotiations,  
16 which may impact on the timing to effectuate the changes adopted in the  
17 2024 FSIO.

18  
19 To be clear, the provisions of this Order are not retroactive. The public  
20 hearing, rate impact notice, and default appraisal weight provisions of the  
21 2024 FSIO will go into effect 30 days after the entry of this Order with  
22 respect to all acquisitions where an APA has not been executed. **For**  
23 **acquisitions where an APA has been executed, including those for**  
24 **which a Section 1329 application has been filed, but not finally**  
25 **accepted, we will consider the unique facts and circumstances of each**  
26 **acquisition and take into account the dates on which the APAs were**  
27 **executed and applications were filed.** Scheduling and conducting public  
28 hearings, revising the rate impact notices, and adjusting the appraisals to  
29 account for default weights may be to the benefit of the selling utility and  
30 acquiring utility given that we have determined that the public hearings,  
31 rate impact notice, and default appraisal weights discussed herein are in  
32 the public interest. We note, for example, that, even if an APA has already  
33 been executed, public hearings may be scheduled and conducted to better

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<sup>8</sup> Direct Testimony of Mayor Dr. Kenya Johns (Aqua Statement No. 7), p.7.

1 inform the public of the transaction between the acquiring utility and the  
2 selling utility (emphasis added).<sup>9</sup>  
3

4 **Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION?**

5 A. The Commission should reject Aqua’s proposed acquisition of Beaver Falls under  
6 the current terms, as Aqua has not demonstrated that a ratemaking rate base of  
7 \$41,250,000 that would result from the \$41,250,000 purchase price is reasonable.  
8 While the OSBA is not opposed to the acquisition at a fair price, Aqua has failed  
9 to show that requiring customers to fund a significant acquisition premium  
10 beyond the system’s depreciated original value serves the public interest.

11 Alternatively, if the Commission approves the acquisition, it should do so  
12 with the condition that the RRR is applied in a manner that caps the acquisition  
13 premium eligible for inclusion in the rate base at the RRR, thereby protecting both  
14 Beaver Falls and Aqua customers from paying for an excessive premium in rates.  
15 The proposed \$41,250,000 purchase price exceeds the system’s net book value by  
16 \$36,217,790, and Aqua has stated that the ratemaking rate base for the Beaver  
17 Falls system would be the full purchase price. The RRR was established to guide  
18 transactions like this—where customers risk facing substantial rate increases due  
19 to an inflated acquisition premium. While Aqua and Beaver Falls may negotiate  
20 any purchase price they consider reasonable, their customers should not be  
21 responsible for paying an excessive premium beyond what the RRR allows. That  
22 is to say, the amount allowed in rate base should not exceed \$8,454,113.<sup>10</sup>

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<sup>9</sup> Final Supplemental Implementation Order, M-2016-2543193, p.112.

<sup>10</sup> \$5,032,210 x 1.68 = \$8,454,113 (Net Book Value x RRR)

1           Aqua and Beaver Falls argue that the Proposed Transaction should be  
2 exempt from the RRR because the APA was executed before adoption of the RRR  
3 and because significant time has been spent advancing the transaction. However,  
4 neither the execution date nor the time invested advancing the transaction justifies  
5 burdening Beaver Falls and Aqua customers with an excessive premium. When  
6 evaluating Section 1329 filings, the primary focus should be protecting customers  
7 from excessive financial burdens, which the application of the RRR helps  
8 achieve.

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

10 A. Yes, it does.

# APPENDIX

**Vitae  
of  
Rebecca Forbes**

## Rebecca Forbes

**Consultant, Energy Strategies, L.L.C.**  
**111 East Broadway, Suite 1200, Salt Lake City, UT 84111**  
[rforbes@energystrat.com](mailto:rforbes@energystrat.com)

### Vitae

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#### Professional Experience

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##### **Energy Strategies**, Salt Lake City UT, August 2022 - Present

An energy consulting firm specializing in economic and policy analysis applicable to energy production, transportation, and consumption.

##### **Consultant**

- Perform energy-related analysis, and regulatory intervention on behalf of industrial, commercial, and public sector interests
- Develop alternative cost allocation calculations and rate designs in support of expert witness testimony

##### **NorthWestern Energy**, Bozeman MT, October 2020 – July 2022

Electric and gas utility serving customers in Montana, South Dakota, and Nebraska.

