
Application of |
Pennsylvania-American | Docket No.:
Water Co. pursuant to | A-2025-3052983
Sections 507, 1102, 1329 |
of the Public Utility |
Code for Approval to |
Acquire the Wastewater |
System Assets of |
Elizabeth Borough |
Municipal Authority |

In-Person Evidentiary |
Hearing

Pages 150 - 227

Hearing Room 2
Keystone Building
400 North Street
Harrisburg, PA

Monday, June 16, 2025
Commencing at 10:04 a.m.

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Hearing Date: June 16, 2025

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :
Company under Sections 1102(a) and 1329 of the :
Pennsylvania Public Utility Code, 66 Pa C.S. §§ 1102(a) :
and 1329, for approval of (1) the transfer, by :
sale, to Pennsylvania-American Water Company, of :
substantially all of the assets, properties and rights related : Docket No. A-2025-3052983, *et al.*
to the wastewater treatment plant and collection system :
owned and operated by the Elizabeth Borough Municipal :
Authority, and (2) the rights of Pennsylvania-American :
Water Company to begin to offer or furnish wastewater :
service to the public in the Borough of Elizabeth, :
Allegheny County, Pennsylvania :

**DIRECT TESTIMONY OF
MARCUS KOHL, ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER COMPANY**

Date: January 28, 2025

PAWC Statement No. 1

**DIRECT TESTIMONY OF
MARCUS KOHL**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

2 **A.** My name is Marcus Kohl, and my business address is 852 Wesley Drive, Mechanicsburg,
3 PA 17055.

4

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

6 **A.** I am employed by Pennsylvania-American Water Company (“PAWC” or the “Company”)
7 as Director of Business Development.

8

9 **Q. WHAT ARE YOUR RESPONSIBILITIES AS DIRECTOR OF BUSINESS**
10 **DEVELOPMENT?**

11 **A.** I develop and maintain necessary contacts to stay abreast of new business opportunities.
12 I manage the acquisition from initial contact, responding to Requests for Qualifications,
13 Requests for Proposals, Requests for Bids, preparation of the Application for submission
14 to the Pennsylvania Public Utility Commission (“Commission”) and manage the
15 workflows required to close the acquisition. These responsibilities necessitate that I
16 maintain a working knowledge of regulatory and technical developments, recent
17 technologies and current trends as they affect water and wastewater utility industries, and
18 that I be familiar with legislation, regulations and public policy affecting business
19 opportunities.

1 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EDUCATION AND EXPERIENCE.**

2 **A.** I received my Bachelor of Science in Speech Communications from Millersville
3 University in 2001. Prior to my role as Director of Business Development for
4 Pennsylvania-American Water Company, I served as the Director for Water Quality and
5 Environmental Compliance. In that role, my primary responsibilities included the oversight
6 of drinking water and wastewater compliance and reporting, which included aiding
7 operations staff in the application of proper treatment techniques necessary to maintain
8 compliance with applicable permits. Before joining Pennsylvania-American Water
9 Company, I served in various roles, including leadership positions, within the Pennsylvania
10 Department of Environmental Protection (“PA DEP”). In my nearly 20 years with PA
11 DEP, I held roles in the Office of Water Management, including participation in the
12 development of policy, guidance, and regulations applicable to both drinking water and
13 wastewater. Much of my career with PA DEP was in the role of Director for the
14 Northcentral Region. In this capacity, I was responsible for all aspects of regulatory
15 oversight for safe drinking water, clean water, waste management, air quality, waterways
16 engineering and wetlands, and environmental cleanup and storage tanks programs within
17 the 14-county region. In this capacity, I supervised nearly 130 staff directly or indirectly.

18

19 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PENNSYLVANIA**
20 **PUBLIC UTILITY COMMISSION?**

21 **A.** Yes, I have previously testified in prior Commission proceedings, including the Joint
22 Application for the acquisition of the Manwalamink Water and Manwalamink Sewer
23 Companies (Docket Nos. A-2023-304418, A-2023-304419, A-2023-304421, A-2023-

1 304422) and the Joint Application for the acquisition of Appalachian Utilities Inc. (Docket
2 Nos. A-2024-3046084 and A-2024-3046092).

3
4 **DESCRIPTION OF THE APPLICATION**

5 **Q. HAS PAWC FILED AN APPLICATION WITH THE COMMISSION FOR**
6 **REGULATORY APPROVAL TO ACQUIRE THE WASTEWATER SYSTEM**
7 **OWNED AND OPERATED BY THE ELIZABETH BOROUGH MUNICIPAL**
8 **AUTHORITY (“AUTHORITY”) AND RELATED APPROVALS?**

9 **A.** Yes. PAWC filed its Application on January 28, 2025 for approval of PAWC’s acquisition
10 of the Authority’s wastewater collection and treatment system (the “System”). I will refer
11 to the acquisition in my testimony as the “Transaction.”

12 The Application was prepared and filed under my direct supervision. As indicated
13 in my Verification attached to the Application, the Application and its numerous
14 appendices are true and correct to the best of my knowledge, information, and belief. We
15 used PAWC records, as well as the Authority’s records, to prepare the Application. For
16 purposes of having a complete evidentiary record in this proceeding upon which the
17 Commission can base its decision, I submit the Application and all of its appendices
18 (Appendices A through K) as **PAWC Exhibit MK-1**. Certain appendices contain
19 proprietary information and are, therefore, labeled as **CONFIDENTIAL**.

20
21 **Q. WHAT IS PAWC SEEKING IN ITS APPLICATION?**

22 **A.** There are four requests. First, PAWC is requesting approval of the acquisition under
23 Section 1102 of the Pennsylvania Public Utility Code (“Code”), 66 Pa. C.S. § 1102, similar

1 to many requests that come before the Commission. Specifically, PAWC seeks approval
2 to acquire the System and to obtain the right to begin service in the areas currently served
3 by the Authority (the “Service Area”). The Application contains a *pro forma* tariff
4 supplement under which the Authority’s rates at the time of closing on the Transaction
5 (“Closing”) would be initially adopted.

6 Second, pursuant to Act 12 of 2016, 66 Pa. C.S. § 1329 (“Section 1329”), PAWC
7 is seeking to utilize fair market value for the ratemaking rate base of the System. As
8 explained more-fully below, fair market value under Section 1329 is the lesser of the stated
9 purchase price in the Asset Purchase Agreement (“APA”), or the average of the appraisal
10 of the Authority’s Utility Valuation Expert (“UVE”) and the appraisal of PAWC's UVE.

11 Third, PAWC is seeking the accrual and deferral of certain post-acquisition
12 improvement costs. Specifically, PAWC is seeking the accrual of Allowance for Funds
13 Used During Construction (“AFUDC”) for post-acquisition improvements (which will not
14 be recovered through its Distribution System Improvement Charge (“DSIC”)) for book and
15 ratemaking purposes, as well as the deferral of depreciation related to post-acquisition
16 improvements (which will not be recovered through the DSIC) for book and ratemaking
17 purposes.

18 Fourth, PAWC is seeking Certificates of Filing or approvals under Section 507 of
19 the Code, 66 Pa. C.S. § 507, for the APA, an amendment to the APA, and certain municipal
20 agreements to be assumed by PAWC as a result of the Transaction.

21
22 **Q. IS PAWC PROPOSING THAT ITS APPLICATION BE EVALUATED USING THE**
23 **FAIR MARKET VALUE PROVISIONS OF SECTION 1329?**

1 A. Yes. PAWC's Application has been prepared in accordance with the fair market value
2 provisions of Section 1329. Specifically, PAWC is requesting that the ratemaking rate
3 base related to the System be based on the lesser of the average of the UVE fair market
4 value appraisals included in the Application or the APA purchase price.¹ I note, however,
5 that PAWC reserves its right to make alternative ratemaking proposals in future
6 proceedings as may be permitted under the Code and regulations.

7
8 **Q. WHAT DOES SECTION 1329 REQUIRE TO BE INCLUDED IN THE**
9 **APPLICATION?**

10 A. Section 1329 requires that the Application include (1) copies of the two UVE appraisals,
11 (2) the purchase price, (3) the ratemaking rate base, (4) the transaction and closing costs,
12 and (5) the proposed tariff. However, the Commission has expanded the filing
13 requirements beyond those specifically required by the statute.

14
15 **Q. WHAT DOES THE COMMISSION REQUIRE BE INCLUDED IN A SECTION**
16 **1329 APPLICATION?**

17 A. In its Final Supplemental Implementation Order entered February 28, 2019, at Docket No.
18 M-2016-2543193 (“*2019 FSIO*”), the Commission attached as Appendix A an extensive
19 list of specific Section 1329 “Filing Requirements” for items to include with an Application
20 for it to be processed in a six-month time frame. PAWC's Application is structured around
21 those Filing Requirements. On July 2, 2024, the Commission issued a new Final

¹ As further discussed on pages 6-7 *infra*, PAWC would not object to recovering less than its full purchase price based on its Reasonable Review Ratio (“RRR”) analysis pursuant to the Commission’s Final Supplemental Implementation Order entered July 2, 2024 at Docket No. M-2016-2543193, as well as the *Report on the Reasonableness Review Ratio For the Year Ended 12.31.2023* dated August 2, 2024 at Docket No. M-2024-3050303.

1 Supplemental Implementation Order (“2024 FSIO”) at the same docket, which modified
2 Appendix A and adopted a new Reasonableness Review Ratio (“RRR”). **Appendix A** to
3 the Application and its sub-appendices directly address each of the Filing Requirements.
4

5 **Q. WHAT IS A REASONABLENESS REVIEW RATIO?**

6 **A.** In the 2024 FSIO, the Commission explains that the RRR is a guidepost for analyzing and
7 making a final determination on the overall prudence of Section 1329 applications. A new
8 RRR will be set annually by the Commission. On August 9, 2024, the Commission issued
9 its first Report on the Reasonableness Review Ratio at Docket No. M-2024-3050303,
10 which established an RRR of 1.68. When considering if a 1329 application is prudent, the
11 Commission will multiply the depreciated original cost (“DOC”) of a system by 1.68 and
12 compare it to the purchase price of the system.
13

14 **Q. DID PAWC CONDUCT AN RRR ANALYSIS OF THIS TRANSACTION?**

15 **A.** Yes, PAWC conducted an RRR analysis for this transaction. The RRR established by the
16 Commission is 1.68. The average of the appraisals’ DOC of the EBMA wastewater system
17 is \$16,649,511. The RRR multiplied by the DOC is \$27,971,178. This amount is
18 approximately \$29,000 below the purchase price in the APA of \$28,000,000.
19

20 **Q. HAS PAWC MODIFIED ITS COST RECOVERY PROPOSAL IN LIGHT OF THIS**
21 **SLIGHT DIFFERENTIAL BETWEEN THE PURCHASE PRICE AND THE RRR**
22 **CALCULATION?**

1 A. PAWC’s ratemaking rate base is based on its \$28,000,000 purchase price. If, however, at
2 the conclusion of this proceeding, the Commission were to approve PAWC only recording
3 \$27,971,178 (the average depreciated original cost multiplied by the RRR) on its books as
4 its ratemaking rate base, PAWC would have no objection to that outcome.

5

6 **DESCRIPTION OF TESTIMONY FILED WITH THE APPLICATION**

7 **Q. IS PAWC FILING AS PART OF ITS APPLICATION TESTIMONY PREPARED**
8 **BY THE AUTHORITY?**

9 A. Yes. PAWC's Application includes at **Appendix A-13-a** the written direct testimony of
10 Timothy Guffey, Chairman of the Authority, and President of Council for Elizabeth
11 Borough (the “Borough”), and at **Appendix A-13-b** the written direct testimony of the
12 Authority’s selected UVE, Mr. Harold Walker III, Manager, Financial Studies, for Gannett
13 Fleming Valuation and Rate Consultants, LLC. PAWC is not sponsoring the testimony of
14 Mr. Guffey or Mr. Walker, but has included their testimony in the Application pursuant to
15 the *2019 FSIO* and in anticipation of the Authority's intervention and participation in the
16 proceeding. PAWC reserves the right to submit rebuttal testimony regarding the
17 Authority’s testimony, as appropriate.

18

19 **Q. PLEASE IDENTIFY THE OTHER PAWC WITNESSES WHO WILL BE**
20 **PROVIDING WRITTEN DIRECT TESTIMONY AND THEIR SUBJECT**
21 **MATTER AREAS.**

22 A. In addition to my direct testimony, PAWC will submit the written direct testimony of
23 Mr. Daniel J. Hufton, P.E., an Engineering Manager for PAWC (PAWC Statement No. 2),

1 and Ms. Stacey D. Gress, American Water Works Service Company, Director of Rates and
2 Regulatory (PAWC Statement No. 3). PAWC is also sponsoring direct testimony by its
3 selected UVE, Mr. Jerome C. Weinert, Principal and Director of Weinert Appraisal &
4 Depreciation Services LLC, d/b/a AUS Consultants (PAWC Statement No. 4).

5 Mr. Hufton will describe engineering and environmental challenges associated with
6 the System, support PAWC's technical fitness to operate the System, and explain certain
7 commitments and improvements to be made by PAWC. Mr. Hufton will also address the
8 anticipated day-to-day operation of the System once it is acquired by PAWC, including
9 staffing and the customer service enhancements that PAWC intends to implement for the
10 benefit of the Authority's customers. Ms. Gress will address the initial rates, rules, and
11 regulations for the Authority's customers as well as the impact of the Transaction on
12 PAWC's existing customers. Ms. Gress will also discuss the financing of the Transaction,
13 recording the acquisition at the net value of the assets, and PAWC's overall financial
14 fitness. Mr. Weinert will provide supporting testimony for his fair market valuation report.

15
16 **Q. ASIDE FROM AUTHENTICATING THE APPLICATION FOR ITS ADMISSION**
17 **INTO THE EVIDENTIARY RECORD AND IDENTIFYING ITS REQUESTS FOR**
18 **RELIEF, WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
19 **PROCEEDING?**

20 **A.** My direct testimony describes the Transaction. I will explain why the Transaction is in the
21 public interest and provides an affirmative public benefit of a substantial nature, and why
22 the Transaction should be promptly approved by the Commission. I will also discuss why
23 PAWC is legally, financially, and technically fit to acquire and operate the System.

1 **DESCRIPTION OF THE TRANSACTION**

2 **Q. TO THE BEST OF YOUR KNOWLEDGE, WHY DID THE AUTHORITY WANT**
3 **TO SELL ITS SYSTEM?**

4 **A.** As further discussed by Mr. Guffey, it is my understanding that the Authority wanted to
5 avoid significant future costs, eliminate existing debt and make infrastructure
6 improvements while avoiding additional tax increases to residents. Further, as described
7 by Mr. Guffey, the sale of the assets will aid the Borough in avoiding becoming a
8 financially distressed municipality. My colleague, Mr. Daniel J. Hufton will describe in his
9 testimony that the Authority's treatment works are currently in hydraulic and organic
10 overload, resulting in numerous combined sewer overflow (“CSO”) events that occur
11 annually at the System's five combined sewer outfall/regulator structures. In 2022 alone,
12 there were 268 untreated sewage discharges into the Monongahela River.

13 To address these issues, a Long-Term Control Plan (“LTCP”) was developed in
14 2004 and approved by PA DEP. The LTCP was updated and revised in 2017, with PA DEP
15 approving the final version in July 2018. The approved LTCP aimed to meet the US
16 Environmental Protection Agency's CSO Policy performance standards by limiting CSO
17 discharges to an average of four per year during heavy precipitation events on a system-
18 wide annual average basis.

19 To satisfy the LTCP, the Authority estimated a capital investment of \$19.6 million
20 (2018 dollars) would be needed for improvements to the treatment works. This included
21 replacing the existing 1.2 MGD plant with a new 2.0 MGD plant (with a peak capacity of
22 10 MGD), improving the collection and conveyance system to convey most weather flows
23 to the plant, building new pump stations at CSOs #5 and #8, constructing a raw sewage

1 pump station to manage both dry and wet weather flows, and building a 660,000-gallon
2 wet weather flow equalization and storage tank at the plant.

3 The Authority moved forward with the first project (the raw sewage pump station)
4 because of imminent failure of the existing station and secured loans to cover the \$8.8
5 million cost for construction and engineering. The Authority increased rates to offset debt
6 service associated with the loans and completed the project in 2021. However, the
7 Authority has fallen six years behind schedule in meeting the original LTCP
8 implementation dates. As referenced in Daniel J. Hufton's testimony, PAWC has
9 determined that the remaining improvement projects will be significantly more expensive
10 than originally estimated because of these delays and rates will have to be adjusted higher
11 than anticipated to compensate for the increased expense. In his testimony, Mr. Hufton
12 estimates that an additional \$23.7 million investment will be required for PAWC to
13 complete the remaining LTCP projects. In Mr. Guffey's testimony, the Authority estimates
14 that it will cost it \$24.6 million to complete the same remaining projects.

15 To avoid this, the Authority explored the possibility of selling the system. A
16 consultant provided a valuation of the system's worth, and the Authority concluded that
17 selling the system, eliminating system debt, and allowing the new owner to bring financial
18 and technical expertise to complete the LTCP requirements would be the best path forward.

19 By selling the System, the Authority and its customers will receive numerous
20 benefits, including:

21 • Low-income residents will have access to PAWC's customer assistance
22 programs that will help them pay bills.

1 • All of the Authority’s current long term debt liability (approximately
2 \$12,778,778 as noted in the latest available audited financial statement) will be eliminated.

3 • PAWC will obtain necessary permits to operate the Authority’s wastewater
4 systems and implement the PA DEP-approved LTCP.

5 • All Authority employees involved in the operation of the System will be
6 offered employment with PAWC, subject to PAWC’s existing standard hiring policies and
7 procedures.

8 The Authority completed a cost analysis of addressing the needed upgrades to the
9 System and the impact those costs would have on rates if the Authority did not sell the
10 System. The results of that study indicate that rates would rise to approximately \$114.23,
11 should the Authority retain ownership and have to invest in the LTCP. Finally, even with
12 increased funding available due to rate increases, the Authority remains significantly
13 behind schedule in addressing the LTCP. It is likely that the environmental impacts of the
14 raw sewage entering our waterways during heavy rain events will persist for some time
15 impacting the waterway, recreational users of the waterway, and downstream water users.
16 It is certainly possible, and has proven true in the past, that the Authority will continue to
17 miss milestones and struggle to finance the necessary upgrades in a timely and cost-
18 effective manner.

19
20 **Q. PLEASE PROVIDE A DESCRIPTION OF THE TRANSACTION NEGOTIATION**
21 **PROCESS.**

22 **A.** This transaction was handled as a bid. PAWC was sent a Request For Proposals document
23 on November 28, 2021 that described the System, the assets to be sold and the anticipated

1 timeline. PAWC then participated in a pre-bid meeting on December 1, 2021 with other
2 bidders. PAWC toured the facility on December 15, 2021 and proceeded with our
3 evaluation. After completing our due diligence, PAWC submitted a bid on July 12, 2022.
4 EBMA notified PAWC that it was selected as the winning bid several days later. Over the
5 next several months, PAWC and EBMA negotiated the APA, which was executed in
6 January 2023.

7 **Q. DID THE AUTHORITY CONDUCT PUBLIC HEARINGS REGARDING THE**
8 **ACQUISITION IN ADVANCE OF EXECUTING THE APA?**

9 **A.** Yes. Prior to executing the APA, EBMA held three public meetings on June 15, 2022,
10 August 9, 2022, and November 8, 2022 to address, evaluate and approve the Transaction.
11 The meetings provided an opportunity for public comment. No members of the public and
12 only one member of the media provided comments at these meetings. The public meetings
13 were held at venues within the municipal boundaries of the Seller. The Commission was
14 not notified regarding these public meetings, because no such notification requirement
15 existed at the time of these meetings.

16
17 **Q. PLEASE PROVIDE AN OVERVIEW OF THE APA.**

18 **A.** The APA is attached as **Appendix A-24-a** to the Application (**PAWC Exhibit MK-1**).
19 The APA sets forth the terms and conditions pursuant to which the Authority will sell, and
20 PAWC will purchase, the System, as well as substantially all assets, properties and rights
21 that Authority owns and uses in connection with the System. The APA sets forth the entire
22 understanding of the parties with respect to the Transaction. Under the APA, the Closing
23 of the Transaction will occur after the receipt of all applicable governmental approvals,

1 including approvals from this Commission, and after all applicable conditions have been
2 met (or waived) by the parties. Upon Closing, PAWC will take ownership of the System
3 and begin rendering wastewater services to the Authority's current customers and the
4 Authority will permanently discontinue providing or furnishing wastewater service to the
5 public.

6 **Q. PLEASE PROVIDE A SUMMARY OF THE APA'S PROVISIONS GOVERNING**
7 **THE TRANSFER OF ASSETS.**

8 **A.** The specific properties, assets and rights to be transferred to PAWC are defined and
9 described in the APA's Section 1.2, while the excluded assets are defined in Section 1.4 of
10 the APA. Generally, the APA states that every asset, property, business, goodwill and right
11 owned by the Authority and used in the provision of sanitary wastewater service, whether
12 real, personal, mixed, tangible or intangible, and including all the physical plant, property,
13 equipment and facilities comprising the System owned by the Authority shall be conveyed
14 to PAWC. The Engineering Assessment (**Appendix A-15-a**) contains a list of the
15 wastewater system inventory used in connection with the System to be conveyed to PAWC.
16 All interests in real estate, including leases, easements and access to public rights-of-way,
17 owned by the Authority and relating to the System are defined and described in Schedule
18 4.1(l)(i)-(iii), as well as all assigned contracts to be conveyed to PAWC in Schedule 5.1(c).
19 I note, however, that some contracts in Schedule 5.1(c) are non-material and PAWC
20 continues to review such contracts to determine whether assumption of such contracts is
21 cost-effective and in the best interest of PAWC's customers.

22 Items that will not be transferred include, among other items: the Retained WWTP
23 Assets (the non-moving structural portion of the DUPERON® FLEXRAKE® FPFS Full

1 Penetration Fine Screen unit consisting of the base, vertical supports, and back/side plates)
2 and the Authority's cash, including accounts receivable.

3
4 **Q. HAS PAWC AGREED TO ASSUME ANY LIABILITIES OF THE AUTHORITY**
5 **AS PART OF THE TRANSACTION?**

6 **A.** Yes. PAWC is accepting certain "Assumed Liabilities" as part of this Transaction on the
7 day of and after Closing on the Transaction. Per Section 1.3(b) of the APA, PAWC will
8 assume all liabilities and obligations associated with the Assigned Contracts on and after
9 Closing. PAWC will not assume or be liable for any liabilities or obligations other than
10 the Assumed Liabilities.

11
12 **Q. PLEASE SUMMARIZE THE APA'S PROVISIONS GOVERNING THE**
13 **NEGOTIATED PURCHASE PRICE OF THE TRANSACTION?**

14 **A.** The consideration for the purchase of the System as set forth in Section 2.1 of the APA is
15 the negotiated purchase price of \$28,000,000. An amount to be determined will be placed
16 in a Missing Easement Escrow for all of the easements that are missing as of Closing as set
17 forth in Section 4.1(1)(vii) of the APA. In addition, since the Authority plans to dissolve
18 on or shortly after Closing, Section 11.4(b) of the APA provides that the Authority will
19 place \$1,120,000 in escrow to cover any claims or damages of any PAWC Indemnified
20 Party for a period of up to two years after Closing.

21
22 **Q. PLEASE DESCRIBE IN MORE DETAIL HOW MISSING EASEMENTS WILL BE**
23 **HANDLED AFTER CLOSING.**

1 A. As of the Closing Date, the Authority will fund an easement escrow fund in the amount of
2 Two Thousand Dollars (\$2,000) for each missing easement. APA Section 11.4(a).

3

4 **Q. PLEASE EXPLAIN THE RATES THAT WILL APPLY TO THE AUTHORITY'S**
5 **CUSTOMERS FOLLOWING THE CLOSING OF THE TRANSACTION.**

6 A. As will be explained more fully in the Direct Testimony of Ms. Stacey D. Gress, PAWC
7 Statement No. 3, PAWC has committed to implement, upon Closing of the Transaction,
8 the Authority's wastewater rates then in effect at Closing.

9 Immediately upon Closing, the Authority's customers will be subject to PAWC's
10 prevailing wastewater tariff on file with the Commission with respect to miscellaneous fees
11 and charges and rules and regulations for wastewater service. The Authority's customers
12 will not be charged the DSIC prior to the first revision of PAWC's Long Term
13 Infrastructure Improvement Plan after Closing or the effective date of PAWC's next
14 Commission-approved base rate increase, whichever is sooner. The Authority's customers
15 will continue to be billed on a monthly basis. The monthly rates are shown in PAWC's *pro*
16 *forma* tariff in **Appendix A-12** to the Application.

17

18 **Q. HAS PAWC MADE ANY COMMITMENTS IN THE APA THAT WILL BE**
19 **IMPLEMENTED AFTER THE CLOSING OF THE TRANSACTION?**

20 A. Yes. PAWC has committed to offer employment to eligible Authority employees
21 following the Closing of the Transaction, subject to certain conditions. Section 7.1(a).

22 My colleague, Mr. Daniel J. Hufton, P.E., will discuss capital investment
23 commitments in greater detail in his written direct testimony, PAWC Statement No. 2.

1 Mr. Hufton also will discuss anticipated day-to-day operation of the System once it is
2 acquired by PAWC, including staffing.

3
4 **Q. WILL PAWC BE ASSUMING ANY CONTRACTS AS PART OF THE**
5 **TRANSACTION?**

6 **A.** Yes, **Appendix A-25** lists all Authority contracts that PAWC currently intends to assume
7 at Closing. Prior to Closing, PAWC will review all contracts and a final determination will
8 be made on which contracts will be assumed and which will be terminated or revised.

9
10 **BACKGROUND INFORMATION ON PAWC AND THE SYSTEM**

11 **Q. PLEASE PROVIDE AN OVERVIEW OF PAWC.**

12 **A.** PAWC, a subsidiary of American Water Works Company, Inc. (“American Water”), is the
13 largest regulated public utility corporation duly organized and existing under the laws of
14 the Commonwealth of Pennsylvania, engaged in the business of collecting, treating,
15 storing, supplying, distributing, and selling water to the public, and collecting, treating,
16 transporting and disposing of wastewater for the public. Water and wastewater services
17 are furnished by PAWC to the public in a service territory encompassing more than
18 417 communities in 37 counties. Overall, PAWC serves a combined population of over
19 2.3 million people across the Commonwealth and is American Water’s largest subsidiary.

20 PAWC currently employs approximately 1,150 professionals with expertise in all
21 areas of water and wastewater utility operations, including engineering, regulatory
22 compliance, water and wastewater treatment plant operation and maintenance, distribution
23 and collection system operation and maintenance, materials management, risk

1 management, human resources, legal, accounting, and customer service. PAWC has the
2 expertise, the record of environmental compliance, the commitment to invest in necessary
3 capital improvements and resources, and the experienced managerial and operating
4 personnel necessary to provide safe and reliable wastewater services to the residents of the
5 Service Area. In addition, PAWC currently provides water service to many of the
6 Authority's wastewater customers.

7 PAWC takes pride in being a good corporate citizen by sponsoring and
8 participating in local community events, providing environmental and firefighting support
9 grants, offering the "H2O Help to Others Assistance Program" to help low-income
10 customers pay their bills, and supporting economic growth through infrastructure
11 improvements in the communities served by PAWC. In 2023, PAWC donated nearly
12 \$845,000 to organizations in the communities it serves through grants, scholarships, and
13 general charitable giving, and over \$650,000 to assist customers in paying their water or
14 wastewater bills. Through collaboration with the American Water Charitable Foundation,
15 the company helped provide an additional \$481,900 in funding to approximately 350 non-
16 profit organizations across Pennsylvania. Grant opportunities are available to non-profit
17 organizations operating or located within communities served by Pennsylvania American
18 Water through the Foundation's Keep Communities Flowing grant program.

19 Financial support is not the only way PAWC supports the communities it serves.
20 Through partnerships, programming and volunteerism, the Company demonstrates its
21 commitment to being a good neighbor. In fact, in 2023 employees dedicated nearly 1,300
22 hours to volunteering in or around communities that we serve. The Company and its
23 dedicated employees play active roles in supporting environmental and education

1 initiatives related to water, from watershed clean-ups to educational programs focused on
2 drinking water and source water protection., as well as supporting youth education, health
3 and wellness initiatives, community sustainability projects and more to address
4 community-specific needs, PAWC is eager to partner with municipalities in the Service
5 Area in providing a sustainable long-term future for the System. Customers of the System
6 will benefit from a stable company with a robust business model and reliable service.
7

8 **Q. HOW MANY CUSTOMERS DOES THE SYSTEM CURRENTLY SERVE AND**
9 **HOW MANY CUSTOMERS DOES PAWC CURRENTLY SERVE?**

10 **A.** As of December 31, 2024, the System furnished wastewater services to approximately 672
11 direct customers and approximately 1,504 indirect customers. As of December 31, 2024,
12 PAWC furnished wastewater service to approximately 114,915 residential, commercial,
13 industrial, municipal and bulk customers in Pennsylvania. As of December 31, 2024,
14 PAWC furnished water service to approximately 687,608 customers in Pennsylvania.
15

16 **THE TRANSACTION IS IN THE PUBLIC INTEREST**

17 **Q. PLEASE EXPLAIN WHY THE PROPOSED TRANSACTION IS IN THE PUBLIC**
18 **INTEREST.**

19 **A.** The Transaction will result in an affirmative public benefit of a substantial nature. First,
20 PAWC, as a large and long-established public utility, has the managerial, technical, and
21 financial fitness to operate the System in a safe and efficient manner in compliance with
22 the Code, the Pennsylvania Clean Streams Law, and all other applicable statutory and
23 regulatory requirements. PAWC has extensive experience in the operation of wastewater

1 collection and treatment systems including specific experience with the types of treatment
2 technologies employed in the System. As will be explained in more detail by my colleague,
3 Mr. Daniel J. Hufton, P.E., the system has been responsible for numerous CSOs, which
4 directly impact water quality. PAWC Statement No. 2. PAWC has reduced these
5 overflows in other systems we have acquired previously. In this instance, both current
6 customers of EBMA as well as PAWC will benefit from our reduction in these overflows
7 as the reduction will improve local water quality and the water quality of downstream
8 drinking water intakes, including PAWC's Pittsburgh drinking water system intake.

9 PAWC continues to expand its expertise in developing and administering industrial
10 pretreatment programs ("IPPs"). While the Authority does not currently have a program,
11 discussions with PA DEP's Southwest Regional Office revealed that one should be in
12 place. PAWC intends to develop and implement an IPP program in a future base rate case
13 post-closing, meeting regulatory requirements. Because PAWC is currently undertaking
14 the same effort in its McKeesport system, its experience and established processes will
15 improve our efficiency at the time of IPP implementation. PAWC continues to develop
16 expertise for the benefit of the Commonwealth through its current operation of 38
17 wastewater treatment plants providing service to approximately 114,915 customers in
18 Pennsylvania.

19 Second, the Authority's current customers will benefit in several ways from
20 becoming PAWC wastewater customers. Because the existing territory of the Authority is
21 within the PAWC water footprint, customers will receive one bill from one company for
22 water and wastewater. As will be noted later, increased bill payment options and extended
23 hours for customers' service calls will be available to them as wastewater customers as

1 they have been for them as water customers. PAWC is a large, financially-sound company
2 that has the capacity to finance necessary capital additions and improvements that will
3 benefit its customers. In addition, given its size, its access to capital, and its recognized
4 strengths in system planning, capital budgeting, and construction management, PAWC is
5 well-positioned to ensure that wastewater is properly treated and meets all applicable state
6 and federal regulatory requirements prior to discharge to the local waterway. As was noted
7 above, the provision of wastewater service meeting these requirements will benefit
8 downstream water intakes, such as ours. There is also a general public benefit of PAWC
9 being subject to the jurisdiction of the Commission, which requires PAWC to provide
10 adequate, efficient, safe and reliable service at just and reasonable rates. Currently, the
11 Authority has no such regulatory oversight.

12 Third, the Authority's current customers will benefit from the enhanced and proven
13 customer service that PAWC provides. My colleague, Mr. Daniel J. Hufton, P.E., discusses
14 these customer service enhancements in more detail in PAWC Statement No. 2.
15 Nevertheless, I would like to note that they include, but are not limited to, extended
16 customer service and call center hours, enhanced customer information and educational
17 programs and access to PAWC's customer assistance programs. Additionally, through
18 community giving, partnerships and volunteering, PAWC demonstrates its commitment to
19 programs that address community-specific needs. One example is PAWC's H2O – Help
20 to Others Program, which for more than twenty-five years has assisted low-income
21 customers. In 2011, the program was expanded to include wastewater customers. My
22 colleague, Ms. Stacey D. Gress, will provide more details about these programs in her
23 testimony. PAWC Statement No. 3.

1 Fourth, residents of the area will benefit from the tax revenues that PAWC will pay
2 to municipal governments in the area. The Authority's facilities are not subject to tax.
3 Utility operational costs are higher, in part, due to these expenses, but there is a public
4 benefit of having more private property on the tax rolls as a result of the Transaction. As
5 was noted in the testimony of Mr. Guffey, the Borough has had a shrinking tax base, which
6 has both resulted in tax increases for residents and modifications of services provided. Our
7 tax revenues will aid in offsetting these increases.

8 Fifth, the proceeds of the sale of the assets will aid in stabilizing the financial
9 situation of the Borough. As was noted in the testimony of Mr. Guffey, the proceeds will
10 be used to eliminate existing debt and allow for infrastructure improvements without the
11 need for tax increases to residents.

12 Finally, the Transaction will benefit PAWC's existing wastewater customers in the
13 long-term by expanding PAWC's customer base. There will be no immediate rate impact
14 on PAWC's existing customers. By adding additional connections to the entire PAWC
15 system, there are more customers to share future infrastructure investment costs, which
16 promotes stable rates across the entire PAWC system. Customers who benefit from near-
17 term improvements will one day help pay for improvements on behalf of other customers
18 on other parts of the PAWC system. Being able to spread the costs of investing in and
19 maintaining public wastewater systems over a growing customer base, particularly in a
20 time of increased environmental requirements, is essential to the continued success and
21 longevity of wastewater systems and maintaining reasonable rates for customers. As a
22 matter of public policy, the Pennsylvania Legislature recognized the importance of

1 consolidation and cost sharing in the passage of Act 11 of 2012. As the Commission stated
2 in a recent PAWC base rate case:

3 We also agree with the Company's argument that, in the circumstances,
4 applying Section 1311(c) in conjunction with Section 1329 is in the public interest
5 because otherwise, larger viable public utilities would be discouraged from
6 acquiring municipal and wastewater systems and contravene the legislative intent
7 and the Commission's policy of encouraging consolidation and regionalization.

8 *Pa. Pub. Util. Comm'n v. PAWC*, Docket Nos. R-2020-3019369, *et al.* (Opinion and Order
9 entered Feb. 25, 2021) p. 82.

10 There is also a clear legislative intent associated with Section 1329 and its
11 allowance of fair market valuation for ratemaking purposes. The General Assembly
12 intended to facilitate the acquisition of municipal water and wastewater systems by
13 investor-owned utilities for the benefit of municipal corporations and their residents.
14 Several of these benefits to the customers of the Authority, and the citizens residing in the
15 area, are described in the direct testimony of the Authority, and PAWC's witnesses.

16 **Q. PLEASE EXPLAIN WHY THE TRANSACTION WOULD FOSTER THE**
17 **COMMISSION'S GOAL OF PROMOTING THE REGIONALIZATION AND**
18 **CONSOLIDATION OF WASTEWATER SYSTEMS?**

19 **A.** The acquisition fosters the Commission's stated goal of consolidating and regionalizing
20 water and wastewater systems to provide greater environmental and economic benefits to
21 customers. My colleague, Mr. Daniel J. Hufton, P.E., discusses this in detail in his
22 testimony. PAWC Statement No. 2. After Closing, PAWC's Elizabeth Borough Water
23 System employees will report to the same management and support teams that oversee our
24 McKeesport wastewater operations. Employees of both departments will support each
25 other when appropriate and necessary, particularly in emergency situations. The
26 Authority's wastewater treatment plant is located approximately 7 miles from PAWC's

1 McKeesport Wastewater Treatment Plant. PAWC can draw upon a much broader range of
2 engineering and operational experience than can the Authority, as well as deeper financial
3 resources, to address operational challenges and support growth and development.
4 Additionally, the system is within the existing PAWC water footprint. This will allow for
5 better coordination of construction projects, more efficient repairs of infrastructure, and the
6 provision of utility services on a long-term, cost-effective basis. In addition, long-term
7 regionalization and consolidation benefits exist if PAWC acquires additional wastewater
8 systems in this region, which have the capability of connecting to PAWC's McKeesport
9 Wastewater Treatment Plant. Should PAWC be the future owner of these systems,
10 additional physical interconnections may create further consolidation benefits, including
11 improved water quality due to the transfer of wastewater streams to a state-of-the-art
12 wastewater treatment plant.

13
14 **Q. DOES THE REGIONALIZATION AND CONSOLIDATION OF WASTEWATER**
15 **SYSTEMS BENEFIT THE PUBLIC?**

16 **A.** Yes, it does. I am advised by counsel that the Commission has a Statement of Policy at
17 52 Pa. Code § 69.721, which states that the Commission believes that further
18 regionalization and consolidation of water and wastewater systems may result in greater
19 environmental and economic benefits to customers. Regionalization and consolidation
20 have economic benefits for customers because they allow the use of better management
21 practices and they allow greater economies of scale. Examples of economies of scale
22 include:

- 1 • PAWC’s ability to obtain supplies (such as mains, treatment chemicals and
2 purchased power costs (electricity, natural gas and diesel fuel)) at lower
3 rates because it is able to buy in bulk.
- 4 • PAWC’s size gives it greater purchasing power, allowing it to negotiate
5 better rates for purchases than the System.
- 6 • PAWC can move equipment (such as emergency generators, portable
7 pumps, excavating equipment, and vacuum-jetter trucks) around its system,
8 whereas the Authority currently must buy or rent any equipment it needs.
- 9 • PAWC’s size allows it to spread fixed costs across a larger asset platform
10 and customer base.
- 11 • PAWC’s staffed engineering department allows it to perform planning,
12 design construction management services internally rather than contracting
13 the work out at higher cost to consulting engineers.

14 In addition, regionalization and consolidation have environmental benefits for
15 customers and the public-at-large. Small public utilities and local water and wastewater
16 providers are challenged in keeping up with a changing regulatory landscape and with
17 necessary investment in the system. This System in particular has not complied with the
18 schedule in the existing LTCP and has failed to establish an IPP program. Both of these
19 items are put in place by the PA DEP to ensure that local waterways are protected, both
20 from the discharge of raw sewage during heavy rain events and through the potential for
21 pass-through pollution from an industrial discharger to the system. Consolidation promotes
22 the acquisition of these systems by qualified system operators with the ability to meet
23 established compliance deadlines and increasingly stringent environmental requirements
24 in the future.

25
26 **PAWC’S LEGAL, FINANCIAL AND TECHNICAL FITNESS**

27 **Q. PLEASE TELL US WHY PAWC IS LEGALLY FIT TO ACQUIRE AND**
28 **OPERATE THE SYSTEM.**

1 A. PAWC is a Commission-regulated public utility with a good compliance history. There
2 are no pending legal proceedings that would suggest that PAWC is not legally fit to provide
3 service to customers on the Authority’s System.

4
5 **Q. CAN YOU EXPLAIN WHY PAWC IS FINANCIALLY FIT TO ACQUIRE AND**
6 **OPERATE THE SYSTEM?**

7 A. Yes. PAWC is the largest water and wastewater provider in Pennsylvania. It has a long-
8 demonstrated history with the Commission of financial stability.

9 As part of the Application, PAWC provided the audited internal balance sheet, as of
10 December 31, 2023 for PAWC (**Appendix D**), as well as the audited income statement, as
11 of December 31, 2023, for PAWC (**Appendix F**). Those documents show that PAWC had
12 total assets of approximately \$7.3 billion as of December 31, 2023. Further, they show
13 that PAWC had operating income of approximately \$465 million and net income of
14 approximately \$300 million for the 12 months ending December 31, 2023. These figures
15 further demonstrate that PAWC has the financial stability and wherewithal to acquire the
16 System and operate it in the public interest. My colleague, Ms. Stacey D. Gress, will
17 provide additional details on the financial health of PAWC and its ability to access capital
18 in PAWC Statement No. 3.

19
20 **Q. PLEASE EXPLAIN WHY PAWC IS TECHNICALLY FIT TO OPERATE THE**
21 **SYSTEM.**

22 A. As I discussed earlier, PAWC is engaged in the business of collecting, treating, transporting
23 and discharging wastewater for the public. PAWC is the largest investor-owned water and

1 wastewater utility in the Commonwealth of Pennsylvania and PAWC already has
2 significant water and wastewater operations throughout Pennsylvania. PAWC is
3 experienced in undertaking and completing water and wastewater system acquisitions with
4 public and private sector owners and successfully integrating those assets into our business
5 operations. In fact, PAWC is often called upon by the Commission to step in and resolve
6 troubled water and wastewater systems (such as the East Dunkard Water Authority, the
7 Delaware Sewer Company, and the Winola Water Company), resolving compliance issues,
8 and providing the high standard of service that customers expect and deserve. My
9 colleague, Mr. Daniel J. Hufton, P.E., will explain in greater detail in PAWC Statement
10 No. 2 how PAWC intends to operate the System once acquired.

11
12 **DESCRIPTION OF THE SERVICE AREA**

13 **Q. PLEASE EXPLAIN THE SERVICE AREA SOUGHT BY PAWC IN THE**
14 **APPLICATION.**

15 **A.** As part of its Application, PAWC is seeking the right to provide service to the customers
16 currently served by the Authority as shown in the maps and descriptions attached as
17 **Appendices A-16-a through e and A-16-f (CONFIDENTIAL)**. No municipal authority,
18 corporation, partnership or individual other than the Authority is now furnishing or has
19 corporate or franchise rights to furnish service similar to that to be rendered by PAWC in
20 the Service Area covered by the Application, and no competitive condition will be created.
21 As discussed above, upon Closing of the Transaction, the Authority will permanently
22 discontinue all wastewater service to the public.

