

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

**Application of Aqua Pennsylvania
Wastewater, Inc. to Acquire the
City of Beaver Falls Wastewater
System**

**Public Meeting held June 18, 2025
3033138-OSA
Docket No. A-2022-3033138**

STATEMENT OF CHAIRMAN STEPHEN M. DeFRANK

Before the Commission are Exceptions to the Recommended Decision of Administrative Law Judge F. Joseph Brady regarding Aqua Pennsylvania Wastewater, Inc.'s (Aqua or the Company) proposed acquisition of the wastewater system assets of the City of Beaver Falls (Beaver Falls or City). Aqua and Beaver Falls entered into an initial Asset Purchase Agreement (APA) on October 20, 2021.¹ Aqua filed the instant Application, pursuant to Sections 507, 1102, and 1329 of the Public Utility Code, on February 17, 2023.²

Beaver Falls owns and operates a wastewater collection and treatment system which serves approximately 3,190 customers in Beaver County and provides transmission and treatment service for seven municipalities. The average of Aqua and the City's fair market value (FMV) appraisals of the wastewater assets in this case is \$42,245,674. The APA price is \$37,750,000. The depreciated original cost (DOC) of the Beaver Falls system is \$5,032,210.

Aqua, Beaver Falls, the Office of Consumer Advocate (OCA), and the Commission's Bureau of Investigation and Enforcement (I&E) all entered into non-unanimous settlement (Joint Settlement).³ Under the terms of the Joint Settlement, Aqua would establish a ratemaking rate base figure of \$29.9 million, below the APA price of \$37.75 million for which the Company is entitled to seek relief under the law. Nonetheless, I am cognizant that the Joint Settlement terms still represent a price well in excess of the DOC. To that end, I wish to state my reasons for support of this Application.

First and foremost, I submit that utilization of the Commission's Reasonableness Review Ratio (RRR) is not prudent for this instant Application. As noted above, Aqua and Beaver Falls first entered into the APA on October 20, 2021, and first filed at the Commission on February 17, 2023. These dates precede the Commission's first published RRR on August 2, 2024.

Second, the Application exhibits the impending risks of Beaver Falls' continued operation of the system. Beaver Falls clearly lacks a desire to run a wastewater system that meets significant present and future regulatory requirements. Beaver Falls' existing rates are substantially below the wastewater rates of existing certificated utilities in the Commonwealth, with the City's monthly rates at \$33 compared to rates of \$133 for Pennsylvania America Water Company Zone 1, \$101.34 for Aqua Wastewater Rate Zone 1, and \$86 for Pittsburgh Water. Such a disparity is indicative of rates that are well below cost of service, and recent events signify the expected results of such misaligned rates. The record here shows Beaver Falls' trend of recent environmental deficiencies. This includes total suspended solids effluent violations in December 2022, February 2023, and March 2023 along with a

¹ Aqua and Beaver Falls agreed to certain modifications to the initial APA on June 13, 2023 and March 24, 2025.

² Between March 20, 2023 and May 7, 2024 Aqua petitioned the Commission seven times for extensions of the internal review period in effort to resolve certain filing deficiencies.

³ The Office of Small Business Advocate did not enter into the Joint Settlement and filed a Brief in Opposition.

fecal coliform violation issued in June 2023. These violations and others present a health risk to the downstream public water systems and users in the Beaver and Ohio River Valleys.

This is compounded by Beaver Falls' lack of operational or financial fitness to address these challenges. Concerns at Beaver Falls include, but are not limited to, a lack of licensed operators, lack of access to training, limited process control testing, inadequate laboratory management, issues with permit compliance, lack of emergency preparedness planning, lack of safety equipment, lack of security equipment, concerns revolving around hazardous chemical asset management, ventilation issues at its treatment plant, inadequate Supervisory Control and Data Acquisition (SCADA), insufficient backup generation, and a lack of asset management software.

Such concerns can be compared against the remedies Aqua commits to in this proceeding. Aqua plans to spend approximately \$10.2 million to make necessary improvements including upgrading the wastewater treatment plant, improvement to the filter tower, updating sludge collectors, improving the SCADA system, rehabilitating gravity collection system pipe, converting from gas to liquid chlorine, and working with the Department of Environmental Protection to address inflow and infiltration and sanitary overflows within the system.

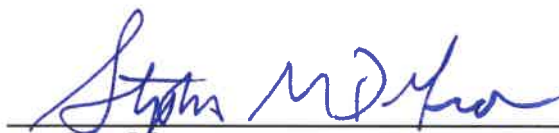
Third, both OCA and I&E support the Joint Settlement. OCA states that the \$29.9 million ratemaking rate base represents an amount that is within the range of possible outcomes in a Commission final order in the event of full litigation of the case based on substantial record evidence. As well, I&E submits that the Joint Settlement will meet the public policy goal of regionalizing water systems and will yield better management practices, economies of scale, and the resulting greater customer, environmental, and economic benefits.

I applaud the parties to the Joint Settlement for their innovation in this proceeding. Utilizing the settlement process to reach terms on a ratemaking rate base between the DOC and the APA, the Joint Settlement establishes a FMV of \$29.9 million for Beaver Falls. It is clearly within the rights of parties in 1329 proceedings to advocate for their positions on the FMV, including through agreeing to amicable settlement terms.

For these reasons I will be voting to support this instant Application.

June 18, 2025

Date



Stephen M. DeFrank

Chairman