



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

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

April 22, 2025

Via Electronic Filing

Matthew L. Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Application of Aqua Pennsylvania Wastewater, Inc. pursuant to Sections 1102 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
Docket No. A-2022-3033138
I&E Exceptions Letter

Dear Secretary Homsher:

On August 14, 2023, a Joint Petition for Approval of Settlement (Joint Petition or Settlement) entered into by Aqua Pennsylvania Wastewater, Inc. (Aqua), the Office of Consumer Advocate (OCA), the Bureau of Investigation and Enforcement (I&E), and the City of Beaver Falls (the City) (collectively, the Joint Petitioners) was submitted to Administrative Law Judge F. Josep Brady (the ALJ). On April 10, 2025, ALJ Brady issued a recommended decision in which it was recommended the Commission reject the settlement in totality.¹

In the RD, the ALJ rejects the settlement, stating that the agreed upon rate base of \$29,900,000 is neither the purchase price or the fair market value (FMV), and is, therefore, not enforceable.² I&E submits the ALJ's concern about the rate base agreed to in the settlement is misplaced and that it is to the customer's benefit to allow the parties

¹ RD, p. 10.

² RD, pp. 9-10.

to agree to a rate base that is less than the purchase price or FMV since those same customers are expected to pay a return on that rate base. In fact, this scenario has been approved by this Commission previously. In Pennsylvania American Water's (PAWC) acquisition of the Butler Area Sewer Authority (BASA) the parties to the settlement agreed to a rate base value of \$228,000,000 which was lower than the amended purchase price of \$230,000,000.³ In that Order, the Commission noted that this lower rate base value was one of the benefits of the settlement.⁴

As explained in the I&E Statement, the Bureau of Investigation and Enforcement supports the settlement as being in the public interest. Per the Settlement Aqua will be permitted to use \$29,900,000 for the ratemaking rate base of the acquired assets which is less than what Aqua proposed in its filing. Ultimately, through use of both the formal and informal discovery process and its extensive investigation, I&E was able to determine that this proposed value of \$29,900,000 comported with the valuation standards and requirements of Section 1329. The proposed ratemaking rate base is \$11.35 million less than what was requested in the Application. As a result, I&E avers that approval of \$29,900,000 million for the ratemaking rate base is both warranted and in the public interest. Further, this \$29,900,000 million is lower than the purchase price of \$37,750,000 agreed to by Aqua and Beaver Falls and is within the range of possible outcomes if this case were to be litigated to its full conclusion. The lesser rate base value benefits customers as they will be paying a rate of return on a lower amount.

Furthermore, it is the policy of the Commission to encourage settlements.⁵ For the reasons discussed in the I&E Statement in Support, I&E maintains that the Settlement meets all the standards necessary to warrant the requisite approvals under Sections 507, 1102, 1103, and 1329 of the Code. The signatories to the Joint Petition actively participated in and vigorously represented their respective positions during the settlement process as evidenced by their willingness to join in the settlement. Settlements conserve precious administrative resources and provide regulatory certainty with respect to the disposition of issues with results that are often preferable to those achieved at the conclusion of a fully-litigated proceeding; and, provide a final resolution of adversarial proceedings which, in the Commission's judgement, is preferable.⁶ The very nature of a settlement requires a review and discussion of all issues raised by the parties' and a negotiated compromise on the part of all parties.

³ *Application of Pa. Amer. Water Co. for Approval of the Acquisition of the Assets of the Butler Area Sewer Authority*, Docket No. A-202-3037047 (Order entered November 16, 2023).


⁴ *Id.*, pp. 60-61.

⁵ 52 Pa. Code § 5.231.

⁶ *See generally* 52 Pa. Code § 5.231 and § 69.401. While § 69.401 relates specifically to major base rate cases, the principles explained therein, namely that the results achieved from a settlement are often preferable to those achieved in a litigated proceeding, apply generally to all cases before the Commission.

Particularly in situations where multiple parties to a proceeding have entered into a settlement agreement, it clear that the interest of the various stakeholders have been represented and considered and is an indicator that the settlement is in the public interest.

Sincerely,



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CBW/ac
Enclosure

cc: Administrative Law Judge F. Joseph Brady (*via email* – fbrady@pa.gov)
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Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Aqua Pennsylvania :
Wastewater, Inc. pursuant to Sections :
1102 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 : Docket No. A-2022-3033138
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 I am serving the foregoing **Letter** dated April 22, 2025, in the manner and upon the persons listed below:

Served via Electronic Mail Only

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