1 **APPROVAL OF CONTRACTS WITH MUNICIPAL CORPORATIONS**

2 **Q. HAS PAWC REQUESTED CODE SECTION 507 CERTIFICATES OF FILING OR**
3 **APPROVALS AS PART OF ITS APPLICATION?**

4 **A.** Yes. In addition to the approvals sought under Sections 1102(a) and 1329 of the Public
5 Utility Code, 66 Pa. C.S. §§ 1102(a), 1329, the Application requests Certificates of Filing
6 or approvals under Section 507 of the Code. 66 Pa. C.S. § 507. According to PAWC's
7 counsel, the APA, the First Amendment to the APA, and any contract with a municipal
8 corporation that will be assumed by PAWC must be filed with the Commission pursuant
9 to Section 507. Aside from the APA and the First Amendment thereto, PAWC has
10 identified six contracts requiring Certificates of Filing or approvals under Section 507 (see
11 **Appendices A-25.1 through A-25.6 to PAWC Exhibit MK-1).**

12 **Q. PLEASE DESCRIBE THE MUNICIPAL CONTRACTS TO BE ASSUMED BY**
13 **PAWC.**

14 **A.** PAWC is seeking Commission approval under Section 507 of the following additional
15 municipal contracts: (a) Service Agreement dated January 25, 2000, by and between the
16 Borough of Elizabeth and the Sanitary Authority of Elizabeth Township (attached hereto
17 as Appendix A-25.1); (b) Fallen Timber Run Watershed Area Interceptor Sewer Project
18 Agreement between the Borough of Elizabeth, Elizabeth Borough Municipal Authority,
19 the Township of Forward, the Township of Elizabeth, and the Sanitary Authority of
20 Elizabeth Township (attached hereto as Appendix A-25.2); (c) Agreement dated
21 December 15, 1987, by and between the Borough of Elizabeth, Elizabeth Borough
22 Municipal Authority and the Borough of Lincoln (attached hereto as Appendix A-25.3);
23 (d) Agreement dated November 26, 1957, by and between Borough of Elizabeth,

1 Elizabeth Borough Municipal Authority, the Township of Elizabeth and Sanitary
2 Authority of Elizabeth Township (attached hereto as Appendix A-25.4); (e) Agreement
3 dated January 23, 1958, by and between Borough of Elizabeth, Elizabeth Borough
4 Municipal Authority and the Township of Forward (attached hereto as Appendix A-25.5);
5 and (f) *Pro Forma* Lease Agreement by and between the Elizabeth Borough Municipal
6 Authority and Pennsylvania-American Water Company (attached hereto as Appendix
7 A-25.6).

8 The Authority is currently taking the steps necessary to assign the contracts to
9 PAWC upon Closing. Commission approval of the continuation of these contracts is
10 necessary in order for PAWC, after Closing, to provide wastewater service as the
11 Authority has previously done. Approval is reasonable and serves an important public
12 purpose because the services provided under the contracts are essential to the provision
13 of wastewater service in neighboring communities. To the extent that PAWC
14 renegotiates contracts with municipalities, PAWC will promptly file such contracts for
15 Commission approval under Section 507.

16
17 **CONCLUSION**

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

19 **A.** Yes. However, I reserve the right to supplement my direct testimony as additional issues
20 or facts arise during the course of this proceeding. Thank you.

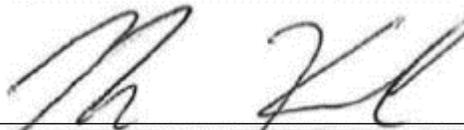
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In re: Application of Pennsylvania-American :
Water Company under Sections 1102(a) and :
1329 of the Pennsylvania Public Utility Code, :
66 Pa C.S. § § 1102(a) and 1329, for approval :
of (1) the transfer, by sale, to Pennsylvania- :
American Water Company, of substantially :
all of the assets, properties and rights related :
to the wastewater treatment plant and : Docket Nos. A-2025-3052983, *et al.*
collection system owned and operated by the :
Elizabeth Borough Municipal Authority, :
(2) the rights of Pennsylvania-American :
Water Company to begin to offer or furnish :
wastewater service to the public in the :
Borough of Elizabeth, Allegheny County, :
Pennsylvania :

VERIFICATION

I, Marcus Kohl, hereby state that the facts set forth in PAWC Statement No. 1 and accompanying exhibits, if any, are true and correct to the best of my knowledge, information, and belief. I understand that this verification is made subject to the provisions and penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Date: January 28, 2025



Marcus Kohl
Director of Business Development
Pennsylvania-American Water Company

**DIRECT TESTIMONY OF
DANIEL J. HUFTON**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

2 **A.** My name is Daniel J. Hufton, P.E. and my business address is 60 Elrama Avenue, Elrama,
3 PA 15038.

4

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

6 **A.** I am employed by Pennsylvania-American Water Company (“PAWC” or the “Company”)
7 as an Engineering Manager.

8

9 **Q. WHAT ARE YOUR RESPONSIBILITIES AS AN ENGINEERING MANAGER?**

10 **A.** As an Engineering Manager for PAWC, I am responsible for the performance of due
11 diligence activities related to potential water and wastewater acquisitions in the
12 Commonwealth of Pennsylvania. These activities cover a broad range of operational topics
13 including environmental compliance, health and safety, security, system capacity analyses,
14 system condition assessments, operations and maintenance expense planning, and capital
15 expenditure planning.

16

17 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EDUCATION AND EXPERIENCE.**

18 **A.** A copy of my curriculum vitae is attached as **PAWC Exhibit DJH-1**. I received my
19 Bachelor of Science degree in civil engineering in 1987 from The Pennsylvania State
20 University and a Master of Engineering degree in civil engineering in 1988 from Cornell
21 University. I have over 36 years of experience in the civil and environmental engineering
22 discipline related to municipal and industrial water and wastewater treatment and solid

1 waste management. I worked in various consulting engineering roles for 12 years prior to
2 joining PAWC in 2000. Since joining PAWC, I have worked in various roles in Water
3 Quality, Production Operations, Maintenance Services, and Engineering. I am a registered
4 Professional Engineer, certified Water Operator, and certified Wastewater Operator in the
5 Commonwealth of Pennsylvania.

6
7 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PENNSYLVANIA**
8 **PUBLIC UTILITY COMMISSION (“COMMISSION”)?**

9 **A.** Yes. I testified as a witness for PAWC during proceedings in *Petition of PAWC for a*
10 *Finding on an Expedited Basis that Two Buildings to Shelter Booster Pumps to be*
11 *Constructed in Dunbar Township, Fayette County, Pennsylvania, are Reasonably*
12 *Necessary for the Convenience or Welfare of the Public*, Docket No. P-2015-2513587,
13 *Application of PAWC for Approval to Acquire the Wastewater Collection and Treatment*
14 *System Owned by the Butler Area Sewer Authority*, Docket No. A-2022-3037047, and
15 *Application of PAWC for Approval to Acquire the Wastewater Collection and Conveyance*
16 *System Owned by the Borough of Brentwood*, Docket No. A-2021-3024058.

17
18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

19 **A.** My testimony will describe the wastewater treatment plant and collection system
20 (“System”) currently owned and operated by the Elizabeth Borough Municipal Authority
21 (“Authority”) that PAWC has agreed to acquire (the “Transaction”). I will also explain
22 how the acquired System will be integrated into PAWC’s existing operations, describe

1 PAWC’s technical fitness to run the System, and discuss the public benefits of the
2 Transaction.

3
4 **Q. PLEASE DESCRIBE THE SYSTEM.**

5 **A.** This is a troubled System comprised of an old combined sewer collection and conveyance
6 network serving Elizabeth Borough (the “Borough”), and an aging regional wastewater
7 treatment plant that services the Borough, Elizabeth Township, Forward Township, and
8 Lincoln Borough. The combined sewer system in the Borough and the regional wastewater
9 treatment plant are owned and operated by the Authority. Elizabeth Township, Forward
10 Township and Lincoln Borough receive treatment services from the Authority under the
11 provisions of service agreements with each municipality. The sewer collection and
12 conveyance systems in Elizabeth Township, Forward Township and Lincoln Borough are
13 owned by those respective municipalities, and such assets are not part of this Transaction.

14 The System consists of sanitary sewers, combined sewers, interceptors, and five (5)
15 permitted and active combined sewer outfall/regulator structures. The wastewater
16 treatment plant consists of a raw sewage pump station with mechanical/manual bar screens
17 and a vortex grit removal unit, conventional activated sludge biological treatment,
18 secondary clarification, gas chlorine disinfection, and sludge thickening. The plant has a
19 hydraulic design capacity of 1.2 million gallons per day (“MGD”) and an organic design
20 capacity of 1,100 pounds of 5-day biochemical oxygen demand (“BOD5”)/day. Residual
21 biosolids are processed through a sludge thickener prior to being hauled off-site in liquid
22 form by a contractor for disposal at a nearby wastewater treatment plant. Treated

1 wastewater is discharged into the Monongahela River under authorization set forth in
2 National Pollutant Discharge Elimination System (“NPDES”) Permit No. PA0028436.

3 The aging infrastructure in the collection system is impacted by high levels of
4 Inflow/Infiltration (“I/I”) that hydraulically overload the system and result in excessive
5 sewer overflows to the Monongahela River. The treatment plant and its equipment are
6 over 30 years old and are at the end of their useful life. Under the proposed Transaction,
7 PAWC will acquire and operate the System and assume responsibilities for upgrade,
8 operation and maintenance as the holder of the NPDES Permit.

9
10 **Q. IS PAWC ACQUIRING ALL OF THE PLANT ASSETS OF THE AUTHORITY?**

11 **A.** Yes, with one exception. As described in Paragraph 1.4 of the Asset Purchase Agreement
12 between PAWC and the Authority (“APA”), the Authority will retain an asset of the
13 wastewater treatment plant (“WWTP”) after closing on the Transaction (“Closing”). This
14 asset is comprised of the non-moving structural portion of the DUPERON® FPFS Full
15 Penetration Fine Screen unit consisting of the base, vertical supports, and back/side plates.
16 As described further in paragraph 6.5 of the APA, PAWC and the Authority will then
17 jointly submit a request to the Pennsylvania Department of Environmental Protection
18 (“PADEP”) and the United States Environmental Protection Agency (“USEPA”) to obtain
19 confirmation from each such agency that the arrangements as set forth in the APA under
20 which the Authority retains ownership of the Retained WWTP Asset, the Authority leases
21 the Retained WWTP Asset to PAWC, and PAWC operates, maintains and manages the
22 Retained WWTP Asset after Closing, the WWTP will continue to be classified as a
23 Publicly Owned Treatment Works for purposes of the “domestic sewage exclusion”

1 contained in 40 C.F.R. § 261.4(a)(1) and the Resource Conservation and Recovery Act of
2 1976.

3
4 **Q. PLEASE DESCRIBE THE SYSTEM'S SERVICE AREA.**

5 **A.** The Authority's System provides direct service to customers in the Borough. Through the
6 years as communities surrounding Elizabeth Borough developed, the surrounding
7 municipalities signed bulk service agreements with the Authority for sewage conveyance
8 and treatment. The collection systems in three (3) neighboring municipalities are
9 connected to the Authority's collection system in order to convey flow to the wastewater
10 treatment plant. Bulk service to portions of Elizabeth Township, Forward Township, and
11 Lincoln Borough, all in Allegheny County, Pennsylvania is provided under bulk service
12 agreements. As the systems have relied on the Authority for wastewater treatment, they
13 have not designed, built and operated separate treatment facilities nor have they developed
14 their own separate treatment capability or capacity. Thus, there is no reasonable alternative
15 for bulk wastewater service for the three neighboring municipalities. The separate
16 development of additional treatment works would run counter to the PADEP's preference
17 for regionalization of wastewater treatment.

18 The System service area that PAWC is requesting ("Service Area") is limited to the
19 Authority's combined sewer system and treatment plant, which comprises approximately
20 0.4 square miles.

21 Following the Transaction, PAWC will continue to serve the bulk municipal
22 customers (Elizabeth Township, Forward Township, and Lincoln Borough) under bulk
23 service agreements in the same manner that the Authority is serving them presently.

1 **Q. YOU STATED THAT THE COLLECTION SYSTEMS LOCATED IN THE**
2 **SURROUNDING MUNICIPALITIES DO NOT HAVE AN IMMEDIATE**
3 **ALTERNATIVE FOR BULK WASTEWATER SERVICE. PLEASE**
4 **ELABORATE.**

5 **A.** As described above, wastewater from the surrounding municipalities is conveyed and
6 treated by the Authority’s System. The surrounding municipalities have relied on the
7 Authority’s System for many years. The development of new treatment works would
8 require significant redesign of the current collection systems to reroute flow to a new
9 location(s). Rerouting piping and developing new treatment works would be extremely
10 costly to the communities and their customers. As mentioned above, the development of
11 additional treatment works in the area would run counter to PADEP’s preference for
12 regionalization of wastewater treatment and therefore would face significant permitting
13 challenges. The existing collection, conveyance, treatment, and discharge systems have
14 Act 537 planning approval and are permitted by PADEP for their present use, although
15 significant infrastructure upgrades are needed. There are no other regional treatment plants
16 in the area that could immediately accept the wastewater from the surrounding
17 municipalities. Any change to these existing systems would require revisions to the Act
18 537 Plans subject to municipal adoption and approval by PADEP. Any plans to disrupt the
19 existing regionalization of wastewater treatment in the area would be unlikely to be
20 approved by PADEP.

21
22 **Q. WHAT IS AN “MS4” SYSTEM?**

1 A. An MS4 system is a “municipal separate storm sewer system.” Elizabeth Borough owns
2 and operates an MS4 system permitted by PADEP under NPDES Permit No. PAG136191.

3

4 **Q. IS PAWC ACQUIRING AN MS4 SYSTEM?**

5 A. No. PAWC will not be acquiring the MS4 system of Elizabeth Borough nor the NPDES
6 Permit referenced above.

7

8 **Q. WHAT IS A COMBINED SEWER SYSTEM?**

9 A. As defined in Appendix 1 of the APA, a combined sewer system is a sewer system that
10 collects rainwater runoff, domestic sewage, and commercial and industrial wastewater into
11 one pipe. However, I am advised by counsel that the Pennsylvania Public Utility Code
12 (“Code”) draws no distinction between a combined sewer system and a sanitary sewer
13 system. They are all considered to provide “wastewater” public utility service. 66 Pa. C.S.
14 102 (defining “Wastewater”).

15

16 **Q. IS PAWC ACQUIRING A COMBINED SEWER SYSTEM?**

17 A. Yes, the System (which consists of the Elizabeth Borough collection system and
18 wastewater treatment plant) is a combined sewer system. The other contributing
19 municipalities (Elizabeth Township, Forward Township and Lincoln Borough) that receive
20 treatment services from the Authority have separate sanitary sewer systems and are not
21 considered combined sewer systems.

22

1 **Q. DOES THE SYSTEM HAVE AN INDUSTRIAL PRETREATMENT PROGRAM**
2 **(“IPP”)?**

3 **A.** No. Although the Authority receives industrial wastewater from at least one customer
4 located in the Forward Township bulk service area, it has not implemented an IPP at this
5 time. PAWC would prepare and implement an IPP to be included in a future base rate
6 case, if necessary.

7
8 **Q. PLEASE DESCRIBE THE PIPE SIZES AND MATERIALS USED FOR THE**
9 **CONSTRUCTION OF THE COLLECTION SYSTEM.**

10 **A.** Based on the information that was available and provided by the Authority, the collection
11 system is very old. It was initially built in the early 1900’s and consists of varying sizes
12 of pipe from 6” to 48” for a total of 43,930 linear feet (“LF”) or 8.32 miles of pipe. The
13 pipe materials used in the collection system are primarily vitrified clay pipe (“VCP”) and
14 polyvinylchloride pipe (“PVC”). The collection system also contains approximately
15 254 manholes and five (5) active combined sewer outfall/regulator structures. The service
16 laterals providing connection between the Authority’s mains and the customer homes are
17 owned and maintained by the customer and are not part of the Transaction.

18
19 **Q. PLEASE STATE WHETHER THE SYSTEM CAN PROVIDE ADEQUATE**
20 **CONVEYANCE, TREATMENT AND DISPOSAL CAPACITY TO MEET**
21 **PRESENT AND FUTURE CUSTOMER DEMANDS.**

22 **A.** Based on the Authority’s 2023 Chapter 94 Wasteload Management Report included in
23 **Appendix A-20-c**, the conveyance, treatment, and disposal capacity are not adequate to

1 meet present and future customer demands through the year 2028. The System has met
2 PADEP's definition of being hydraulically overloaded in four of the past five years and
3 met the definition of being organically overloaded in three of the past five years. The
4 System is also projected to be hydraulically and organically overloaded in the future from
5 2024 through 2028. For the five years ending 2023, the Authority reported an average of
6 242 sewer overflow events per year where untreated sewage was discharged into the
7 Monongahela River. The Authority is operating under a PADEP-approved Long Term
8 Control Plan ("LTCP") that requires extensive expansion and improvements to the
9 collection system and treatment plant in order to provide long-term capacity for its
10 customers. The Authority is years behind schedule on the compliance deadlines set forth
11 by PADEP in the approved LTCP and presently has no plans in place to comply with the
12 LTCP.

13
14 **Q. PLEASE STATE THE ELEVATIONS OF THE MAJOR FACILITIES AND**
15 **SERVICE AREA.**

16 **A.** Please see **Appendix A-16-f (CONFIDENTIAL)** for a map showing the approximate
17 elevations of the existing facilities.

18
19 **Q. DOES THE AUTHORITY PROVIDE BULK TREATMENT SERVICE TO ANY**
20 **SURROUNDING SYSTEMS?**

21 **A.** Yes. The Authority provides bulk wastewater conveyance/treatment services to Elizabeth
22 Township, Forward Township, and Lincoln Borough, all in Allegheny County,
23 Pennsylvania.

1 **Q. DOES THE AUTHORITY RECEIVE BULK TREATMENT SERVICE FROM**
2 **ANY SURROUNDING SYSTEMS?**

3 **A.** No. The Authority does not receive bulk wastewater conveyance/treatment services from
4 any municipalities or entities.

5
6 **Q. DOES THE AUTHORITY RECEIVE HAULED-IN WASTE AT THE**
7 **WASTEWATER TREATMENT PLANT OR IN THE COLLECTION SYSTEM?**

8 **A.** No. There are no facilities for properly accepting and treating hauled-in waste at the
9 wastewater treatment plant or in the collection system. PAWC does not intend to begin
10 accepting hauled-in waste after Closing.

11
12 **Q. DOES PAWC PROVIDE WATER SERVICE IN THE SERVICE AREA?**

13 **A.** Yes. The PAWC Mon-Valley district's water supply service area largely overlaps the
14 Authority's service area.

15
16 **Q. PLEASE PROVIDE AN OVERVIEW OF PAWC'S EXISTING WATER AND**
17 **WASTEWATER OPERATIONS FACILITIES IN THE SERVICE AREA.**

18 **A.** The PAWC Mon-Valley district is part of the company's Pittsburgh water system (PWSID
19 # PA5020039) that serves an approximate population of 510,000 people through
20 214,800 metered connections in 79 municipalities located in Allegheny, Beaver, and
21 Washington Counties. The source of supply is obtained from the Monongahela River and
22 treated at two water treatment facilities. The Hays Mine water treatment plant is a 60 MGD
23 facility located in Baldwin Borough, Allegheny County. The E.H. Aldrich water treatment

1 plant is a 50-MGD rated facility located in Elrama, Washington County. The system's
2 distribution network consists of approximately 3,157 miles of water main, 57,291 main
3 valves and 12,818 fire hydrants. In addition to the two treatment plants, there are
4 operations centers located in Carnegie, Bethel Park, Elizabeth, and McMurray,
5 Pennsylvania. The Elizabeth water operations center is located approximately 0.4 miles
6 away from the Authority's wastewater treatment plant. The closest wastewater operations
7 center is the McKeesport wastewater treatment facility located approximately seven miles
8 away.

9
10 **Q. PLEASE DESCRIBE HOW PAWC WILL MANAGE THE DAY-TO-DAY**
11 **OPERATIONS OF THE SYSTEM ONCE IT IS ACQUIRED.**

12 **A.** The Authority's System will be incorporated as an operating district into PAWC's
13 Southwest Area operations. Staff at the Elizabeth wastewater operation will report into the
14 Operations team that oversees the nearby McKeesport wastewater operations. The
15 McKeesport management team consists of a Senior Operations Superintendent, two Senior
16 Operations Supervisors, Operations Supervisor, and Water Quality Supervisor who are
17 solely focused on wastewater operations. This will facilitate the integration of the
18 Authority's System into the local wastewater operations strategy and culture, leverage
19 synergies between the two wastewater systems, provide cross functional support, and offer
20 enhanced availability of shared resources for day-to-day and emergency situations.

21
22 **Q. ARE OTHER PAWC EMPLOYEES AVAILABLE TO ASSIST WITH**
23 **WASTEWATER OPERATIONS, AS NEEDED?**

1 A. Yes. Current PAWC employees in the McKeesport operation and Authority employees,
2 all of whom will be offered employment after Closing, will be under the same area
3 management and supported by a shared support team supporting common functions such
4 as external affairs, supply chain, environmental compliance, health and safety, customer
5 service, human resources and engineering. Employees in both the water and wastewater
6 departments will support each other when appropriate and necessary, particularly in
7 emergency situations. All operations and employees within PAWC and within the broader
8 American Water Works Company, Inc. (“American Water”) footprint have access to each
9 other when circumstances require or when a very specialized skill or experience is required
10 to support all local issues.

11

12 **Q. WILL THERE BE ANY UNNECESSARY DUPLICATION OF OPERATIONS**
13 **FACILITIES FOLLOWING THE ACQUISITION?**

14 A. No, the System will be operated as a stand-alone system. It will, however, have the support
15 of PAWC’s surrounding operations as well as PAWC’s operations through the
16 Commonwealth and American Water’s nationwide resources.

17

18 **Q. DOES PAWC PLAN TO INTERCONNECT THE SYSTEM TO ANOTHER PAWC**
19 **WASTEWATER SYSTEM?**

20 A. No, not at this time. As discussed further below, it is possible that future acquisitions in
21 this area by PAWC could lead to the waste streams of this system being interconnected to
22 PAWC’s McKeesport wastewater treatment system.

1 **Q. WHAT ARE THE ESTIMATED CAPITAL COSTS FOR THE SYSTEM?**

2 **A.** The five-year capital plan for the System is shown on **PAWC Exhibit DJH-2**. The total
3 estimated five-year capital cost is \$25.9 million.

4

5 **Q. HOW DID PAWC ARRIVE AT THIS FIGURE?**

6 **A.** The capital plan estimate is based on preliminary cost estimates of needed improvement
7 projects that were identified during PAWC's due diligence efforts. The projects were
8 identified through a combination of: PAWC's independent observations of the System's
9 conditions and needs; meetings and discussions with PADEP staff; and input from
10 Authority staff from their knowledge of the System's needs. The majority of the capital
11 improvement costs are related to the PADEP-mandated System expansion and
12 improvements under the LTCP.

13

14 **Q. PLEASE DESCRIBE PAWC'S SYSTEM PLANNING, CAPITAL BUDGETING,**
15 **AND CONSTRUCTION MANAGEMENT PROCESS, WHICH WILL APPLY TO**
16 **THE AUTHORITY AFTER CLOSING.**

17 **A.** PAWC has an established track record of successfully managing large capital investment
18 projects in order to provide reliable service to the communities it serves. PAWC has an
19 ongoing proactive program of capital investment focused on systematically replacing and
20 adding new pipes, treatment and pumping facilities, and other water and wastewater
21 infrastructure; thereby minimizing customer disruption caused by infrastructure failure.
22 PAWC has funded in excess of \$1 billion in capital construction over the past five years
23 with expenditures expected to total \$470 million to \$600 million per year for the next five

1 years. Capital planning is performed on a five-year planning horizon by in-house
2 engineering staff and operations to establish capacity needs, regulatory impacts, service
3 adequacy and reliability for PAWC's wastewater systems. As projects are delivered,
4 project costs, alternatives and risks are further developed, and competitive bidding for
5 consulting engineering design/permitting services and construction is utilized to keep costs
6 as low as possible. Comprehensive periodic oversight of water and wastewater assets
7 during the annual budgeting process and ongoing governance reviews gives PAWC a clear
8 and objective view of needs and potential capital project solutions. Once approved through
9 the capital governance process, the individual capital projects will be led and managed by
10 PAWC engineers working in the local Southwest Operations area, which will allow them
11 to maintain clear visibility to the projects and react to conditions as they develop.

12
13 **Q. PLEASE DESCRIBE THE AUTHORITY'S CAPITAL IMPROVEMENT**
14 **PROGRAM. HOW WOULD PAWC'S PROACTIVE APPROACH BENEFIT**
15 **CUSTOMERS?**

16 **A.** The Authority does not have a formal capital improvement program. The Authority's
17 record in performing critical system upgrades shows that its strategy has been to delay them
18 for as long as possible. While this may limit expenditures in the short term and keep
19 customer rates artificially low, this short-sighted approach has many drawbacks. First, this
20 approach extends the System's reliance on failed, poorly performing and/or obsolete
21 infrastructure and ignores the negative impacts on the local community from continued
22 excessive sewer overflows into the Monongahela River. Second, the approach puts the
23 burden of operating an antiquated and poorly performing system on the backs of the

1 already-limited Authority resources, i.e., employees, and deprives them of the ability to
2 operate efficiently and serve customers. Finally, this “kick the can down the road”
3 approach has real impacts in terms of capital costs and ultimately, customer rates, as delays
4 inevitably increase the cost of projects due to inflation.

5 A case in point is the much-needed LTCP infrastructure upgrade, the details
6 of which are discussed later in my testimony. The Authority obtained PADEP approval of
7 the LTCP in July 2018, at which time the estimated capital cost to make these
8 improvements was \$19.6 million. PADEP’s approval included a generous 9-year
9 timeframe to complete these improvements, with specific deadlines to begin construction
10 by October 31, 2024, and finish construction by October 31, 2027. The Authority has
11 failed to take meaningful action on the LTCP project (with one exception described below)
12 and is now over 6 years behind schedule with no plan going forward. (The one exception
13 being the replacement of the raw sewage pump station, which the Authority replaced in
14 2021 because of imminent failure of the then-existing raw sewage pump station). In
15 today’s dollars, PAWC’s all-in estimated cost to complete the LTCP project, including the
16 actual cost of the already-completed, new raw sewage pump station, stands at \$32.5
17 million. By ignoring the LTCP deadlines and delaying this project for several years, the
18 Authority will incur an additional \$12.9 million to deliver the same project it was under
19 regulatory obligation to do back in 2018. This is a 66 percent increase in the project cost
20 that will have to be borne by the Authority’s customers. More delays are on the way, as
21 the Authority currently has no active work streams proceeding on the LTCP project. By
22 the time the project actually gets completed, it will likely cost even significantly more than
23 the \$32.5 million figure due to continued inflation.

1 Under PAWC's ownership, customers would benefit because we take
2 environmental compliance requirements seriously and would not stray from schedule on
3 such an important project. The result would be a quicker solution to the water quality
4 degradation being caused by the excessive sewer overflows and a much cheaper project in
5 the end.

6
7 **Q. CAN PAWC COMPLETE THE LTCP PROJECT MORE EFFICIENTLY THAN**
8 **THE AUTHORITY?**

9 **A.** Yes. Even ignoring future inflation and the resulting cost increases that will accrue should
10 the Authority continue to delay the project, PAWC can deliver the remaining portions of
11 this project more efficiently than the Authority. PAWC's estimated current cost to
12 complete the remaining portions of LTCP project is \$23.7 million. By comparison, as
13 referenced in the written direct testimony of Timothy Guffey, Chairman of the Authority
14 and President of Council for Elizabeth Borough, the Authority's estimated current cost to
15 perform the same work is \$24.6 million.

16
17 **Q. IS THE AUTHORITY A REGIONAL SEWAGE SERVICE PROVIDER AND, IF**
18 **SO, WHAT ARE THE BENEFITS OF CENTRALIZED SEWAGE TREATMENT**
19 **VERSUS DECENTRALIZED SEWAGE TREATMENT?**

20 **A.** The Authority's System is a regional sewage service provider, providing sewage treatment
21 for four municipalities. Regionalization provides many benefits, including lower cost of
22 treatment due to economies of scale and ability to apply advanced treatment technology
23 more effectively. A larger regional system gains the benefit of having a lower cost per

1 gallon, as well as a greater ability to treat more stringent limits that may be instituted by
2 PADEP in future permits. Additional benefits include reduced regulatory and operational
3 costs due to having only one discharge permit to manage and one treatment plant to operate
4 as opposed to many.

5
6 **Q. ARE THERE FURTHER REGIONALIZATION OPPORTUNITIES FOR THE**
7 **AUTHORITY'S SYSTEM? PLEASE EXPLAIN.**

8 **A.** Yes. The Authority's system is upriver from PAWC's state-of-the-art McKeesport
9 Wastewater Treatment Plant. Between the Authority's and McKeesport systems lies the
10 Glassport Borough wastewater collection system and treatment plant. The Glassport
11 system is a combined sewer system under an approved LTCP with specified tasks and
12 deadlines. Regionalization of the Authority's and Glassport collection systems with
13 conveyance of sewage to the McKeesport plant for treatment could result in several
14 benefits, including treatment of all wastewater at a state-of-the-art facility, elimination of
15 two older treatment plants and the associated capital needed for improvements thereto, and
16 economies of scale realized by operating one modern treatment plant instead of three
17 separate facilities. Such a regionalization approach would be consistent with conceptual
18 plans formulated over 50 years ago in the 1970 Comprehensive Sewerage Needs Plan
19 prepared by Allegheny County, Pennsylvania in response to the Pennsylvania Sewage
20 Facilities Act of 1966 (Appendix A-22-b.1).

21
22 **Q. DOES THE PENNSYLVANIA CONSTITUTION ADDRESS ENVIRONMENTAL**
23 **RIGHTS?**

1 A. I am advised by counsel that the Pennsylvania Constitution, Article I, Section 27,
2 guarantees the right to a clean environment, and requires the Commonwealth to conserve
3 and maintain environmental resources for the benefit of the public.

4
5 **Q. DOES THE AUTHORITY’S SYSTEM CURRENTLY FACE ENVIRONMENTAL**
6 **CHALLENGES?**

7 A. Yes. The Authority’s System has been troubled with a long history of environmental
8 compliance issues, mostly related to excessive combined sewer overflows (“CSOs”)
9 caused by the high level of I/I from defects and aging infrastructure in the collection
10 system. As stated above, the System meets PADEP’s definition of being hydraulically and
11 organically overloaded and is projected to remain so for the next five years absent any
12 corrective measures. For the last 5 years ending 2023, the Authority reported an average
13 of 242 CSO events per year where untreated sewage was discharged into the Monongahela
14 River.

15 These environmental challenges go as far back as the early 2000’s and remain
16 unresolved even today. In 2004, the Authority submitted its LTCP for CSO’s. PADEP
17 determined the plan was inadequate and the plan remained unapproved for years. On
18 August 16, 2012, PADEP raised technical issues related to the 2004 plan and required the
19 Authority to address and re-submit the plan.

20 In 2014, the Allegheny County Health Department (“ACHD”) and PADEP
21 required the Authority to prepare and submit its System Characterization, Monitoring, and
22 Modeling Report for the Long Term Control Plan. The Authority submitted its plan in
23 November 2014. The plan concludes that the System is not able to meet the 1994 USEPA

1 Combined Sewer Overflow Control Policy (“USEPA’s CSO Policy”), specifically “the
2 elimination or capture for treatment of no less than 85% by volume of the combined sewage
3 collected in the combined sewer system during precipitation events on a system-wide
4 annual average basis.” PADEP conditionally approved the plan on January 27, 2015 and
5 requested that the Authority begin preparation of its revised LTCP.

6 In July 2017, the Authority submitted a new revised LTCP to PADEP. In March
7 2018, the Authority submitted revisions to the plan in response to PADEP’s review
8 comments. The LTCP was approved by PADEP on July 12, 2018. The approved plan
9 entails a major project to expand and improve the combined sewer system and the
10 wastewater treatment plant to meet the 85% minimum capture requirement per the USEPA
11 CSO Policy. The 2017 construction cost estimate for this project was \$19.6 million. The
12 approved LTCP included a compliance schedule to complete this project, beginning with
13 Act 537 planning, proceeding through design, permitting and construction, and finally
14 ending with a post-construction compliance monitoring period. The Authority has not met
15 the compliance deadlines in the approved schedule and the project remains incomplete. On
16 December 17, 2020, the Authority’s engineer submitted a request to PADEP to reset the
17 compliance schedule for the LTCP. PADEP has not responded in writing to this request.
18 The Authority has failed to maintain compliance even with the reset schedule presented in
19 the December 17, 2020 correspondence. The delays in delivering this critical project have
20 allowed the excessive CSOs and discharge of untreated sewage to the Monongahela River
21 to persist to the point where now, over 30 years after the issuance of the 1994 USEPA CSO
22 Policy, the Authority still does not comply. Moreover, as discussed previously, the delays

1 have caused the cost of the project to significantly increase due to inflation, creating
2 additional unnecessary rate burdens for customers.

3 Furthermore, the general state of the System assets continues to deteriorate, absent
4 a well-planned and executed asset renewal program, and these conditions are leading to
5 environmental regulatory violations. In each of the last three annual inspections conducted
6 by the ACHD (June 22, 2022, August 2, 2023, and June 26, 2024), the Authority has been
7 cited for exceeding permitted effluent limits for Fecal Coliform bacteria and for
8 missing/damaged air diffusers in the aeration basins. In the August 2, 2023, inspection
9 report, the ACHD found that there is no certified Operator in Responsible Charge for the
10 facility as required by regulation, and that “the facility is old and in need of upgrades.”

11 Finally, as stated previously, the Authority does not have an IPP in place, in spite
12 of the fact that at least one industrial customer discharges industrial wastewater into its
13 System through the Forward Township bulk customer connection. While not necessarily
14 required by federal regulation because the Authority’s treatment plant has a capacity less
15 than 5 MGD, the lack of an IPP to characterize and control the quantity and quality of
16 industrial discharges into the System can allow pollutants to be discharged at unacceptable
17 levels, which could then pass through the treatment plant and into the Monongahela River.
18 PAWC would prepare and implement an IPP to be included in a future base rate case, if
19 necessary.

20
21 **Q. DOES THE AUTHORITY HAVE A CONNECTION MORATORIUM?**

22 **A.** No. PADEP has not put the Authority under a Corrective Action Plan nor an associated
23 connection moratorium at this time.

1 **Q. DOES THE AUTHORITY HAVE COPIES OF ALL ENVIRONMENTAL**
2 **PERMITS REQUIRED TO OPERATE ITS SYSTEM?**

3 **A.** Yes. PAWC conducted a file review on April 13, 2023 at the PADEP Southwest Regional
4 Office to obtain copies of all permits related to the Authority’s System. Copies of the
5 permits are provided in **Appendix A-20-b**. PAWC will submit permit transfer applications
6 to PADEP to transfer the permits into PAWC’s name upon Closing.

7
8 **Q. HOW WILL PAWC ADDRESS THE AUTHORITY’S ENVIRONMENTAL**
9 **CHALLENGES AFTER CLOSING?**

10 **A.** As part of this Transaction, PAWC will negotiate a Consent Order and Agreement
11 (“COA”) with PADEP that will establish a new compliance schedule to deliver the LTCP
12 expansion/improvement project, which is critical to reducing the amount of untreated
13 sewage discharged into the Monongahela River. PAWC will then assume responsibility
14 for implementing the LTCP and the projects thereunder upon the Closing of this
15 Transaction. As discussed previously, PAWC has developed a five-year capital plan
16 totaling \$25.9 million that includes completing the remaining LTCP projects, as well as
17 numerous other projects that will: replace the System’s aging infrastructure, replace
18 targeted areas of the collection system components known to have unacceptably high I/I
19 and/or CSOs, make process improvements that will yield environmental, safety and
20 security benefits to customers and employees, and improve the efficiency of operations.
21 PAWC may also implement an IPP in a future base rate case that would provide improved
22 oversight and control over the quantity and quality of industrial discharges into the System.
23 PAWC may also implement an IPP in a future base rate case that would provide improved

1 oversight and control over the quantity and quality of industrial discharges into the System.
2 PAWC will immediately incorporate the Authority's System into its comprehensive and
3 proactive environmental compliance program. The Water Quality Supervisor in the
4 McKeesport operations district will assume day-to-day responsibility for compliance of the
5 Authority's System. This employee is part of PAWC's statewide Water Quality and
6 Environmental Compliance Department and reports to PAWC's Manager of Wastewater
7 Compliance, a new position that was created solely to focus on compliance at the
8 Company's twenty-four wastewater treatment plants. This will benefit the Authority staff
9 by integrating them into PAWC's larger compliance organization, which will help them
10 assimilate PAWC's proactive compliance culture, and provide access to statewide
11 compliance expertise, shared resources, and improved work management tools. Examples
12 of these tools include MapCall – a computerized maintenance and workorder management
13 system, Environmental Management Plans – a written comprehensive compliance plan for
14 each water and wastewater system that is reviewed and confirmed quarterly, and Internal
15 Audits – a corporate oversight program that focuses on critical operating priorities for state
16 operating companies, including environmental compliance matters.

17
18 **Q. IF THE TRANSACTION WOULD NOT OCCUR, DO YOU BELIEVE THAT THE**
19 **AUTHORITY WOULD HAVE THE FINANCIAL AND TECHNICAL**
20 **CAPABILITIES TO IMPROVE MATERIALLY ITS ENVIRONMENTAL**
21 **PERFORMANCE IN THE FUTURE?**

22 **A.** No. Based on past history, the Authority has not proactively addressed environmental
23 compliance issues before they rose to the level of compliance orders from the regulatory

1 agencies, and even then, the Authority has not maintained compliance with regulatory
2 deadlines. This is a reactive approach to environmental compliance and does not
3 proactively address the underlying problem of lack of regular infrastructure renewal and
4 replacement. Without a well-funded program to upgrade aging collection system assets,
5 I believe that the Authority will continue to experience hydraulic overloading and
6 excessive CSOs in the collection system. The aging treatment plant components and the
7 lack of a certified Operator in Responsible Charge to properly operate the plant will lead
8 to continued performance problems and violation of permit effluent limits. Furthermore,
9 I expect that environmental regulations will continue to become more stringent in the
10 future, with the potential for new or more stringent effluent limits that could require
11 substantial new investment in the treatment plant. As an experienced public utility, PAWC
12 has extensive experience in complying with current environmental regulations and being
13 proactive with capital investments to maintain system integrity and reliability, while
14 planning ahead for emerging contaminants or new regulations. The Authority's reactive
15 approach will delay important infrastructure upgrades and create additional, unnecessary
16 costs for customers.

17
18 **Q. IN YOUR OPINION, IS PAWC BETTER EQUIPPED THAN THE AUTHORITY**
19 **TO OPERATE AND MAINTAIN THE SYSTEM IN COMPLIANCE WITH**
20 **APPLICABLE ENVIRONMENTAL STATUTES AND REGULATIONS?**

21 **A.** Yes. PAWC can draw upon a much broader range of engineering and operational
22 experience, as well as deeper operational and financial resources, to address the
23 environmental compliance challenges of the System. In addition, given PAWC's

1 experience with the operation of similar wastewater systems, I believe that PAWC is better
2 positioned to provide those services on a cost-effective basis.

3 PAWC is the Commonwealth's largest investor-owned provider of water and
4 wastewater services. As a leading wastewater provider in Pennsylvania, PAWC brings
5 industry leading expertise and has extensive technical experience in upgrading, operating,
6 and maintaining sewer facilities. PAWC is a recognized leader in providing communities
7 in the Commonwealth with well-maintained and reliable water and wastewater services
8 and has extensive local knowledge due to PAWC's experience providing water service to
9 the same Allegheny County municipalities served by the Authority.

10 PAWC currently employs approximately 1,150 professionals with expertise in all
11 areas of water and wastewater utility operations including engineering, regulatory
12 compliance, water and wastewater treatment plant operation and maintenance, distribution
13 and collection system operation and maintenance, material management, risk management,
14 human resources, legal, accounting, and customer service. As a subsidiary of American
15 Water, PAWC has available to it additional resources of highly trained professionals who
16 have expertise in various specialized areas. American Water currently owns or operates
17 approximately 160 wastewater plants through its subsidiaries in a number of states.
18 American Water's experience includes the full breadth of treatment processes, from
19 facultative ponds to membrane biological reactors in every climate zone across the U.S.
20 More-advanced technologies allow a number of American Water's plants to utilize effluent
21 for reuse applications, eliminating discharge to receiving streams. These diverse facilities
22 have provided American Water operators and process experts with deep experience in the

1 operation and maintenance of every possible type of wastewater treatment technology.
2 This experience is available to support PAWC's operations staff and facilities.

3 A 50-person team of American Water corporate engineers has handled a wide
4 variety of system assessments, treatment process evaluations and design reviews for water
5 and wastewater treatment systems in order to improve operations and prioritize capital
6 improvements. For example, PAWC successfully leveraged the corporate engineering
7 expertise following two recent acquisitions, the Steelton water system, and the Exeter
8 wastewater system. For both of these systems, subject matter experts from the corporate
9 engineering team conducted process evaluations of the water and wastewater treatment
10 processes and identified solutions to remedy on-going operational challenges.

11 PAWC has demonstrated its ability to improve troubled municipal wastewater
12 systems following acquisition through improving operational efficiencies, fostering a
13 proactive environmental compliance culture in the local workforce, and investing capital
14 to replace and renew assets. PAWC has successfully addressed PADEP and USEPA
15 compliance orders requiring operational improvements and substantial capital investments
16 in several recent wastewater acquisitions, including Clarion, Claysville, Dravosburg,
17 Duquesne, Exeter, Kane, McKeesport, Port Vue, Scranton, and York. From 2018 through
18 2021, PAWC has made capital investments in its wastewater systems averaging \$762 per
19 year per customer connection. Prudent renewal and replacement of System infrastructure
20 through capital investment is the key to achieving and maintaining long-term
21 environmental compliance, and it is clear that PAWC is much more equipped than the
22 Authority to make those ongoing capital commitments.