##### **FERC Analyst**

- Performed analysis of market expansion opportunities in the Western Interconnection
- Managed Federal Energy Regulatory Commission (FERC) compliance and regulatory initiatives
- Represented the Company in external forums focused on transmission planning, project development, and regulatory issues

##### **Pacific Gas and Electric Company**, San Francisco CA, February 2015 – October 2020

Electric and gas utility serving customers in Northern California.

##### **Expert Program Manager**, May 2020 – October 2020

##### **Senior Project Development Specialist**, July 2018 – May 2020

##### **Project Development Specialist**, February 2016 – July 2018

##### **Associate FERC Regulatory Analyst**, February 2015 – February 2016

- Managed partnerships to jointly pursue competitive transmission projects
- Performed competitive due diligence for projects and developed strategic recommendations
- Completed feasibility reviews for energy storage projects as economic substitutes for capital intensive transmission and distribution investments

- Developed comments in various FERC rulemaking proceedings addressing transmission development, transmission incentive policies, and deployment of advanced technologies

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## **Education**

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- Bachelor of Science in Business Administration, Notre Dame de Namur University, December 2014

**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 for its Acquisition of the** :  
**Wastewater System Assets of the City of** :  
**Beaver Falls.** :  
: :  
: :  
: :

**VERIFICATION**

I, Rebecca Forbes, 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 made herein are subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: February 13, 2025

*Rebecca Forbes*  
\_\_\_\_\_  
Rebecca Forbes

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Aqua Pennsylvania	:	
Wastewater, Inc. pursuant to Sections 1102	:	Docket No. A-2022-3033138
and 1329 of the Public Utility Code for:	:	
(1) approval of the acquisition by Aqua of the	:	
wastewater system assets of the City of Beaver	:	
Falls situated within the City of Beaver Falls	:	
Eastvale Borough, and West Mayfield Borough,	:	
Beaver County, Pennsylvania; (2) approval of	:	
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request for Approval of Contracts, between Aqua	:	
and the City of Beaver Falls, Pursuant to Section	:	
507 of the Public Utility Code	:	

**CERTIFICATE OF SERVICE**

I hereby certify that true and correct copies of the foregoing have been served via e-mail (*unless other noted below*) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

The Honorable F. Joseph Brady  
Administrative Law Judge  
Pennsylvania Public Utility Commission  
Philadelphia District Office  
801 Market Street  
Philadelphia, PA 19107  
[fbrady@pa.gov](mailto:fbrady@pa.gov)

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DATE: February 14, 2025

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/s/ Steven C. Gray  
Steven C. Gray  
Senior Attorney  
Assistant Small Business Advocate  
Attorney I.D. No. 77538



COMMONWEALTH OF PENNSYLVANIA

March 4, 2025

The Honorable F. Joseph Brady  
Administrative Law Judge  
Pennsylvania Public Utility Commission  
Philadelphia District Office  
801 Market Street  
Philadelphia, PA 19107

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If you have any questions, please do not hesitate to contact me.

Sincerely,

*/s/ Steven C. Gray*

Steven C. Gray  
Senior Attorney  
Assistant Small Business Advocate  
Attorney ID No. 77538

*Enclosures*

cc: PA PUC Secretary Rosemary Chiavetta (Cover Letter & Certificate of Service)  
Rebecca Forbes  
Kevin Higgins  
Parties of Record

**BEFORE THE  
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1329(c)(2) of the Public Utility Code; and (4)	:	
request for Approval of Contracts, between Aqua	:	
and the City of Beaver Falls, Pursuant to Section	:	
507 of the Public Utility Code	:	

**Surrebuttal Testimony**

of

**REBECCA K. FORBES**

on behalf of the

**Pennsylvania Office of Small Business Advocate**

**Topics:**

**Proposed Acquisition Price  
Rate Base Impact**

**Date Served: March 4, 2025**

**Date Submitted for the Record: \_\_\_\_\_**

1                   **SURREBUTTAL TESTIMONY OF REBECCA K. FORBES**

2

3    **INTRODUCTION**

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

5    A.     My name is Rebecca K. Forbes. My business address is 111 East Broadway,  
6           Suite 1200, Salt Lake City, Utah, 84111.