1 Furthermore, as the public water provider in some of the Authority’s service area,
2 PAWC can leverage synergies between the water and sewer infrastructure networks to the
3 benefit of customers and the general public. For example, PAWC will evaluate needed
4 infrastructure upgrades holistically from both the water and wastewater perspectives, and
5 can plan water distribution system improvements and sewer system rehabilitation projects
6 together when feasible, reducing the number of street openings, lessening the
7 inconvenience to the public, and lowering overall construction and restoration costs.

8 In contrast, the Authority employs three full-time employees who are primarily
9 dedicated to the day-to-day activities of the operation of its collection system and single
10 wastewater treatment plant. The Authority has limited resources and lacks access to the
11 breadth of broad industry knowledge and in-house subject matter experts that PAWC can
12 bring to projects.

13
14 **Q. PLEASE DESCRIBE PAWC’S TECHNICAL FITNESS TO PROVIDE**
15 **WASTEWATER SERVICE TO THE AUTHORITY’S CUSTOMERS.**

16 **A.** In addition to the points that I just mentioned, as of December 31, 2024, PAWC has
17 approximately 114,915 wastewater customers across the Commonwealth, with customers
18 in Adams, Allegheny, Beaver, Berks, Butler, Chester, Clarion, Cumberland, Lackawanna,
19 Luzerne, McKean, Monroe, Montgomery, Northumberland, Pike, Washington, and York
20 Counties. In comparison, the Authority furnishes direct wastewater services to
21 approximately 700 direct customers in the Borough.

22 PAWC has had no material issues in complying with the Code, the Clean Streams
23 Law, or other regulatory requirements. Moreover, PAWC has the resources, skills, and

1 expertise to respond to ever-increasing environmental standards for the treatment of
2 wastewater and to manage the long-term infrastructure renewal and replacement needs
3 inherent in wastewater systems.

4
5 **Q. PLEASE DISCUSS PAWC’S SERVICE INTERRUPTION HISTORY.**

6 **A.** PAWC plans its maintenance and capital improvement projects in a manner that avoids
7 creating service interruptions. Care is taken to provide a continuous free flow of sanitary
8 waste from customer connections, even during these disruptive events. For main repairs,
9 crews will use bypass pumping arrangements so that sewage flow is captured and relocated
10 around the work area while repairs are being made. For pump station work, crews will use
11 bypass pumping similar to that described above, or pumper trucks to remove accumulated
12 wastewater in the pump station holding tanks and haul the contents to the plant or other
13 collection system location. PAWC also builds redundancy into its systems to provide
14 continued operational reliability in the event of equipment failures.

15
16 **Q. PLEASE DESCRIBE PAWC’S RESPONSE TO RECENT MAJOR STORM**
17 **EVENTS.**

18 **A.** PAWC has effective Emergency Response Plans (“ERPs”) in place at its water and
19 wastewater systems to prepare for, withstand, and recover from major storm events. The
20 ERPs are updated annually, and table-top exercises are conducted annually to test the plans.
21 For wastewater systems, emergency preparedness activities typically include: fueling
22 vehicles and emergency generators, ensuring staff has adequate personal protective
23 equipment for the conditions, rescheduling field staff for indoors work if possible to avoid

1 dangerous conditions, refreshing contact information and account numbers for local
2 electricity companies, activating flood protection plans for heavy rainfall events, planning
3 for snow removal/salting of parking lots, roads and sidewalks for winter storms, and
4 making operational adjustments to put treatment plants in storm mode to handle increased
5 flows.

6 PAWC is experienced in making strategic capital investments to improve the ability
7 of its wastewater systems to handle the increased flows from storm events. In the Clarion
8 wastewater system, acquired in 2008 from the Clarion Area Authority, PAWC has
9 successfully executed projects under a COA with PADEP to reduce illegal discharges to
10 waters of the Commonwealth. The work included Act 537 planning, design and
11 construction of new facilities, replacement of inadequate infrastructure, and modifications
12 to long standing operational procedures. Specifically, PAWC upgraded the collection
13 system by replacing approximately 10,000 LF of 8” to 36” interceptor sewers and
14 replacing/upgrading the main lift station (Liberty Street) and equipping it with a new
15 1.3 MG equalization tank to capture excess storm flows. PAWC also made major
16 hydraulic improvements to the wastewater treatment plant by increasing its design capacity
17 from 1.75 to 4.0 MGD and installing a new 3.8 MG equalization tank. Construction began
18 in July 2013 and was completed by the COA deadline of February 2015. The COA was
19 lifted in January 2016. Under the Clarion Area Authority’s ownership, the system
20 experienced approximately 30 SSOs per year and storm flows were routinely bypassed at
21 the wastewater treatment plant with no treatment. Since the new facilities were placed
22 online by PAWC, the SSOs have been reduced to an average of one per year, mainly caused

1 by damaged or clogged/blocked sewer mains, and there have been no bypasses of untreated
2 sewage at the wastewater treatment plant.

3 In the Scranton wastewater system acquired in late 2016, PAWC has completed 41
4 of 72 CSO control upgrades required under the system's approved LTCP. The remainder
5 will be addressed during the remaining 13 years of the 25-year LTCP. On average per
6 completed CSO Outfall, the improvements have reduced the number of CSOs during a
7 typical year from 25 to four and the total CSO discharge volume from 121 MG to 32 MG
8 (a 74% reduction). These numbers will continue to improve each year as PAWC installs
9 additional CSO control structures. At the treatment plant, PAWC increased the peak
10 capacity from 39 MGD to 60 MGD in 2020, which has resulted in a reduction in non-
11 compliance bypass events from a total of nearly 60 in 2019, to only 30 over the 4-year
12 period of 2021 through 2024.

13 In comparison, the Authority has a long history of hydraulic overloading and
14 excessive CSOs in its collection system, as described previously. While the Authority has
15 made some progress in portions of its System through projects completed to repair defects
16 and separate small portions of the combined sewers, the System remains out of compliance
17 with state and federal regulations regarding CSOs and hydraulic overloading. With
18 PAWC's previous experience in successfully remedying similar non-compliance situations
19 in other large sewer systems, PAWC is well equipped to handle the challenges presented
20 by the current condition of the Authority's System.

1 **Q. DOES PAWC MAINTAIN CYBER SECURITY, PHYSICAL SECURITY,**
2 **BUSINESS CONTINUITY AND EMERGENCY PLANS?**

3 **A.** Yes. Cyber and physical security plans are maintained and monitored by American Water
4 for each of its subsidiaries. PAWC maintains ERPs and Operations and Maintenance
5 Manuals, both of which have operational business continuity included within the plans and
6 are updated each year. These plans are tested each year through emergency response
7 tabletop exercises. Each plan is overseen and managed by various groups and individuals
8 to provide overarching support to PAWC. These groups are responsible for testing,
9 reviewing, and updating their respective plan(s).

10 The departments assigned to Physical Security, Emergency Response, Business
11 Continuity, and Cyber Security plans are as follows:

- 12 • Physical Security Plan - Operational Risk Management Security (American
13 Water Works Service Company, Inc. (“AWWSC”));
- 14 • Cyber Security Plan - Operational Risk Management Security (AWWSC);
- 15 • Emergency Response Plan - Operations (PAWC); and
- 16 • Business Continuity Plan - Operational Risk Management (PAWC) and
17 Operations (PAWC).

18 To constantly protect physical and cyber resources, the designated groups have
19 developed procedures to ensure that PAWC operates in a safe, secure, and reliable
20 environment. A major commitment in assuring plans are kept current is performing various
21 testing on an annual basis. Types of testing performed by AWWSC and PAWC include
22 vulnerability assessments, system operational testing, full scale exercises, media backups,
23 and real-life events. The Authority does not have similar plans in place.

1 **Q. PLEASE DESCRIBE PAWC’S CYBERSECURITY CONTROLS.**

2 **A.** PAWC’s cybersecurity controls are consistent with the National Institute of Standards and
3 Technology (“NIST”) cyber security framework and the American Water Works
4 Association (“AWWA”) Process Control System Security Guidance for the Water Sector.
5 The Authority outsources its cybersecurity activities to a local firm that provides IT system
6 maintenance, software trouble shooting, and virus protection.

7
8 **Q. PLEASE EXPLAIN PAWC’S POLICIES AND PROCEDURES REGARDING**
9 **SERVICE CALLS.**

10 **A.** PAWC’s 24/7/365 customer service call center is available for routine customer
11 interactions from 7:00 a.m. to 7:00 p.m., Monday through Friday, and at all other times for
12 customer emergencies. When a customer calls the call center in an emergency situation,
13 the customer can speak with a representative 24/7/365. In the Mon-Valley water district,
14 PAWC’s field service crews are available for normal non-emergency customer service
15 work from 7:30 a.m. to 4:00 p.m. on Monday through Saturday. Field service crews are
16 on-call and available for emergency fieldwork (main breaks, emergency shut-offs, and
17 emergency turn-ons) 24/7/365 outside of the normal work hours.

18 In contrast, the Authority’s regular business hours for customer interactions are
19 from 8:00 a.m. to 4:00 p.m. on Monday through Friday. After 4:00 p.m. or on weekends,
20 customers are instructed to contact the police, who will relay the information to the
21 Authority.

22 In summary, I would say that PAWC provides better service than the Authority in
23 terms of service calls.

1 **Q. PLEASE DESCRIBE PAWC'S RELATIONSHIPS WITH COMMISSION**
2 **EMERGENCY RESPONSE STAFF, PENNSYLVANIA EMERGENCY**
3 **MANAGEMENT AGENCY (“PEMA”) STAFF, AND LOCAL FIRST**
4 **RESPONDERS.**

5 **A.** PAWC has a strong working relationship with the Commission's Emergency Response
6 Staff. PAWC provides the Commission with emergency response numbers for all PAWC
7 operating areas each year. The Commission provides emergency numbers for its staff,
8 which PAWC distributes to all of PAWC's operating areas for inclusion in the PAWC
9 Emergency Response Plans. For those emergencies that warrant communication to the
10 Commission's Emergency Preparedness Liaison Officer (“EPLO”), PAWC has contacted
11 Commission staff in the past to advise them of situations and actions taken by PAWC.
12 Each year, PAWC conducts emergency response tabletop exercises to test responses to
13 emergency situations, including weather emergencies, contamination of supply, damage to
14 facilities, cyber-attack, and other perils. The Commission's emergency response staff has
15 participated in those exercises each year since 2006. We also invite local first responders
16 to participate, such as fire departments, police departments, hazmat responders, local prison
17 personnel, as well as PADEP and the Governor's Office of Homeland Security personnel.

18 PAWC has participated in Pennsylvania Water/Wastewater Agency Response
19 Network (“PaWARN”) and PEMA-sponsored exercises over the years. PAWC’s current
20 relationship with PEMA is through the Commission’s EPLO and PaWARN. PAWC is a
21 member in good standing of PaWARN.

22 In contrast, the Authority is not a member of PaWARN. I would say that PAWC
23 is better than the Authority in terms of emergency preparedness.

1 **Q. PLEASE DESCRIBE PAWC'S PARTICIPATION IN PENNSYLVANIA'S "ONE**
2 **CALL" SYSTEM AND THE RESOURCES THAT PAWC DEDICATES TO THE**
3 **PROGRAM.**

4 **A.** All of PAWC's operating districts are members of Pennsylvania One Call System Inc. and
5 complete excavator requested mark outs on a daily basis. Each district has a minimum of
6 one person dedicated to completing dig notifications utilizing a third party internet-based
7 One Call ticket management system, known as Korweb, that is accessible via vehicle
8 mounted computers for real time response to any PA One Call dig notification.

9 PAWC has an excellent track record of compliance with the requirements of the
10 "One Call" system. PAWC achieved a 100 percent ticket completion rate in 2024.

11 In contrast, the Authority had a 61 percent completion rate in 2022. Such a low
12 completion rate is not just a compliance issue, it is a public safety issue because it could
13 lead to more strikes on public utility assets.

14
15 **Q. DOES PAWC HAVE AN EMPLOYEE SAFETY PROGRAM?**

16 **A.** Yes. American Water and PAWC have made safety a value and not just a goal. It is very
17 important to us that every employee and contractor returns home safely every day. We
18 make safety a value instead of a goal because goals change, but values do not change.

19 Safety performance is fundamental to the Company's culture and key to its success.
20 Employees are expected to conduct themselves in a safe manner, in accordance with
21 PAWC's Health and Safety Policy and with the Health and Safety Procedures and Practices
22 Manual. PAWC establishes, implements, promotes, and manages safety programs,
23 activities and training that enable continued safety improvement, injury reduction and

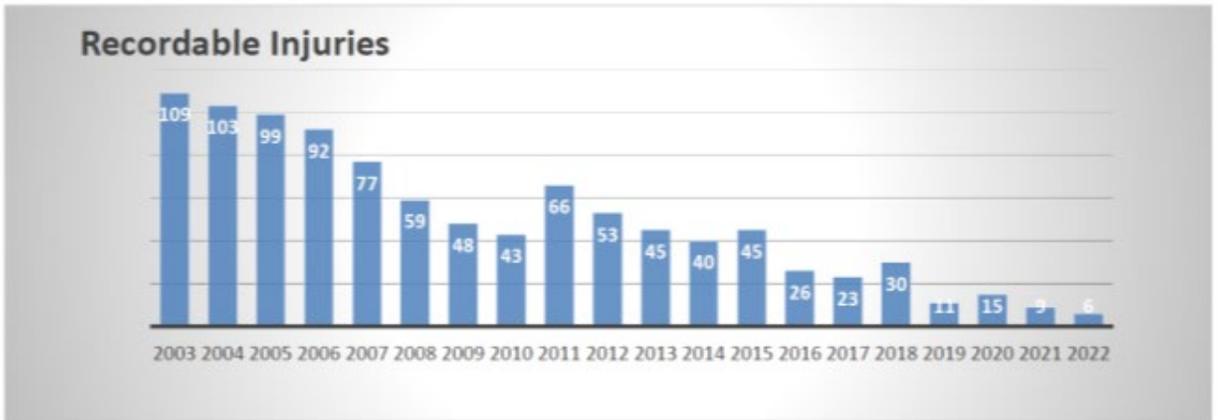
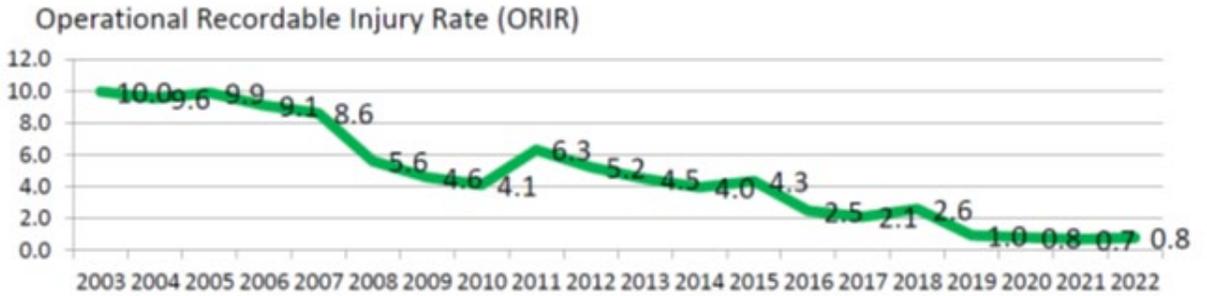
1 compliance with applicable Federal, State, and local requirements. Safety programs are
2 developed and implemented in accordance with Company policy and applicable practices
3 and include:

- 4 • Supporting practices that are developed, reviewed, and updated to provide
5 guidance on safe performance of activities in the workplace and are reflective
6 of changes in organizational, operational, and regulatory needs;
7
- 8 • Strategic and priority development and implementation of safety improvements
9 based on risk analysis of workplaces, work tasks and related potential injuries
10 and incidents;
11
- 12 • Near-miss reporting and corrective action program to identify and remove
13 safety hazards from the workplace;
14
- 15 • Development of, and measurement against, specific Company and external
16 safety performance targets and safety accountabilities for all employees;
17
- 18 • Ongoing assessment and review of safety processes, activities and supporting
19 programs (including those related to other Company policies, such as the
20 Workplace Conduct and Behavior Policy) to gauge effectiveness, identify
21 program gaps and pinpoint opportunities for continued improvement;
22
- 23 • Consistency of implementation and compliance with Company and regulatory
24 requirements across the enterprise; and,
25
- 26 • Defined and monitored contractor qualifications and requirements for safety
27 performance in accordance with approved contract documents, applicable laws,
28 and regulations.

29 PAWC has an excellent safety record. Moreover, PAWC has committed to
30 achieving zero injuries and has made great strides in changing the Company culture to
31 believe that such a target is achievable. Over the last 20 years, PAWC has consistently
32 reduced its number of recordable injuries and corresponding OSHA Recordable Incident
33 Rate, as shown in the figure below:

1

PAW ORIR Injury Rates 2003-2022

2

3

The Authority does not have a formal safety program.

4

5

Q. WHAT EFFORTS, IF ANY, WILL PAWC UNDERTAKE TO EDUCATE THE AUTHORITY’S CUSTOMERS REGARDING PAWC OWNERSHIP OF THE SYSTEM?

7

8

A. As the Transaction is nearing Closing, PAWC plans to produce bill inserts or onserts and/or letters to customers to explain the transition, billing, payment options and other items associated with the change in ownership. PAWC's website will also add content to help educate customers and to address frequently asked questions.

9

10

11

1 **Q. WHAT, IF ANY, CUSTOMER ENHANCEMENTS CAN THE AUTHORITY'S**
2 **CUSTOMERS EXPECT AS A RESULT OF THE TRANSACTION?**

3 **A.** PAWC prides itself on providing superior customer service. As part of its commitment to
4 customer service, PAWC offers its customers a number of enhanced services, including
5 extended call center hours, additional bill payment options, enhanced customer information
6 and education programs, and access to PAWC's customer assistance program.

7
8 **Q. PLEASE PROVIDE ADDITIONAL DETAIL ON EACH OF THESE CUSTOMER**
9 **SERVICE ENHANCEMENTS.**

10 **A.** *Customer Service.* As discussed above, PAWC's call center is available from 7:00 a.m. to
11 7:00 p.m., Monday through Friday for routine business and 24/7/365 for emergency
12 situations such as sewer back-ups or overflows. At all times, customers dealing with
13 emergency situations can make direct contact with a live customer service representative.
14 Customers can also reach a customer service representative via email at
15 infopa@amwater.com. In addition, PAWC's customers have the ability to manage their
16 account via PAWC's "My H20" online portal. Finally, PAWC offers local field service
17 support 24 hours a day, seven days a week for customer emergencies. All of this means
18 that PAWC is very responsive to its customers and any issues they may have. PAWC will
19 provide the same responsive approach to the Authority's customers once PAWC acquires
20 the System.

21 In comparison, as discussed above, Authority customers experiencing service
22 issues can speak to an Authority representative only between 8:00 a.m. In comparison, as
23 discussed above, Authority customers experiencing service issues can speak to an

1 Authority representative only between 8:00 a.m. to 4:00 p.m. on weekdays and must leave
2 a message with the police for emergencies occurring after hours.

3 ***Bill Payment Options.*** PAWC offers a number of bill payment options. Customers have
4 the option to receive paper bills through the mail or go paperless and receive their bills
5 electronically via the “My H20” on-line portal. Either way, customers can pay their bill
6 by mail, online, or over the phone with a debit or credit card. They can also pay by e-check
7 or an electronic funds transfer (which can be set up at the “My H20” online portal) or pay
8 in-person at multiple authorized payment locations across the state.

9 The Authority offers payment options by mail, phone, online or drop box.

10
11 ***Customer Information and Education Programs.*** PAWC provides extensive customer
12 information and education programs that will be available to the Authority’s current
13 customers through brochures, bill inserts, and educational videos posted on PAWC’s
14 website. PAWC’s customers always have full access to a wide range of topics, including
15 information on preventing sewer overflows, preventing frozen pipes, beneficially re-using
16 residuals from water treatment plants for community gardens, detecting and fixing silent
17 toilet leaks, properly disposing of unused pharmaceuticals to keep them out of the
18 wastewater system, conserving water, installing expansion tanks, obtaining Fire
19 Department Grants, and protecting customers from utility imposters.

20 In comparison, the Authority has a General FAQ section on its website providing
21 basic customer information.

1 *Customer Assistance Programs.* Finally, as new PAWC customers, the Authority’s
2 customers will have access to PAWC’s customer assistance program called the “H2O Help
3 to Others Program.” For wastewater customers, this program offers two main services:
4 (1) grants of up to \$500 per year and (2) a tiered discount on total wastewater charges based
5 on percentage of Federal Poverty Level (“FPL”). Tier 1 (0%-50% of FPL) receives an
6 85% discount; Tier 2 (51%-100% of FPL) receives a 73% discount; Tier 3 (101%-150%
7 of FPL) receives a 55% discount; and Tier 4 (151-200% of FPL) receives a 37% discount.
8 Additionally, PAWC offers payment arrangements and budget billing to residential
9 customers who qualify for the programs.

10 PAWC’s strong collaboration and coordination with the Pennsylvania Department
11 of Human Services (“DHS”), and its significant customer outreach, have allowed PAWC’s
12 customers to enjoy significant benefits from the low-income household water assistance
13 program (“LIHWAP”). In 2022, over 13,000 LIHWAP grants were processed by the DHS
14 for PAWC customers providing \$7.6 million in assistance.

15 In comparison, the Authority has no low-income customer service assistance
16 program nor any income-based repayment options.

17
18 **Q. DOES PAWC HAVE A PROGRAM TO PROTECT ITS CUSTOMERS AGAINST**
19 **UTILITY EMPLOYEE IMPOSTERS?**

20 **A.** Yes, PAWC has developed communications tools and programs to regularly educate
21 customers about the tactics used by utility employee imposters and what homeowners need
22 to know to protect themselves. The communications vehicles include bill inserts, news
23 releases, social media posts and website information about imposter-related crimes and

1 precautions that customers can take. In addition, PAWC helped form the Keystone
2 Alliance to Stop Utility Imposters, a coalition of water, gas, and electric utilities, along
3 with the Commission, Pennsylvania District Attorneys Association and Pennsylvania
4 Chiefs of Police Association, to launch a public awareness campaign using public service
5 announcements, print materials, posters, and community presentations.

6
7 **Q. PLEASE DESCRIBE PAWC'S CUSTOMER DISPUTE RESOLUTION**
8 **PROCEDURE.**

9 **A.** I am advised by counsel that PAWC is governed by the Commission's regulations
10 commonly known as Chapter 56, 52 Pa. I am advised by counsel that PAWC is governed
11 by the Commission's regulations commonly known as Chapter 56, 52 Pa. Code §§ 56.1 *et*
12 *seq.* The regulations provide the procedures for public utilities to follow with regard to
13 customer billing, collections, payment arrangements, medical certifications, Protection
14 from Abuse Orders, termination of service, reconnection of service, and customer dispute
15 resolution procedures.

16 PAWC has a customer compliance team located in the Mechanicsburg, PA office
17 responsible for ensuring that customer disputes and complaints are resolved in compliance
18 with the Commission's regulations. Additionally, the Company has a customer advocacy
19 team located in the Mechanicsburg office responsible for addressing any customer disputes
20 and escalated concerns.

21 The Authority's customer dispute process appears to be more informal. The
22 Authority instructs customers to contact their billing agent (Diversified Technology Corp.)
23 if they believe that there has been an error on their bill. If discussing the billing issue with

1 Diversified Technology Corp. does not resolve the issue, the Authority instructs customers
2 to then call the Authority office to discuss the problem.

3
4 **Q. CAN YOU BRIEFLY COMPARE PAWC'S TERMINATION PROCESS TO THE**
5 **AUTHORITY'S TERMINATION PROCESS?**

6 **A.** Yes. As discussed above, PAWC must comply with the Commission's regulations with
7 regard to customer termination. The Commission's regulations do not apply to the
8 Authority. Instead, the Authority follows the laws that apply to municipal authorities,
9 including the Water Services Act, which do not contain the extensive procedural safeguards
10 that are set forth in the Code and Commission regulations. The Authority can terminate a
11 customer's sewer service by having water service to the customer terminated. The
12 Authority can also impose a lien on the property as a collection instrument, rather than
13 terminating service. For terminations, the customer is mailed a 30-day notice before
14 enforcement. If the account still has an outstanding balance at the end of the 30-day period,
15 the Authority will post the customer's property for shut off. Once the customer has
16 received a final notice, the customer has 14 days thereafter to pay his delinquent amount.
17 If not paid, the customer is shut off by the Authority with no further correspondence. The
18 Authority has a standardized delinquency payment arrangement regardless of amount. The
19 only option is 50 percent down with four subsequent payments of the remaining balance
20 plus the current sewage bill. Once the payment agreement has been initiated, failure to
21 maintain the payment arrangement results in termination of service.

1 **Q. DOES THE AUTHORITY HAVE ANY BYPASS OR DEDUCT METERS? IF SO,**
2 **HOW WILL PAWC HANDLE THOSE?**

3 **A.** No. The Authority is not set up to do bypass or deduct metering. All water that goes through
4 the water meter is billed for sewage.

5
6 **Q. TO THE BEST OF YOUR KNOWLEDGE, DO THE AUTHORITY’S**
7 **CUSTOMERS CURRENTLY HAVE A PUBLIC OMBUDSMAN TO REPRESENT**
8 **THEIR INTERESTS?**

9 **A.** No.

10
11 **Q. DO PAWC'S CUSTOMERS HAVE A PUBLIC OMBUDSMAN TO REPRESENT**
12 **THEIR INTERESTS?**

13 **A.** Yes. The Office of Consumer Advocate (“OCA”) represents residential customers of
14 public utilities; the Office of Small Business Advocate (“OSBA”) represents small
15 commercial customers of public utilities; and the Commission's Bureau of Investigation &
16 Enforcement (“I&E”) represents the general public interest. Moreover, the Commission,
17 an independent regulatory agency, has regulatory oversight of matters involving public
18 utilities. The Commission and all of the public advocates are funded by regulatory
19 assessments on public utilities.

20
21 **Q. IS PAWC SUBJECT TO COMMISSION JURISDICTION?**

22 **A.** Yes. PAWC’s service and rates are subject to Commission regulation and oversight. If
23 the Transaction is approved, future rate cases for customers of the Authority will be

1 evaluated by the Commission to ensure that rates are just and reasonable. The PUC also
2 conducts audits and reviews PAWC filings. This oversight helps ensure that service is safe
3 and reliable. Authority customers will be protected by the Code and by PAWC's
4 Commission-approved tariff.

5
6 **Q. IS THE AUTHORITY SUBJECT TO COMMISSION JURISDICTION?**

7 **A.** I am advised by counsel that it is not. If a customer is dissatisfied with the service or rates
8 of the Authority, the customer must seek redress in a court of common pleas.

9 **CONCLUSION**

10 **Q. DO YOU BELIEVE PAWC HAS THE ABILITY TO PROVIDE SAFE,**
11 **ADEQUATE, AND RELIABLE WASTEWATER SERVICE TO THE**
12 **AUTHORITY'S CUSTOMERS?**

13 **A.** Yes.

14
15 **Q. DO YOU BELIEVE THAT THE PROPOSED TRANSACTION WOULD RESULT**
16 **IN AN AFFIRMATIVE PUBLIC BENEFIT OF A SUBSTANTIAL NATURE?**

17 **A.** Yes. For the reasons stated in my testimony, PAWC, as the largest investor-owned water
18 and wastewater company in the Commonwealth, will be able to provide an enhanced level
19 of operational expertise and customer service. The Transaction will also improve the
20 System's environmental compliance. Approval of the Transaction would be consistent
21 with the Pennsylvania Constitution, Article I Section 27.

22
23 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

1 **A.** Yes. However, I reserve the right to supplement my direct testimony as additional issues
2 and facts arise during the course of the proceeding. Thank you.

DANIEL J. HUFTON, P.E.

PROFESSIONAL SUMMARY 24+ years of progressively responsible Water & Wastewater Utility operations, management, and regulatory compliance experience.

12 years of client-focused Consulting Engineering and Design experience.

CORE QUALIFICATIONS

- Experienced in conducting due diligence of potential water and wastewater system acquisitions
- In depth knowledge of regulated water and wastewater utility operations
- Thorough knowledge of water and wastewater treatment technologies and compliance challenges
- Well versed on USEPA and PA DEP regulatory requirements

PA AMERICAN WATER EXPERIENCE

ENGINEERING MGR
2021 - Present

DIR. WATER QUALITY & ENVIRONMENTAL COMPLIANCE
2020 - 2021

SR. OPERATIONS MGR, O&M STRATEGY
2015 - 2021

SR. DIRECTOR, PRODUCTION
2004 - 2015

OPERATIONS MGR, SW PA
2002 - 2004

WATER QUALITY SUPERINTENDENT
2000 - 2002

PRIOR EXPERIENCE

BRANCH OFFICE MGR, BLAZOSKY ASSOCIATES, INC.
1992 - 2000

Client-focused consultant providing design and permitting services to solid waste management and industrial wastewater clients, including PAWC.

SR STAFF ENGINEER, CHAMBERS DEVELOPMENT CO.
1991 - 1992

Corporate engineer for regional solid waste management firm, focused on design, permitting and operation of company's landfill leachate treatment plants.

PROJECT ENGINEER, EARTH SCIENCES CONSULTANTS, INC.

1988 - 1991

Entry level engineering position, responsible for design and permitting of solid waste disposal facilities and industrial wastewater treatment plants.

EDUCATION CORNELL UNIVERSITY –Ithaca, NY –M. Eng., Civil Engineering –1988

PENN STATE UNIVERSITY –Univ. Park, PA –B.S., Civil Engineering –1987

**REGISTRATIONS &
CERTIFICATIONS**

REGISTERED PROFESSIONAL ENGINEER, PENNSYLVANIA

CERTIFIED WATER & WASTEWATER OPERATOR, PENNSYLVANIA

MEMBERSHIPS

AMERICAN WATER WORKS ASSOCIATION

WATER ENVIRONMENT FEDERATION

PAWARN

5-YR CAPITAL PLAN

This section presents the estimated costs of capital improvements for the 5-year period following closing of the acquisition. Improvements include individual projects identified as Investment Project (IP) type, and general projects that will be funded under the Recurring Project (RP) budget lines.

The major IP projects will be for implementation of the selected Option B1 of the approved LTCP. We assumed that the project as currently approved by PADEP will be implemented, and adjusted the LTCP costs for inflation. Should PAW be the successful bidder for the EBMA system, we recommend that a thorough and independent re-evaluation be done of the approved LTCP to ensure that the selected solution B1 is still the optimal approach.

The RP lines contain funding based on comparable size systems. Summary tables of the 5-year IP and RP budget estimates are shown on the following pages.

The total 5-year capital plan is \$25.9 million.

Investment Project (IP) Budget Estimate

Project Name	CSIC	YR1	YR2	YR3	YR4	YR 5	TOTAL
1 - LTCP Project B1	TBD	\$ 590,000	\$ 1,100,000	\$ 3,000,000	\$ 9,500,000	\$ 9,500,000	\$ 23,690,000
2 - Collection system survey & assessment	YES	\$ 10,000	\$ 10,000	\$ 88,600	\$ 88,600	\$ 88,600	\$ 285,800
IP Total		\$ 600,000	\$ 1,110,000	\$ 3,088,600	\$ 9,588,600	\$ 9,588,600	\$23,975,800

Note, the LTCP Project B1 includes the following components:

1. Abandon the existing 1.2 MGD activated sludge plant.
2. Build a new 2.0 MGD sequencing batch reactor (SBR) plant with peak capacity of 10 MGD.
3. Construct collection/conveyance system improvements to convey most weather flow to the plant, including building new pump stations at CSOs #5 and #8.
4. Construct a new 660,000-gallon wet weather flow equalization and storage tank at the plant.

Recurring Project (RP) Budget Estimate

Line	Capital Improvement	CSIC	YR1	YR2	YR3	YR4	YR5
A	Mains - New		\$ -	\$ -	\$ -	\$ -	\$ -
B	Mains - Replaced / Restored	YES	\$ -	\$ -	\$ 200,000	\$ 200,000	\$ 200,000
C	Mains - Unscheduled	YES	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
D	Mains - Relocated	YES	\$ -	\$ -	\$ -	\$ -	\$ -
E	Hydrants, Valves, and Manholes - New		\$ -	\$ -	\$ -	\$ -	\$ -
F	Hydrants, Valves, and Manholes - Replaced	YES	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
G	Services and Laterals - New		\$ -	\$ -	\$ -	\$ -	\$ -
H	Services and Laterals - Replaced	YES	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
K	ITS Equipment and Systems		\$ 50,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
L	SCADA Equipment and Systems		\$ 10,000	\$ -	\$ -	\$ -	\$ -
K	Security Equipment and Systems		\$ 100,000	\$ -	\$ 50,000	\$ 50,000	\$ -
N	Offices and Operations Centers		\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
O	Vehicles		\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000
P	Tools, Equipment, and Safety		\$ 25,000	\$ 25,000	\$ 10,000	\$ 10,000	\$ 10,000
Q	Process Plant Facilities and Equipment		\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
	RP Total		\$ 360,000	\$ 205,000	\$ 440,000	\$ 490,000	\$ 440,000
	RP Grand Total						\$ 1,935,000

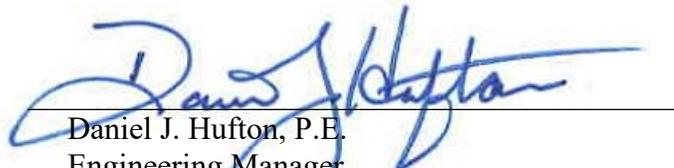
**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**In re: Application of Pennsylvania- :
American Water Company under Sections :
1102(a) and 1329 of the Pennsylvania :
Public Utility Code, 66 Pa C.S. § § 1102(a) :
and 1329, for approval of (1) the transfer, :
by sale, to Pennsylvania-American Water :
Company, of substantially all of the assets, :
properties and rights related to the :
wastewater treatment plant and collection : **Docket Nos. A-2025-3052983, et al.**
system owned and operated by the :
Elizabeth Borough Municipal Authority, :
(2) the rights of Pennsylvania-American :
Water Company to begin to offer or :
furnish wastewater service to the public in :
the Borough of Elizabeth, Allegheny :
County, Pennsylvania :**

VERIFICATION

I, Daniel J. Hufton, P.E., hereby state that the facts set forth in PAWC Statement No. 2 and accompanying exhibits, if any, are true and correct to the best of my knowledge, information, and belief. I understand that this verification is made subject to the provisions and penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Date: January 28, 2025



Daniel J. Hufton, P.E.
Engineering Manager
Pennsylvania-American Water Company

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American :
Water Company under Sections 1102(a) and :
1329 of the Pennsylvania Public Utility Code, :
66 Pa C.S. § § 1102(a) and 1329, for approval :
of (1) the transfer, by sale, to Pennsylvania- :
American Water Company, of substantially :
all of the assets, properties and rights related :
to the wastewater treatment plant and : Docket Nos. A-2025-3052983, *et al.*
collection system owned and operated by the :
Elizabeth Borough Municipal Authority, :
(2) the rights of Pennsylvania-American :
Water Company to begin to offer or furnish :
wastewater service to the public in the :
Borough of Elizabeth, Allegheny County, :
Pennsylvania :

**DIRECT TESTIMONY OF
STACEY D. GRESS ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER COMPANY**

Date: January 28, 2025

PAWC Statement No. 3

**DIRECT TESTIMONY OF
STACEY D. GRESS**

Introduction

1
2
3
4
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Q. What is your name and address?

A. My name is Stacey D. Gress, and my business address is 1 Water Street, Camden, New Jersey 08102.

Q. By whom are you employed and in what capacity?

A. I am employed by American Water Works Service Company (the “Service Company”) as the Director of Rates and Regulatory for Pennsylvania-American Water Company (“PAWC” or “the Company”). The Service Company is a wholly owned subsidiary of American Water Works Company, Inc. (“American Water”) that provides services to PAWC and its affiliates.

Q. Please summarize your educational background and professional experience.

A. I received a Master of Business Administration Degree, with a specialization in Finance, from Drexel University in 2007. I also hold a Bachelor of Arts Degree in Economics from Rutgers University, as well as an Associate in Science Degree for Business Administration from Camden County College. My employment with the Service Company and its affiliates began in February 2011. I began working with American Water Enterprises, LLC (“AWE”) as a Senior Financial Analyst supporting AWE’s market-based businesses, providing detailed financial analysis, and reporting the consolidated results for all AWE business units. In 2014, I assumed the position of a supervising Senior Financial Analyst in AWE’s Contract Services business unit, and, in 2016, I was promoted to Finance

1 Manager in the same department, overseeing financial reporting and coordinating the
2 budgets for systems at approximately forty locations that AWE operated under service
3 contracts. In 2017, I was selected as the first candidate to participate in a rotational program
4 with the AWWSC Regulatory Services department and provide support for a general rate
5 case and other regulatory filings. In this role, I was able to gain hands-on experience of all
6 aspects of the ratemaking process, including preparation of multiple exhibits in support of
7 the revenue requirement, as well as assistance with the review and analysis of both
8 company and intervenor testimony. Following the conclusion of the rotational program,
9 I became the Finance Manager for New Jersey-American Water and New York-American
10 Water. In October of 2018, I was promoted to Senior Manager Regulatory Services and in
11 May 2021 I was promoted to my current position of Director of Rates and Regulatory for
12 Pennsylvania-American Water. Prior to my employment with AWWSC, I served in
13 multiple finance and budget analyst roles in the healthcare industry at the Independence
14 Blue Cross family of companies.

15
16 **Q. Have you previously submitted testimony before the Pennsylvania Public Utility**
17 **Commission (the “Commission” or “PUC”)?**

18 **A.** Yes. I prepared and provided testimony in PAWC’s base rate cases at Docket Nos. R-
19 2020-3019369, R-2022-3031672, and R-2023-3043189. In addition, I have testified before
20 the West Virginia Public Service Commission on behalf of another American Water
21 subsidiary, West Virginia-American Water.

22
23 **Q. What is the purpose of your testimony in this proceeding?**

1 wastewater service meeting all federal and state requirements is provided to the System's
2 customers and maintained for PAWC's existing customers.

3 **Q. Please discuss PAWC's overall financial fitness and access to capital to acquire the**
4 **Authority's System.**

5 **A.** PAWC has strong operating cash flows and net income and, therefore, a strong balance
6 sheet. PAWC's strong operating and financial performance allows it to obtain competitive
7 interest rates for long-term debt financing and access to equity investments from its parent
8 company. PAWC is a financially-sound business that can financially support the
9 acquisition of the Systems as well as the ongoing operating and investment commitments
10 that will be required to operate, maintain and improve those assets in serving the public.

11
12 **Line of Credit**

13 PAWC presently has liquidity through a \$495 million line of credit through American
14 Water Capital Corp. ("AWCC"), a wholly owned subsidiary of American Water Works
15 Company, Inc. ("American Water"). PAWC's strong credit ratings allow PAWC to obtain
16 additional capacity on this line of credit.

17
18 **Long Term Debt Financing**

19 PAWC carries a corporate credit rating of "A3" from Moody's Investors Services and an
20 "A" rating from Standard and Poor's Rating Services. PAWC obtains long-term debt
21 financing through AWCC at favorable interest rates and payment terms. When applicable,
22 PAWC also uses low-cost financing through the Pennsylvania Infrastructure Investment

1 Authority (“PENNVEST”) and the Pennsylvania Economic Development Financing
2 Authority (“PEDFA”).

3 **Equity Investments**

4 PAWC may obtain additional equity investments through American Water based on its
5 strong operating performance.

6
7 **Q. Please explain how PAWC intends to fund the Transaction.**

8 **A.** PAWC will initially fund the Transaction with short-term debt and will later replace it with
9 a combination of long-term debt and equity capital.

10
11 **Q. What impact, if any, do you anticipate that the acquisition of the System will have on
12 PAWC’s corporate credit ratings?**

13 **A.** As stated above, PAWC does not anticipate that the acquisition of the System will have a
14 significant impact on its credit ratings.

15
16 **Q. Do you anticipate the Transaction harming PAWC’s financial status in any manner?**

17 **A.** No. PAWC does not anticipate that the acquisition of the Systems will have a negative
18 impact on PAWC’s cash flows, credit ratings or access to capital and, therefore, will not
19 deteriorate in any manner PAWC’s ability to continue to provide safe, adequate, and
20 reasonable service to its existing customers at just and reasonable rates.

1 FAIR MARKET VALUE RATEMAKING RATE BASE

2 **Q. Please state the rate base requested in the application pursuant to 66 Pa. C.S § 1329.**

3 **A.** As discussed in the testimony of my colleague Marcus Kohl, the Company completed a
4 Reasonableness Review Ratio (“RRR”) analysis to determine its requested ratemaking rate
5 base. The RRR calculation multiplies the depreciated original cost (“DOC”) of a system
6 by the RRR determined by the Commission, which is currently 1.68. The average DOC of
7 the system based on the appraisals of the buyer’s Utility Valuation Expert (“UVE”) and
8 the seller’s UVE is \$16,649,511. The RRR multiplied by the DOC is \$27,971,178.
9 PAWC’s negotiated purchase price for the acquired assets is \$28,000,000, which is
10 approximately \$29,000 higher than the RRR analysis recommends. If the Commission
11 were to approve PAWC only including \$27,971,178 in its ratemaking rate case, PAWC
12 would not object.

13 Note, however, that PAWC reserves its right in future proceedings to make rate
14 base claims related to the acquisition as may otherwise be permitted under the Pennsylvania
15 Public Utility Code (“Code”).

16
17 **Q. Please summarize how the Company proposes to record the Transaction.**

18 **A.** As shown on **Appendix A-15-f**, the Company seeks approval to record the \$28,000,000
19 net value of the assets on its books. The Company requests to record the acquisition on a
20 net basis consistent with generally accepted accounting principles, which advise that
21 property, plant and equipment acquired in a business combination intended to be held and
22 used should be recognized and measured at fair value, and that the accumulated
23 depreciation of the acquiree is not carried forward in a business combination (*i.e.*, net

1 presentation).¹ Permitting PAWC to use this accounting treatment for the assets would be
2 consistent with the Commission’s decision in *Application of Pennsylvania-American*
3 *Water Company under Section 1102(a) of the Pennsylvania Public Utility Code, 66 Pa.*
4 *C.S. § 1102(a), for Approval of the Transfer, by Sale, to Pennsylvania-American Water*
5 *Company, of Substantially All of the Assets, Properties and Rights Related to the*
6 *Wastewater Collection and Treatment System Owned by the York City Sewer Authority and*
7 *Operated by the City of York, Docket Nos. A-2021-3024681 et al.* (Final Order entered
8 April 14, 2022) ¶ 3(h) and *Application of Pennsylvania-American Water Company ,*
9 *pursuant to 66 Pa. C.S. §§ 1102 and 1329 for Approval of the Acquisition of the Butler*
10 *Area Sewer Authority, Docket No. A-2022-3037047* (Order entered November 16, 2023)
11 ¶ 14.

12 Section 1329(c) provides that the “ratemaking rate base” is to be incorporated into
13 PAWC’s rate base. As discussed above, the Company requests the Commission approve
14 \$28,000,000 as the ratemaking rate base for the System.² Since Section 1329 does not
15 address the proper accounting treatment of the rate base or approval of a depreciation
16 reserve in determining the ratemaking rate base, the Company believes that recording
17 \$28,000,000, on a net basis, is appropriate and consistent with Section 1329.

18 19 **ASSET PURCHASE AGREEMENT RATE PROVISIONS**

20 **Q. Please provide an overview of the rate provisions of the APA.**

¹ ASC 805-20 *Business Combinations – Identifiable Assets and Liabilities, and any Noncontrolling Interest* and ASC 820-10-30 *Fair Value Measurement – Initial Measurement*.

² “The ratemaking rate base of the selling utility shall be the lesser of the purchase price negotiated by the acquiring public utility or entity and selling utility or the fair market value of the selling utility.” 66 Pa. C.S. § 1329(c).

1 A. Section 6.10 of the APA contains provisions related to rates. PAWC has committed to
2 adopt, upon closing of the Transaction (“Closing”), the Authority’s monthly base rates.
3 These rates are shown on Schedule 6.10 to the APA.

4 The initial rates to be applicable to the former Authority wastewater customers are
5 set forth in the *pro forma* tariff supplement attached as **Appendix A-12** to the Application.
6 System customers will be governed by rates for new Elizabeth Rate Zone “XX.” After
7 Closing, System customers will be subject to PAWC’s prevailing wastewater tariff on file
8 with the Commission with respect to all rates other than base rates, such as capacity
9 reservation fees, reconnection fees, and the like, as well as non-rate related terms and
10 conditions of service.

11 Section 6.10 provides that PAWC shall not charge a Distribution System
12 Improvement Charge (“DSIC”) to former Authority customers prior to the first revision of
13 PAWC’s Long Term Infrastructure Improvement Plan that occurs after Closing or the
14 effective date of PAWC’s next PUC-approved base rate increase, whichever is sooner.

15
16 **Q. Please provide an overview of PAWC Exhibit SDG-2.**

17 A. PAWC will implement the Authority’s EDU allocations, consistent with the Section 1329
18 requirement to take on existing rates. PAWC’s current active tariff provides that for
19 customers acquired by the Company through a purchase or acquisition, information on the
20 equivalent dwelling units is available at the Company’s website. The EDU allocation for
21 the Authority that will be posted to PAWC’s website is attached to my testimony as **PAWC**
22 **Exhibit SDG-2.**

1 **Q. What impact, if any, will there be on the rates of the Authority’s customers as a result**
2 **of the acquisition of the System?**

3 **A.** There will be no immediate impact on the rates of the Authority’s customers because
4 PAWC has committed to adopt, upon Closing, the Authority’s rates in effect at the time of
5 Closing. PAWC expects to propose to move the Authority’s rates toward consolidated
6 rates in future base rate cases. Subject to Commission approval, PAWC anticipates
7 allocating a portion of its wastewater revenue requirement to the combined water and
8 wastewater customer base, as permitted by 66 Pa. C.S. § 1311(c).

9
10 **Q. What impact, if any, will there be on the rates of PAWC’s current water and**
11 **wastewater customers as a result of the acquisition of the System?**

12 **A.** There will be no immediate impact on the rates of PAWC’s current water and wastewater
13 customers. PAWC expects to include the Authority’s wastewater system in PAWC’s
14 future base rate filings. Any impacts on the rates of PAWC’s existing water and wastewater
15 customers would occur only after a Commission decision in a base rate proceeding. A non-
16 binding estimate of possible rate impacts for existing water and wastewater customers is
17 shown in **Appendix A-18-d** and discussed in the Customer Notice section below. The
18 Authority’s customers, as part of PAWC’s overall customer base, will become part of
19 PAWC’s overall cost allocation. Nothing contained in the APA would bind the
20 Commission or other interested parties in future ratemaking proceedings.

21
22 **Q. Does PAWC seek the authority to charge non-base rates prior to the first PAWC base**
23 **rate case in which the System is included?**

1 A. Yes. PAWC is requesting authority from the Commission to approve collection of a
2 distribution system improvement charge (“DSIC”) related to the System in the future, prior
3 to the first base rate case in which the System plant-in-service is incorporated into rate
4 base. PAWC would not begin charging a DSIC until the eligible System plant is approved
5 by the Commission in an amendment to PAWC’s Long Term Infrastructure Improvement
6 Plan for wastewater.

7

8 **CUSTOMER NOTICE AND POTENTIAL RATE IMPACT**

9 **Q. Is PAWC providing notice to customers of the acquisition?**

10 A. Yes. PAWC is providing notice of the acquisition to existing PAWC water and wastewater
11 customers as well as to the Authority’s wastewater customers. The notices to PAWC
12 customers and Authority wastewater customers are attached to the application as **Appendix**
13 **A-18-d**. These notices contain a non-binding estimate of the potential rate impact of the
14 acquisition.

15

16 **Q. How were the estimates of potential rate impacts calculated for the notices provided**
17 **in Appendix A-18-d?**

18 A. These notices were prepared in accordance with the *2024 Final Supplemental*
19 *Implementation Order (“2024 FSIO”).*³ This Order prescribes the form and calculation
20 of the notices for future Section 1329 acquisition proceedings. As required by the Order,
21 the notices included in **Appendix A-18-d** are calculated to show the impact as if the entire
22 revenue requirement deficiency were allocated to System customers, existing PAWC water

³ *Valuation of Acquired Municipal Water and Wastewater Systems – Act 12 of 2016 Implementation*, Docket No. M-2016-2543193 (Opinion and Order entered July 2, 2024) (“2024 FSIO”).

1 customers, and existing PAWC wastewater customers. The rate impacts resulting from
2 these calculations are discussed in more detail below.

3
4 **Q. Please summarize the calculation of the potential rate impact shown in the notice to
5 the Authority’s customers.**

6 **A.** As shown in **Appendix A-18-d**, the notice to Authority customers shows the following
7 information regarding the potential rate impacts of the acquisition:

Authority Wastewater Customers				
Rate Class	Average Usage	Average Monthly Bill at the Authority’s Rates at Closing	Potential Average Monthly Bill	Potential Increase
Residential	3,201 gal/month	\$60.61	\$124.25	105.0%
Commercial	22,094 gal/month	\$211.75	\$434.09	105.0%

8
9
10
11 The 105.0% increase shown in the chart above is calculated as 100% of the revenue
12 deficiency, divided by the Year One revenues of the System. The current average monthly
13 bill is calculated using the Authority’s wastewater rates and the average usage for each
14 customer class as reflected in the filing of PAWC’s most recently approved base rate case
15 (Docket No. R-2023-3043189).

16
17 **Q. If this Transaction is not approved, would the Authority’s customers experience a
18 rate increase?**

19 **A.** Yes, as further discussed in the direct testimony of the Authority’s witness Timothy
20 Guffey, if this Transaction does not close, the Authority would incur environmental
21 compliance costs of approximately \$24.6 million. This cost expenditure would require the

1 Authority to increase its monthly bill for an average residential customer utilizing 3,000
2 gallons to approximately \$114.23. By contrast, PAWC’s current average month combined
3 sewer system bill for residential customers utilizing 3,000 gallons is \$98.36.

4
5 **Q. Please summarize the rate impact calculation in the notice to PAWC wastewater**
6 **customers.**

7 **A.** As shown in **Appendix A-18-d**, the notice to PAWC’s existing wastewater customers
8 shows the following information regarding the potential rate impacts of the acquisition:

9

PAWC Existing Wastewater Customers				
Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 2025 Rates	Average Monthly Bill at PAWC Zone 1 2025 Rate Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,201 gal/month	\$109.55	\$110.76	1.1%
Commercial	22,094 gal/month	\$522.46	\$528.21	1.1%
Industrial	685,947 gal/month	\$15,117.93	\$15,284.23	1.1%

10
11 The 1.1% increase shown in the chart above is calculated by dividing 100% of the
12 revenue deficiency, by PAWC’s applicable wastewater revenues from PAWC’s most
13 recent base rate case.

14
15 **Q. Please summarize the calculation of the potential rate impact shown in the notice to**
16 **PAWC water customers.**

17 **A.** As shown in **Appendix A-18-d**, the notice to PAWC’s existing water customers shows the
18 following information regarding the potential rate impacts of the acquisition:

PAWC Existing Water Customers				
Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 2025 Rates	Average Monthly Bill at PAWC Zone 1 2025 Rate Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,201 gal/month	\$78.89	\$79.05	0.2%
Commercial	22,094 gal/month	\$419.34	\$420.18	0.2%
Industrial	685,947 gal/month	\$8,863.12	\$8,880.85	0.2%

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The 0.2% increase shown in the chart above represents the potential impact on PAWC water customers if the revenue deficiency were entirely allocated to water customers. This allocation to water customers is divided by PAWC’s applicable water revenues from PAWC’s most recent base rate case.

The current average monthly bill is shown at PAWC’s Zone 1 rates effective August 7, 2024 and the average usage for each customer class as reflected in the filing of PAWC’s most recent base rate case (Docket No. R-2023-3043189). The average monthly bill for PAWC Zone 1 customers after acquisition is calculated by increasing the average monthly bill amounts by the 0.2% increase, which was calculated as explained above. Please refer to **PAWC Exhibit SDG-1** for the calculation of the customer notice.

LOW-INCOME PROGRAMS

Q. Please summarize PAWC’s tariffed low income discounts.

A. PAWC’s low-income tariff rider provides low-income customers with discounts to fixed and volumetric charges. PAWC’s low-income discount includes four tiers of discount,

1 with the discount level dependent on the customer’s percentage of Federal Poverty Level
2 (“FPL”). The tariff discounts are summarized below.⁴

	Tier 1 (0-50% FPL)	Tier 2 (51-100% FPL)	Tier 3 (101-150% FPL)	Tier 4 (151-200% FPL)
Water Service Charge Discount	90%	75%	60%	30%
Water Usage Charge Discount	80%	65%	40%	20%
Wastewater Total Bill Discount	85%	73%	55%	37%

3
4 **Q. Will Authority customers be eligible for these discounts upon acquisition?**

5 **A.** Yes. Because PAWC is already the water provider for some Authority customers, any
6 customers enrolled in the low income discount for their water service will be automatically
7 enrolled in the discount for wastewater service at the time of Closing. For those Authority
8 customers who are not currently a PAWC water customer, they will have the option of
9 enrolling into the bill discount program for their wastewater bill if they meet the eligibility
10 requirements.

11 In addition, the Company is in the process of launching its Arrearage Management
12 Program (“AMP”), which will provide monthly forgiveness credits applied to customers’
13 account arrearages when customers make full and timely payments under the bill discount
14 program. Finally, customers with a household income of 250% of the FPL and below are
15 eligible for annual wastewater grants of up to \$500 under PAWC’s H2O Help to Others
16 program.

⁴ Refer to Tariff Water-PA P.U.C. No. 5, page 17 and Tariff Wastewater PA P.U.C. No. 16, page 16.

1 **Q. Please summarize the current cost of PAWC’s low-income discount programs to its**
2 **legacy customer base.**

3 **A.** PAWC’s low-income discount program provides discounts between 30% and 90% of the
4 water and wastewater bill to customers with an FPL of 200% or less. These discounts have
5 a small impact on customer’s bills of approximately \$2.41 per month for residential water
6 customers and approximately \$4.03 per month for residential wastewater customers.⁵

7

8 **TRANSACTION AND CLOSING COSTS**

9 **Q. Please describe the estimated transaction and closing costs for the Transaction.**

10 **A.** As set forth in the Commission’s *Final Implementation Order* at Docket No. M-2016-
11 2543193, transaction and closing costs include the UVE’s appraisal fee and the buyer’s
12 closing costs, including reasonable attorney fees. In accordance with the *Final*
13 *Implementation Order* and traditional ratemaking principles, reasonable transaction and
14 closing costs are not to be decided in this Application proceeding; instead, PAWC must
15 justify the costs by a “preponderance of the evidence” in a future base rate proceeding.

16 As a practical matter, the exact extent of such costs cannot be known at the time of
17 filing the Application and will not be finally known until after Closing. The costs depend
18 on a number of variables, including whether this Application is settled or fully litigated.
19 PAWC will track such costs and incorporate them into rate base in a future base rate
20 proceeding as appropriate. Nevertheless, attached to the Application as **Appendix A-10** is
21 PAWC’s estimate of the anticipated transaction and closing costs (approximately \$1.1
22 million).

⁵ The amounts shown in this paragraph are calculated as the discounted revenue divided by the number of residential customers at Docket No. R-2023-3043189.

1 **POST-ACQUISITION IMPROVEMENT COSTS**

2 **Q. Please state your understanding of Section 1329 with respect to post-acquisition**
3 **improvement costs.**

4 **A.** I am advised by counsel that Section 1329(f) allows “an acquiring public utility’s post
5 acquisition improvements that are not included in a distribution system improvement
6 charge [to] accrue allowance for funds used during construction [“AFUDC”] after the date
7 the cost was incurred until the asset has been in service for a period of four years or until
8 the asset is included in the acquiring public utility’s next base rate case, whichever is
9 earlier.” Section 1329(f) also provides that “[d]epreciation on an acquiring public utility’s
10 post acquisition improvements that have not been included in the calculation of a
11 distribution system improvement charge shall be deferred for book and ratemaking
12 purposes.”

13
14 **Q. Does PAWC intend to accrue AFUDC for post-acquisition improvements?**

15 **A.** Yes. As summarized in the Direct Testimony of PAWC Witness Mr. Daniel Hufton, P.E.,
16 PAWC’s Engineering Manager, PAWC Statement No. 2, PAWC will be making post-
17 acquisition improvements to the System. As such, PAWC will likely accrue AFUDC
18 consistent with what is permitted under Section 1329. PAWC will address any claims for
19 AFUDC in the first base rate proceeding in which the Authority’s assets are included.

20
21 **Q. Does PAWC intend to defer depreciation on non-DSIC-eligible post-acquisition**
22 **improvements for book and ratemaking purposes?**

1 A. Yes. Section 1329(f) permits such deferral of depreciation. The statute appears to allow
2 deferral without specific Commission approval; however, out of an abundance of caution,
3 PAWC is specifically petitioning the Commission, as part of this Application proceeding,
4 for permission to defer the depreciation for book and ratemaking purposes.

5 **COST OF SERVICE STUDY IN FUTURE BASE RATE CASE**

6 **Q. Please provide an overview of the separate cost of service study (“COSS”) directive**
7 **from the Order approving the Company’s last base rate case at Docket No. R-2023-**
8 **3043189.**

9 A. Page 217 of the Commission Order approving the Company’s last base rate case included
10 a directive requiring PAWC to prepare separate COSSs for new Section 1329 acquisitions
11 in the first base rate proceeding where those systems are included in PAWC’s revenue
12 requirement. In addition, footnote 94 indicated that the grouping for the COSS should
13 include only non-CSS wastewater Section 1329 systems and that the CSS wastewater
14 systems acquired under 1329 should be included in the separate COSS for CSS wastewater
15 systems.

16
17 **Q. Please explain how the Company will reflect the COSS and revenue requirement for**
18 **the Authority in a base rate case.**

19 A. In the first base rate case in which the Authority is included, the Company will complete a
20 separate COSS for the Authority’s system, and reflect a revenue requirement separate from
21 the existing CSS wastewater customers. In subsequent base rate filings, the Authority will
22 be grouped into the COSS and revenue requirement for all CSS wastewater systems.

1 AUTHENTICATION OF APPLICATION APPENDICES

2 **Q. Are you familiar with the Application filed by PAWC in this proceeding?**

3 **A.** Yes, I helped to prepare several of the appendices in support of the Application and I have
4 reviewed the final version of the Application and the appendices.

5
6 **Q. Please identify which application appendices were prepared by you or under your
7 supervision and control?**

8 **A.** **Appendix A-10** is the Company's estimate of the anticipated range of transaction and
9 closing costs. The *pro forma* tariff supplement is attached as **Appendix A-12** to the
10 Application. In addition, based on financial statements provided by the Authority and on
11 PAWC's audited financial statements, the following appendices were prepared: **Appendix**
12 **C** (audited balance sheet of the Authority as of December 31, 2023), **Appendix D** (audited
13 balance sheet of PAWC as of December 31, 2023), **Appendix E** (audited income statement
14 of the Authority for the 12 months ended December 31, 2023), **Appendix F** (audited
15 income statement of PAWC for the 12 months ended December 31, 2023), **Appendix G**
16 (*pro forma* balance sheet of PAWC, giving effect to the transfer), **Appendix H** (*pro forma*
17 consolidated income statement of PAWC and the Authority for 12 months) and
18 **Appendix K** (estimated annual revenues and expenses).

19
20 **Q. Are Appendices A-10 and A-12, Appendices C through H, and Appendix K true and
21 correct to the best of your knowledge, information, and belief?**

22 **A.** Yes.

CONCLUSION

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Q. Does this conclude your direct testimony?

A. Yes. However, I reserve the right to supplement my direct testimony as additional issues and facts arise during the course of the proceeding. Thank you.

Elizabeth Borough Municipal Authority Wastewater Customers

Wastewater

Rate Class	Average Usage	Average Monthly Bill at Elizabeth Borough Municipal Authority Rates at Closing	Potential Average Monthly Bill	Potential Increase
Residential	3,201 gal/month	\$60.61	\$124.25	\$63.64 or 105.0%
Commercial	22,094 gal/month	\$211.75	\$434.09	\$222.34 or 105.0%

PAWC Current Customers

Wastewater

Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 Rates	Average Monthly Bill at PAWC Zone 1 Rate Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,201 gal/month	\$109.55	\$110.76	\$1.21 or 1.1%
Commercial	22,094 gal/month	\$522.46	\$528.21	\$5.75 or 1.1%
Industrial	685,947 gal/month	\$15,117.93	\$15,284.23	\$166.30 or 1.1%

Water

Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 Rates	Average Monthly Bill at PAWC Zone 1 Rate Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,201 gal/month	\$78.89	\$79.05	\$0.16 or 0.2%
Commercial	22,094 gal/month	\$419.34	\$420.18	\$0.84 or 0.2%
Industrial	685,947 gal/month	\$8,863.12	\$8,880.85	\$17.73 or 0.2%

Pennsylvania American Water Company
Acquisition of Wastewater Assets of the Elizabeth Borough Municipal Authority
Docket No. A-2025-3052983

Estimated Rate Increase

Increase applied to Acquired System Customers	
Revenue Requirement Increase	\$ 1,918,419
Current Elizabeth Borough Municipal Authority Wastewater revenues	1,827,402
Estimated Increase to wastewater customers	105.0%

Amount of increase allocated to wastewater customers and applied to the combined revenues of all PAWC wastewater customers and acquired customers:	
Revenue Requirement Increase	\$ 1,918,419
PAWC Wastewater Revenues (R-2023-3043189 Proof of Revenues excl. Other Operating Revenues & Contract Sales)	174,906,969
Estimated Increase to wastewater customers	1.1%

Amount of increase allocated to water customers:	
Revenue Requirement Increase	\$ 1,918,419
PAWC Water Revenues (R-2023-3043189 Proof of Revenues excl. Other Operating Revenues & Contract Sales)	890,733,518
Estimated Increase to Water Customers	0.2%

Pennsylvania American Water Company
Acquisition of Wastewater Assets of the Elizabeth Borough Municipal Authority
Docket No. A-2025-3052983

Revenue Requirement Increase

Rate Base	\$	28,000,000	Appendix A-11
Rate of Return %		7.15%	See Calculations
Rate of Return		<u>2,002,000</u>	
O&M		546,000	Appendix K
Taxes Other		52,788	Appendix K
Depreciation		619,033	Appendix K
Taxes		526,000	See Calculations
Revenue Requirement		3,745,821	
Elizabeth Borough Municipal Authority Wastewater Year-1 Revenues		1,827,402	Appendix K
Revenue Requirement Increase		1,918,419	

Pennsylvania American Water Company
Acquisition of Wastewater Assets of the Elizabeth Borough Municipal Authority
Docket No. A-2025-3052983

Income Tax Calculation

Revenue Requirement	
Rate Base	\$ 28,000,000
Pretax ROR %	9.03%
Pretax ROR	<u>2,528,000</u>
Plus: O&M Expense	546,000
Taxes Other	52,788
Depreciation	<u>619,033</u>
Total Revenue Requirement	<u><u>3,745,821</u></u>

Income Tax Calculation	
Revenues	\$ 3,745,821
Less: O&M Expense	546,000
Taxes Other	52,788
Depreciation	619,033
Interest	<u>602,000</u>
SIT Taxable Income	1,926,000
State Income Tax Rate	7.99%
State Income Tax	<u>154,000</u>
FIT Taxable Income	1,772,000
Federal Income Tax Rate	21.00%
Federal Income Tax	<u>372,000</u>
Total Income Taxes	<u><u>526,000</u></u>

Interest	
Rate Base	\$ 28,000,000
Weighted Cost of Debt (2.03% + 0.12%)	<u>2.15%</u>
	\$ 602,000

Wastewater	Capital Structure	Cost Rate	Weighted Cost	Revenue Multiplier	Revenue Requirement
Long-Term Debt	42.73%	4.76%	2.03%		2.03%
Wastewater Financing	4.40%	2.67%	0.12%		0.12%
Preferred Stock	0.00%	0.00%	0.00%	1.37574	0.00%
Common Equity	52.87%	9.45%	5.00%	1.37574	6.88%
			<u>7.15%</u>		<u>9.03%</u>

Capital Structure, Cost of Debt, and Cost of Equity are based on PAWC's last wastewater base rate case.
Docket No. R-2023-3043189, Order Entered July 22, 2024, page 200.
State Income Tax Rate of 7.99% in effect 1/1/2025

Revenue 'Multiplier

Statutory State Tax Rate	0.0799
Statutory Federal Tax Rate	0.21
1- State Tax Rate	0.9201
Fed Rate Times (1-State Tax Rate)	0.193221
Effective Tax Rate	0.273121
1-Eff Tax Rate	0.726879
Reciprocal	1.37574

Pennsylvania American Water Company
Acquisition of Wastewater Assets of the Elizabeth Borough Municipal Authority
Docket No. A-2025-3052983

Operating Revenue Assumptions

Service Charge	Customers	Units	Rate	Revenue
Residential	629	7,548	35.000	264,180
Commercial	68	816	35.000	28,560
Other Public Authority	3	36	35.000	1,260
Bulk Municipal	1,490	17,880	35.000	625,800
Bulk Municipal - Flat Rate	1	36	37.750	1,359
				921,159

Usage Charge	Customers	Units	Rate	Revenue
Residential	629	230,192	0.8000	184,154
Commercial	68	48,030	0.8000	38,424
Other Public Authority	3	1,122	0.8000	898
Bulk Municipal	3	853,460	0.8000	682,768
				906,244

Total Revenues **1,827,402**

**Pennsylvania American Water Company
Acquisition of Wastewater Assets of the Elizabeth Borough Municipal Au
Docket No. A-2025-3052983**

O&M and General Tax Assumptions

Operating and Maintenance Expenses

Labor and Labor Related	\$223,000
Fuel & Power	45,000
Chemicals	38,000
Waste Disposal	76,000
Management Fees	2,000
Insurance Other Than Group	45,000
Maintenance	71,000
Customer Accounting	18,000
General Office Expense	6,000
Miscellaneous	22,000
Total O&M	\$546,000

General Taxes

Property Tax	\$27,000
Regulatory Assessment	12,834
Payroll Taxes	12,954
Total General Taxes	\$52,788

PENNSYLVANIA-AMERICAN WATER COMPANY

Related to Section A, Rule 26. Equivalent Dwelling Units or EDU

For existing customers in Elizabeth Borough that are connected to the system prior to the Company's acquisition, the number of equivalent dwelling units is determined as follows:

Unit Schedule for Elizabeth Borough Municipal Authority	
Category	Units
Each Residential Premise	1
Multiple Residential Connections Number of units within the building	1

Non-residential buildings: Number of EDUs determined according to standards set forth in the Pennsylvania Code, Title 25, Chapter 73.17 (Sewage Flows). For the basis of calculation, EDU's shall be calculated as 260 gallons per day/equivalent dwelling unit (260 GDP/EDU).

If it is determined that the Table in the above code does not specifically apply, then there shall be a MINIMUM of one (1) EDU per division/dwelling/use unit in a non-residential/commercial use building.

The EDU Calculation may be reevaluated by the Company and if needed, the EDU number will be increased as needed. There can never be a reduction below the one EDU minimum.

For new customers in Elizabeth Borough that connect to the system after the Company's acquisition or existing customers who modify their properties in a manner that impacts the EDU calculation, the number of equivalent dwelling units will be subject to the EDU definition described in Rule 26, as calculated by the PaDEP Regulation at 25 Pa Code § 73.17 divided by the typical estimated average daily wastewater flow from a current single-family unit.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**In re: Application of Pennsylvania- :
American Water Company under Sections :
1102(a) and 1329 of the Pennsylvania :
Public Utility Code, 66 Pa C.S. § § 1102(a) :
and 1329, for approval of (1) the transfer, :
by sale, to Pennsylvania-American Water :
Company, of substantially all of the assets, :
properties and rights related to the :
wastewater treatment plant and collection : **Docket Nos. A-2025-3052983, et al.**
system owned and operated by the :
Elizabeth Borough Municipal Authority, :
(2) the rights of Pennsylvania-American :
Water Company to begin to offer or :
furnish wastewater service to the public in :
the Borough of Elizabeth, Allegheny :
County, Pennsylvania :**

VERIFICATION

I, Stacey D. Gress, hereby state that the facts set forth in PAWC Statement No. 3 and accompanying exhibits, if any, are true and correct to the best of my knowledge, information, and belief. I understand that this verification is made subject to the provisions and penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Date: January 28, 2025



Stacey D. Gress
Director of Rates and Regulatory
Pennsylvania-American Water Company

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :
Company under Sections 1102(a) and 1329 of the :
Pennsylvania Public Utility Code, 66 Pa C.S. :
§§ 1102(a) and 1329, for approval of (1) the transfer, by :
sale, to Pennsylvania-American Water Company, of :
substantially all of the assets, properties and rights : Docket No. A-2025-3052983, *et al.*
related to the wastewater treatment plant and collection :
system owned and operated by the Elizabeth Borough :
Municipal Authority, and (2) the rights of :
Pennsylvania-American Water Company to begin to :
offer or furnish wastewater service to the public in the :
Borough of Elizabeth, Allegheny County, Pennsylvania :

**DIRECT TESTIMONY OF
JEROME C. WEINERT, PE, ASA, CDP
UTILITY VALUATION EXPERT
SELECTED BY
PENNSYLVANIA-AMERICAN WATER COMPANY**

Date: January 28, 2025

PAWC Statement No. 4

DIRECT TESTIMONY OF JEROME C. WEINERT

1 **Q. Please state your name, business address, and occupation.**

2 **A.** My name is Jerome C. Weinert. My business address is 8555 West Forest Home Avenue,
3 Suite 201, Greenfield, WI 53228. I am a Principal and Owner of Weinert Appraisal and
4 Depreciation Services, LLC (“WADS Consultants”). This testimony was prepared by me.

5
6 **Q. Please describe your qualifications and indicate if you are registered as a Utility
7 Valuation Expert with the Pennsylvania Public Utility Commission.**

8 **A.** My curriculum vitae (“CV”) is attached to my report and this testimony. **PAWC Exhibit
9 JCW-1.** WADS Consultants is a registered Utility Valuation Expert with the Pennsylvania
10 Public Utility Commission (“PUC”) entity code 9925547. We obtained that registration in
11 2016 and were informed of our renewal by the PUC’s Secretary on February 26, 2024.

12
13 **Q. What is the purpose of your testimony?**

14 **A.** This direct testimony provides clarification and explanation of the appraisal I provided to
15 Pennsylvania-American Water Company (“PAWC”), the Acquiring Utility pursuant to 66
16 Pa. C.S. § 1329(a)(5) and in accordance with the Uniform Standards of Professional
17 Appraisal Practice (“USPAP”) (2024-2025 Edition).

18
19 **Q. Are you advocating for any party or outcome?**

20 **A.** No. The Ethics Rule of the USPAP, applicable here pursuant to 66 Pa. C.S. § 1329(a)(3),
21 requires that I perform the appraisal with impartiality, objectivity, and independence, and
22 without accommodation of personal interests. In addition, the USPAP Ethics Rule requires
23 that I not perform the assignment with bias, that I must not advocate the cause or interest

DIRECT TESTIMONY OF JEROME C. WEINERT

1 of any party or issue and that I must not accept an assignment that includes the reporting
2 of predetermined opinions and conclusions.

3

4 **Q. Do you have any affiliation with either the Selling Utility or the Acquiring Public**
5 **Utility or Entity?**

6 **A.** No. Other than the current assignment to provide the subject appraisal, I have no business
7 or personal relationships with any party to the proposed acquisition.

8

9 **Q. What is your fee arrangement to deliver the appraisal?**

10 **A.** A copy of the fee arrangement is included with the Application as **Appendix A-7.1**. In
11 summary, WADS Consultants are to receive \$17,200 plus expenses in compensation for
12 our appraisal.

13

14 **Q. Will you receive that fee regardless of whether the Commission approves the**
15 **proposed transaction or whether it closes?**

16 **A.** Yes. 66 Pa. C.S. § 1329(a)(3) mandates that I comply with the USPAP when developing
17 my appraisal. Under the USPAP, I cannot perform the appraisal with bias and acceptance
18 of a fee contingent on a particular outcome like closing or Commission approval would
19 violate that Ethics Rule.

20

21 **Q. Have you prepared any exhibits, schedules, or appendices to accompany your direct**
22 **testimony?**

DIRECT TESTIMONY OF JEROME C. WEINERT

1 **A.** Yes. The appraisal I submitted to the Acquiring Utility pursuant to Section 1329(a)(5) is
2 included in the Application as **Appendix A-5.1**. The appraisal includes a narrative and
3 supporting exhibits in sections. All were prepared under my supervision and control. Also,
4 as stated above, attached to this testimony as **PAWC Exhibit JCW-1** is my CV.

5
6 **Q.** **Please summarize your results of the application of the cost, market, and income**
7 **approaches to valuation.**

8 **A.** The summary results of the cost, income, and market approaches is presented below.

9

Cost	30,657,221	33.33%	10,219,074
Income	28,344,391	33.33%	9,448,130
Market	27,221,430	33.33%	9,073,810
Appraisal Conclusion			28,741,014

10

11
12 **Q.** **Please describe any assumptions, extraordinary assumptions, hypothetical**
13 **conditions, and/or limiting conditions that you applied to the valuation.**

14 **A.** The major assumptions and limiting conditions used in preparing our appraisal of the
15 Elizabeth Borough Municipal Authority’s Wastewater Collection and Treatment System
16 are described in our appraisal report “Fair Market Appraisal Report of Elizabeth Borough
17 Municipal Authority Wastewater Collection and Treatment System, as of January 24,

DIRECT TESTIMONY OF JEROME C. WEINERT

1 2023.” Beyond the above-described assumptions, there are no extraordinary¹ or
2 hypothetical² assumptions (as defined in the 2024-2025 edition of USPAP).

3

4 **Q. How was each assumption used and what was its result?**

5 **A.**The assumptions are detailed in my appraisal report and are discussed further in this
6 testimony.

7

8 **Q. Did you use the default valuation weights of one-third each for cost, market, and**
9 **income?**

10 **A.**Yes.

11

12 **Q. If you did not use the default weights of one-third each for cost, market, and income,**
13 **explain how did you developed the weighting applied to each approach in your**
14 **appraisal and why are the individual weights you chose are appropriate for this**
15 **proposed transaction?**

16 **A.**Not Applicable.

17

18 **Q. Did you conduct an on-site inspection of the Selling Utility assets, and if so, what was**
19 **its result on the appraisal?**

20 **A.**No.

¹ Extraordinary assumption: an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser’s opinions or conclusions. 2024-2025 USPAP page 4.

² Hypothetical condition: a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but used for the purpose of analysis. 2024-2025 USPAP page 4.

DIRECT TESTIMONY OF JEROME C. WEINERT

1 **Q. What Utility Earnings Report was used to create the capital structure used in your**
 2 **appraisal?**

3 **A.** I used a market required capital structure based on an analysis of the market capital
 4 structure analysis (detailed in the Cost of Capital / Required Return portion of our appraisal
 5 report). Information used in developing the market capital structure was obtained from
 6 financial statistics reported in Value Line Investment Survey for the water / wastewater
 7 industry published in their January 6, 2023, issue.

8
 9 **Q. What capital structure was used in your appraisal?**

10 **A.** The capital structure used in my appraisal is included below.

Water and Wastewater Cost of Capital							
First Quarter 2023 (01-01-2023)							
As an Investor-Owned Utility							
Weighted Cost of Capital (Discount Rate)							
(1)	(2)	(2a)	(3)	(3a)	(4)	(4a)	(5)
	Portion of Capital AUS Input	Type of Data	Capital Cost AUS Input	Type of Data	Tax Rate	Tax affect on cost of capital	After-tax Market Capital Cost (2)*(3)*(4a)
Debt	30%	Market	5.34%	Market	28.89%	71.11%	1.14%
Equity	70%	Market	9.75%	Market	0.0%	100.0%	6.83%
Total Capital r	100.0%						7.97%
Growth (g)							2.68%
Rate without Growth: $[(1+r)/(1+g)]-1$							5.15%

11
 12 **Cost Approach**

13 **Q. Regarding your application of the cost approach, what method did you use to**
 14 **determine the cost approach result (e.g., original cost, replacement cost, reproduction**
 15 **cost)?**

16 **A.** I used the replacement cost method.

DIRECT TESTIMONY OF JEROME C. WEINERT

1 **Q. Please explain why you chose the replacement cost method.**

2 **A.** I chose the replacement cost method because it is considered the proper starting point for
3 a cost approach. Replacement cost reflects the appraisal date cost of providing the
4 property's functionality and capacity at the appraisal date cost using recognized materials
5 and labor costs.

6

7 **Q. What index did you use for that method?**

8 **A.** I used the Handy Whitman Index of Public Utility Construction Costs for the Water
9 Industry (Northeastern US Region), AUS Telephone Index (General Plant), and various
10 United States Bureau of Labor Statistics cost index series.

11

12 **Q. Under your application of the cost approach what assets did you value or trend**
13 **differently from other assets and why was that necessary?**

14 **A.** I costed each property account with cost trends appropriate for the property contained in
15 the account. As such, the costing of each property account may differ from account to
16 account. It is my opinion that an accurate appraisal requires each property account be
17 costed with cost trends reflective of the property contained in the account. Elizabeth
18 Borough's property as detailed in the LSSE Civil Engineers and Surveyor's "Engineer's
19 Assessment" of \$19,537,512.08 was determined to have a replacement cost new of
20 \$41,432,631 summarized as follows:

DIRECT TESTIMONY OF JEROME C. WEINERT

Pennsylvania American Water Company (PAWC) Elizabeth Borough Municipal Authority Wastewater System Investor-Owned Utility As of January 24, 2023								
Replacement Cost New (RCN)								
(1)	(2)	(3)	(9)	(10)	(13)	(14)	(15)	(16)
Account	Account	Asset Description	Original Cost	Costing Parameter	Cost Translator	Reproduction Cost New (RCN)	Reproduction Cost New (RCN) to Replacement Cost New (COR)	Replacement Cost New (COR)
			OC \$s			RCN \$s	COR \$s / RCN \$s	COR \$s
Input	Input	Input	Input	Input	Calculation	Calculation	Input	Calculation
Eng Assmnt NARUC Code	AUS Input NARUC Code	Elizabeth Borough Municipal Authority Asset Description	Eng Assmnt Original Cost	AUS Input Cost Index Table	Translator	RCN	AUS Input COR / RCN Factor	Col (14) * (15) COR
353.00	353.00	Land and Land Rights	299,069.00	Varies	2.040	610,131	1.000	610,131
380.00	380.00	Wastewater Treatment Plants	2,032,382.55	Varies	3.578	7,272,877	1.000	7,272,877
371.00	371.00	Pumping Stations	9,157,492.41	Varies	1.023	9,367,166	1.000	9,367,166
361.00	361.00	Collection System	7,395,088.47	Varies	3.168	23,429,736	1.000	23,429,736
390.00	390.00	Other Plant	335,979.66	Varies	1.295	435,221	1.000	435,221
		Total - Inservice	19,220,012.08		2.139	41,115,131	1.000	41,115,131
361 CWIP	361 CWIP	Collection System - CWIP	310,000.00	-	1.000	310,000	1.000	310,000
371 CWIP	371 CWIP	Pumping Stations - CWIP	7,500.00	-	1.000	7,500	1.000	7,500
		Total CWIP	317,500.00			317,500		317,500
		Grand Total	19,537,512.08			41,432,631		41,432,631

1

2

3

These results are detailed in the Application **Appendix A-5.1** (WADS Appraisal) under the Cost Approach section.

5

6 **Q. Under your application of the cost approach, what year-end date did you use for calculating the depreciation or condition of the property?**

8 **A.** I used the date of January 24, 2023, which is the date the Asset Purchase Agreement was executed.

10

11 **Q. How did you determine the depreciation parameters of survival/retirement characteristics and service lives for the utility property under the cost approach?**

13 **A.** I determined those parameters based on our review of the depreciation studies filed by PAWC in support of its depreciation parameters (Iowa-type Survival Characteristics and Service Lives) and the resultant depreciation expense and rate base (net book) in its recent

15

DIRECT TESTIMONY OF JEROME C. WEINERT

1 General Rate Cases (R-2017-2595853 and R-2020-3019371) and WADS Consultants’
 2 experience in preparing depreciation studies for the water and wastewater industry and our
 3 experience appraising water and wastewater properties. The following table summarizes
 4 those studies and AUS Consultants’ review of the depreciation parameters:
 5

Summary of PAWC Depreciation Studies Prepared for Rate Case							
Account	Account Description	Iowa Curves		Service Life		Remaining Life	
		12/31/2016	12/31/2019	12/31/2016	12/31/2019	12/31/2016	12/31/2019
				years	years	years	years
354.20	STRUCTURES AND IMPROVEMENTS - COLLECTION	R3	R3	45	45	39.1	33.3
354.30	STRUCTURES AND IMPROVEMENTS - SPP	R2.5	S0	50	55	45.2	32.6
354.40	STRUCTURES AND IMPROVEMENTS - TDP	R2	S0	65	55	56.6	31.7
354.70	STRUCTURES AND IMPROVEMENTS - GENERAL	S1	S1	35	35	33.3	23.2
355.00	POWER GENERATION EQUIPMENT	R2.5	S0.5	35	35	29.7	19.3
360.10	COLLECTION SEWERS - FORCE MAINS	S2	R3	70	75	53.1	52.5
361.10	COLLECTION SEWERS - GRAVITY MAINS	R2.5	R2.5	70	80	56.9	54.8
361.20	MANHOLES	S1.5	S2.5	50	50	41.3	32.2
363.00	SERVICES	R3	R3	38	47	22.9	30.2
364.00	FLOW MEASURING DEVICES	L3	L2.5	20	15	13.3	5.1
365.00	FLOW MEASURING INSTALLATIONS	S1.5	S2	30	25	23.1	10.8
370.00	RECEIVING WELLS	R3	R3	50	50	42.7	33.7
371.00	PUMPING EQUIPMENT	S0	S0.5	40	30	35.5	18.2
380.00	TREATMENT EQUIPMENT	S-R2	S1.5	45	35	37.1	20.1
381.00	PLANT SEWERS	R3	R3	50	50	43.1	32.7
382.00	OUTFALL SEWER LINES	R3	R3	50	50	37.8	28.3
389.10	OTHER PLANT AND MISCELLANEOUS EQUIPMENT - INTANGIBLES	S2.5	S2.5	20	20	13.6	11.3
389.60	OTHER PLANT AND MISCELLANEOUS EQUIPMENT - CPS	SQ	SQ	20	5	12.3	3.5
390.00	OFFICE FURNITURE AND EQUIPMENT	L4	SQ	15	20	9.5	10.1
391.00	TRANSPORTATION EQUIPMENT	SQ	L4	25	14	19.9	9.8
392.00	STORES EQUIPMENT	SQ	SQ	20	25	16.4	17.2
393.00	TOOLS, SHOP AND GARAGE EQUIPMENT	SQ	SQ	15	20	11.3	15.4
394.00	LABORATORY EQUIPMENT	L2.5	SQ	16	15	8.7	10.4
395.00	POWER OPERATED EQUIPMENT	SQ	R2	15	22	10.3	13.2
396.00	COMMUNICATION EQUIPMENT	SQ	SQ	15	15	9.6	6.9
397.00	MISCELLANEOUS EQUIPMENT		SQ		15		12.8
398.00	OTHER TANGIBLE PLANT		SQ		25		21.5

6
 7
 8 **Q. Why are those parameters appropriate?**
 9 **A.** Those parameters are appropriate because the parameters reflect the actual service life
 10 experienced by PAWC in serving wastewater customers in the Commonwealth of
 11 Pennsylvania and which were adjudicated by the PUC in the 2017 General Rate Cases and
 12 the 2020 General Rate Cases (Docket Nos. R-2020-3019369 and R-2020-30193371). The

DIRECT TESTIMONY OF JEROME C. WEINERT

1 parameters in the following table also reflect AUS Consultants’ experience of the survival
 2 / retirement characteristics of normal and functional service lives of wastewater properties:

**Pennsylvania American Water Company (PAWC)
 Elizabeth Borough Municipal Authority
 Wastewater System
 Investor-Owned Utility
 January 24, 2023**

Summary of Account Costing and Depreciation Parameters Used in the Depreciation Original Cost and the Depreciated Replacement Cost New Studies

(1) Account Number	(2) Description	(4)		(5)	(6)	(6b) Life
		(4a) Iowa Survivor / Retirement Curve	(4b) Normal Service Life years	(5) Economic Obsolescence % of CORLD	(6a) Tax Depreciation Table	
353.30	Land & Land Rights - Pumping	ZNonDep	0.00	0.00%	Non-Depr	0.00
354.30	Structures & Improvements - Treatment	R4.0	55.00	0.00%	MACRS	25.00
354.70	Structures & Improvements - General	R4.0	55.00	0.00%	MACRS	25.00
361.00	Mains Gravity	R2.5	70.00	0.00%	MACRS	25.00
361.70	Collection Sewers - Gravity - Manholes	S2.0	70.00	0.00%	MACRS	25.00
364.00	Flow Measuring Devices	S2.0	30.00	0.00%	MACRS	25.00
371.00	Pumping Equipment	R3.0	35.00	0.00%	MACRS	25.00
380.00	Treatment and Disposal Equipment	R2.0	45.00	0.00%	MACRS	25.00
390.00	Office Furniture and Equipment	R3.0	12.00	0.00%	MACRS	12.00
391.00	Transportation Equipment	R3.0	15.00	0.00%	MACRS	10.00
393.00	Tools, Shop, & Garage Equipment	R3.0	35.00	0.00%	MACRS	25.00
394.00	Laboratory Equipment	R3.0	20.00	0.00%	MACRS	20.00
400.00	Not Used	R3.0	20.00	0.00%	MACRS	20.00
400.00	Not Used	R3.0	20.00	0.00%	MACRS	20.00

6 Also, due the age of Elizabeth Borough Municipal Authority’s early property installations
 7 the maximum depreciation was limited to 85% of the cost new.