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

8    A.     I am a Consultant at Energy Strategies, LLC. Energy Strategies is a private  
9           consulting firm specializing in economic and policy analysis applicable to energy  
10          production, transportation, and consumption.

11   **Q.     ARE YOU THE SAME REBECCA K. FORBES WHO PREFILED DIRECT**  
12       **TESTIMONY IN THIS DOCKET ON BEHALF OF THE PENNSYLVANIA**  
13       **OFFICE OF SMALL BUSINESS ADVOCATE (“OSBA”)?**

14   A.     Yes.

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

16   A.     My surrebuttal testimony responds to the Rebuttal Testimony of Aqua  
17          Pennsylvania Wastewater, Inc,’s (“Aqua”or “the Company”) witnesses William  
18          C. Packer and Dylan W. D’Ascendis.

19

20   **RESPONSE TO AQUA**

21   **Q.     WHAT IS YOUR GENERAL RESPONSE TO AQUA’S REBUTTAL**  
22       **TESTIMONY IN THIS CASE?**

1 A. I continue to recommend that the Commission reject Aqua’s proposed acquisition  
2 of all the assets, properties and rights related to the wastewater collection and  
3 treatment system owned by the City of Beaver Falls (“Beaver Falls” or “the  
4 City”) under the current terms, as Aqua has not demonstrated that a ratemaking  
5 rate base of \$41,250,000 that would result from the \$41,250,000 purchase price is  
6 reasonable. While the OSBA is not opposed to the acquisition at a fair price, Aqua  
7 has not shown that requiring customers to fund a significant acquisition premium  
8 beyond the system’s depreciated original cost serves the public interest.

9 Alternatively, if the Commission chooses to approve the acquisition, I  
10 recommend it do so with the condition that the Commission’s Reasonableness  
11 Review Ratio (“RRR”) be applied in a manner that would cap the acquisition  
12 premium eligible for inclusion in rate base at the RRR. That is to say, the amount  
13 allowed in rate base should not exceed \$8,454,113.<sup>1</sup>

14 **Q. HOW DID AQUA RESPOND TO YOUR RECOMMENDATION TO CAP**  
15 **THE ACQUISITION PREMIUM ELIGIBLE FOR INCLUSION IN RATE**  
16 **BASE AT THE RRR?**

17 A. Aqua opposes my recommendation. Mr. Packer argues that the City and the  
18 Company have complied with the requirements of Section 1329 and states that it is  
19 understood that acquisitions using Section 1329 would have purchase prices that  
20 exceeded the historical benchmark of depreciated original cost when first devoted  
21 to public use. He claims that the City and the Company take into consideration the  
22 financial impact, including rates, and other factors to arrive at a purchase price that

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<sup>1</sup> \$5,032,210 x 1.68 = \$8,454,113 (Net Book Value x RRR)

1 is agreeable to both.<sup>2</sup> Mr. Packer claims that the terms of the Final and  
2 Supplemental Implementation Order (“FSIO”) should not be applied to this  
3 transaction and that the Commission should consider granting the application  
4 grandfather status.<sup>3</sup>

5 Mr. D’Ascendis states that the RRR should not be used in lieu of the  
6 standards for valuing an enterprise. He claims that the RRR does not produce a  
7 reasonable indicated value for Beaver Falls.<sup>4</sup>

8 **Q. WHAT IS YOUR RESPONSE TO MR. PACKER’S STATEMENT THAT IT**  
9 **IS UNDERSTOOD THAT ACQUISITIONS USING SECTION 1329**  
10 **WOULD HAVE PURCHASE PRICES THAT EXCEED THE HISTORICAL**  
11 **BENCHMARK OF DEPRECIATED ORIGINAL COST WHEN FIRST**  
12 **DEVOTED TO PUBLIC USE?**

13 A. As stated in my direct testimony, Aqua and Beaver Falls may negotiate any  
14 purchase price they consider reasonable, but their customers should not be  
15 responsible for paying an excessive premium through what is allowed in  
16 ratemaking rate base. The RRR permits costs above the depreciated original cost to  
17 be included in the ratemaking rate base, but with limitations in place to protect  
18 customers.