9 **Q. What was the result of the application of the depreciation parameters to the**
 10 **previously described replacement cost new of \$41,432,631?**

11 **A.** With the application of the above-described depreciation parameters, the replacement cost
 12 new of \$41,432,631 results in a replacement cost new less depreciation of \$26,138,297
 13 determined as follows:

DIRECT TESTIMONY OF JEROME C. WEINERT

Pennsylvania American Water Company (PAWC)									
Elizabeth Borough Municipal Authority									
Wastewater System									
Investor-Owned Utility									
As of January 24, 2023									
Replacement Cost New less Depreciation (RCNLD)									
(18)	(19)	(21)	(22)	(23)	(24)	(28)	(29)	(30)	(31)
Account	Description	Age at January 24, 2023 Appraisal Date	Replacement Cost New (COR)	Retirement Dispersion lowa-type	Normal Service Life (NSL)	Normal Remaining Life	Total Life Expectancy	Condition	Preliminary Cost Approach (COR less Normal Depreciation)
		years	COR \$s		years	years	years	% of COR	CORLD \$s
Input	Input	Calculation	Calculation	Input	Input	Calculation	Calculation	Calculation	Calculation
Eng Assmnt	Elizabeth Borough Municipal Authority		Col (16)	AUS Input	AUS Input		Col (21) + (28)	Col (28) / (29)	Col (22) * (30)
Account	Description	Age	RCN	Iowa	NL	Rem Life	Total Life	Condition	CORLD
353.00	Land and Land Rights	32.84	610,131	ZNonDep	-	-	-		610,131
380.00	Wastewater Treatment Plants	35.7	7,272,877	R2.5	50.24	20.91	56.61		2,964,113
371.00	Pumping Stations	0.5	9,367,166	R2.5	45.92	45.47	45.97		9,264,099
361.00	Collection System	37.3	23,429,736	R2.5	68.23	38.52	75.81		12,763,428
390.00	Other Plant	13.19	435,221	R2.5	21.93	13.18	26.37		219,026
	Total - Inservice	28.31	41,115,131	-	58.47	36.15	63.97		25,820,797
361 CWIP	Collection System - CWIP	0	310,000	R2.5	70.00	70.00	70.00		310,000
371 CWIP	Pumping Stations - CWIP	0	7,500	R2.5	45.92	45.47	45.97		7,500
	Total CWIP		317,500						317,500
			41,432,631						26,138,297

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The above replacement cost new less depreciation represents the preliminary cost approach conclusion which was tested for economic obsolescence based on the results of the income and market approaches which will be described in the remainder of this testimony. Based on our review of the preliminary cost approach and the results of the income and market approaches, no economic obsolescence exists at the preliminary cost approach conclusion of \$26,138,297; therefore, the final cost approach conclusion was determined to be \$26,138,297. These results are detailed in the Application **Appendix A-5.1** (WADS Appraisal) under the Cost Approach section.

11

12

In addition to the value of physical assets there exist intangible assets associated with treatment contracts with the surrounding municipalities of Elizabeth Township, Forward Township, and Lincoln Borough detailed as follows:

13

14

DIRECT TESTIMONY OF JEROME C. WEINERT

Pennsylvania American Water Company (PAWC)							
Elizabeth Borough Municipal Authority							
Wastewater System							
Investor-Owned Utility							
As of January 24, 2023							
Municipality							
	2022 YTD Revenues	Expenses	Operating Income	Income Tax	Cash Flow	Value Capitalized @ 5.15%	Present Worth
Elizabeth Borough		-	-	-	-	-	-
Elizabeth Township	762,207	457,324	304,883	88,081	216,802	5,920,058	3,010,182
Forward Township	376,835	226,101	150,734	43,547	107,187	2,926,874	1,488,235
Lincoln Borough	5,193	3,116	2,077	600	1,477	40,330	20,507
Total	1,144,235	686,541	457,694	132,228	325,466	8,887,262	4,518,924
Operating Expense as % of Revenues		60.00%					

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3 **Q. Did WADS Consultants also prepare a Depreciated Original Cost (DOC) estimate in**
 4 **your appraisal workpapers?**

5 **A.** Yes, I utilized the original cost based on the previously described Engineers Assessment
 6 in developing an estimate of the DOC, using the same depreciation lives and methods as
 7 were used in the development of the replacement cost less depreciation. The Depreciated
 8 Original Cost was determined to be as follows:

DIRECT TESTIMONY OF JEROME C. WEINERT

Elizabeth Borough Municipal Authority										
Wastewater System										
Investor-Owned Utility										
As of January 24, 2023										
Determination of the Depreciated Original Cost										
(43)	(44)	(46)	(47)	(48)	(49)	(53)	(54)	(55)	(56)	(57)
Account	Description	Original Costs	Retirement Dispersion Iowa-type	Normal Service Life (NSL)	Age at January 24, 2023 Appraisal Date	Normal Remaining Life	Total Life Expectancy	Theoretical Reserve Percent	Theoretical Reserve	Depreciated Original Cost
Input	Input	Input	Input	Input	Calculation	Calculation	Calculation	Calculation	Calculation	Calculation
AUS Input	Eng Assmnt	Eng Assmnt	AUS Input	AUS Input			Col (46) + (53)	Col (53) / (54)	Col (46) * (55)	Col (46) - (56)
Acct	Descrip	Original Cost	Iowa	Normal Life	age	Rem Life	Total Life	Theo%	Theo Reserve	Net Book
353.00	Land and Land Rights	299,069.00	ZNonDep	-	10.28	-	-	0.00%	-	299,069
380.00	Wastewater Treatment Plants	2,032,382.55	R2.5	49.29	21.61	30.07	51.68	40.00%	805,900	1,226,483
371.00	Pumping Stations	9,157,492.41	R2.5	45.85	0.50	45.40	45.90	1.00%	100,849	9,056,643
361.00	Collection System	7,395,088.47	R2.5	67.03	17.80	51.45	69.26	24.00%	1,799,474	5,595,614
390.00	Other Plant	335,979.66	R2.5	21.70	11.18	14.08	25.26	46.00%	153,245	182,735
-	Total - Inservice	19,220,012.08	-	53.23	9.73	44.85	54.42	15.00%	2,859,468	16,360,544
361 CWIP	Collection System - CWIP	310,000.00	R2.5	70.00	-	70.00	70.00	0.00%	-	310,000
371 CWIP	Pumping Stations - CWIP	7,500.00	R2.5	45.85	-	45.85	45.85	0.00%	-	7,500
	Total CWIP	317,500.00								317,500
	Grand Total	19,537,512.08							2,859,468	16,678,044

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2 **Market Approach**

3 **Q. Regarding your application of the market approach, what methods did you use to**
 4 **determine the market approach result?**

5 **A.** I used the comparable sales of water and wastewater properties in the Commonwealth of
 6 Pennsylvania subsequent to the passage of Section 1329 and financial market value ratios
 7 of publicly traded water and wastewater companies as reported in the January 6, 2023,
 8 issue of Value Line Investment Survey.

9

10 **Q. What assumptions, analyses, and/or adjustments did you make under each method?**

11 **A.** Under the comparable sales method, it is my opinion that sales amount to depreciated
 12 replacement cost is the best indicator in arriving at the appraised value of physical assets
 13 operating as a wastewater collection system. Under the financial ratios method, I believe

DIRECT TESTIMONY OF JEROME C. WEINERT

1 that an accurate result depends on using the weighted mean of the ratio of the market debt
2 and equity to book debt and equity.

3 **Q. What were the results of each analysis you performed?**

4 **A.** The comparable sales analysis produced a result of \$27,221,430 detailed as follows:

5

Pennsylvania American Water Company (PAWC)		
Elizabeth Borough Municipal Authority		
Wastewater System		
Investor-Owned Utility		
As of January 24, 2023		
Comparable Sales Approach		
Summary of Market Analyses		
Indicators		
OCLD		38,095,898
CORLD		26,169,515
Customers		20,194,383
Cash Flows		
EBITDA Periods 1-5		24,526,770
EBITDA Periods 1-13		22,602,560
Value Line		31,739,456
Mean		27,221,430
Median		25,348,143
Conclusion		27,221,430

6

DIRECT TESTIMONY OF JEROME C. WEINERT

Pennsylvania American Water Company (PAWC) Elizabeth Borough Municipal Authority Wastewater System Investor-Owned Utility As of January 24, 2023					
Comparable Sales Approach					
Market Sales Data					
Market Sales Analysis - PP/OCLD			Market Sales Analysis - PP/CORLD		
	Simple			Simple	
All Section 1329 Acquisitions			All Section 1329 Acquisitions		
Mean	1.9760		Mean	0.8216	
Standard Deviation	0.9114		Standard Deviation	0.2210	
Median	1.5514		Median	0.8951	
Water Treatment & Distribution			Water Treatment & Distribution		
Mean	1.4354		Mean	0.7686	
Water Distribution			Water Distribution		
Mean	0.00		Mean	0.00	
Wastewater Collection & Treatment			Wastewater Collection & Treatment		
Mean	1.7972		Mean	0.8536	
Wastewater Collection			Wastewater Collection		
Mean	1.8733		Mean	0.8077	
Wastewater Treatment Only			Wastewater Treatment Only		
Mean	-0.07607		Mean	0.0459	
WADS Conclusion	1.7972	WADS Input	WADS Conclusion	0.8536	WADS Input
Elizabeth Borough Municipal Authority OCLD	21,196,968	Cost Approach - OCLD	Elizabeth Borough Municipal Authority CORLD	30,657,221	Cost Approach - CORLD
Market Value Indication	38,095,898		Market Value Indication	26,169,515	

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Pennsylvania American Water Company (PAWC) Elizabeth Borough Municipal Authority Wastewater System Investor-Owned Utility As of January 24, 2023					
Comparable Sales Approach					
Market Sales Analysis - PP/Customer			Financial Basis ¹		
	Simple		Financial Markets	Market Value per Share to Book Value per Share	
All Section 1329 Acquisitions			Financial Markets		
Mean	8,924		Market to Book (equity)	3.21	
Standard Deviation	4,355		Market to Book (equity and debt)	1.94	
Median	8,551		Use (equity and debt)	1.94	WADS Input
Water Treatment and Distribution					
Mean	7,188				
Water Distribution					
Mean	3,992				
Wastewater Collection & Treatment					
Mean	10,200				
Wastewater Collection					
Mean	6,507				
Wastewater Treatment Only					
Mean	3,693				
Conclusion					
Elizabeth Borough Municipal Authority Customers	1,860	WADS Input	Elizabeth Borough Municipal Authority OCLD	16,360,544	Cost Approach - OCLD
Wastewater Collection & Treatment	10,200	WADS Input			
Collection and Treatment Customers Market Value Indication	18,972,000		Market Value Indication	31,739,456	
Treatment Only Market Value Indication					
Treatment Only PP/customer	3,693	WADS Input			
Treatment Only Customers	330	WADS Input			
Market Value Indication Treatment Only	1,218,690				
Total Market Value Indication	20,194,383				

2

DIRECT TESTIMONY OF JEROME C. WEINERT

Pennsylvania American Water Company (PAWC)					
Elizabeth Borough Municipal Authority					
Wastewater System					
Investor-Owned Utility					
As of January 24, 2023					
Comparable Sales Approach					
Market Sales Analysis - PP/Cash Flows (EBITDA Period 1-5)			Market Sales Analysis - PP/Cash Flows (EBITDA Period 1-13)		
	Simple			Simple	
All Section 1329 Acquisitions			All Section 1329 Acquisitions		
Mean	16.95		Mean	12.04	
Standard Deviation	5.91		Standard Deviation	3.59	
Median	16.94		Median	11.98	
Conclusion	18.00		Conclusion	12.00	
		WADS Input			WADS Input
Water Treatment and Distribution			Water Treatment and Distribution		
Mean	14.13		Mean	7.37	
Water Distribution			Water Distribution		
Mean	0.00		Mean	0.00	
Wastewater Collection & Treatment			Wastewater Collection & Treatment		
Mean	16.51		Mean	11.45	
Wastewater Collection			Wastewater Collection		
Mean	18.71		Mean	12.89	
Wastewater Treatment Only			Wastewater Treatment Only		
Mean	(2.20)		Mean	(1.44)	
Conclusion			Conclusion		
Elizabeth Borough Municipal Authority Cash Flows			Elizabeth Borough Municipal Authority Cash Flows		
	1,485,443			1,973,423	
Wastewater Collection & Treatment			Wastewater Collection & Treatment		
	16.51			11.45	
Market Value Indication			Market Value Indication		
	24,526,770			22,602,560	

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3 **Q. What was your market approach result?**

4 **A.** I used the average results of \$27,221,430 because I believe it represent an accurate
 5 assessment and it was based on the relationship of market comparable sales to all of the
 6 comparable sales indicators. These results are detailed in the Application **Appendix A-5.1**
 7 (AUS Appraisal) under the Market Approach section.

8

9 **Q. What comparable transactions or comparable sales did you evaluate to develop your**
 10 **market approach?**

11 **A.** I examined the following transactions to develop the result of my market approach:

DIRECT TESTIMONY OF JEROME C. WEINERT

Water and Wastewater System Sales												
Comparable Sales Approach												
Market Sales Data post Section 1329												
RowID	Pennsylvania Public Utility Commission Case	Approximate Date	Buyer	Seller	AUS Consultants (AUS) or Weinert Appraisal and Depreciation Services, LLC (WAD)	Type of Purchase Process	County	Type of Facility	Initial Purchase Price	Final Purchase Price ^a	Number of Total Customers	Relationship to the passage of Section 1329
1	A-2017-2606103	9/1/2016	PA American Water	City of McKeesport	AUS for PAWC		Allegheny	Wastewater Collection and Treatment	156,000,000	159,000,000	21,953	Post
2	A-2016-2580061	8/1/2016	Aqua PA	New Garden Twp. SA	AUS for Seller		Chester	Wastewater Collection and Treatment	29,500,000	29,500,000	2,106	Post
3	A-2017-2605434	11/16/2016	Aqua PA	Limerick Township			Montgomery	Wastewater Collection and Treatment	75,100,000	64,373,378	5,434	Post
4	A-2018-3001582	12/10/2017	Aqua PA	East Bradford Township	AUS for Seller		Chester	Wastewater Collection and Treatment	5,000,000	5,000,000	1,248	Post
5	A-2018-3003519	4/20/2018	SUEZ	Mahoning		Competitive 2 bidders	Carbon	Water Distribution	4,734,800	4,734,800	1,186	Post
6	A-2018-3003517	4/20/2018	SUEZ	Mahoning		Competitive 2 bidders	Carbon	Wastewater Collection	4,765,200	4,765,200	1,451	Post
7	A-2019-3008491	6/1/2018	Aqua PA	Cheltenham	AUS for Seller	Competitive 3 bidd	Montgomery	Wastewater Collection	50,250,000	50,250,000	10,500	Post
8	A-2019-3006880	11/14/2018	PA American Water	Steelton	AUS for PAWC	Competitive 4 bidd	Dauphin	Water Treatment and Distribution	22,500,000	21,750,000	2,325	Post
9	A-2018-3002437	1/1/2017	PA American Water	Sadsbury	AUS for PAWC		Chester	Wastewater Collection	9,250,000	8,600,000	998	Post
10	A-2018-3004933	5/28/2018	PA American Water	Exeter	AUS for PAWC		Berks	Wastewater Collection and Treatment	96,000,000	93,500,000	9,000	Post
11	A-2019-3009052	10/29/2018	Aqua PA	East Norriton	AUS for Seller	Competitive 3 bidd	Montgomery	Wastewater Collection	21,000,000	21,000,000	4,950	Post
12	A-2019-3014248	9/30/2018	PA American	Kane	AUS for PAWC		McKean	Wastewater Collection and Treatment	17,560,000	17,560,000	2,006	Post
13	A-2020-3019634	12/10/2019	PA American	Royersford	AUS for PAWC		Montgomery	Wastewater Collection and Treatment	13,000,000	13,000,000	1,596	Post
14	A-2020-3019859	12/17/2019	PA American	Valley	AUS for PAWC		Chester	Water Treatment and Distribution	7,325,000	7,325,000	1,459	Post
15	A-2020-3014248	12/17/2019	PA American	Valley	AUS for PAWC		Chester	Wastewater Collection	13,950,000	13,950,000	1,644	Post
16	A-2019-3015173	12/31/2019	Aqua PA	Delaware County Regional Water Quality Authority (DELCORA)			Delaware	Wastewater Collection and Treatment	276,500,000	276,500,000	16,473	Post
17	A-2020-3021460	4/28/2020	PA American Water	Upper Pottsgrove	AUS for PAWC	Competitive 2 bidders PAWC & Aqua	Montgomery	Wastewater Collection	13,750,000	13,750,000	1,428	Post
18	A-2021-3024267	9/17/2020	Aqua PA	Lower Makefield	AUS for Seller	Competitive 3 bidders 2 IOUs AQUA & PAWC & 1 Muni	Bucks	Wastewater Collection and Treatment	53,000,000	53,000,000	11,151	Post
19	A-2021-3026132	1/8/2021	Aqua PA	East Whiteland Township	AUS for Seller		Chester	Wastewater Collection and Treatment	54,930,000	54,930,000	3,918	Post
20	A-2021-3027268	1/20/2021	Aqua PA	Willistown Township	AUS for Seller		Chester	Wastewater Collection and Treatment	17,500,000	17,500,000	2,294	Post
21	A-2021-3024681	4/6/2021	PA American Water	City of York	AUS for PAWC		York	Wastewater Collection and Treatment	235,000,000	235,000,000	15,851	Post
22	A-2022-3033138		Aqua PA	City of Beaver Falls				Wastewater Collection and Treatment	41,250,000	41,250,000	3,958	Post
23	A-2022-3034143	7/8/2022	Aqua PA	Municipal Authority of the Borough of Shenandoah				Water Treatment and Distribution	12,000,000	12,000,000	2,930	Post
24	A-2021-3024058	1/1/2023	PA American Water	Borough of Brentwood	WAD for PAWC			Wastewater Collection	19,200,000	19,200,000	3,976	Post
25	A-2022-3037047	10/11/2022	PA American Water	Butler Area Sewer Authorit	WAD for PAWC			Wastewater Collection and Treatment	231,500,000	231,500,000	15,000	Post
26	A-2023-3039900		PA American Water	Towamencin Township				Wastewater Collection and Treatment	104,000,000	104,000,000	5,970	Post
End of Section 1329 Data												
					Count 19			Wastewater Collection and Treatment		15		
								Wastewater Collection		7		
								Water Treatment and Distribution		3		
								Water Distribution		1		
								All section 1329 Mean		26		

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Income Approach

Q. Regarding your application of the income approach, what method did you use to determine the income approach result?

DIRECT TESTIMONY OF JEROME C. WEINERT

1 **A.** I used the discounted cash flow method.

2

3 **Q.** **What assumptions did you employ to develop your income approach result?**

4 **A.** Under the income approach, it is my opinion that the results of the future operations of the
5 Elizabeth Borough Municipal Authority’s Wastewater Collection and Treatment System
6 must be considered. I believe that an accurate result depends on adjusting recent results of
7 the systems operation to better reflect how those results will migrate over future periods
8 under the operation as a rate regulated wastewater system regulated by the PUC.

9

10 **Q.** **What discount rate did you use to calculate your income approach?**

11 **A.** I used a discount rate of 7.97% and 5.15% capitalization rate.

12

13 **Q.** **Please explain how you developed the discount rate.**

14 **A.** In each case, the discount rate was a market discount rate at the appraisal date and was
15 determined using the weighted average cost of capital (“WACC”) of both debt and equity.
16 The inputs to the WACC determination, capital structure, cost of debt, cost of equity, and
17 income tax rate (state and federal) were determined based on an analysis of Value Line
18 Investment Surveys and the Ibbotson Stock, Bonds, Bills, and Inflation (“Ibbotson SBBI”)
19 2022 Edition (SBBI activity over the period 1926 through 2022). The cost of debt was
20 determined at January 6, 2023, based on the Value Line Selected Yields publication. The
21 cost of equity was based on the capital asset pricing model (“CAPM”) and the Dividend
22 Growth Model (“DGM”), two recognized cost of equity estimating models and the PUC’s
23 Bureau of Technical Utility Services’ Report on Quarterly Earnings of Jurisdictional

DIRECT TESTIMONY OF JEROME C. WEINERT

1 Utilities for Year-ending December 31, 2022. The above-described data for the Borough
2 of Brentwood's appraisal can be found in the exhibits to my appraisal report in the section
3 entitled Cost of Capital / Required Return.
4

5 **Q. What capital structure inputs differ from those identified in capital structure set forth**
6 **earlier in your testimony?**

7 **A.** None. As described in the previous discussion of the capital structure, we utilized a market
8 required capital structure based on analysis of the water / wastewater industry's market
9 capital structure as defined by analysis of market financials as published in Value Line
10 Investment Survey (January 6, 2023). The theory in appraisal is to estimate the value of a
11 property in an arm's length transaction wherein the purchaser finances the purchase with
12 capital (debt and equity) available in the financial markets at the appraisal date. Those are
13 the current (appraisal date) financial markets.
14

15 **Q. What is the source and basis of the alternative input you propose in the income**
16 **approach?**

17 **A.** As discussed above, we used Value Line Investment Survey to develop a market required
18 capital structure. Please see Application **Appendix A-7.1** (WADS Appraisal) Income
19 Approach section for the cost of capital of the Income Approach and Cost of Capital /
20 Required Return section for the basis of the Cost of Capital / Required Return.
21

22 **Q. If you used a terminal value in your discounted cash flow analysis what is the number**
23 **of years over which the cash flows are considered?**

DIRECT TESTIMONY OF JEROME C. WEINERT

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These results are detailed in the Application **Appendix A-5.1** (WADS Appraisal) under the Income Approach section.

Q. What number of Selling Utility customers or equivalent dwelling units did you use to value the Seller’s system and how did you develop that number?

A. I used 2,190 customers, based on a customer listing provided by Elizabeth Borough Municipal Authority in developing the forecasted revenues and expenses. I also used past and budgeted results from operations to establish forecasted operating results.

Q. Does this conclude your direct testimony?

A. It does. However, by filing this direct testimony I understand that I may have the opportunity to submit additional testimony responsive to challenges to my appraisal.

Curriculum Vitae (CV) of Jerome C. Weinert, P.E., CDP, ASA

Mr. Weinert is currently the Principal and Owner of Weinert Appraisal and Depreciation Services, LLC (WADS Consultants) a Wisconsin limited partnership established in August of 2022. He has fifty-two (2024-1972) years' experience in valuation and depreciation consulting and management. A partial list of services provided includes valuations and depreciation studies

Prior to WADS Consultants Mr. Weinert was a Principal and Director of AUS Consultants, Depreciation and Valuation. AUS, with offices across the country, has provided consulting services to the regulated utility industry nationally for over thirty-nine years.

Prior to joining AUS in 1987, Mr. Weinert was employed by American Appraisal Associates, Inc. (American) for sixteen years in their Regulated Industries Group. He held various positions at American, the last being supervising appraiser. Among his other valuation responsibilities, he directed the firm's utility industry capital recovery studies and AUS Consultant's valuation of communication company assets and businesses.

Mr. Weinert graduated from the Milwaukee School of Engineering with a Bachelor of Science degree in Mechanical Engineering and received a master's in business administration from Marquette University. He is a registered professional engineer (1976) (by examination) in the state of Wisconsin as well as a senior member (1982) of the American Society of Appraisers in the public utility valuation field. This latter designation is obtained by written examination primarily in the areas of utility valuation, depreciation, and the economics of regulated firms. He is also a Certified Depreciation Professional (1997) (CDP) and founding member of the Society of Depreciation Professionals and the Society's 1995 President and sponsor of the Society's Certification and re-certification program as such Mr. Weinert developed these programs and oversaw their initial introduction into the Society. He also worked in conjunction with Society members in the development of the Society's training programs which as of 2003 has become the only such formalized depreciation training program in the North America and is an instructor in several of its courses.

During his professional career related to valuations and depreciation matters Mr. Weinert has testified before various courts and public service commissions on these subjects. He has also assisted numerous utilities in preparing capital recovery plans which specifically address the issues of plant replacement. Mr. Weinert has also presented expert testimony on valuation matters. Mr. Weinert has testified before the Pennsylvania Public Utility Commission on regulatory matters associated with Pennsylvania Section 1329 matters. On matters related to eminent domain issues, Mr. Weinert has presented expert testimony in the Massachusetts Superior Court, the Court of Common Pleas, Fayette County, Ohio, the New Hampshire Public Utilities Commission, the Twentieth Judicial Court (deposition only) in Charlotte County, Florida, the Nineteenth Judicial Circuit Court in St. Lucie County, Florida (deposition only). In regard to ad valorem taxation, Mr. Weinert has presented study results to the New York State Board of Equalization and Assessment (now the New York Office of Real Property Services (NY ORPS)), pertaining to useful life and net salvage values for all types of utility property subject to the Board's mass appraisal model. Mr. Weinert has appeared before the Valuation Adjustment Board in Florida for Duval, Hillsborough, Okeechobee, and Palm Beach counties, the Twelfth Judicial Circuit Sarasota County, Florida, the California Board of Equalization and Assessment, the Arizona Board of Assessment, the Missouri Board of Taxation, the Colorado and Texas Departments of Review, the Massachusetts Tax Appeal Court, the Superior Court of the State of Arizona in the County of Maricopa, the State Tax Appeal Board of the State of Montana, the New York City Tax Commission and the Public Utility Commission of Pennsylvania Section 1329 hearings (8).

Mr. Weinert has appeared before regulatory bodies in Alaska, Arkansas, Illinois, Indiana, Iowa, Missouri,

Nevada, Nebraska, North Carolina, Ohio, Oregon, Pennsylvania, and South Carolina in support of rate-base valuation determination and capital recovery. He has presented testimony on depreciation matters before the Canadian Radio-Television and Telecommunications Commission (CRTC) and the United States Federal Energy Regulatory Commission (FERC). In terms of water and wastewater acquisitions and applications for regulatory approval of rate base Mr. Weinert has testified for two investor-owned acquisitions of municipal wastewater authorities one representing the municipality and secondly for the acquiring investor-owned utility. He has submitted study results to the State Commissions of Alabama, Alaska, Arkansas, Idaho, Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, North Carolina, Oregon, Pennsylvania, South Carolina, Washington, and Wisconsin, and the Federal Communications Commission.

Mr. Weinert has presented papers on valuation and depreciation topics to professional and utility industry trade organizations. He also directed AUS Consultants' semi-annual week-long depreciation training programs (1988-1997). These specialized training courses, offered at basic and advanced levels, teach depreciation study techniques to public utility and public service commission staff specialists. The training includes depreciation theory and concepts and hands-on experience with personal computer-based analytical depreciation programs.

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
2024				
Lehigh County, PA Authority	Lehigh County	2024	2024	Bond Refinancing
Gainesville, FL Region Utilities	Telecommunications	2024	2024	Planning
2023				
Verizon Business (formerly MCI)	North America	2022	2023	Ad Valorem Tax Appraisal
Verizon New York, Inc.	New York	2022	2023	Ad Valorem Tax Appraisal
Borough of Brentwood, PA Wastewater	Brentwood Wastewater	2023	2023	Fair Market Value 1329
2022				
AT&T Communications	North America	2021	2022	Ad Valorem Tax Appraisal
AT&T Communications	California	2021	2022	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2021	2022	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2021	2022	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2019	2020	Ad Valorem Tax Appraisal
Verizon New York, Inc.	New York	2019	2020	Ad Valorem Tax Appraisal
2021				
AT&T Communications	North America	2020	2021	Ad Valorem Tax Appraisal
AT&T Communications	California	2020	2021	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2020	2021	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2020	2021	Ad Valorem Tax Appraisal
Lower Makefield, PA	Lower Makefield Wastewater	2021	2021	Fair Market Value 1329
Cozen O'Connor	Egg Harbor, NJ Water &			
Butler Area Sewer Authority, PA	BASA Wastewater	2021	2021	Fair Market Value 1329
2020				
AT&T Communications	North America	2019	2020	Ad Valorem Tax Appraisal
AT&T Communications	California	2019	2020	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2019	2020	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2019	2020	Ad Valorem Tax Appraisal
Verizon New York, Inc.	New York	2019	2020	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2019	2020	Ad Valorem Tax Appraisal
East Norriton Township, PA	East Norriton Wastewater	2019	2020	Fair Market Value 1329
Pennsylvania American Water Company	Kane Wastewater	2019	2020	Fair Market Value 1329
Pennsylvania American Water Company	Royersford Wastewater	2019	2020	Fair Market Value 1329
Pennsylvania American Water Company	Valley Wastewater	2019	2020	Fair Market Value 1329
Pennsylvania American Water Company	Valley Water	2019	2020	Fair Market Value 1329
Lehigh County Authority	Allentown Water & Sewer	2020	2020	Financing
Pennsylvania American Water Company	Upper Pottsgrove wastewater	2020	2020	Fair Market Value 1329
2019				
AT&T Communications	North America	2018	2019	Ad Valorem Tax Appraisal

QUALIFICATIONS 3

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
AT&T Communications	California	2018	2019	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2018	2019	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2018	2019	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2018	2019	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2018	2019	Ad Valorem Tax Appraisal
Cheltenham Township, PA	Cheltenham Wastewater	2018	2019	Fair Market Value 1329
Pennsylvania American Water Company	Steelton Water	2018	2019	Fair Market Value 1329
Pennsylvania American Water Company	Exeter Wastewater	2018	2019	Fair Market Value 1329
2018				
AT&T Communications	North America	2017	2018	Ad Valorem Tax Appraisal
AT&T Communications	California	2017	2018	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2017	2018	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2017	2018	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2017	2018	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2017	2018	Ad Valorem Tax Appraisal
Level 3 Communications, LLC	North America	2017	2018	Ad Valorem Tax Appraisal
Level 3 Communications, LLC	California	2017	2018	Ad Valorem Tax Appraisal
CenturyLink Communications, LLC	North America	2017	2018	Ad Valorem Tax Appraisal
CenturyLink Communications, LLC	California	2017	2018	Ad Valorem Tax Appraisal
East Bradford Township, PA	East Bradford Wastewater	2018	2018	Fair Market Value 1329
Pennsylvania American Water Company	Sadsbury Wastewater	2017	2018	Fair Market Value Appraisal
Pennsylvania American Water Company	Kane Wastewater	2017	2018	Fair Market Value
Appraisal				
2017				
AT&T Communications	North America	2016	2017	Ad Valorem Tax Appraisal
AT&T Communications	California	2016	2017	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2016	2017	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2016	2017	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2016	2017	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2016	2017	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2016	2017	Ad Valorem Tax Appraisal
Level 3 Communications	North America	2016	2017	Ad Valorem Tax Appraisal
Level 3 Communications	California	2016	2017	Ad Valorem Tax Appraisal
Whitpain Township, PA	Whitpain Wastewater	2016	2017	Appraisal for Planning
Plymouth Township, PA	Plymouth Wastewater	2016	2017	Appraisal for Planning
East Norriton Township, PA	East Norriton Wastewater	2016	2017	Appraisal for Planning
Pennsylvania American Water Company	Sadsbury Wastewater	2016	2017	Fair Market Value Appraisal
Pennsylvania American Water Company	McKeesport Wastewater	2016	2017	Fair Market Value Appraisal
Intermountain Gas Company	Idaho	2016	2017	Depreciation Study
2016				
AT&T Communications	North America	2015	2016	Ad Valorem Tax Appraisal
AT&T Communications	California	2015	2016	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2015	2016	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2015	2016	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2015	2016	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2015	2016	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2015	2016	Ad Valorem Tax Appraisal
Level 3 Communications	North America,	2015	2016	Ad Valorem Tax Appraisal

QUALIFICATIONS 4

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
Level 3 Communications	California	2015	2016	Ad Valorem Tax Appraisal
New Garden Township, PA	New Garden Wastewater	2016	2016	Fair Market Value Appraisal
2015				
AT&T Communications	North America	2014	2015	Ad Valorem Tax Appraisal
AT&T Communications	California	2014	2015	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2014	2015	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2014	2015	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2014	2015	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2014	2015	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2014	2015	Ad Valorem Tax Appraisal
Level 3 Communications	North America,	2014	2015	Ad Valorem Tax Appraisal
Level 3 Communications	California	2014	2015	Ad Valorem Tax Appraisal
Verizon Wireless	Nationwide	2014	2015	Ad Valorem Tax Appraisal
2014				
AT&T Communications	North America	2013	2014	Ad Valorem Tax Appraisal
AT&T Communications	California	2013	2014	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2013	2014	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2013	2014	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2013	2014	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2013	2014	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2013	2014	Ad Valorem Tax Appraisal
Level 3 Communications	North America,	2013	2014	Ad Valorem Tax Appraisal
Level 3 Communications	California	2013	2014	Ad Valorem Tax Appraisal
Cascade Natural Gas Corporation	Oregon & Washington	2013	2014	Depreciation Study
Intermountain Gas Company	Idaho	2013	2014	Depreciation Study
Virgin Islands Telephone Corporation	US Virgin Islands	2013	2014	Depreciation Study
Verizon Wireless	Nationwide	2013	2014	Ad Valorem Tax Appraisal
2013				
AT&T Communications	North America	2012	2013	Ad Valorem Tax Appraisal
AT&T Communications	California	2012	2013	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2012	2013	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2012	2013	Ad Valorem Tax Appraisal
AT&T - Michigan Bell Telephone Company	Michigan	2012	2013	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2012	2013	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2012	2013	Ad Valorem Tax Appraisal
Verizon Communications	New England - Mass	2012	2013	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2012	2013	Ad Valorem Tax Appraisal
Level 3 Communications	North America,	2012	2013	Ad Valorem Tax Appraisal
	California			
Sprint Nextel Corporation	North America	2012	2013	Ad Valorem Tax Appraisal
Verizon Wireless	Palm Beach, Florida	2012	2013	Ad Valorem Tax Appraisal
Verizon Communications	New England Mass	2002-2007	2013	Ad Valorem Tax Appraisal
2012				
AT&T Communications	North America	2011	2012	Ad Valorem Tax Appraisal

QUALIFICATIONS 5

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
AT&T Communications	California	2011	2012	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2011	2012	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2011	2012	Ad Valorem Tax Appraisal
AT&T - Michigan Bell Telephone Company	Michigan	2011	2012	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2011	2012	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2011	2012	Ad Valorem Tax Appraisal
Verizon Communications	New England - Mass	2011	2012	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2011	2012	Ad Valorem Tax Appraisal
Level 3 Communications	North America, California	2011	2012	Ad Valorem Tax Appraisal
Sprint Nextel Corporation	North America	2011	2012	Ad Valorem Tax Appraisal
Verizon Wireless	Palm Beach, Florida	2011	2012	Ad Valorem Tax Appraisal
MetroPCS	Palm Beach, Florida	2011	2012	Ad Valorem Tax Appraisal
Verizon Communications	Florida - revised	2008	2012	Ad Valorem Tax Appraisal
Verizon Wireless	Palm Beach, Florida	2012	2012	Ad Valorem Tax Appraisal
2011				
AT&T Communications	North America	2010	2011	Ad Valorem Tax Appraisal
AT&T Communications	California	2010	2011	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2010	2011	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2010	2011	Ad Valorem Tax Appraisal
AT&T - Michigan Bell Telephone Company	Michigan	2010	2011	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2010	2011	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2010	2011	Ad Valorem Tax Appraisal
Verizon Communications	New England - Mass	2010	2011	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2010	2011	Ad Valorem Tax Appraisal
Level 3 Communications	North America, California	2010	2011	Ad Valorem Tax Appraisal
Global Crossing	North America	2010	2011	Ad Valorem Tax Appraisal
Intermountain Gas Company	Idaho	2010	2011	Depreciation Study
Sprint Nextel Corporation	North America	2010	2011	Ad Valorem Tax Appraisal
Verizon Wireless	Palm Beach, Florida	2010	2011	Ad Valorem Tax Appraisal
MetroPCS	Palm Beach, Florida	2010	2011	Ad Valorem Tax Appraisal
Verizon Communications	Florida - revised	2008	2011	Ad Valorem Tax Appraisal
Intermountain Gas Company	Idaho	2010	2011	Depreciation Study
Virgin Islands Telephone Corporation	US Virgin Islands	2010	2011	Technical Update of Depreciation Study
2010				
AT&T Communications	North America	2009	2010	Ad Valorem Tax Appraisal
AT&T Communications	California	2009	2010	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2009	2010	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2009	2010	Ad Valorem Tax Appraisal
AT&T - Michigan Bell Telephone Company	Michigan	2009	2010	Ad Valorem Tax Appraisal
AT&T - Southwestern Bell Telephone Company	Arkansas, Kansas, Missouri, Oklahoma, Texas	2009	2010	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2009	2010	Ad Valorem Tax Appraisal
Embarq Missouri, Inc.	Missouri	2009	2010	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2009	2010	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2009	2010	Ad Valorem Tax Appraisal
Verizon Communications	New England - Mass	2009	2010	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2009	2010	Ad Valorem Tax Appraisal
Level 3 Communications	North America,	2009	2010	Ad Valorem Tax Appraisal

QUALIFICATIONS 6

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
Global Crossing	California			
	North America	2009	2010	Ad Valorem Tax Appraisal
MetroPCS	Palm Beach, Florida	2009	2010	Ad Valorem Tax Appraisal
2009				
AT&T Communications	North America	2008	2009	Ad Valorem Tax Appraisal
AT&T Communications	California	2008	2009	Ad Valorem Tax Appraisal
AT&T Communications	Florida	2008	2009	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2008	2009	Ad Valorem Tax Appraisal
AT&T - Michigan Bell Telephone Company	Michigan	2008	2009	Ad Valorem Tax Appraisal
AT&T - Wisconsin Bell Telephone Company	Wisconsin	2008	2009	Ad Valorem Tax Appraisal
AT&T - Southwestern Bell Telephone Company		2008	2009	Ad Valorem Tax Appraisal
	Arkansas, Kansas, Missouri, Oklahoma, Texas			
Embarq Florida, Inc.	Florida	2008	2009	Ad Valorem Tax Appraisal
Embarq Texas, Inc.	Texas	2008	2009	Ad Valorem Tax Appraisal
Embarq Missouri, Inc.	Missouri	2008	2009	Ad Valorem Tax Appraisal
Embarq Northwest	Washington	2008	2009	Ad Valorem Tax Appraisal
Embarq Virginia	Virginia	2008	2009	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2008	2009	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2008	2009	Ad Valorem Tax Appraisal
Verizon Communications	New England - Mass	2008	2009	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2008	2009	Ad Valorem Tax Appraisal
Level 3 Communications	North America,	2008	2009	Ad Valorem Tax Appraisal
	California, Michigan & Arizona			
Global Crossing	North America	2008	2009	Ad Valorem Tax Appraisal
AboveNet, Inc	North America/California	2003	2009	Ad Valorem Tax Appraisal
Verizon Wireless	Ohio Properties	2004-2005	2009	Ad Valorem Tax Appraisal
Virgin Islands Telephone Corporation	US Virgin Islands	2008	2009	Depreciation Study
Sprint Nextel Corporation	North America	2008	2009	Ad Valorem Tax Appraisal
2008				
AT&T Communications	North America	2007	2008	Ad Valorem Tax Appraisal
AT&T Communications	California	2007	2008	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2007	2008	Ad Valorem Tax Appraisal
AT&T - Michigan Bell Telephone Company	Michigan	2007	2008	Ad Valorem Tax Appraisal
AT&T - Wisconsin Bell Telephone Company	Wisconsin	2007	2008	Ad Valorem Tax Appraisal
AT&T - Southwestern Bell Telephone Company		2007	2008	Ad Valorem Tax Appraisal
	Arkansas, Kansas, Missouri, Oklahoma, Texas			
Embarq Florida, Inc.	Florida	2007	2008	Ad Valorem Tax Appraisal
Embarq Texas, Inc.	Texas	2007	2008	Ad Valorem Tax Appraisal
Embarq Missouri, Inc.	Missouri	2007	2008	Ad Valorem Tax Appraisal
Embarq Northwest	Washington	2007	2008	Ad Valorem Tax Appraisal
Embarq Virginia	Virginia	2007	2008	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2007	2008	Ad Valorem Tax Appraisal
Verizon Communications	California	2007	2008	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2007	2008	Ad Valorem Tax Appraisal
Verizon Communications	New England Mass	2002-2007	2008	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2007	2008	Ad Valorem Tax Appraisal
Level 3 Communications	North America,	2007	2008	Ad Valorem Tax Appraisal

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Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
Global Crossing	California, Michigan & Arizona			
	North America	2007	2007	Ad Valorem Tax Appraisal
Intermountain Gas Company	Idaho	2007	2008	Depreciation Study
2007				
AT&T Communications	North America	2006	2007	Ad Valorem Tax Appraisal
AT&T Communications	California	2006	2007	Ad Valorem Tax Appraisal
AT&T - Indiana Bell Telephone Company	Indiana	2006	2007	Ad Valorem Tax Appraisal
AT&T - Michigan Bell Telephone Company	Michigan	2006	2007	Ad Valorem Tax Appraisal
AT&T - Wisconsin Bell Telephone Company	Wisconsin	2006	2007	Ad Valorem Tax Appraisal
Embarq Florida, Inc.	Florida	2006	2007	Ad Valorem Tax Appraisal
Embarq Texas, Inc.	Texas,	2006	2007	Ad Valorem Tax Appraisal
Embarq Missouri, Inc.	Missouri	2006	2007	Ad Valorem Tax Appraisal
Embarq North Carolina	North Carolina	2006	2007	Ad Valorem Tax Appraisal
Embarq Virginia	Virginia	2006	2007	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2006	2007	Ad Valorem Tax Appraisal
Verizon Communications	California	2006	2007	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2006	2007	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	North America	2006	2007	Ad Valorem Tax Appraisal
Qwest Communications Corporation	North America	2006	2007	Ad Valorem Tax Appraisal
	California			
Level 3 Communications	North America,	2006	2007	Ad Valorem Tax Appraisal
	California, Michigan, & Arizona			
Level 3 Communications	Arizona	2002 - 2006	2007	Ad Valorem Tax Appraisal
Global Crossing	North America	2006	2007	Ad Valorem Tax Appraisal
Alaska Communications System, Inc. (ACS)	ACS of Alaska	2006	2007	Depreciation Studies
	ACS of Anchorage			
	ACS of Fairbanks			
	ACS of the Northland			
	ACS Holdings			
Intermountain Gas Company	Idaho	2006	2007	Depreciation Study
2006				
AT&T Communications	Palm Beach Florida	2000 - 2003	2006	Ad Valorem Tax Appraisal
AT&T Communications	North America	2005	2006	Ad Valorem Tax Appraisal
AT&T Communications	California	2005	2006	Ad Valorem Tax Appraisal
Sprint Florida, Inc.	Florida	2005	2006	Ad Valorem Tax Appraisal
Sprint Texas, Inc.	Texas,	2005	2006	Ad Valorem Tax Appraisal
Sprint Missouri, Inc.	Missouri	2005	2006	Ad Valorem Tax Appraisal
Sprint North Carolina	North Carolina	2005	2006	Ad Valorem Tax Appraisal
Sprint Virginia	Virginia	2005	2006	Ad Valorem Tax Appraisal
Embarq Nevada	Nevada	2005	2006	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2005	2006	Ad Valorem Tax Appraisal
Verizon Communications	California	2005	2006	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2005	2006	Ad Valorem Tax Appraisal
Verizon Business (formerly MCI)	Massachusetts	2002-2--5	2006	Ad Valorem Tax Appraisal
Level 3 Communications	North America	2005	2006	Ad Valorem Tax Appraisal
Level 3 Communications	Arizona	2002-2006	2006	Ad Valorem Tax Appraisal
Global Crossing	North America	2005	2006	Ad Valorem Tax Appraisal

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
Indianapolis Power & Light	IPL	2005	2006	Depreciation Study
2005				
AT&T Communications	North America	2004	2005	Ad Valorem Tax Appraisal
AT&T Communications	California	2004	2005	Ad Valorem Tax Appraisal
Sprint Florida, Inc.	Florida	2004	2005	Ad Valorem Tax Appraisal
Sprint PCS	North America	2004	2005	Ad Valorem Tax Appraisal
Verizon Communications	Florida	2004	2005	Ad Valorem Tax Appraisal
Verizon Communications	California	2004	2005	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2004	2005	Ad Valorem Tax Appraisal
Sprint Communications, LP	North America	2004	2005	Ad Valorem Tax Appraisal
Level 3 Communications	North America	2004	2005	Ad Valorem Tax Appraisal
Global Crossing	North America	2004	2005	Ad Valorem Tax Appraisal
Global Crossing	New York Special Franchise Property	2003 & 2004	2005	Ad Valorem Tax Appraisal
Indianapolis Power & Light	IPL	2004	2005	Depreciation Study
2004				
Sprint Florida, Inc.	Florida	2003	2004	Ad Valorem Tax Appraisal
Verizon Communications	California	2003	2004	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2003	2004	Ad Valorem Tax Appraisal
Verizon Communications	New England	2003	2004	Ad Valorem Tax Appraisal
Sprint Communications, LP	North America	2003	2004	Ad Valorem Tax Appraisal
Level 3 Communications	North America	2003	2004	Ad Valorem Tax Appraisal
Global Crossing	North America	2003	2004	Ad Valorem Tax Appraisal
Sprint PCS	Cost Indexes	2003	2004	Ad Valorem Tax Appraisal
AT&T Communications	North America	2003	2004	Ad Valorem Tax Appraisal
AT&T Communications	California	2003	2004	Ad Valorem Tax Appraisal
Intermountain Gas Company	Idaho	2003	2004	Depreciation Study
2003				
Sprint Florida, Inc.	Florida	2002	2003	Ad Valorem Tax Appraisal
Verizon Communications	California	2002	2003	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2002	2003	Ad Valorem Tax Appraisal
Sprint Communications, LP	North America	2002	2003	Ad Valorem Tax Appraisal
Level 3 Communications	North America	2002	2003	Ad Valorem Tax Appraisal
Sprint PCS	Cost Indexes	2002	2003	Ad Valorem Tax Appraisal
AT&T Communications	North America	2002	2003	Ad Valorem Tax Appraisal
AT&T Communications	California	2002	2003	Ad Valorem Tax Appraisal
Global Crossing	North America	2002	2003	Ad Valorem Tax Appraisal
Verizon Wireless	Broward County, FL	1998 through 2002	2003	Ad Valorem Tax Appraisal
2002				
Sprint Florida, Inc.	Florida	2001	2002	Ad Valorem Tax Appraisal
Verizon Communications	California	2001	2002	Ad Valorem Tax Appraisal
Verizon Communications	Northwest	2001	2002	Ad Valorem Tax Appraisal
Sprint Communications, LP	North America	2001	2002	Ad Valorem Tax Appraisal
Level 3 Communications	North America	2001	2002	Ad Valorem Tax Appraisal
Global Crossing	North America	2001	2002	Ad Valorem Tax Appraisal
AT&T Wireless	Plymouth, MI	2001	2002	Ad Valorem Tax Appraisal

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Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
Sprint PCS	Cost Indexes	2001	2002	Ad Valorem Tax Appraisal
AT&T Communications	North America	2001	2002	Ad Valorem Tax Appraisal
Intermountain Gas Company	Idaho	2001	2002	Depreciation Study
AT&T Communications	California	2001	2002	Ad Valorem Tax Appraisal
2001				
Verizon	Verizon - New York	2001	2001-2	Functional Obsolescence & Useful Life studies for valuation
Sprint Florida, Inc.	Sprint Florida, Inc.	2000	2001	Ad Valorem Tax Appraisal
Verizon Communications	California	2000	2001	Ad Valorem Tax Appraisal
Sprint Communications, LP	North America	2000	2001	Ad Valorem Tax Appraisal
Global Crossing	North America	2000	2001	Ad Valorem Tax Appraisal
Sprint PCS	Cost Indexes	2000	2001	Ad Valorem Tax Appraisal
Sprint Corporation	Centel - Nevada	2000	2001-2	Depreciation Study
Alaska Communications System, Inc. (ACS)	ACS of Alaska ACS of Anchorage ACS of Fairbanks ACS of the Northland ACS Holdings	2000	2001	Depreciation Study
2000				
Sprint PCS	BTS Equipment	2000	2000	Economic Life Study
Telus Communications	Telus - Alberta & British Columbia	2000	2000	Depreciation study Phase III Price Caps
Sprint Florida, Inc.	Florida	1999	2000	Ad Valorem Tax Appraisal
Verizon Communications	California	1999	2000	Ad Valorem Tax Appraisal
Sprint Communications, LP	North America	1999	2000	Ad Valorem Tax Appraisal
1999				
Sprint Corporation	Centel - Nevada	1998	1999	Depreciation Study
Intermountain Gas Company	Intermountain Gas Company	1998	1999	Depreciation Study
Sprint Florida, Inc.	Florida	1998	1999	Ad Valorem Tax Appraisal
Sprint Communications, LP	North America	1998	1999	Ad Valorem Tax Appraisal
1998				
Frontier Corporation	Frontier Telephone of Rochester	1998	1997	Valuation depreciation Lives and Net Salvage Parameters
Pacific Telecom, Inc.	Telephone Utilities of Washington	1997	1998	Depreciation Study
Sprint Florida, Inc.	Florida	1997	1998	Ad Valorem Tax Appraisal
Verizon Communications	Florida	1997	1998	Ad Valorem Tax Appraisal
Sprint Communications, LP	North America	1997	1998	Ad Valorem Tax Appraisal
Sprint Corporation	United Telephone Company of South Carolina	1998	1998	Depreciation Expense Universal Service Fund
Sprint Corporation	Carolina Telephone and Telegraph	1998	1998	Depreciation Expense

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Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
	and Central Telephone of North Carolina			Universal Service Fund
Telus Communications	Telus - Edmonton (TCE)	1997	1998	Depreciation Study Phase II Price Caps
1997				
Sprint Corporation	Centel - Nevada	1997	1997	Unbundling/ Inter-connection Depreciation Study
Pacific Telecom, Inc.	Telephone Utilities of Oregon	1996	1997	Depreciation Study
Pacific Telecom, Inc.	Telephone Utilities of Alaska And the Northland	1996	1997	Depreciation Study
Telus Communications	Telus - TCI formerly AGT	1996	1997	Depreciation Study Phase II Price Caps
Indianapolis Power & Light	IPL	1996	1997	Depreciation Study
Sprint Florida, Inc.	Florida	1996	1997	Ad Valorem Tax Appraisal
Verizon Communications	Florida	1996	1997	Ad Valorem Tax Appraisal
Pacific Telecom, Inc.	Eagle Telephone (Colorado)	1996	1997	Depreciation Study
1996				
Intermountain Gas Company	Intermountain Gas Company	1995	1996	Depreciation Study
Sprint Florida, Inc.	Florida	1995	1996	Ad Valorem Tax Appraisal
Century Telephone	Century Telephone of Ohio, Inc.	1995	1996	Depreciation Study
Telus Communications	AGT Limited (Alberta Government Telephones)	1995	1996	Depreciation Study
Johnson County Kansas Office of the Assessor	Useful Life of Computer Equipment	1995	1995	Useful/Market Life Analysis
Milwaukee Metropolitan Sewerage District	Milwaukee Metropolitan Sewerage District	1995	1996	Depreciation Study
Sprint Corporation	Long Distance Division	1995	1995	Depreciation/Recovery Status Study
Sprint Corporation	Cellular Division	1995	1995	Depreciation/Recovery Status Study
Pacific Telecom, Inc.	Alascom, Inc.	1994	1995	Depreciation Study
Pacific Telecom, Inc.	Telephone Utilities of the Northland	1993	1994	Depreciation Study
	Telephone Utilities of Alaska	1993	1994	Depreciation Study

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
Indiana Energy	Indiana Gas Company	1993	1994	Depreciation Study
Columbia Gas Transmission	Gas Pipeline Property in Sullivan County, NY	1993	1993	Useful Life Study
United Telephone - Midwest Group	United Telephone Company of Missouri	1993	1993	Modernization/ Depreciation Study
Intermountain Gas Co.	Intermountain Gas Co.	1992	1993	Depreciation Study
Pacific Telecom, Inc.	Alascom, Inc.	1992	1993	Depreciation Study
	Telephone Utilities of Oregon, Inc.	1991	1992	Depreciation Study
	Telephone Utilities of Washington, Inc.	1991	1992	Depreciation Study
Small Telephone Company Coalition	Oregon Small Telephone Companies	1991	1992	Depreciation Support
United Telephone Systems	United Telephone Co. of Pennsylvania	1991	1992	Instructional Depreciation Study
New York State Division of Equalization and Assessment	Electric, Gas, Water, Telephone, Pipeline, Steam, CATV	1991	1992	Useful Lives and Net Salvage Values
Rochester Telephone Company	Enterprise Telephone	1991	1992	Study Review
Indiana Energy	Indiana Gas/Richmond Gas/ Terre Haute Gas	1990	1991	Depreciation Study
American Electric Power	Indiana/Michigan Power Co.	1990	1991	Depreciation Study
Rochester Telephone Company	Rochester Telephone Co.	1990	1991	Study Review
United Telephone Systems	United Telephone Co. of Florida	1990	1991	Instructional Depreciation Study
United Telephone Systems	United Telephone Co. of Oregon	1989	1990	Study Review
Telephone and Data Systems, Inc.	Quincy Telephone Company	1990	1991	Depreciation Study
Telephone and Data Systems, Inc.	Wolverine Telephone Company	1989	1990	Depreciation Study
Indiana Energy	Indiana Gas Company, Inc.	1989	1990	Depreciation Study

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Year</u>	<u>Study Performed</u>	<u>Year</u>	<u>Activity</u>
Intermountain Gas Co.	Intermountain Gas Co.	1989	1990		Remaining Life/Net Salvage Support
North-West Telephone Company	North-West Telephone Company	1989	1990		Study Review
United Telephone System	United of Texas	1989	1990		Instructional Depreciation Study
	United of Missouri	1989	1990		Instructional Depreciation Study
Milwaukee Water	Milwaukee Water	1989	1990		Depreciation Study
Indiana Natural Gas Corp.	Indiana Natural Gas Corp.	1989	1990		Depreciation Study
Pacific Telecom	Telephone Utilities of the Northland	1989	1990		Depreciation Study
	Telephone Utilities of Alaska	1989	1990		Depreciation Study
	Alascom	1989	1990		Depreciation Study
	Telephone Utilities of Washington, Inc.	1988	1989		Depreciation Study
WICOR	Wisconsin Gas Company	1988	1989		Depreciation Study
ALLTEL	ALLTEL - Kentucky, Inc.	1987	1989		Depreciation Study
	ALLTEL - Ohio, Inc.	1988	1989		Depreciation Study
	Western Reserve Telephone Company	1988	1989		Depreciation Study
Milwaukee Metropolitan Sewer District	Milwaukee Metropolitan Sewer District	1988	1989		Depreciation Study
United Telephone Company	United of Ohio Telephone Company	1988 1988	1989 1989		ELG Support ELG Support
United Telecom	U.S. Sprint	1988	1988		Useful Life Study
Pacific Telecom	Telephone Utilities of Oregon	1987	1988		Depreciation Study
	Telephone Utilities of	1987	1988		Depreciation Study

**Utility Industries
Capital Recovery Activities Client List**

<u>Company</u>	<u>Property</u>	<u>Year</u>	<u>Study Performed</u>	<u>Year</u>	<u>Activity</u>
	Eastern Oregon				
	Rose Valley Telephone Company	1987		1988	Depreciation Study
United Telephone	United of Minnesota	1987		1988	Capital Planning Support
Wisconsin Southern Gas	Wisconsin Southern Gas	1987		1988	Depreciation Study
Pacific Telecom	Glacier State Telephone Company	1986		1987	Depreciation Study
	Sitka Telephone Co.	1986		1987	Depreciation Study
	Juneau-Douglas Tel Company	1986		1987	Depreciation Study
Pacific Telecom	Telephone Utilities of Alaska	1986		1987	Depreciation Study
	Alascom	1986		1987	Depreciation Study
Lincoln Telecommunications	Lincoln Telephone and Telegraph Company	1986		1987	Digital Switching Service Life
Northwest Natural Gas Corporation	Northwest Natural Gas Corporation	1985		1986	Depreciation Study
ALLTEL	Western Reserve Telephone Company	1984		1985	Depreciation Study
	ALLTEL - Ohio	1984		1985	Depreciation Study
	ALLTEL - Alabama	1984		1985	Depreciation Study
Gulf Telephone Co.	Gulf Telephone Company	1984		1985	Depreciation Study
United Telephone Systems, Inc.	United of Iowa	1984		1985	Depreciation Study
	United of Arkansas	1984		1985	Depreciation Study
Pacific Telecom	Telephone Utilities of Washington	1983		1984	Depreciation Study
	Telephone Utilities of Eastern Oregon	1983		1984	Depreciation Study
Pacific Telecom	Telephone Utilities of Oregon	1983		1984	Depreciation Study
	Northwestern Telephone Systems, Inc., Oregon	1983		1984	Depreciation Study

Appraisal & Capital Recovery Activities Client List

<u>Company</u>	<u>Property</u>	<u>Study Year</u>	<u>Year Performed</u>	<u>Activity</u>
	Rose Valley Telephone Company	1983	1984	Depreciation Study
United Telecommunications	All United Telephone Companies	1983	1984	Capital Recovery Strategy
Lincoln Telecommunications	Lincoln Telephone & Telegraph Company	1983	1984	Depreciation Study
ALLTEL	ALLTEL - Mississippi	1982	1983	Depreciation Study
	ALLTEL - Michigan	1982	1983	Depreciation Study
North Carolina Natural Gas Corp.	North Carolina Natural Gas Corporation	1982	1983	Depreciation Study
Mid Continent Telephone (Currently ALLTEL)	Western Reserve Telephone	1982	1983	Depreciation Study
	Mid Ohio Telephone	1982	1982	Depreciation Study
	Florence Telephone Company	1980	1981	Depreciation Study
	Leeds Telephone Co.	1980	1981	Depreciation Study
	Elmore Coosa Tel Company	1980	1981	Depreciation Study
	Brookville Telephone Company	1980	1981	Depreciation Study
	Mid-Pennsylvania Telegraph	1980	1981	Depreciation Study
Telephone Utilities (Currently Pacific Telecom)	Telephone Utilities of Oregon	1979	1980	Depreciation Study
	Telephone Utilities of Eastern Oregon	1979	1980	Depreciation Study
	Northwestern Telephone Systems, Inc.-Oregon	1979	1980	Depreciation Study
	Rose Valley Telephone Company	1979	1980	Depreciation Study
United Telephone Systems, Inc.	United of Ohio	1979	1980	Depreciation Study
Telephone Utilities	Telephone Utilities of Washington	1978	1979	Depreciation Study
United Telephone Systems, Inc.	United of Ohio	1978	1979	Depreciation Study

Papers and Seminars

Rochester Telephone	Rochester Telephone (Indiana)	1977	1978	Depreciation Study
United Telephone Systems, Inc.	United of Ohio	1977	1978	Depreciation Study
Princeton Telephone	Princeton Telephone (Indiana)	1976	1977	Depreciation Study
Northwestern Telephone	Northwestern Telephone (Illinois)	1975	1976	Depreciation Study

Papers and Seminars

- 2011 Training Instructor Depreciation Basics Sessions A & B and Life and Salvage Analysis
Society of Depreciation Professionals 25th Annual Meeting
Atlanta, GA September 20-22, 2011
- 2010 Will the Real Cost Approach Please Stand Up?
National Association of Property Tax Representatives Transportation, Energy, & Communications (NAPTR-TEC)
Scottsdale, Arizona October 25-27, 2010
- Issues Affecting Assessment of Regulated Industries
Institute for Professionals in Taxation (IPT) Property Tax Symposium
Austin, Texas October 31 – November 3, 2010
- 2009 (Valuing) Intangibles
Appraisal for Ad Valorem Taxation, Wichita State University
Wichita, Kansas July 28, 2009
- Fair Value Accounting (Appraisal Panelist)
Appraisal for Ad Valorem Taxation, Wichita State University
Wichita, Kansas July 29, 2009
- 2008 Valuation Issues Valuation of Assets and the Impact of Depreciation
Society of Depreciation Professionals Annual Meeting
Greenville, SC September 21-26, 2008
- Obsolescence in the Long-Distance and Local Transport Networks
Technology Futures Inc. Asset Valuation Conference
Austin Texas February 8, 2008
- 2007 Communications Industry Issues
National Association of Property Tax Representative – Transportation, Energy, & Communications
New Orleans, LA October 30, 2007
- 2006 Appraisal Procedures & Issues in a Changing communications Industry
Florida Chapter International Association of Assessing Officers' Tangible Personal Property Conference
Ocala, Florida January 12, 2006
- Valuation of Intangibles
Appraisal for Ad Valorem Taxation, Wichita State University
Wichita, Kansas July 25, 2006
- SDP 20 years of History and Beyond
Society of Depreciation Professionals 20th Annual Meeting
Long Beach, CA September 18, 2006
- 2005 Valuation in a World with Asset Impairments
Appraisal for Ad Valorem Taxation, Wichita State University
Wichita, Kansas August 1, 2005

Papers and Seminars

- 2004 Depreciation in the Valuation of Assets
Society of Depreciation Professionals' Eighteenth Annual Meeting
Washington, D.C., September 13, 2004
- 2003 Cost Approach and the Use of Appraisal Guidelines
Institute for Professionals in Taxation – Property Tax Symposium
Fort Lauderdale, FL, September 17, 2003
- Cost Approach – Obsolescence and Depreciation
Appraisal for Ad Valorem Taxation, Wichita State University
Wichita, Kansas, July 28, 2003
- 2000 Appraisal Issues Associated with Technological Change in the Wireline Telecommunications Industry
Appraisal for Ad Valorem Taxation, Wichita State University
Wichita, Kansas, July 31, 2000
- The Impact of Advancing Technology and the Changing Regulatory Environment on Obsolescence
Calculations for Ad Valorem Valuation Purposes
Journal of Property Tax Management, Spring 2000
- 1996 How to Develop a Reproduction/Replacement Cost New Less Depreciation Approach to Value
Appraisal for Ad Valorem Taxation, Wichita State University
Wichita, Kansas, August 4, 1996
- 1995 Valuation Method, Techniques and Strategies (How to Quantify Stranded Investment) (Market, Income,
& Cost Approach
AGA Depreciation Committee Meeting
Denver, Colorado, August 6-9, 1995, jointly presented with Earl Robinson of AUS Consultants
- 1994 Integrating Future Expectations for the Telephone Industry into Historical Depreciation Analysis
United States Telephone Association (USTA's 1994 Capital Recovery Seminar)
Scottsdale, Arizona, September 12-13, 1994
- 1994 Capital Recovery: United States versus Canada
Canadian Telephone Industry's Annual Capital Recovery Seminar
Edmonton, Alberta, Canada June 14-15, 1994
- 1990 Capital Recovery: Methods, Terminology, Procedures, and Record Keeping
United States Telephone Association (USTA)'s
1990 Non-FCC Subject and Small Company Capital Recovery Seminar
Minneapolis, Minnesota April 10_11, 1990
- Integration of Technology Forecasting Into Historical Life Studies
29th Iowa State Regulatory Conference
Ames, Iowa May 15-17, 1990
- The 1990's and the Second Wave of Major Plant Retirements in the Communications Industry
NARUC's Seventh Biennial Information Conference
Columbus, Ohio September 12-14, 1990

Papers and SeminarsHow Do We Incorporate Change into the Study Filing Procedures?

USTA's 1990 Capital Recovery Seminar
Chicago, Illinois October 16_17, 1990

1989

Plant Modernization: Capital Planning and Capital Recovery

Midwest Utilities Conference
Chicago, Illinois September 11_14, 1989

Price Indexes Today: Procedures, Uses, and Misuses

Society of Depreciation Professionals' Third Annual Meeting
New Orleans, Louisiana December 6_7, 1989

1988

Plant Modernization: Capital Planning and Capital Recovery

National Association of Regulatory Utility Commissioners (NARUC)'s
Sixth Biennial Regulatory Information Conference
Columbus, Ohio September 14_16, 1988

Papers and Seminars

- 1997 Sprint Corporation - West Finance Center
Overland Park, Kansas, August 1997
- 1997 Rochester Telephone Corporation
Rochester, New York, April 1997
- 1996 Sprint-Florida-Vista United Telecommunications
Altamonte Springs, Florida August 27-29, 1996
- 1994 Saskatchewan Telecommunications
Regina, Saskatchewan, Canada, June 1994
- 1994 AUS Consultants/Leroy J. Murphy and Associates 1994 Capital Recovery Seminar
May 1994
- 1993 Manitoba Telephone System, Winnipeg, Manitoba, December 1993
- 1993 Society of Depreciation Professionals Annual Meeting
Charleston, South Carolina September 30, 1993
- 1993 SPRINT - Local Telephone Division
Atlanta, Georgia August 11-12, 1993
- 1993 AUS Consultants/Leroy J. Murphy and Associates 1993 Capital Recovery Seminar
Chicago, Illinois May 11 - 13, 1993
- 1993 Canadian Telephone Capital Recovery Seminar
Halifax, Nova Scotia April 20 - 22, 1993
- 1993 United Telephone, Midwest Group
Overland Park, Kansas January 20, 1993
- 1992 BellSouth Corporation
Birmingham, Alabama November 23, 1992
- 1992 Sprint - Local Telephone Division
Kansas City, Kansas November 18 - 20, 1992
- 1992 Society of Depreciation Professionals Annual Meeting
San Antonio, Texas September 9 - 10, 1992
- 1992 AUS Consultants/Leroy J. Murphy and Associates 1992 Capital Recovery Seminar
Chicago, Illinois October 6 - 8, 1992
- 1991 Society of Depreciation Professionals Annual Meeting
Nashville, Tennessee November 20-22, 1991
- 1991 ALLTEL Corporation Microcomputer Depreciation Studies System Training
Hudson, Ohio October 14-16, 1991

Capital Recovery Training

- 2016 Society of Depreciation Professionals
Annual Training
Charleston, South Carolina, September 18-23, 2016
- 2015 Society of Depreciation Professionals
Annual Training
Austin Texas September 2015
- 2014 Society of Depreciation Professionals
Annual Training
New Orleans, Louisiana September 2014
- 2013 Society of Depreciation Professionals
Annual Training
Salt Lake City, Utah September 2013
- 2012 Society of Depreciation Professionals
Annual Training
Minneapolis, Minnesota, September 16-18, 2012
- 1991 United Telecommunications, Inc., Capital Recovery/Microcomputer Depreciation
Studies System Training
Kansas City, Kansas September 23-25, 1991
- 1991 AUS Consultants/Leroy J. Murphy and Associates 1991 Capital Recovery Seminar
Lake Geneva, Wisconsin September 17-19, 1991
- 1991 Rochester Telephone Corporation, Capital Recovery/Microcomputer Depreciation Studies
System Training, Rochester, New York September 3-7, 1991
- 1991 Ameritech Services, Microcomputer Depreciation Studies System Training
Chicago, Illinois May 16-17, 1991
- 1991 AUS Consultants/Leroy J. Murphy and Associates 1991 Capital Recovery Seminar
Washington, D.C. April 9-11, 1991
- 1990 United Telecommunications, Inc., Capital Recovery Seminar
Overland Park, Kansas December 1990
- 1990 AUS Consultants/Leroy J. Murphy and Associates 1990 Capital Recovery Seminar
Chicago, Illinois September 24-27, 1990
- 1990 AUS Consultants/Leroy J. Murphy and Associates 1990 Capital Recovery Seminar
Chicago, Illinois January 29-February 1, 1990
- 1990 United Telecommunications, Inc., Capital Recovery/Microcomputer Depreciation Studies
System Training, Chicago, Illinois July 1990
- 1989 United Telecommunications, Inc., Capital Recovery/Microcomputer Depreciation Studies
System Training, Chicago, Illinois July 1989

Capital Recovery Training

- 1989 AUS Consultants/Leroy J. Murphy and Associates 1989 Capital Recovery Seminar
Chicago, Illinois March 6_9, 1989
- 1988 AUS Consultants/Leroy J. Murphy and Associates 1988 Capital Recovery Seminar
Chicago, Illinois July 25_28, 1988
- 1988 United Telecommunications, Inc., Microcomputer Depreciation Studies System Training
Kansas City, Kansas January 1988

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In re: Application of Pennsylvania-American :
Water Company under Sections 1102(a) and :
1329 of the Pennsylvania Public Utility Code, :
66 Pa C.S. § § 1102(a) and 1329, for approval :
of (1) the transfer, by sale, to Pennsylvania- :
American Water Company, of substantially :
all of the assets, properties and rights related :
to the wastewater treatment plant and : Docket Nos. A-2025-3052983, *et al.*
collection system owned and operated by the :
Elizabeth Borough Municipal Authority, :
(2) the rights of Pennsylvania-American :
Water Company to begin to offer or furnish :
wastewater service to the public in the :
Borough of Elizabeth, Allegheny County, :
Pennsylvania :

VERIFICATION

I, Jerome C. Weinert, hereby state that the facts set forth in PAWC Statement No. 4 and accompanying exhibits, if any, are true and correct to the best of my knowledge, information, and belief. I understand that this verification is made subject to the provisions and penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Date: January 28, 2025



Jerome C. Weinert, PE, ASA, CDP
Principal and Owner
Weinert Appraisal and Depreciation Services, LLC
("WADS Consultants")

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :
Company under Sections 1102(a) and 1329 of the :
Pennsylvania Public Utility Code, 66 Pa C.S. §§ 1102(a) :
and 1329, for approval of (1) the transfer, by :
sale, to Pennsylvania-American Water Company, of :
substantially all of the assets, properties and rights related :
to the wastewater treatment plant and collection system : Docket No. A-2025-3052983, *et al.*
owned and operated by the Elizabeth Borough Municipal :
Authority, and (2) the rights of Pennsylvania-American :
Water Company to begin to offer or furnish wastewater :
service to the public in the Borough of Elizabeth, :
Allegheny County, Pennsylvania :

**REBUTTAL TESTIMONY OF
MARCUS KOHL, ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER COMPANY**

Date: June 9, 2025

PAWC Statement No. 1-R

**REBUTTAL TESTIMONY OF
MARCUS KOHL**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

2 **A.** My name is Marcus Kohl, and my business address is 852 Wesley Drive, Mechanicsburg,
3 PA 17055.

4

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

6 **A.** I am employed by Pennsylvania-American Water Company (“PAWC” or the “Company”)
7 as Director of Business Development.

8

9 **Q. HAVE YOU SUBMITTED ANY OTHER TESTIMONY IN THIS PROCEEDING?**

10 **A.** Yes. I submitted Direct Testimony, PAWC Statement No. 1, on January 28, 2025.

11

12 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

13 **A.** I will update my Direct Testimony. Then I will respond to the testimony of Mr. Walker
14 from the Bureau of Investigation and Enforcement (“I&E”) and Mr. DeMarco from the
15 Office of Consumer Advocate (“OCA”). Specifically, I will respond to testimony related
16 to the application of the Reasonableness Review Ratio (“RRR”), the conditions suggested
17 by the OCA and I&E, and the benefits of the Transaction.¹ I will also generally respond to
18 some of the testimony of witnesses during the June 5, 2025 public input hearing.

¹ Unless otherwise noted, all capitalized terms and acronyms used herein have the same definitions as set forth in my Direct Testimony.

1 **UPDATE TO MY DIRECT TESTIMONY**

2 **Q. BEGINNING ON PAGE 3 OF YOUR DIRECT TESTIMONY, YOU DESCRIBE**
3 **THE APPLICATION THAT WAS FILED ON JANUARY 28, 2025. DO YOU NEED**
4 **TO UPDATE THIS TESTIMONY TO REFLECT EVENTS THAT OCCURRED**
5 **AFTER THE APPLICATION WAS FILED?**

6 **A.** Yes. My Direct Testimony was included with the Application. The Commission’s Bureau
7 of Technical Utility Services subsequently reviewed the Application and found that certain
8 information was missing. To provide the requested information, on February 21, 2025,
9 PAWC submitted several amended appendices to the Application. So that the record
10 contains a complete and accurate copy of the Application, attached as **PAWC Exhibit**
11 **MK-1R** are all of the documents that were filed with the Commission on February 21,
12 2025.

13 **OVERVIEW OF THE DIRECT TESTIMONY OF OCA AND I&E**

14 **Q. IN THE TESTIMONY PROVIDED BY THE OCA AND I&E, DOES EITHER**
15 **PARTY RECOMMEND THE DENIAL OF THE APPLICATION?**

16 **A.** No, neither party recommends denial; instead both suggest that the Commission should
17 impose some conditions on its approval of the Application, should the Application be
18 approved.

19
20 **Q. DO YOU AGREE WITH THE CONDITIONS SUGGESTED?**

21 **A.** Not all of them. My testimony will address some of the conditions with which PAWC
22 disagrees. Other PAWC witnesses will respond to some of the other conditions.

1 I should note, however, that none of PAWC’s witnesses are lawyers. We will not
2 address legal issues. To the extent that PAWC disagrees with the proposed conditions on
3 legal grounds, such as lack of Commission authority to impose the proposed conditions,
4 PAWC will discuss those issues in briefs rather than in Rebuttal Testimony.

5 **RATEMAKING RATE BASE OF THE SYSTEM**

6 **Q. IN THE TESTIMONY OF I&E WITNESS WALKER, WHAT IS THE**
7 **RECOMMENDED RRR THAT IS SUGGESTED FOR DETERMINING THE**
8 **RATEMAKING RATE BASE OF THE SYSTEM?**

9 **A.** On page 6 of Mr. Walker’s testimony, it is suggested that the RRR published on
10 December 31, 2024 of 1.63 be applied to this proceeding.

11
12 **Q. DO YOU AGREE WITH THE RECOMMENDATION OF MR. WALKER?**

13 **A.** No. I am advised by counsel that the *Valuation of Acquired Municipal Water & Wastewater*
14 *Systems – Act 12 of 2016 Implementation*, Docket No. M-2016-2543193 (Final
15 Supplemental Implementation Order entered July 2, 2024) (“2024 FSIO”), which adopted
16 the RRR, is not to be applied retroactively to acquisitions such as this, in which an Asset
17 Purchase Agreement was executed before the adoption of that Order. Nevertheless, in my
18 Direct Testimony, I noted that PAWC would not object to recovering the RRR amount
19 instead of its full purchase price, because the RRR in place at the time of PAWC’s
20 Application filing rounded up to PAWC’s purchase price.²

² Report on the Reasonableness Review Ratio For the Year Ended 12.31.2023 dated August 2, 2024 at Docket No. M-2024-3050303.

1 As I explained, the difference between the purchase price in this case and the RRR
2 established by that *Report* is approximately \$29,000 (about .1% of the purchase price).
3 Using the RRR published on December 31, 2024, as advocated by I&E, the difference
4 between the purchase price and the RRR is \$861,297 (or almost 3.8% of the purchase
5 price).³ PAWC is not willing to agree to such a large reduction in the amount that Section
6 1329 of the Public Utility Code allows it to place into rate base when the substance of the
7 2024 FSIO was unknown to parties at the time the purchase price was negotiated.

8
9 **Q. HAS THE PUC TAKEN ACTION ON OTHER FAIR MARKET VALUE DEALS**
10 **THAT OCCURRED IN A SIMILAR TIMEFRAME?**

11 **A.** Yes, the PUC approved the acquisition of the Greenville Sanitary Authority by Aqua
12 Pennsylvania Wastewater, Inc. (“Aqua”) on December 12, 2024 in Docket No. A-2023-
13 3041695. The agreement with Aqua to purchase that system was dated April 27, 2023. The
14 purchase price for that system was well above the initial RRR value of 1.68.⁴ The
15 Commission allowed Aqua to place the full amount of the system’s purchase price into rate
16 base.

17 **REGIONALIZATION AND CONSOLIDATION**

18 **Q. ON PAGE 21 OF HIS TESTIMONY, MR. DEMARCO NOTES THAT THE**
19 **POTENTIAL CONNECTION TO THE MCKEESPORT SYSTEM IS A**
20 **SPECULATIVE BENEFIT. DO YOU AGREE?**

³³ This RRR amount was unknown to the Company at the time of the Application filing because it was not published by the Commission until March 20, 2025.

⁴ The purchase price for that system was about 397% higher than the system’s net book value according to one utility valuation expert (“UVE”), and was about 263% higher than the system’s net book value according to the other UVE.

1 A. It is important to recognize that the benefits of regionalization and consolidation can and
2 do occur without physical interconnection. Some of these benefits include the ability to
3 share staff and equipment as well as cost savings from additional purchasing power. Those
4 benefits will be realized with this acquisition. While I recognize Mr. DeMarco's position
5 that the *additional* benefit of a large, interconnected regional system is somewhat
6 speculative, I believe we can agree that if it were to occur, the creation of a large, state of
7 the art, regional system, which remains a real possibility, would be a significant benefit to
8 the local waterways. In addition, approving this acquisition still would result in a
9 significant environmental benefit for local waterways whether or not further
10 regionalization and consolidation occurs.

11 Mr. DeMarco also states that the completion of the LTCP and upgrades to the
12 facility would diminish that benefit. I disagree for the following reasons. First, many of the
13 LTCP projects relate to the collection system, not the plant. These include constructing
14 two new pump stations and larger collection pipes to convey more wet weather flow and
15 constructing a new wet weather flow equalization and storage tank to dampen the
16 magnitude of storm flows. These improvements to capture and store more sewage will be
17 needed regardless of whether the sewage continues to be treated at the plant in Elizabeth
18 Borough or is ultimately sent to the regional McKeesport plant. Second, we have had
19 discussions with DEP regarding the timing of the LTCP projects and potential
20 regionalization opportunities should we acquire the EBMA system. Prior to closing this
21 acquisition, PAWC expects to enter into a Consent Order and Agreement with DEP that
22 will amend the LTCP compliance schedule. DEP has indicated a willingness to incorporate

1 regionalization opportunities into the new compliance schedule, considering the benefits it
2 would provide in reducing point source discharges into the Monongahela River.

3
4 **EASEMENTS**

5 **Q. AT PAGES 29 AND 30 OF HIS DIRECT TESTIMONY, MR. DEMARCO MAKES**
6 **SEVERAL RECOMMENDATIONS REGARDING EASEMENTS. PLEASE**
7 **DISCUSS.**

8 **A.** On page 29 of his Direct Testimony, Mr. DeMarco recommends that PAWC should not be
9 permitted to include the System's assets in rate base until PAWC acquires all outstanding
10 easements in an effort to protect customers from paying for assets PAWC does not own.
11 Mr. DeMarco fails to understand that under the Asset Purchase Agreement, PAWC will
12 own *all* of the System's assets after Closing as described in the Asset Purchase Agreement.
13 Nevertheless, if the Commission adopted this recommendation, PAWC could not place *any*
14 of those assets into rate base if even one easement remains missing, which would be an
15 absurd result that would not be protective of customers.

16 On page 30 of his Direct Testimony, Mr. Demarco summarizes his
17 recommendations for conditions on approval of the Application. Interestingly, his
18 summary of recommendations includes two recommendations regarding easements that are
19 not discussed anywhere in the text of his Direct Testimony. These recommendations
20 should be rejected on the grounds that OCA provided no evidentiary support for them;
21 there is simply no evidence demonstrating why these recommendations should be adopted.

22 If these two recommendations are considered on the merits, however, they should
23 be rejected. One recommendation is that PAWC should not be permitted to recover in rates
24 any costs for obtaining and conveying any missing easements. This proposal is

1 unnecessary because the Asset Purchase Agreement provides a solution for any easements
2 that are still missing at Closing, which does not adversely impact customers. At Closing
3 on the Transaction, EBMA will create an easement escrow fund in the amount of \$2,000
4 per missing easement in order to cover the costs of obtaining and conveying to PAWC all
5 missing easements. If this fund is insufficient to cover the costs of obtaining and conveying
6 to PAWC all missing easements, *and* if PAWC would seek to recover any excess costs in
7 rates in the first base rate case that includes the System, the Commission can decide
8 whether or not to allow recovery of the claimed excess costs. The Commission should not
9 address this hypothetical issue at this time.

10 In addition, Mr. DeMarco recommends that Closing not be permitted to occur until
11 PAWC has (1) identified all missing easements and (2) taken any and all necessary actions
12 to obtain any missing easements so they can be conveyed at Closing. OCA St. No. 1, p.
13 30. This proposal should be rejected because it will indefinitely delay Closing on a
14 transaction that affirmatively benefits the public in a substantial way. Moreover, in briefs,
15 PAWC will argue that after Closing PAWC will own and have the right to operate all of
16 the System's assets, even if it may not yet be able to document that it has easements over
17 the land on which some of those assets are located. As a result, there is no reason to delay
18 Closing – especially considering the creation of the easement escrow fund discussed above.
19 Finally, I am advised by counsel that the OCA's proposal is inconsistent with a long line
20 of Commission decisions that have allowed the parties to an acquisition to close despite
21 some missing easements, if they created a fund to cover the costs of obtaining and
22 conveying any missing easements. *See, e.g., Application of Pennsylvania-American Water*
23 *Company to Acquire the Wastewater Collection and Treatment System Owned by the*

1 *Butler Area Sewer Authority*, Docket No. A-2022-3037047 (Opinion and Order entered
2 November 16, 2023) at Ordering Paragraph 28; *Application of Pennsylvania-American*
3 *Water Company to Acquire the Wastewater Collection and Treatment System Owned by*
4 *the York City Sewer Authority and Operated by the City of York*, Docket No. A-2021-
5 3024681 (Order entered April 14, 2022) at Ordering Paragraph 3(u); *Application of*
6 *Pennsylvania-American Water Company to Acquire Valley Township’s Water Treatment*
7 *and Distribution System and Valley Township’s Wastewater Collection and Conveyance*
8 *System*, Docket Nos. A-2020-3019859 and A-2020-3020178 (Opinion and Order entered
9 October 28, 2021) at Ordering Paragraph 7(g). Mr. DeMarco provides no reason why the
10 Commission should suddenly change course now.