19 **Q. WHAT IS YOUR RESPONSE TO MR. PACKER’S ARGUMENT THAT**  
20 **THE FSIO SHOULD NOT BE APPLIED TO THIS TRANSACTION?**

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<sup>2</sup> Rebuttal Testimony of William C. Packer (Aqua Statement No. 1-R), p. 21

<sup>3</sup> *Id.*, p. 23

<sup>4</sup> Rebuttal Testimony of Dyan W. D’Ascendis (Aqua Statement No. 5-R), pp. 9-11

1 A. Regardless of when the Asset and Purchase Agreement (“APA”) was signed, the  
2 concern of determining what is in the public interest remains. As currently  
3 proposed, this transaction could leave Aqua and Beaver Falls customers responsible  
4 for covering an excessive premium through what is allowed in ratemaking rate base.  
5 Rejecting this transaction may ultimately leave these customers in a better position  
6 than if they were burdened with such a premium. However, in place of rejecting the  
7 transaction, I recommend applying the RRR to put a limitation on what customers  
8 could ultimately be responsible for. The FSIO allows the Commission to apply the  
9 RRR to transactions with a signed APA at their discretion.

10 **Q. WHAT IS YOUR RESPONSE TO MR. D’ASCENDIS CLAIM THAT THE**  
11 **RRR DOES NOT PRODUCE A REASONABLE INDICATED VALUE FOR**  
12 **BEAVER FALLS?**

13 A. My recommendation does not impose a limit on the purchase price; rather, it is  
14 focused on the allowable ratemaking rate base.

15 **Q. WHAT IS YOUR RESPONSE TO MR. PACKER AND MR. D’ASCENDIS’**  
16 **STATEMENTS THAT YOU AND OCA WITNESS NICHOLAS A.**  
17 **DEMARCO CALCULATED THE RRR INCORRECTLY?**

18 A. My calculated RRR is based on the Depreciated Original Cost (“DOC”) provided  
19 by Aqua in its application and is closely aligned with the DOC determined by  
20 ScottMadden. Aqua’s criticism of my calculation stems from the fact that Aqua  
21 presents two inconsistent calculations of the DOC, which Aqua contends I should  
22 have averaged. In my view, Aqua’s presentation of two different DOCs is  
23 problematic in the first instance. However, even if the Commission chooses to

1 average the DOCs from the two UVEs, the impact on my original recommendation  
2 is minimal. As Mr. D'Ascendis stated, Scott Madden's appraisal places the DOC  
3 at \$5,003,844, while Gannett Fleming's appraisal lists it as \$7,850,687. The average  
4 of these two DOCs is \$6,427,266 and when multiplied by the RRR of 1.68, results  
5 in \$10,797,806.<sup>5</sup> This figure is only marginally higher than the \$8,454,113 I  
6 calculated in my direct testimony and remains nowhere near Aqua's proposed  
7 \$41,250,000.

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

9 A. Yes, it does.

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<sup>5</sup> *Id.*, p.10.

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**VERIFICATION**

I, Rebecca Forbes, hereby state that the facts set forth in my Surrebuttal Testimony, labelled OSBA Statement No. 1-SR, 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 made herein are subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: March 3, 2025

*Rebecca Forbes*  
\_\_\_\_\_  
Rebecca Forbes

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Aqua Pennsylvania	:	
Wastewater, Inc. pursuant to Sections 1102	:	Docket No. A-2022-3033138
and 1329 of the Public Utility Code for:	:	
(1) approval of the acquisition by Aqua of the	:	
wastewater system assets of the City of Beaver	:	
Falls situated within the City of Beaver Falls	:	
Eastvale Borough, and West Mayfield Borough,	:	
Beaver County, Pennsylvania; (2) approval of	:	
the right of Aqua to begin to offer, render,	:	
furnish and supply wastewater service to the	:	
public in the City of Beaver Falls, Beaver	:	
County, Pennsylvania; (3) an order	:	
approving the acquisition that includes the	:	
ratemaking rate base of the City of Beaver Falls	:	
wastewater system assets pursuant to Section	:	
1329(c)(2) of the Public Utility Code; and (4)	:	
request for Approval of Contracts, between Aqua	:	
and the City of Beaver Falls, Pursuant to Section	:	
507 of the Public Utility Code	:	

**CERTIFICATE OF SERVICE**

I hereby certify that true and correct copies of the foregoing have been served via e-mail (*unless other noted below*) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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DATE: March 4, 2025

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**BEFORE THE  
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Application of Aqua Pennsylvania	:	
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