11 **PUBLIC INPUT HEARING TESTIMONY**

12 **Q. DURING THE JUNE 5, 2025 PUBLIC INPUT HEARING, SEVERAL WITNESSES**
13 **NOTED THEIR CONCERNS OVER THE NOTIFICATION TO CUSTOMERS OF**
14 **THE PUBLIC INPUT HEARING. HOW WAS NOTICE PROVIDED?**

15 **A.** In compliance with the directives of the Administrative Law Judges, notice was provided
16 to the public in several ways. Notice was provided in a local newspaper, the Pittsburgh
17 Post-Gazette, on two separate occasions, May 22, 2025 and May 29, 2025. The Post-
18 Gazette is widely available in Elizabeth Borough and the surrounding municipalities.
19 Additionally, the PUC and PAWC posted notice of the hearing on their websites and on
20 various social media channels such as Facebook, LinkedIn, X (f/k/a Twitter) and
21 Instagram.

1 **Q. DURING THE JUNE 5, 2025 PUBLIC INPUT HEARING, SEVERAL**
2 **WITNESSES NOTED THEIR CONCERNS OVER THE NOTIFICATION TO**
3 **CUSTOMERS OF THE FILING OF THE APPLICATION. HOW WAS NOTICE**
4 **PROVIDED?**

5 **A.** In compliance with Commission regulations and orders, PAWC mailed the required notice
6 to all customers of EBMA and PAWC during the conditional acceptance phase of the
7 application process. In addition, EBMA mailed a separate explanatory letter to all
8 customers of EBMA. Notice of the Application's filing was also published in the
9 *Pennsylvania Bulletin* on May 10, 2025, 55 Pa. B. 3329, and the Pittsburgh Post-Gazette
10 on March 20 and 27, 2025.

11
12 **Q. PLEASE LIST THE OPPORTUNITIES THE PUBLIC WAS PROVIDED TO**
13 **LEARN ABOUT AND COMMENT ON THE ACQUISITION.**

14 **A.** As was noted in my Direct Testimony, prior to the signing of the Asset Purchase Agreement
15 the public had several opportunities to learn about and comment on the acquisition. Three
16 in-person hearings were held in the community. Those occurred on June 15, 2022, August
17 9, 2022 and November 8, 2022. No opposition to the sale was noted at those hearings.

18
19 **Q. SEVERAL WITNESSES EXPRESSED CONCERNS OVER THE AVAILABILITY**
20 **OF THE APPLICATION. IS THIS INFORMATION AVAILABLE TO THE**
21 **PUBLIC?**

22 **A.** Yes, the application and the associated Direct Testimony of the Company and EBMA are
23 available online at the Commission's website. The only confidential documents are the

1 appraisers' work papers and a map. Public access to the Application and testimony has
2 been available since the date of filing.

3
4 **Q. CONCERNS WERE EXPRESSED BY WITNESSES AT THE PUBLIC INPUT**
5 **HEARING ABOUT RATES. SPECIFICALLY SOME WITNESSES SUGGESTED**
6 **THAT DUE TO FUNDING PROGRAMS LIKE PENNVEST, THE SYSTEM**
7 **SHOULD REMAIN WITH EBMA BECAUSE RATES WOULD BE LOWER. ARE**
8 **THOSE STATEMENTS ACCURATE?**

9 **A.** No. As was noted in my Direct Testimony, rates are projected to be higher should EBMA
10 maintain ownership of the System. Those rate projections include an assumption that
11 EBMA would take advantage of low-interest PENNVEST loans. If the EBMA could not
12 obtain PENNVEST loans, the rate increase would be even higher, so in either case,
13 EBMA's continued ownership of the system would lead to higher rates than PAWC's
14 combined sewer system rate of \$98.36.

15 In addition, PAWC can also take advantage of PENNVEST loans. In fact, OCA
16 witness DeMarco recommends that PAWC apply for PENNVEST loans to help offset the
17 costs of LTCP projects. OCA St. No. 1 p. 30. Since PENNVEST funding is available to
18 both EBMA and PAWC, EBMA's ability to obtain PENNVEST loans is no reason to
19 disapprove this Transaction.

20
21 **Q. IN PASSING ACT 12 OF 2016, DO YOU BELIEVE THAT THE LEGISLATURE**
22 **RECOGNIZED THAT RATES ARE LIKELY TO INCREASE IN ACQUISITIONS**
23 **APPROVED UNDER THAT LAW?**



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teresa.harrold@amwater.com

VIA eFiling

February 21, 2025

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

In re: Application of Pennsylvania-American Water Company under Sections 1102(a) and 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S. §§ 1102(a) and 1329, for approval of (1) the transfer, by sale, to Pennsylvania-American Water Company, of substantially all of the assets, properties and rights related to the wastewater treatment plant and collection system owned and operated by the Elizabeth Borough Municipal Authority, and (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in the Borough of Elizabeth, Allegheny County, Pennsylvania

Docket No: A-2025-3052983

Pennsylvania-American Water Company Responses to the Bureau of Technical Utility Services Deficiencies Set 1, February 19, 2025

Dear Secretary Chiavetta:

Enclosed for filing with the Commission are the Responses of Pennsylvania-American Water Company (the "Company") to the Bureau of Technical Utility Services Deficiencies Set 1, 66 Pa. C.S. Section 1329 Application Completeness Review Pennsylvania-American Water Company – Wastewater Division Acquisition of Elizabeth Borough Municipal Authority Wastewater System Assets at Docket No. A-2025-3052983.

Copies are being served upon the advocates in accordance with the attached Certificate of Service and in accordance with the Commission's Final Supplemental Implementation Order entered February 28, 2019 at Docket No. M-2016-2543193.

Rosemary Chiavetta, Secretary
February 21, 2025
Page 2

Re: Pennsylvania-American Water Company Responses to the
Bureau of Technical Utility Services Deficiencies dated February 19, 2025
Docket No. A-2025-3052983

With this filing, the Company believes its Application is complete and hopes the Commission will conditionally accept its Application. In addition, the Company respectfully requests that the Secretarial Letter conditionally accepting the Application for filing provide a due date for protests and notices of intervention, which is required on the form of notice approved by the Commission in *Application of Pennsylvania-American Water Company Pursuant to Sections 1102 and 1329 of the Public Utility Code for Approval of its Acquisition of the Water System Assets of the Steelton Borough Authority*, Docket No. A-2019-3006880 (Opinion and Order entered Oct. 3, 2019) and found at Application Appendix A-18-d.

Thank you for your attention to this matter. If you have any questions, please do not hesitate to contact me.

Sincerely,



Teresa K. Harrold

cc: Certificate of Service
Sean Donnelly, Bureau of Technical Utility Services w/Enc.
Dan Searfoorce, Bureau of Technical Utility Services w/Enc.

66 Pa. C.S. Section 1329 Application Completeness Review
Pennsylvania-American Water Company-Wastewater Division
Acquisition of Elizabeth Borough Municipal Authority Wastewater System Assets
at Docket No. A-2025-3052983

1. Checklist Item No. 7. – Page 15 of Appendix A-7.2 indicated an outstanding balance owed by EBMA of \$88.09 under Invoice Number 0000041608, dated September 9, 2024. However, a copy of Invoice Number 0000041608 was not included in Appendix A-7.2. Please provide a copy of Invoice Number 0000041608.

Response: Please see PAWC's **Amended Appendix A-7.2**, which includes a copy of Invoice Number 0000041608.

66 Pa. C.S. Section 1329 Application Completeness Review
Pennsylvania-American Water Company-Wastewater Division
Acquisition of Elizabeth Borough Municipal Authority Wastewater System Assets
at Docket No. A-2025-3052983

2. Checklist Item No. 12. – Revised Page 11.9 of the pro forma tariff supplement (Pro Forma Tariff), provided as Appendix A-12 of the Application identified a \$35.00 per month service charge and an \$0.8000 per 100 gallons usage charge. However, the second recital on Page 1 of Appendix A-18-a.2 containing Resolution No. 02-2021 (2021 Resolution) included in the Application’s Appendix A-18-a (Appendix A-18-a), indicated that “the Board verbally motioned to increase the minimum monthly charge to the charges associated with usage over that minimum usage in gallons.” The 2021 Resolution was passed on October 14, 2021. Appendix A-18-a also provided a copy of EBMA’s Resolution No. 06-2018 (2018 Resolution) as Appendix A-18-a.3. Section II, Page 1 of the 2018 Resolution stated that the fee associated with its overage charges per thousand gallons of metered water usage over 800 gallons per month shall increase to \$8.00 per thousand gallons of metered water usage over 800 gallons per month. However, the Pro Forma Tariff does not specify that the service charge per month of \$35.00 includes 800 gallons per month of metered water usage, and the usage charge per 100 gallons of \$0.8000 does not specify that this charge is for metered water usage over the minimum 800 gallons per month included in the service charge. Please provide a revised Appendix A-12 to include a Pro Forma Tariff that identifies the minimum usage of 800 gallons per month in the service charge and excludes the minimum usage of 800 gallons from the usage charge per 100 gallons, or amend the Application’s Appendix A-18-a to include a copy of Elizabeth Borough Municipal Authority’s (EBMA’s) effective ordinance or resolution that removed the minimum usage of 800 gallons from their minimum monthly charge.

Response: Please see PAWC’s **Amended Appendix A-18-a** which includes Resolution No. 01-20, at **Appendix A-18-a.5**, which eliminates EBMA’s monthly minimum allowance of metered water usage effective starting with the January 2020 billing cycle.

66 Pa. C.S. Section 1329 Application Completeness Review
Pennsylvania-American Water Company-Wastewater Division
Acquisition of Elizabeth Borough Municipal Authority Wastewater System Assets
at Docket No. A-2025-3052983

3. Checklist Item No. 24.d. – The Application’s Appendix A-24-a.1 included an executed copy of an agreement entitled “Asset Purchase Agreement between Elizabeth Borough Municipal Authority and Pennsylvania-American Water Company”, dated January 24, 2023 (APA). The APA’s Schedule 4.1(l)(i), Real Property and Lease of Real Property, identified only two parcels, Parcel IDs 1132-A-206 and 1133-D-50, as the complete and accurate list of the real property owned by EBMA that will be transferred to PAWC-WD as part of the proposed acquisition. However, the Engineering Assessment’s Appendix H included an inventory of additional real property owned by EBMA that identified multiple parcels not listed in the APA’s Schedule 4.1(l)(i). Please provide responses to the following:
- a. Explain why the inventory of real property owned by EMBA detailed in the APA does not match the inventory of real property listed in the Engineering Assessment; and
 - b. If either the inventory of real property listed APA or the inventory of real property listed in the Engineering Assessment are not accurate, submit either a revised APA or Engineering Assessment that identifies all real property, by parcel identification (Parcel ID), that is owned by EBMA and will be transferred to PAWC-WD as part of the acquisition and clearly identify in the APA any real property owned by EBMA that will be excluded from the acquisition, by Parcel ID.

- Response:
- a. The Engineering Assessment accounted for multiple transactions related to both properties and referenced buildings and addresses that have been demolished. These multiple transactions related to pump station parcel 1133-D-40 occurred over 20 years ago and, therefore, were incorrect in the Engineering Assessment. The correct parcel number is 1133-D-50.
 - b. Please see **Amended Appendix A-15-a**, which revises Appendix H of the Engineering Assessment to correct the pump station property parcels number, consistent with APA Schedule 4.1(l)(i).

66 Pa. C.S. Section 1329 Application Completeness Review
Pennsylvania-American Water Company-Wastewater Division
Acquisition of Elizabeth Borough Municipal Authority Wastewater System Assets
at Docket No. A-2025-3052983

4. Checklist Item No. 25. – Appendix A-25.3 of the Application’s Appendix A-25 consisted of a copy of an agreement between Elizabeth Borough, EBMA and Lincoln Borough, dated December 15, 1987, regarding the treatment of sewage and industrial wastes from Borough of Lincoln (Patterson Hills Agreement) by EBMA. The Patterson Hills Agreement is missing Pages 1 and 2. Please provide a revised Appendix A-25.3 that contains a complete copy of the Patterson Hills Agreement.

Response: PAWC representatives met with representatives from the Commission’s Bureau of Technical Utility Services on November 19, 2024 and confirmed that if PAWC provides the verification referenced in question 5(c) below, PAWC does not need to produce complete or *pro forma* contracts. On November 26, 2024, PAWC previously provided a similar verification as TUS-11_Attachment in response to the Bureau of Technical Utility Services Deficiencies Set 1 dated November 12, 2024 at Docket No. A-2023-3038717. PAWC’s new verification, which is attached as **Appendix A-25.11**, reflects the new docket information of this proceeding.

66 Pa. C.S. Section 1329 Application Completeness Review
Pennsylvania-American Water Company-Wastewater Division
Acquisition of Elizabeth Borough Municipal Authority Wastewater System Assets
at Docket No. A-2025-3052983

5. Checklist Item No. 25. – The table listing municipal and affiliate contracts provided in the Application’s Appendix A-25 included asterisks next to the agreements labeled Appendix A-25.1 and Appendix A-25.2. The asterisks indicate that, “Although some of the attached agreements have missing pages and/or attachments, PAWC has confirmed with EBMA that no more complete version of these agreements exists.” The Commission’s Final Implementation Order entered October 27, 2016, at Docket No. M-2016-2543193, Page 39 indicated that, “if any of the information requested in the Checklist is unavailable after a reasonable search or simply does not exist, the applicant is expected to include with its application a verified statement to that affect.” Please provide an amended Appendix A-25 that includes either of the following:
- a. Complete executed copies of all municipal and affiliate contracts to be assumed by PAWC as part of the acquisition; or
 - b. Complete pro forma copies of all municipal and affiliate contracts to be assumed by PAWC as part of the acquisition; or
 - c. A verified statement that complete executed copies of specific contracts are unavailable after a reasonable search or do not exist.

Response: Consistent with 5(c) above, PAWC’s verification is included as **Appendix A-25.11**.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :
Company under Sections 1102(a) and 1329 of :
the Pennsylvania Public Utility Code, 66 Pa C.S. :
§ § 1102(a) and 1329, for approval of (1) the transfer, by :
sale, to Pennsylvania-American Water Company, of :
substantially all of the assets, properties and rights : Docket No. A-2025-3052983
related to the wastewater treatment plant and collection :
system owned and operated by the Elizabeth Borough :
Municipal Authority, (2) the rights of Pennsylvania- :
American Water Company to begin to offer or furnish :
wastewater service to the public in the Borough of :
Elizabeth, Allegheny County, Pennsylvania :

In re: Application of Pennsylvania-American Water :
Company under Section 1329 of the Pennsylvania Public :
Utility Code, 66 Pa C.S. § 1329, for approval of the use :
for ratemaking purposes of the lesser of the fair market : Docket No. A-2025-_____
value or the negotiated purchase price of the assets :
related to the wastewater treatment plant and collection :
system owned and operated by the Elizabeth Borough :
Municipal Authority :

In re: Petition of Pennsylvania-American Water :
Company, related to its acquisition of the wastewater :
treatment plant and collection system owned and :
operated by the Butler Area Sewer Authority, for :
approval under Section 1329 of the Pennsylvania Public :
Utility Code, 66 Pa. C.S. § 1329, to (i) collect a :
distribution system improvement charge, (ii) for book :
and ratemaking purposes, accrue Allowance for Funds : Docket Nos. P-2025-_____
Used During Construction for post-acquisition :
improvements not recovered through the distribution :
system improvement charge, (iii) for book and :
ratemaking purposes, defer depreciation related to post- :
acquisition improvements not recovered through the :
distribution system improvement charge, and :
(iv) include, in its next base rate case, a claim for :
transaction and closing costs :

In re: Filing by Pennsylvania-American Water Company :
under Section 507 of the Pennsylvania Public Utility :
Code, 66 Pa. C.S. § 507, of (i) the Asset Purchase :
Agreement by and between Elizabeth Borough :
Municipal Authority and Pennsylvania-American Water :
Company, and (ii) six (6) agreements with municipal : Docket Nos. U-2025-_____, *et al.*
corporations to be assumed by Pennsylvania-American :
Water Company upon closing of its acquisition of :
substantially all of the assets related to the wastewater :
treatment plant and collection system owned and :
operated by the Elizabeth Borough Municipal Authority :

CERTIFICATE OF SERVICE

I hereby certify that I have served a true copy of the foregoing Pennsylvania-American Water Company Responses to the Bureau of Technical Utility Services Deficiencies Set 1, dated February 19, 2025, regarding the acquisition of the Elizabeth Borough Municipal Authority's wastewater treatment plant and collection system upon the parties, listed below in accordance with the requirements of 52 Pa. Code §1.54 (relating to service by a party).

PARTIES SERVED ON FEBRUARY 21, 2025, IN THE MANNER SPECIFIED

Christy M. Appleby, Esquire
Katie M. Kennedy, Esquire
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101
CAppleby@paoca.org
KKennedy@paoca.org
(VIA electronic mail - OneDrive Link)

Allison Kaster, Esquire
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
400 North Street, F West
Harrisburg, PA 17120
akaster@pa.gov
(VIA electronic mail – OneDrive Link)

Steven C. Gray, Esquire
Rebecca Lyttle, Esquire
Office of Small Business Advocate
555 Walnut Street
1st Floor, Forum Place
Harrisburg, PA 17101
sgray@pa.gov
relyttle@pa.gov
(VIA electronic mail – OneDrive Link)



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Director, Corporate Counsel
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Phone: (717) 550-1562
E-mail: teresa.harrold@amwater.com

David P. Zambito, Esquire (PA ID 80017)
Jonathan P. Nase, Esquire (PA ID 44003)
Cozen O'Connor
17 North Second Street, Suite 1410
Harrisburg, PA 17101
(717) 703-5892
dzambito@cozen.com
jnase@cozen.com

Attorneys for
Pennsylvania-American Water Company

**Pennsylvania Public Utility Commission
66 Pa.C.S. § 1329 Application Filing Checklist – Water/Wastewater
2024 Final Supplemental Implementation Order**

In re: Application of Pennsylvania-American Water Company under Sections 1102(a) and 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S. §§ 1102(a) and 1329, for approval of (1) the transfer, by sale, to Pennsylvania-American Water Company, of substantially all of the assets, properties and rights related to the wastewater treatment plant and collection system owned and operated by the Elizabeth Borough Municipal Authority, and (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in the Borough of Elizabeth, Allegheny County, Pennsylvania

Docket No. A-2025-3052983, et al.

Circle No or Yes for each item. If yes, identify the document, section, and page number containing the item as found within the filing including appropriate cross-reference of duplicate documents. If no, provide a detailed explanation of why the information is not included in the filing.

Red Font indicates all, or some parts of the Response are **CONFIDENTIAL**

1.	Transmittal letter with caption and statement that the filing is pursuant to 66 Pa.C.S. § 1329.	No	<input checked="" type="radio"/>	Appendix A-1
2.	Verification form that is signed by an officer or authorized employee of the company, is dated, and accurately references the case.	No	<input checked="" type="radio"/>	Appendix A-2
3.	Certificate of Service indicating that a complete copy of the application with exhibits was served by registered or certified mail, return receipt requested, or by hand delivery, upon the statutory advocates (OCA, OSBA) and the Bureau of Investigation and Enforcement. ¹	No	<input checked="" type="radio"/>	Appendix A-3
4.	Provide responses to Section 1329 Application Standard Data Requests, including electronic working documents (i.e., Excel spreadsheets) for all the filing’s schedules, studies, and working papers to the extent practicable.	No	<input checked="" type="radio"/>	Appendix A-4 Appendix A-4.1 (SDR) Appendix A-4.2 (WADS Consultants) Appendix A-4.3 (Gannett Fleming) Appendix A-4.5

¹ See Notes on last page of this Checklist; filers will be instructed to also serve other parties when the application is accepted.

AMENDED APPENDIX A

Pennsylvania Public Utility Commission 66 Pa.C.S. § 1329 Application Filing Checklist – Water/Wastewater 2024 Final Supplemental Implementation Order				
5.	Provide copies of two independent appraisals by separate utility valuation experts for use in establishing the fair market value of the Selling Utility.	No	<input checked="" type="radio"/>	Appendix A-5 Appendix A-5.1 (WADS Consultants) Appendix A-5.2 (Gannett Fleming)
6.	State the purchase price of the seller as agreed to by the buyer and seller. ²	No	<input checked="" type="radio"/>	Appendix A-6
7.	State the total fees paid to the utility valuation experts for providing the completed appraisals for the acquisition and provide documentation, i.e., the valuation service agreement and all associated invoices, supporting the subject fee amounts.	No	<input checked="" type="radio"/>	Amended Appendix A-7
8.	Buyer and Seller Verification Statements:			Appendix A-8
	a. Provide a verification statement of the Buyer that its utility valuation expert was selected by the Buyer.	No	<input checked="" type="radio"/>	Appendix A-8-a
	b. Provide a verification statement of the Seller that its utility valuation expert was selected by the Seller.	No	<input checked="" type="radio"/>	Appendix A-8-b
9.	Utility Valuation Expert Verification Statements:			Appendix A-9
	a. Buyer Utility Valuation Expert has no affiliation with the buyer or seller.	No	<input checked="" type="radio"/>	Appendix A-9-a
	b. Buyer Utility Valuation Expert determined fair market value in compliance with the most recent edition of the Uniform Standards of Professional Appraisal Practice as of the date of the report employing the cost, market, and income approaches.	No	<input checked="" type="radio"/>	Appendix A-9-b
	c. Buyer Utility Valuation Expert applied applicable jurisdictional exceptions to the submitted appraisal.	No	<input checked="" type="radio"/>	Appendix A-9-c
	d. Seller Utility Valuation Expert has no affiliation with the buyer or seller.	No	<input checked="" type="radio"/>	Appendix A-9-d
	e. Seller Utility Valuation Expert determined fair market value in compliance with the most recent edition of the Uniform Standards of Professional Appraisal Practice as of the date of the report employing the cost, market, and income approaches.	No	<input checked="" type="radio"/>	Appendix A-9-e
	f. Seller Utility Valuation Expert applied applicable jurisdictional exceptions to the submitted appraisal.	No	<input checked="" type="radio"/>	Appendix A-9-f

² “Seller” refers to the selling municipality; “buyer” refers to the acquiring entity.

AMENDED APPENDIX A

Pennsylvania Public Utility Commission 66 Pa.C.S. § 1329 Application Filing Checklist – Water/Wastewater 2024 Final Supplemental Implementation Order				
10.	Estimated or, if available, actual transaction and closing costs incurred by the buyer that will be included in its rate base.	No	<input checked="" type="radio"/>	Appendix A-10
11.	State the ratemaking rate base as required in 66 Pa.C.S. § 1329 and specify whether it is based on either the fair market value determined by the valuation experts or the asset purchase price.	No	<input checked="" type="radio"/>	Appendix A-11
12.	Provide a proposed tariff containing a rate equal to the existing rates of the seller at the time of the acquisition and a rate stabilization plan, if applicable to the acquisition.	No	<input checked="" type="radio"/>	Appendix A-12
13.	Seller Testimony:			Appendix A-13
	a. Provide seller direct testimony supporting the application, if any.	No	<input checked="" type="radio"/>	Appendix A-13-a • EBMA St. No. 1
	b. Provide seller UVE direct testimony.	No	<input checked="" type="radio"/>	Appendix A-13-b • EBMA St. No. 2
14.	Buyer Testimony:	No	<input checked="" type="radio"/>	Appendix A-14
	a. Provide buyer direct testimony supporting the application.	No	<input checked="" type="radio"/>	Appendix A-14-a • PAWC St. No. 1 • PAWC St. No. 2 • PAWC St. No. 3
	b. Provide buyer UVE direct testimony.	No	<input checked="" type="radio"/>	Appendix A-14-b • PAWC St. No. 4
	c. Identify in Buyer direct testimony the ways in which the buyer has responded to input received at the public hearings referenced in Checklist Item 26, if any.	No	<input checked="" type="radio"/>	Appendix A-14-c
15.	Plant in Service:			
	a. Provide an inventory of the used and useful plant assets to be transferred. Identify separately any utility plant that is held for future use. ³	No	<input checked="" type="radio"/>	Amended Appendix A-15-a
	b. Provide a list of all non-depreciable property such as land and rights-of-way.	No	<input checked="" type="radio"/>	Appendix A-15-b
	c. State the DEP-permitted productive or treatment capacity of sources or treatment facility and the pipe sizes and material used for construction for all transmission and distribution or collection facilities.	No	<input checked="" type="radio"/>	Appendix A-15-c
	d. State the elevations of major facilities and service areas.	No	<input checked="" type="radio"/>	Appendix A-15-d

³ The inventory is to be developed from available records, maps, work orders, debt issue closing documents funding construction projects, and other sources to ensure an accurate listing of utility plant by utility account.

AMENDED APPENDIX A

<p align="center">Pennsylvania Public Utility Commission 66 Pa.C.S. § 1329 Application Filing Checklist – Water/Wastewater 2024 Final Supplemental Implementation Order</p>				
	e. State the approximate time schedule for installation of the various component facilities.	No	<input checked="" type="radio"/>	Appendix A-15-e
	f. State the tentative journal entries for booking the acquisition.	No	<input checked="" type="radio"/>	Appendix A-15-f
<hr/>				
16.	Map of Service Area. Provide a scalable map or plan of suitable scale highlighting the boundaries of the proposed service area that includes:	No	<input checked="" type="radio"/>	Appendix A-16
	a. The extent of the proposed service area with any existing adjoining service areas identified.	No	<input checked="" type="radio"/>	Appendix A-16-a through e
	b. A north arrow depicting map orientation.	No	<input checked="" type="radio"/>	Appendix A-16-a through e
	c. A written description of the boundaries for the service territory utilizing bearing angles and distances.	No	<input checked="" type="radio"/>	Appendix A-16-a through e
	d. Size of the service territory area in terms of acres or square miles.	No	<input checked="" type="radio"/>	Appendix A-16-a through e
	e. Identification and depiction of all municipal boundaries relative to the service area.	No	<input checked="" type="radio"/>	Appendix A-16-a through e
	f. Depiction of the location or route of the waterworks or wastewater collection, treatment, or disposal facilities.	No	<input checked="" type="radio"/>	Appendix A-16-f
<hr/>				
17.	Customers:			
	a. State the seller’s actual number of customers by class and quantify the related consumption or gallons treated in the current calendar year and future number of connections anticipated for the next 5 years and, if available, the next 10 years.	No	<input checked="" type="radio"/>	Appendix A-17-a
	b. Buyer shall demonstrate its ability to provide adequate water supply, treatment, storage and distribution or adequate wastewater collection, treatment or disposal capacity to meet present and future customer demands.	No	<input checked="" type="radio"/>	Appendix A-17-b
	c. For water system acquisitions, quantify the number of public and private fire hydrants.	No	<input checked="" type="radio"/>	Appendix A-17-c
<hr/>				
18.	Rates:			
	a. State the current rates of the seller.	No	<input checked="" type="radio"/>	Amended Appendix A-18-a
	b. Provide a copy of the seller’s current rules and regulations for service.	No	<input checked="" type="radio"/>	Appendix A-18-b
	c. Provide a proposed tariff or tariff supplement showing the rates, proposed rules, and conditions of service.	No	<input checked="" type="radio"/>	Appendix A-18-c

AMENDED APPENDIX A

Pennsylvania Public Utility Commission 66 Pa.C.S. § 1329 Application Filing Checklist – Water/Wastewater 2024 Final Supplemental Implementation Order			
	d. Provide a copy of the notification which will be sent by the Buyer to affected customers describing the filing and the anticipated effect on rates, including:	No	<input checked="" type="radio"/> Yes Appendix A-18-d
	i. For the Seller’s customers, the overall dollar and percentage rate impacts implicated from stand-alone rates that recover the Buyer’s estimated annual gross revenue requirement for the acquired system from the Seller's customers.	No	<input checked="" type="radio"/> Yes Appendix A-18-d.i, d.iii through d.iv
	ii. For the Buyer’s customers, the overall dollar and percentage rate impacts implicated from the following rates: (1) for water applications, rates that recover the Buyer’s estimated annual net revenue requirement for the acquired system from the Buyer’s existing water customers, or (2) for wastewater applications, both water and wastewater rates that recover the Buyer’s estimated annual net revenue requirement for the acquired system from the Buyer’s existing water and wastewater customer, respectively.	No	<input checked="" type="radio"/> Yes Appendix A-18-d.ii through d.iv
	iii. Clear, plain language information about rate impacts.	No	<input checked="" type="radio"/> Yes See Appendices A-18-d.i and A-18-d.ii
	iv. A statement that any promise to freeze rates may be unenforceable.	No	<input checked="" type="radio"/> Yes See Appendices A-18-d.i and A-18-d.ii
	e. Provide a verification statement addressing <i>whether</i> the Buyer provided the Seller with estimates and supporting working papers, including the potential rate impacts that the transaction may have on the Seller’s customers, assuming the Buyer’s highest proposed purchase price and stand-alone rates that recovery the Buyer’s estimated gross revenue requirements for the acquired system from the Seller’s customers, prior to execution of the APA.	No	<input checked="" type="radio"/> Yes Appendix A-18-e
19.	Cost of Service:		
	a. Provide a copy of the seller’s two most recent audited financial statements.	No	<input checked="" type="radio"/> Yes Appendix A-19-a
	b. Provide a copy of the seller’s two most recent adopted budgets.	No	<input checked="" type="radio"/> Yes Appendix A-19-b
	c. Provide a copy of the seller’s most recent annual report filed with the Commonwealth’s Department of Community and Economic Development.	No	<input checked="" type="radio"/> Yes Appendix A-19-c
	d. Provide calculations quantifying the projected revenues and expenses for the acquisition.	No	<input checked="" type="radio"/> Yes Appendix A-19-d
	e. State whether the seller has any outstanding loans on the utility plant and identify the nature, terms, and payment history.	No	<input checked="" type="radio"/> Yes Appendix A-19-e

<p align="center">Pennsylvania Public Utility Commission 66 Pa.C.S. § 1329 Application Filing Checklist – Water/Wastewater 2024 Final Supplemental Implementation Order</p>				
20.	Proof of Compliance. Provide proof of compliance with applicable design, construction and operation standards of DEP or of the county health department, or both, including:			
	a. For water system acquisitions, provide copies of the public water supply/water quality management permits for the utility plant.	No	<input checked="" type="radio"/> Yes	Appendix A-20-a
	b. For wastewater system acquisitions, provide copies of the water quality management and National Pollution Discharge Elimination System (NPDES) permits for the utility plant.	No	<input checked="" type="radio"/> Yes	Appendix A-20-b
	c. For wastewater system acquisitions, provide a copy of the Chapter 94 Municipal Wasteload Management Report that was most recently submitted to DEP.	No	<input checked="" type="radio"/> Yes	Appendix A-20-c
	d. Valid buyer’s certified operators’ certificates appropriate to the facilities being acquired.	No	<input checked="" type="radio"/> Yes	Appendix A-20-d
	e. Provide documentation evidencing a 5-year compliance history with DEP with an explanation of each violation for the seller’s utilities that have been providing service as well as provide a copy of any DEP-approved corrective action plans.	No	<input checked="" type="radio"/> Yes	Appendix A-20-e
	f. Provide documentation of all Notices of Violation issued to seller by DEP for the last 5 years, an explanation of each, including a description of any corrective or compliance measures taken.	No	<input checked="" type="radio"/> Yes	Appendix A-20-f
	g. Provide documentation evidencing a 5-year compliance history with DEP of other utilities owned or operated, or both, by the buyer, including affiliates, and their officers and parent corporations with regard to the provision of utility service. ⁴	No	<input checked="" type="radio"/> Yes	Appendix A-20-g
	h. Provide a statement clarifying whether the acquired plant will be physically interconnected to the buyer’s system or be operated as a standalone system.	No	<input checked="" type="radio"/> Yes	Appendix A-20-h
	i. Provide a statement that explains how the acquisition will fit into the current operations of the buyer.	No	<input checked="" type="radio"/> Yes	Appendix A-20-i
	j. Provide a statement that identifies the staff, district or division of the buyer that will operate and manage the acquisition.	No	<input checked="" type="radio"/> Yes	Appendix A-20-j
	k. Provide a statement quantifying the distance in miles the acquisition is from the buyer’s existing system or facilities.	No	<input checked="" type="radio"/> Yes	Appendix A-20-k

⁴ Regarding Checklist Item 20(g), Class A public utilities need only submit compliance history for operations in the neighboring areas or a statement attesting to their compliance with this item.

AMENDED APPENDIX A

Pennsylvania Public Utility Commission 66 Pa.C.S. § 1329 Application Filing Checklist – Water/Wastewater 2024 Final Supplemental Implementation Order				
	1. Provide a statement that identifies all planned physical, operational and managerial changes of the buyer that will occur after closing and state the timeframe and cost for each.	No	<input checked="" type="radio"/> Yes	Appendix A-20-1
21.	Affected Persons. State the identity of all public utilities, municipalities, municipal authorities, cooperatives and associations which provide public water service or wastewater collection, treatment or disposal service within each municipality, or a municipality directly adjacent to the municipality(ies), in which the applicant seeks to provide service that abuts or is situated within one mile of the applicant’s proposed facilities.	No	<input checked="" type="radio"/> Yes	Appendix A-21
22.	Other requirements. Demonstrate compliance with the following:			
	a. For wastewater system acquisitions, demonstrate compliance with the DEP-approved Act 537 Official Sewage Facilities Plans for the affected municipalities (including the extent of the requested service territory).	No	<input checked="" type="radio"/> Yes	Appendix A-22-a
	b. For wastewater system acquisitions, provide a copy of the DEP-approved Act 537 Official Sewage Facilities Plans for the affected municipalities.	No	<input checked="" type="radio"/> Yes	Appendix A-22-b
	c. For wastewater system acquisitions, state the method of water service being provided in the requested wastewater service territory (i.e., public water or private wells) and identify the name of water utility, if applicable.	No	<input checked="" type="radio"/> Yes	Appendix A-22-c
	d. For water system acquisitions, state the method of wastewater service being provided in the requested water service territory (i.e., public wastewater or private on-lot) and identify the name of wastewater utility, if applicable.	No	<input checked="" type="radio"/> Yes	Appendix A-22-d
	e. Provide evidence the filing is consistent with the affected municipality and county comprehensive plans if the filing proposes to expand service beyond the existing plant footprint.	No	<input checked="" type="radio"/> Yes	Appendix A-22-e

Pennsylvania Public Utility Commission 66 Pa.C.S. § 1329 Application Filing Checklist – Water/Wastewater 2024 Final Supplemental Implementation Order			
23.	Additional Verification Statements:		
	a. For water system acquisitions, provide a verification that the water sources and customers are metered in accordance with 52 Pa. Code § 65.7 (relating to metered service). If unmetered water service is currently provided, the applicant shall provide a metering plan to the Commission.	No	<input checked="" type="radio"/> Yes Appendix A-23-a
	b. Include a statement that there is no affiliation between the buyer and seller.	No	<input checked="" type="radio"/> Yes Appendix A-23-b
	c. Include a statement that the agreement was conducted at arm’s length.	No	<input checked="" type="radio"/> Yes Appendix A-23-c
	d. Include a statement explaining how the customers will benefit from the Buyer’s ownership.	No	<input checked="" type="radio"/> Yes Appendix A-23-d
	e. Provide a verification statement that the Seller is aware of the potential rate impacts the transaction may have on the Seller’s customers, including the overall dollar and percentage rate impacts implicated from stand-alone rates that recover the Buyer’s estimated annual gross revenue requirement for the acquired system from the Seller’s customers.	No	<input checked="" type="radio"/> Yes Appendix A-23-e
	f. Provide a verification statement that the Buyer and Seller understand the Commission may shift rate allocations in a manner different from any commitments made in the underlying application.	No	<input checked="" type="radio"/> Yes Appendix A-23-f
24.	Asset Purchase Agreement (APA):		
	a. Provide a copy of the APA that is signed by all parties.	No	<input checked="" type="radio"/> Yes Appendix A-24-a
	b. APA clearly states the purchase price and terms.	No	<input checked="" type="radio"/> Yes Appendix A-24-b
	c. APA clearly states whether all assets or only a portion of the assets are to be purchased (e.g., water treatment and distribution or wastewater collection and treatment).	No	<input checked="" type="radio"/> Yes Appendix A-24-c
	d. APA adequately describes the assets to be acquired.	No	<input checked="" type="radio"/> Yes Appendix A-24-d
	e. APA adequately describes the assets to be excluded.	No	<input checked="" type="radio"/> Yes Appendix A-24-e
25.	Provide a copy of all municipal and affiliate contracts to be assumed by buyer as part of the acquisition and a list and annual dollar value of other contracts.	No	<input checked="" type="radio"/> Yes Amended Appendix A-25

Pennsylvania Public Utility Commission 66 Pa.C.S. § 1329 Application Filing Checklist – Water/Wastewater 2024 Final Supplemental Implementation Order				
26.	Public Hearings. Provide a verification statement that at least two in-person public hearings were scheduled and conducted prior to executing the APA, and that:	No	<input checked="" type="radio"/>	Appendix A-26
	a. The public hearings addressed the proposed acquisition, described the potential rate impacts, provided the opportunity for public comment, and were held at venues within the municipal boundaries of the Seller, or at the nearest reasonable venues, with Commission notification.	No	<input checked="" type="radio"/>	Appendix A-26-a
	b. The Buyer or Seller notified the Seller’s customers of the public hearings.	No	<input checked="" type="radio"/>	Appendix A-26-b
27.	If seeking a deviation from the default weights established in the 2024 Final Supplemental Implementation Order, provide the request supported by good cause.	No	<input checked="" type="radio"/>	Appendix A-27

Notes:

*All information disclosed within this application is considered public information unless specifically labeled confidential. Applicants are responsible for disclosing to the Secretary’s Bureau that which is privileged or confidential information and not otherwise available to the public. **Submit one copy of all confidential information, on documents stamped CONFIDENTIAL at the top in clear and conspicuous letters, in a separate envelope (but still attached to the application) to the Secretary’s Office along with the Application.***

If you e-file your application, separately mail any confidential information specifically identifying that you have e-filed the application. Be sure to specify the Applicant’s name, and provide the e-filing confirmation page.

Once the application is reviewed and accepted as filed, the Commission will issue a secretarial letter instructing the Applicant to publish notice in local newspapers of general circulation and to serve (electronically if acceptable to recipient) the following:

- *each city, borough, town, township, county and related planning office which is included whole or in part in the proposed service area;*
- *a water or wastewater utility, municipal corporation or authority which provides water or wastewater collection, treatment or disposal service to the public and whose service area abuts or is within 1 mile of the service area proposed in the application; and*
- *the Department of Environmental Protection’s central and regional offices.*

**Application of Pennsylvania-American Water Company for the Acquisition of
the Wastewater Treatment Plant and Collection System Owned and Operated by
Elizabeth Borough Municipal Authority (“EBMA”)**

Docket No. A-2025-3052983

66 Pa. C.S. § 1329

Application Filing Checklist – Water/Wastewater

7. State the total fees paid to the utility valuation experts for providing the completed appraisals for the acquisition and provide documentation, i.e., the valuation service agreement and all associated invoices, supporting the subject fee amounts.

RESPONSE: The valuation service agreements and fees paid to Jerome C. Weinert, P.E., Principal and Director for Weinert Approval and Depreciation Services, LLC (“WAD”) on behalf of PAWC and Harold Walker, III, Manager of Financial Studies of Gannett Fleming Valuation and Rate Consultants, LLC (“Gannett Fleming”) on behalf of EBMA are reflected in **Appendix A-7.1** (WAD) and **Appendix A-7.2** (Gannett Fleming). WAD’s fees paid to date are \$27,325. Gannett Fleming’s fees paid to date are \$31,953.

AMENDED RESPONSE:

Please see **Amended Appendix A-7.2**.



Gannett Fleming
Valuation and Rate Consultants, LLC

Corporate Headquarters
207 Senate Avenue
Camp Hill, PA 17011
P 717.763.7211 | F 717.763.8150

gannettfleming.com

September 12, 2022

Via email to mpkenney95@gmail.com (For Hand-Delivery)

Elizabeth Borough Municipal Authority
1 Locust Street
Elizabeth, PA 15037

Ladies and Gentlemen:

Fair Market Value Appraisal

In response to your request, Gannett Fleming Valuation and Rate Consultants, LLC (Gannett Fleming) is pleased to submit this cost proposal to provide the Elizabeth Borough Municipal Authority (EBMA or Authority) with a fair market value appraisal of Elizabeth Borough Municipal Authority's wastewater system assets (Wastewater System) consistent with the date of the Engineer's Assessment.

SCOPE OF SERVICES

Gannett Fleming proposes to conduct a fair market value appraisal of the Wastewater System in compliance with the Uniform Standards of Professional Appraisal Practices, employing the cost, market, and income approaches. It should be noted that Gannett Fleming will utilize asset cost information provided by the Engineering Assessment of the Wastewater System's assets. The Engineering Assessment of the Wastewater System's tangible assets has been, or will be, completed separately by a Professional Engineer.

Fair market value is defined as "the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts."



As stated, the standard of value for this engagement is fair market value. The premise of value is going concern. The going concern premise of business value assumes that the business will continue running normally using all of its assets to produce income and will continue operating beyond the valuation date.

Gannett Fleming will value the Wastewater System's assets as a group under the premise that they collectively comprise an ongoing operating business enterprise. In accordance with 66 Pa. C.S. Section 1329, the original source of funding for any part of the assets of the selling utility will not be relevant to the determination of the value of said assets.

We will accept all information and data provided by EBMA as it pertains to this assignment "as is" after a limited review. That is, we will neither audit nor verify any data, original cost study, financial records or operating data provided for this assignment.

SITE INSPECTION

We will visit or inspect the Wastewater System's facilities and rely on the information provided by the Engineering Assessment of the Wastewater System's assets provided by EBMA.

APPRAISAL REPORT

We will prepare a written document to substantiate our opinion. Our appraisal will be developed consistent with the Uniform Standards of Professional Appraisal Practices. Our valuation will include a detailed analysis and will be presented in a narrative comprehensive, "stand-alone" document for your use. The estimate of value that results from a valuation engagement will be expressed as a conclusion of value to be used for the purposes stated above.

Although our valuation is intended to estimate fair market value, we assume no responsibility for the inability of a seller or buyer to obtain a sale or purchase contract at that price.



QUALIFICATIONS

Since 1915, Gannett Fleming and its predecessors have been helping clients in public pricing policy and related financial matters for managerial purposes, before regulatory commissions and in courts of law. Our staff has considerable experience in providing an array of specialized financial services to support the core needs and objectives of our clients.

Our specialized financial services encompass utility valuations, economic valuation studies, cost of capital studies, depreciation studies, rate studies, lead lag studies, analyses of public utility accounting systems, debt financing reports, economic and demographic studies, financial decision studies, optimum capital structure, debt service levels, dividend policy, private placement of debt, financial benchmarking, and conducting property inventories.

We design each study and its related report to meet the specific requirements of our clients. These studies require objective analyses of basic data, informed professional judgment, and clear presentation of the results. Our staff includes professionals specialized in public utility accounting and ratemaking, valuation, cost of capital, lead lag, depreciation, associated technical services, and financial analysis. We are experienced utility valuation experts who determine fair market value using the cost, market, and income approaches in accordance with 66 Pa. C.S. Section 1329. We are a registered Municipal Advisor with the Securities & Exchange Commission (SEC); and are a subsidiary of Gannett Fleming, Inc.

Gannett Fleming is approved as a "Utility Valuation Expert" by the PAPUC within the context of 66 Pa. C.S. Section 1329, Valuation of Acquired Water and Wastewater Systems.

FIDUCIARY DUTY

Gannett Fleming has a fiduciary duty to, and will, provide a thorough, objective, and fair market valuation using the cost, market and income approaches in accordance with 66 Pa. C.S. Section 1329 and Pennsylvania laws.



Gannett Fleming attests that it does not derive any material financial benefit from the sale of, or purchase of, a selling utility other than fees for services rendered. Gannett Fleming also verifies it does not have any immediate family members who are directors, officers or employees of either an acquiring public utility, entity or selling utility within a 12-month period of the date of hire to perform an appraisal. We further affirm that Gannett Fleming is not directly or indirectly owned, partnered or in any way affiliated with a water/wastewater distribution company.

BASIS FOR COMPENSATION

Gannett Fleming will perform the above services, and other related services that you may authorize, based on hourly billing rates for our personnel in effect when we perform the work, plus the reimbursement of direct expenses. Direct expenses include transportation, meals, lodging and incidental expenses incurred while traveling and any other expenses required as a result of the assignment that are not incidental to the normal conduct of business. Attached is a copy of our billing rates currently in effect. We will render invoices monthly for services performed during the preceding month.

Based on our experience, we estimate the cost for a complete appraisal, direct testimony, and other filing requirements will range from \$30,000 to \$35,000. The actual charges for these services will, of course, depend on the amount of time required to complete the assignment and the extent to which data are provided. The availability and quality of the required data sources of information will affect the final cost.

SCHEDULE

The fair market value appraisal will be completed within 45 to 60 days of timely receipt of an executed proposal, the requested data, and completion of the Engineering Assessment.

PROPOSAL

Based on the understanding outlined in this letter, we propose that Elizabeth Borough Municipal Authority retain Gannett Fleming Valuation and Rate Consultants, LLC to perform the requested services as outlined in this letter. If this proposal is satisfactory to you, please have an individual authorized to bind the Authority sign where indicated below and then scan and email the executed copy to me via email at



hwalker@gfnet.com, with a copy to our Administrative Manager, Cheryl Rutter, at crutter@gfnet.com.

We thank the Elizabeth Borough Municipal Authority for this opportunity to provide valuation services in connection with the fair market value appraisal of the Wastewater System's assets. We look forward to acceptance of our proposal and to a successful project.

Respectfully Submitted,

GANNETT FLEMING VALUATION
AND RATE CONSULTANTS, LLC

HAROLD WALKER, III
Manager, Financial Studies

Elizabeth Borough Municipal Authority accepts the foregoing Proposal and authorizes Gannett Fleming Valuation and Rate Consultants, LLC to proceed with the services described herein.

ACCEPTED BY:

Timothy C. Guffey
(Signature)

Timothy C Guffey
(Printed Name)

Chairman
(Title)

January 27, 2023
(Date)



GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

2022 BILLING RATES

<u>Personnel</u>	<u>Hourly Rate</u>
SUPERVISORY STAFF	
John J. Spanos, President	\$305.00
Ned W. Allis, Vice President	270.00
Harold Walker, III, Manager, Financial Studies	270.00
Constance E. Heppenstall, Senior Project Manager, Rate Studies	260.00
John F. Wiedmayer, Jr., Senior Project Manager, Depreciation Studies	250.00
STAFF	
Senior Analysts	200.00
Analysts	190.00
Associate Analysts	180.00
Assistant Analysts III	170.00
Assistant Analysts II	150.00
Assistant Analysts I	140.00
Senior Technicians	125.00
Support Staff	125.00

EXPERIENCE

EXPERIENCE

GANNETT FLEMING, INC.

Gannett Fleming, Inc. (parent company) is an international consulting engineering firm with expertise in numerous disciplines including utility ratemaking, transportation, environmental, water, energy, and facility-related projects. The firm's headquarters is located in Camp Hill, Pennsylvania. Regional offices are maintained in 22 states, Canada, and an office in Qatar. With over 2,500 highly qualified individuals across a global network of over 50 offices, we are united in our passion to deliver excellence. We have played a part in shaping infrastructure and improving communities in more than 65 countries.

Founded in 1915, we embrace sustainability and innovation in our projects and internal activities, achieving results while being responsible stewards of our environment. Our culture of service, ingenuity, and responsiveness empowers us to fulfill a key objective: *make our clients successful.*

At Gannett Fleming, Inc., we take great pride in our ability to deliver a high-quality product to our clients. This commitment to quality is embodied in our written quality policy statement, namely to *"Provide professional services that meet the requirements of clients and involve all personnel in continually improving work processes."* Not only is Gannett Fleming consistently ranked in the top 10 percent on *Engineering News-Record's* Top 500 Design Firms list, but we also maintain an ISO 9001:2015 certification for all practices and business units within our company. This is a major accomplishment and our clients – and the public they serve – are the ultimate beneficiary of this rigorous quality management program.

Gannett Fleming, Inc.'s Objectives

- *Determine the client's requirements*
- *Communicate with all parties*
- *Deliver projects on time and within budget*
- *Provide a thorough and timely response to client requests*

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

Overview

Gannett Fleming Valuation and Rate Consultants, LLC provides consulting services to investor-owned and publicly owned utilities and has successfully represented clients in public pricing policy and related matters before regulators and in courts of law. We have been providing our services since 1915. Our personnel have maintained an honest dedication to job performance and are proud of the reputation for expert representation accorded us by word-of-mouth within the industry. Our team of financial analysts, engineers, accountants, and analysts has a broad experience base to meet your needs, and we are skilled in using computer-modeling techniques to customize your financial studies and analyses. We combine the guiding traditional principles with innovative approaches to provide an understandable product that can stand the test of scrutiny. We remain informed with respect to, and in many cases, help to form the standards of our practice in the utility industry. Our staff provides expert testimony in formal regulatory proceedings before local, county, regional, state, and federal bodies throughout North America.

Partial List of Fair Market Value Appraisals Provided in Pennsylvania

Gannett Fleming Valuation and Rate Consultants, LLC has provided Fair Market Value appraisals in the following transactions:

- Sale of New Garden Township Sewer Authority to Aqua Pennsylvania in 2017;
- Sale of Limerick Township Wastewater system to Aqua Pennsylvania in 2017;
- Sale of East Bradford Township Wastewater system to Aqua Pennsylvania in 2018;
- Sale of Mahoning Township Water system to Suez Water Pennsylvania in 2018;
- Sale of Mahoning Township Wastewater system to Suez Water Pennsylvania in 2018;

- Sale of Exeter Township Wastewater system to Pennsylvania-American Water Company in 2019;
- Sale of Cheltenham Township Wastewater system to Aqua Pennsylvania in 2019;
- Sale of East Norriton Township Wastewater system to Aqua Pennsylvania in 2019;
- Sale of Delaware County Regional Water Quality Control Authority Wastewater system to Aqua Pennsylvania in 2019;
- Sale of Kane Borough Authority Wastewater system to Pennsylvania-American Water Company in 2020;
- Sale of Royersford Borough Authority Wastewater system to Pennsylvania-American Water Company in 2021;
- Sale of Upper Pottsgrove Township Wastewater system to Pennsylvania-American Water Company in 2021;
- Sale of Valley Township Wastewater system to Pennsylvania-American Water Company in 2021;
- Sale of Valley Township Water system to Pennsylvania-American Water Company in 2021;
- Sale of Upper Pottsgrove Township Wastewater system to Pennsylvania-American Water Company in 2020;
- Sale of Lower Makefield Township Wastewater system to Aqua Pennsylvania in 2021;
- Sale of Willistown Township Wastewater system to Aqua Pennsylvania in 2021;
- Sale of East Whiteland Township Wastewater system to Aqua Pennsylvania in 2021;
- Sale of Municipal Authority of the Borough of Shenandoah Water system to Aqua Pennsylvania in 2022; and
- Sale of City of Beaver Falls Wastewater system to Aqua Pennsylvania in 2022.

Additional Information

For further information about Gannett Fleming, Inc. and Gannett Fleming Valuation and Rate Consultants, LLC, our corporate website can be accessed at <https://www.gannettfleming.com/solutions/valuation-rate/>.



Check Payment Information:
Gannett Fleming Valuation and Rate Consultants, LLC
PO Box 829160, Philadelphia, PA 19182-9160 Federal EIN: 46-4413705
ACH/EFT Payment Information:
Account Name: Gannett Fleming Companies ABA: [REDACTED]
Account No.: [REDACTED]
Send Remit Info: AccountsReceivable@gfnet.com
Send Audit Inquiries: GovtContractAudit@gfnet.com
All Other Inquires Contact the Project Team

Attention: Accounts Payable
Elizabeth Borough Municipal Authority
1 Locust Street
Elizabeth, PA 15037
UNITED STATES

Invoice : 0000035255
Invoice Date : 4/24/2024
Due Date : 5/24/2024
Project : 079340
Project Name : Elizabeth Borough Mun Auth-Fair
Market Value Appraisal-WWtr Sys
Bill Term : 01

For Professional Services Rendered Through 3/29/2024

Contract : GFC748964
Contract Name : Elizabeth Borough Municipal
Authority-GFC748964
Contract Date : 3/21/2024

Fair Market Value Appraisal - Wastewater System

000 - Fair Market Value Appraisal -
Wastewater System

Total :

	Current
	Billings
	6,000.00
	<hr/> 6,000.00
Current Billings	<hr/> 6,000.00
Amount Due This Bill	US <hr/> <hr/> 6,000.00

Harold Walker III

000 - Fair Market Value Appraisal - Wastewater System

Rate Labor

<i>Class</i>	<i>Hours</i>	<i>Rate</i>	<i>Amount</i>
Harold Walker III	19.00	290.000	5,510.00
Support Staff	3.50	140.000	490.00
Total Rate Labor	22.50		6,000.00

Total Bill Task : 000 - Fair Market Value Appraisal - Wastewater System 6,000.00

Total Project : 079340 - Elizabeth Borough Mun Auth-Fair Market Value Appraisal-WWtr Sys 6,000.00



Check Payment Information:
 Gannett Fleming Valuation and Rate Consultants, LLC
 PO Box 829160, Philadelphia, PA 19182-9160 Federal EIN: 46-4413705
ACH/EFT Payment Information:
 Account Name: Gannett Fleming Companies ABA: [REDACTED]
 Account No.: [REDACTED]
 Send Remit Info: AccountsReceivable@gfnet.com
 Send Audit Inquiries: GovtContractAudit@gfnet.com
 All Other Inquires Contact the Project Team

Attention: Accounts Payable
Elizabeth Borough Municipal Authority
 1 Locust Street
 Elizabeth, PA 15037
 UNITED STATES

Invoice : 0000035711
Invoice Date : 5/9/2024
Due Date : 6/8/2024
Project : 079340
Project Name : Elizabeth Borough Mun Auth-Fair
 Market Value Appraisal-WWtr Sys
Bill Term : 01

For Professional Services Rendered Through 4/26/2024

Contract : GFC748964
Contract Name : Elizabeth Borough Municipal
 Authority-GFC748964
Contract Date : 3/21/2024

Fair Market Value Appraisal - Wastewater System

000 - Fair Market Value Appraisal -
 Wastewater System

Total :

	Current
	Billings
	24,420.00
	24,420.00
	24,420.00
Current Billings	24,420.00
Amount Due This Bill	US 24,420.00

Harold Walker III

Outstanding Receivables	Invoice Number	Date	Amount	Balance Due
	0000035255	4/24/2024	6,000.00	6,000.00
				6,000.00

000 - Fair Market Value Appraisal - Wastewater System

Rate Labor

<i>Class</i>	<i>Hours</i>	<i>Rate</i>	<i>Amount</i>
Harold Walker III	79.00	290.000	22,910.00
Senior Analyst	1.00	210.000	210.00
Senior Technician	3.00	130.000	390.00
Support Staff	6.50	140.000	910.00
Total Rate Labor	89.50		24,420.00

Total Bill Task : 000 - Fair Market Value Appraisal - Wastewater System 24,420.00

Total Project : 079340 - Elizabeth Borough Mun Auth-Fair Market Value Appraisal-WWtr Sys 24,420.00



Check Payment Information:
Gannett Fleming Valuation and Rate Consultants, LLC
PO Box 829160, Philadelphia, PA 19182-9160 Federal EIN:
ACH/EFT Payment Information:
Account Name: Gannett Fleming Companies ABA: [REDACTED]
Account No.: [REDACTED]
Send Remit Info: AccountsReivable@gfnet.com
Send Audit Inquiries: GovtContractAudit@gfnet.com
All Other Inquires Contact the Project Team

Attention: Accounts Payable
Elizabeth Borough Municipal Authority
1 Locust Street
Elizabeth, PA 15037
UNITED STATES

Invoice : 0000042645
Invoice Date : 10/16/2024
Due Date: 11/15/2024
Project : 079340
Project Name : Elizabeth Borough Mun Auth-Fair
Market Value Appraisal-WWtr Sys
Bill Term : 01

For Professional Services Rendered For 9/14/2024 Through 10/11/2024

Contract : GFC748964
Contract Name : Elizabeth Borough Municipal
Authority-GFC748964
Contract Date : 3/21/2024

Fair Market Value Appraisal - Wastewater System

	Current
	Billings
000 - Fair Market Value Appraisal - Wastewater System	1,445.00
Total :	1,445.00
	Current Billings
	1,445.00
Amount Due This Bill	US 1,445.00

Harold Walker III

Outstanding Receivables	Invoice Number	Date	Amount	Balance Due
	0000041608	9/19/2024	88.09	88.09
				88.09



Check Payment Information:
Gannett Fleming Valuation and Rate Consultants, LLC
PO Box 829160, Philadelphia, PA 19182-9160 Federal EIN: 46-4413705
ACH/EFT Payment Information:
Account Name: Gannett Fleming Companies ABA: [REDACTED]
Account No.: [REDACTED]
Send Remit Info: AccountsReceivable@gfnet.com
Send Audit Inquiries: GovtContractAudit@gfnet.com
All Other Inquires Contact the Project Team

Attention: Accounts Payable
Elizabeth Borough Municipal Authority
1 Locust Street
Elizabeth, PA 15037
UNITED STATES

Invoice : 0000041608
Invoice Date : 9/19/2024
Due Date : 10/19/2024
Project : 079340
Project Name : Elizabeth Borough Mun Auth-Fair
Market Value Appraisal-WWtr Sys
Bill Term : 01

For Professional Services Rendered For 4/27/2024 Through 9/13/2024

Contract : GFC748964
Contract Name : Elizabeth Borough Municipal
Authority-GFC748964
Contract Date : 3/21/2024

Fair Market Value Appraisal - Wastewater System

	<u>Current</u> <u>Billings</u>
000 - Fair Market Value Appraisal - Wastewater System	88.09
Total :	88.09
	<u>Current Billings</u> 88.09
	<u>Amount Due This Bill</u> US <u>88.09</u>

Harold Walker III

**Application of Pennsylvania-American Water Company for the Acquisition of
the Wastewater Treatment Plant and Collection System Owned and Operated by
Elizabeth Borough Municipal Authority (“EBMA”)**

Docket No. A-2025-3052983

66 Pa. C.S. § 1329

Application Filing Checklist – Water/Wastewater

15. Plant in Service.
- a. Provide an inventory of the used and useful plant assets to be transferred. Identify separately any utility plant that is held for future use.¹

RESPONSE: a. See the Engineer’s Assessment attached as Appendix A-15-a that identifies assets to be transferred as required by 66 Pa.C.S. § 1329(a)(4). It should be noted that the Engineer’s Assessment identifies a 30-inch diameter force main that is not in service currently and is reserved for future use when the remaining components of the Long-Term Control Plan are in place.

AMENDED RESPONSE:

- a. See **Amended Appendix A-15-a**, which revises Appendix H of the Engineer’s Assessment to correct the pump station property parcels number, consistent with APA Schedule 4.1(I)(i).

¹ The inventory is to be developed from available records, maps, work orders, debt issue closing documents funding construction projects, and other sources to ensure an accurate listing of utility plant by utility account.

**ELIZABETH BOROUGH MUNICIPAL AUTHORITY
AND
PA AMERICAN WATER COMPANY**

ENGINEERING ASSESSMENT STUDY

**PHYSICAL ASSETS OF THE
ELIZABETH BOROUGH MUNICIPAL AUTHORITY**

February 2024
REVISED JULY 2024

Prepared By:



420 William Pitt Way
Pittsburgh, PA 15238
(412) 826-5454, Ext. 115
www.lsse.com



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APPENDICES

Appendix A –	Overall System Map
Appendix B –	Pump Station Plan
Appendix C -	WWTP Plan
Appendix D -	Collection System Inventory
Appendix E -	Pump Station Inventory
Appendix F -	Wastewater Treatment Plant Inventory
Appendix G -	Other Plant Inventory
Appendix H -	Land and Land Rights Inventory

1.0 EXECUTIVE SUMMARY

The Elizabeth Borough Municipal Authority (Authority) owns and operates a combined sewer system including collection, pumping and treatment facilities. The Authority’s service area includes all or portions of Elizabeth Borough, Forward Township, Elizabeth Township, and Lincoln Borough. Pennsylvania American Water Company (PAWC) and the Authority have entered into an Asset Purchase Agreement (APA) to transfer ownership of the system assets to PAWC.

Senate Engineering, Inc. (Senate) was contracted by PAWC and the Authority in January 2023 to prepare an assessment of tangible assets for the purchase of the Authority’s wastewater collection, pumping and treatment systems by PAWC. These assets include the infrastructure, facilities, equipment and real estate currently owned by the Authority that are to be purchased by PAWC. Since this report was originally issued in August 2023 Senate was acquired by and is now a division of LSSE, Inc.

This engineering assessment study consists of 3 primary parts, namely the inventory of assets, the listing of original costs, and a statement regarding the general condition of the assets. The assessment was compiled and organized in accordance with the National Association of Regulatory Utility Commissions (NARUC) system of accounts. Each section of the report contains a summary table of asset category and the corresponding NARUC accounts. Detailed inventories of each asset category, including account number, descriptions, quantities and year of construction or purchase are contained in the report appendices. A summary of all asset account numbers and original costs is shown in the following table.

Table 1.0
Summary of Asset Categories and Original Cost

Category	Category Total
Collection System Plant	\$7,395,088
Pump Station Plant	\$9,157,492
WWTP Plant	\$2,032,383
Other Plant	\$335,980
Lands and Land Rights	\$299,069
Asset Original Cost Total	\$19,220,012

A summary of the NARUC account numbers and original facility costs is shown in the table on Page 2.

Table 1A below shows a summary of work-in-progress projects currently underway in Authority’s sewer system. The costs associated with these projects are separate from in-service projects listed in Table 1.

Table 1A
Summary of Work-In-Progress: Completed to Date and Anticipated Total Cost

Category	Costs Incurred to Date	Anticipated Total Cost
Collection System Plant - CD 48 Program Year	\$ 20,817	\$ 0
Collection System Plant - CD 49 Program Year	\$ 19,688	\$ 120,666
Total Work-In-Progress	\$ 40,505	\$ 310,000
Pump Station Plant - Property	\$ 7,500	\$ 7,500
Total Work-In-Progress	\$ 7,500	\$ 7,500

Table 1.1
Summary of Account Numbers and Original Cost

Acct No	Description	Account Totals	Collection System Plant	Pump Station Plant	WWTP Plant	Other Plant
353	Land and Land Rights	\$ 299,069	\$ 12,069	\$ 120,000	\$ 167,000	
354	Structures and Improvements	\$ 7,942,852		\$ 6,902,762	\$ 1,040,090	
355	Power Generation Equipment	\$ 120,666		\$ 120,666		
360	Collection Sewers – Force	\$ 254,698		\$ 254,698		
361	Collection Sewers – Gravity	\$ 7,191,108	\$ 7,191,108			
362	Special Collecting Structures	\$ -				
364	Flow Measuring Devices	\$ 203,981	\$ 203,981			
365	Flow Measuring Installations	\$ 23,070		\$ 6,814	\$ 16,255	
366	Reuse Systems	\$ 88,521		\$ 88,521		
367	Reuse Meters and Meter Installations	\$ -				
371	Pumping Equipment	\$ 193,963		\$ 98,671	\$ 95,292	
380	Treatment and Disposal Equipment	\$ 1,307,463		\$ 740,637	\$ 566,826	
381	Plant Sewers	\$ 923,662		\$ 750,255	\$ 173,407	
382	Outfall Sewer Lines	\$ 126,076		\$ 126,076		
389	Other Plant and Misc Equipment	\$ 14,436		\$ 14,436		
390	Office Furniture and Equipment	\$ 58,067			\$ 58,067	
391	Transportation Equipment	\$ 1,950			\$ 1,950	
393	Tools, Shop and Garage Equipment	\$ 232,348			\$ 232,348	
394	Laboratory Equipment	\$ 19,293			\$ 19,293	
395	Power Operated Equipment	\$ 23,297			\$ 23,297	
396	Communication Equipment	\$ 1,025			\$ 1,025	
397	Miscellaneous Equipment	\$ -				
398	Other Tangible Plant	\$ 194,468		\$ 194,468		
	Total Asset Cost	\$ 19,220,012	\$ 7,407,158	\$ 9,277,492	\$ 2,199,383	\$ 335,980

2.0 INTRODUCTION

In January 2023 Senate Engineering, Inc. (Senate) was contracted by Pennsylvania American Water Company (PAWC) and Elizabeth Borough Municipal Authority (Authority) to prepare an assessment of tangible assets for the purchase of the Authority's wastewater collection, pumping and treatment systems by PAWC. These assets include the infrastructure, facilities, equipment and real estate currently owned by the Authority that are to be purchased by PAWC. Since this report was originally issued in August 2023 Senate was acquired by and is now a division of LSSE, Inc. (LSSE). This assessment was compiled and organized in accordance with the National Association of Regulatory Utility Commissions (NARUC) system of accounts. The Authority is considered a Class A wastewater utility under the NARUC guidelines since the annual revenues exceed \$1,000,000.

The Authority was incorporated on December 29, 1949, under the Municipal Authorities Act of May 2, 1945 (P.L.382) as amended. The Authority operates under the Pennsylvania Municipal Authorities Act and is governed by a Board of appointed members who direct the business of the Authority. The Board is composed of seven (7) members, five (5) of whom are appointed by the Elizabeth Borough Council, and two (2) appointed by the Commissioners from the Township of Elizabeth.

The Authority currently employs two operators/laborers and an administrative assistant. Contract employees are used as needed to complement the workforce.

The Authority's service area includes all or portions of 4 municipalities:

- Elizabeth Borough
- Forward Township
- Elizabeth Township
- Lincoln Borough

These areas are discussed in the following sections.

Elizabeth Borough Service Area

Elizabeth Borough Municipal Authority owns and operates a combined sewage collection and treatment system located within Elizabeth Borough. The wastewater treatment facility is operated under NPDES Permit No. PA-0028436 as originally issued by DEP on August 3, 1995. A renewal application for the NPDES permit was submitted to DEP in February 2007 and remains under review by DEP. The Authority continues operations under the terms and conditions of the existing permit. The Borough is well established and has limited area available for growth. The Southwestern Pennsylvania Commission estimates a 2020 Borough population of 1,345 and a 2040 population of 1,355, or a 20-year increase of less than 1%.

Forward Township Service Area

Forward Township owns and operates a separate sanitary sewer system with a primary point of connection to the Authority's system at Center Avenue. There are 5 other points of connection near the southeast boundary of the Borough. The Southwestern Pennsylvania Commission estimates a 2020 Township population of 3,291 and a 2040 population of 3,334, or a 20-year increase of approximately 1%.

Elizabeth Township Service Area

Elizabeth Township owns a separate sanitary sewer system and the Wylie Pump Station that discharges directly to the Authority's WWTP headworks. The Elizabeth Township sewers connect at multiple locations including the Wylie pump station force main, the Fallen Timber trunk sewer, and other connections at Church Street, Chicago Avenue and Blaine Hill. The Southwestern Pennsylvania Commission estimates a 2020 Township population of 13,222 and a 2040 population of 14,195, or a 20-year increase of approximately 7%.

Lincoln Borough Service Area

Lincoln Borough has allocations for 17 connections which were approved on an emergency basis by DEP in 1987. Ten connections have been made at this time. The Lincoln Borough system connects to the Elizabeth Township sanitary sewer system and eventually to the Wylie Pump Station for conveyance to EBMA. The Southwestern Pennsylvania Commission estimates a 2020 Borough population of 980 and a 2040 population of 976 or a 20-year decrease of less than 1%.

3.0 METHODOLOGY

This engineering assessment study consists of 3 primary parts, namely the inventory of assets, the listing of original costs, and a statement regarding the general condition of the assets.

In order to complete the inventory of assets the following sources of information and methods were used.

1. The collection system assets were compiled largely from an existing geographical information system (GIS) database and mapping files. This database and mapping identify pipe segments by pipe segment reference (PSR) codes and manholes by a unique numbering system. Additional sources used to create the collection system inventory included system construction drawings, historical system maps and interviews with current or former Authority personnel.
2. The pump station assets and force main sewers were recently constructed in 2022. The inventories of these facilities was based on construction drawings and field



observations.

3. The wastewater treatment plant (WWTP) assets were inventoried based on construction drawings, field observations, treatment system schematics, and interviews with current or former Authority personnel. In addition, system valuation reports used for insurance purposes were also researched and included in the data.
4. Land and land rights, including easements, rights-of-way and real estate that are currently owned by the Authority were provided by the Authority Solicitor. Additional locations where sewer lines are located on or within 10 ft of property not owned by the Authority have been identified and the Solicitor is in the process of obtaining easements.

The development of original facility costs included one or more of the following methodologies:

1. Actual year of construction or purchase, and the original cost (from contractor pay requests or other documentation) were used where available.
2. Insurance valuations as developed in 1996 by GAB Business Services, Inc. were used for WWTP assets as available.
3. Asset description, year in service and cost basis for system assets as developed by Mark Turnley, CPA for the year ending December 31, 2021 Depreciation Schedule.
4. Replacement values using current or recent bid tabs, as well as information from contractors knowledgeable in the specific type of work.
5. Actual engineering, permitting, other project soft costs were used where known. For assets where these costs were not known they were estimated as 20% of the construction cost. This 20% figure is a reasonable representation of typical costs for similar projects.

When replacement values were used the values were adjusted to the known or estimated original date of construction or purchase using the Engineering News Record Construction Cost Index. The original cost was estimated using the following calculation:

$$\text{Original Cost} = \text{Current Replacement Cost} \times \frac{\text{Original Year ENR Index}}{\text{March 2023 ENR Index}}$$

The general condition of assets was classified according to one of the following 3 categories:

1. Good – an asset in good condition is serviceable, in proper operational order and not in need of non-typical maintenance or repair.
2. Fair – an asset in fair condition is serviceable and operational but should be considered for non-routine maintenance or repair.



3. Poor – an asset in poor condition is one that is experiencing operational difficulties, is unreliable or should be considered for extensive repairs or maintenance or replacement within the next 5 to 10 years, depending on the type of asset.

4.0 SYSTEM DESCRIPTION

4.1 Collection System

The Authority owns and maintains a sewage collection system that is comprised of over 43,500 LF of sewer lines ranging in size from 6-inch to 48-inch diameter. The pipe materials used in the collection system are primarily vitrified clay pipe (VCP) and polyvinylchloride pipe (PVC). The earliest date found on any of the Authority's sewer system maps was 1950. This date is assumed as the original date of construction, although other anecdotal sources indicate portions of the collection system existed prior to that time. Service laterals are owned by property owners from the structure to the main sewer line and are not included in this asset assessment. A copy of the Authority's overall collection system map is included in Appendix A.

The Fallen Timber sanitary sewer line collects sewage from portions of Forward and Elizabeth Townships and terminates at the Authority pump station. This line is owned by Elizabeth Township and will not be conveyed to PAWC in the sale of assets.

Portions of the Authority collection system are combined sewers that convey sanitary sewage and storm water. A total of 5 active combined sewer overflow (CSO) structures remain in the permitted sewerage system.

In order to reduce flow at the sewage treatment plant the Authority has implemented a long-term plan to separate the sanitary and combined sewers. Areas that have had sewer separation work include portions of the CSO 3, CSO 6, CSO 7 and CSO 8 sewersheds. Some inlets in the stormwater system remain connected to the combined sewer system. In these cases PAWC will acquire ownership of the stormwater inlets and piping that are connected to the combined sewer system.

Interceptor

Prior to 2002, the interceptor consisted of 14" and 16" diameter sewers totaling about 2,700 feet along water's edge of the Monongahela River. Diversion chambers were originally installed on Borough sewer lines at 6 locations where the combined sewer collection lines in the Borough connected to the interceptor.

A proposal to replace the interceptor with a new one at higher elevation was developed in cooperation with the U.S. Army Corps of Engineers. The proposal was a part of the project which

intended to raise the Lock and Dam #2 on the Monongahela River and thus the level of the water pool near the interceptor. The interceptor replacement project was completed in 2001 and placed in operation. New combined sewer overflow CSO regulator chambers were made operational. The original diversion chambers are connected to the new CSO chambers and still used as part of the outfall structures.

Maintenance and Repair Projects

In 2013 EBMA undertook a comprehensive sewer cleaning and CCTV program. The results of the CCTV inspection were used to undertake a multi-year program to repair the major deficiencies identified in the CCTV records. The program included the following types of repair and rehabilitation efforts:

- Sewer line replacement
- Relining of sewer lines
- Excavated spot repairs
- Trenchless spot repairs
- Manhole installation and grade ring/lid replacement

Sewage collection systems in the other 3 service municipalities are owned and maintained by the respective municipalities.

4.2 Pump Station

The Authority's original raw sewage pump station was constructed in 1958-1959 and pumps flow from Elizabeth Borough, Forward Township and portions of Elizabeth Township. This pump station was equipped with 3 pumps operating as lead, lag, and standby. The pump curves show a total capacity of 460 gpm, or 1.3 mgd, with 2 pumps running.

The original pump station equipment deteriorated over the years and was replaced in 2022 with a new pumping facility that included screening and grit removal equipment. The new raw sewage pump station and headworks was designed with the same initial capacity as the previous facility. The new pump station was constructed with a wet weather wetwell and the capability to increase the future pumping capacity and reliability which will help reduce CSOs. A copy of the Authority's pump station plan is included in Appendix B.

Force Mains

Sewage is delivered from the pump station to the WWTP through approximately 800 feet of 8-inch force main. A second force main of 30-inch diameter is installed from the pump station to the WWTP but is not in service at this time. This line will be used once the WWTP pumping capacity is increased for wet weather flows.



The force main from Wylie pump station that conveys sewage to the Authority's WWTP headworks is owned by Elizabeth Township and will not be conveyed to PAWC in the sale of assets.

4.3 Wastewater Treatment Plant

The WWTP, originally constructed in 1958-1959 for a permitted capacity of 0.6 MGD, utilizes the activated sludge process for sewage treatment. The plant was upgraded in 1970 by adding additional aeration tanks.

In 1992, improvements were added and placed into operation at the plant as the first stage of overall plant expansion to treat 1.2 MGD. The project was completed under DEP Water Quality Management (WQM) Part II Permit No. 0270416-A1. Plans for the second and third stages of the plant expansion to treat the flow of 1.2 MGD were prepared and submitted to DEP under WQM Part II Permit No. 0270416-A2. The project was completed in 1993. In 2004, the capacity of the plant to handle wet weather flows was increased by additional piping between the aeration tanks and the settling tanks and between the settling tanks and the chlorine contact tanks.

The current treatment plant incorporates activated sludge with the following unit processes:

- Mechanical screening
- Grit removal and dewatering
- Aeration
- Settling
- Disinfection using chlorine gas
- Sludge recycle
- Sludge wasting to a holding tank

A layout of the Authority's WWTP plan is included in Appendix C.

5.0 INVENTORY OF ASSETS AND ORIGINAL FACILITY COST

The inventory and organization of cost data is prepared in accordance with the NARUC requirements for Class A wastewater utilities and is classified by the account groups shown in the following table.

Table 5.0
NARUC Class A Wastewater Utility Plant Accounts

Acct No	Description	Collection System Plant	Pump Station Plant	WWTP Plant	General Plant
353	Land and Land Rights	353.1	353.2	353.3	
354	Structures and Improvements	354.1	354.2	354.3	
355	Power Generation Equipment		355.2		
360	Collection Sewers – Force	360.1			
361	Collection Sewers – Gravity	361.1			
362	Special Collecting Structures	362.1			
364	Flow Measuring Devices	364.1	364.2	364.3	
365	Flow Measuring Installations	365.1	365.2	365.3	
366	Reuse Systems		366.2	366.3	
367	Reuse Meters and Meter Installations			367.3	
371	Pumping Equipment		371.2	371.3	
380	Treatment and Disposal Equipment		380.2	380.3	
381	Plant Sewers		381.2	381.3	
382	Outfall Sewer Lines			382.3	
389	Other Plant and Misc Equipment		389.2	389.3	389.4
390	Office Furniture and Equipment			390.3	390.4
391	Transportation Equipment				391.4
393	Tools, Shop and Garage Equipment				393.4
394	Laboratory Equipment				394.4
395	Power Operated Equipment			395.3	395.4
396	Communication Equipment		396.2	396.3	396.4
397	Miscellaneous Equipment		397.2	397.3	397.4
398	Other Tangible Plant		398.2	398.3	398.4

The inventory and original facility costs for each system are discussed in the following sections.

5.1 Collection System

A detailed listing of the collection system inventory and the original facility costs are included in Appendix D. A summary of these inventory and cost account numbers is shown in the following table.

Table 5.1
Summary of Collection System Inventory and Original Cost

Acct No.	Description	Unit	Quantity	Amount
361.10	6" Gravity Collection Sewer	LF	810	\$ 125,311
361.11	8" Gravity Collection Sewer	LF	6,974	\$ 98,345
361.12	10" Gravity Collection Sewer	LF	818	\$ 5,930
361.13	12" Gravity Collection Sewer	LF	19,503	\$ 174,841
361.14	15" Gravity Collection Sewer	LF	3,049	\$ 1,818,387
361.15	18" Gravity Collection Sewer	LF	9,325	\$ 93,558
361.17	24" Gravity Collection Sewer	LF	1,677	\$ 19,551
361.18	30" Gravity Collection Sewer	LF	1,002	\$ 13,075
361.19	36" Gravity Collection Sewer	LF	387	\$ 5,225
361.20	42" Gravity Collection Sewer	LF	218	\$ 3,062
361.21	48" Gravity Collection Sewer	LF	187	\$ 28,767
361.22	Trenchless Sewer Repairs	LS	1	\$ 1,383,699
361.23	Stormwater Inlets to CS System	EA	147	\$ 34,139
361.24	Stormwater Piping to CS System	LF	4,842	\$ 37,329
361.97	CSO Chambers	LS	6	\$ 683,077
361.98	Manholes	EA	224	\$ 203,235
361.99	Miscellaneous	LS	-	\$ 2,463,577
Total 361.10 Asset Cost				\$ 7,191,108
Total 364.10 Asset Cost				\$ 203,981
Total Collection System				\$ 7,395,088

The collection system is generally in good to fair condition. Since 2015 the Authority has conducted ongoing efforts to clean, CCTV inspect and repair or rehabilitate combined and sanitary sewer lines. The rehabilitation and repair efforts were focused on pipe segments and manholes found to contain National Association of Sewer Service Companies (NASSCO) ratings of S4, S5, M4 and M5. These ratings indicated that the identified segments had moderate to severe structural or maintenance issues to address. Several assets that could be considered to be in poor condition include the CSO 3 and CSO 8 check valves to prevent river water from entering the combined sewer system. Both of these facilities are being bid for rehabilitation.

5.2 Pump Station

The pump station contains treatment and pumping equipment. The treatment equipment includes a mechanical bar screen with a washer/compactor, a grit removal unit, and a grit washer and classifier unit. The current pumping equipment includes 2 dry weather pumps with associated piping, valving and appurtenances. The Authority will retain ownership of the structural, non-moving parts of the mechanical bar screen and washer/compactor assembly. The value of the assets to be retained by the Authority equal approximately 40% of the total value, or \$65,352. A detailed listing of the pump station inventory and the original facility costs are included in Appendix E. A summary of these inventory and cost account numbers is shown in the following table.

Table 5.2
Summary of Pump Station Inventory and Original Cost

Acct No.	Description	Unit	Quantity	Amount
354.2	Structures and Improvements	LS	1	\$ 6,902,762
355.2	Power Generation Equipment	LS	1	\$ 120,666
360.2	Collection Sewers - Force	LS	1	\$ 254,698
365.2	Flow Measuring Installations	LS	1	\$ 6,814
366.2	Reuse Systems	LS	1	\$ 88,521
371.2	Pumping Equipment	LS	1	\$ 98,671
380.2	Treatment and Disposal Equipment	LS	1	\$ 740,637
381.2	Plant Sewers	LS	1	\$ 750,255
398.2	Other Tangible Plant	LS	1	\$ 194,468
Total Asset Cost				\$ 9,157,492

The pump station structure, equipment and other plant were recently constructed in 2020 -2022 and are considered to be in good condition.

5.3 Wastewater Treatment Plant

The WWTP inventory includes those listed items located “inside the fence” at the WWTP. A detailed listing of the WWTP inventory and the original facility costs are included in Appendix F. A summary of the inventory and cost account numbers is shown in the following table.

Table 5.3
Summary of WWTP Inventory and Original Cost

Acct No.	Description	Unit	Quantity	Amount
354.3	Structures and Improvements	1	LS	\$ 1,040,090
364.3	Flow Measuring Installations	1	LS	\$ 16,255
371.3	Pumping Equipment	1	LS	\$ 95,292
380.3	Treatment and Disposal Equipment	1	LS	\$ 566,826
381.3	Plant Sewers	1	LS	\$ 173,407
382.3	Outfall Sewers	1	LS	\$ 126,076
389.3	Other Plant and Miscellaneous Equipment	1	LS	\$ 14,436
Total Asset Cost				\$ 2,032,383

Portions of the WWTP were constructed in 1959 with several upgrades and additions being constructed since that time. Most of the assets at the WWTP are considered to be in fair to good condition. Assets that may be considered poor to marginally fair include:

1. The sludge digester/holding tank structure is in need of cleaning and piping replacement. It is not functioning as an anaerobic digester as intended and the heat exchanger equipment is not being used.
2. The original aeration tanks have significant areas of concrete spalling and should be repaired if they are to remain in service.
3. The clarifier effluent weirs should be replaced.

5.4 Other Plant

Other plant items include those assets owned by the Authority that will be transferred to PAWC but do not fit into the collection, pumping, treatment or land ownership categories. In some cases these other plant assets are grouped together as noted in the detailed listing. The condition of these assets varies based on age, the amount of usage and other considerations. The condition of these individual plant assets generally range from good to fair and are reported to be in serviceable condition. The detailed listing of the Other Plant inventory and the original facility costs are included in Appendix G. A summary of the inventory and cost account numbers is shown in the following table.



Table 5.4
Summary of Other Plant Inventory and Original Cost

Acct No.	Description	Unit	Quantity	Amount
390.4	Office Furniture and Equipment	1	LS	\$ 58,067
391.4	Transportation Equipment	1	LS	\$ 1,950
393.4	Tools, Shop and Garage Equipment	1	LS	\$ 232,348
394.4	Laboratory Equipment	1	LS	\$ 19,293
395.4	Power Operated Equipment	1	LS	\$ 23,297
396.4	Communication Equipment	1	LS	\$ 1,025
Total Asset Cost				\$ 335,980

6.0 LAND AND LAND RIGHTS

Land owned or controlled by the Authority includes real property, easements and rights of way. The properties owned by the Authority are primarily those at or near the WWTP and the pump station. Unless specifically stated otherwise on deeds the easements for pipelines typically are 20 ft in width and centered upon the existing sewer line.

The properties and easements currently owned or controlled by the Authority were identified and provided for this assessment by the Authority solicitor. A complete list of the properties and parcels is included in Appendix H. A summary of the original asset cost for these lands and land rights are shown in the table below.

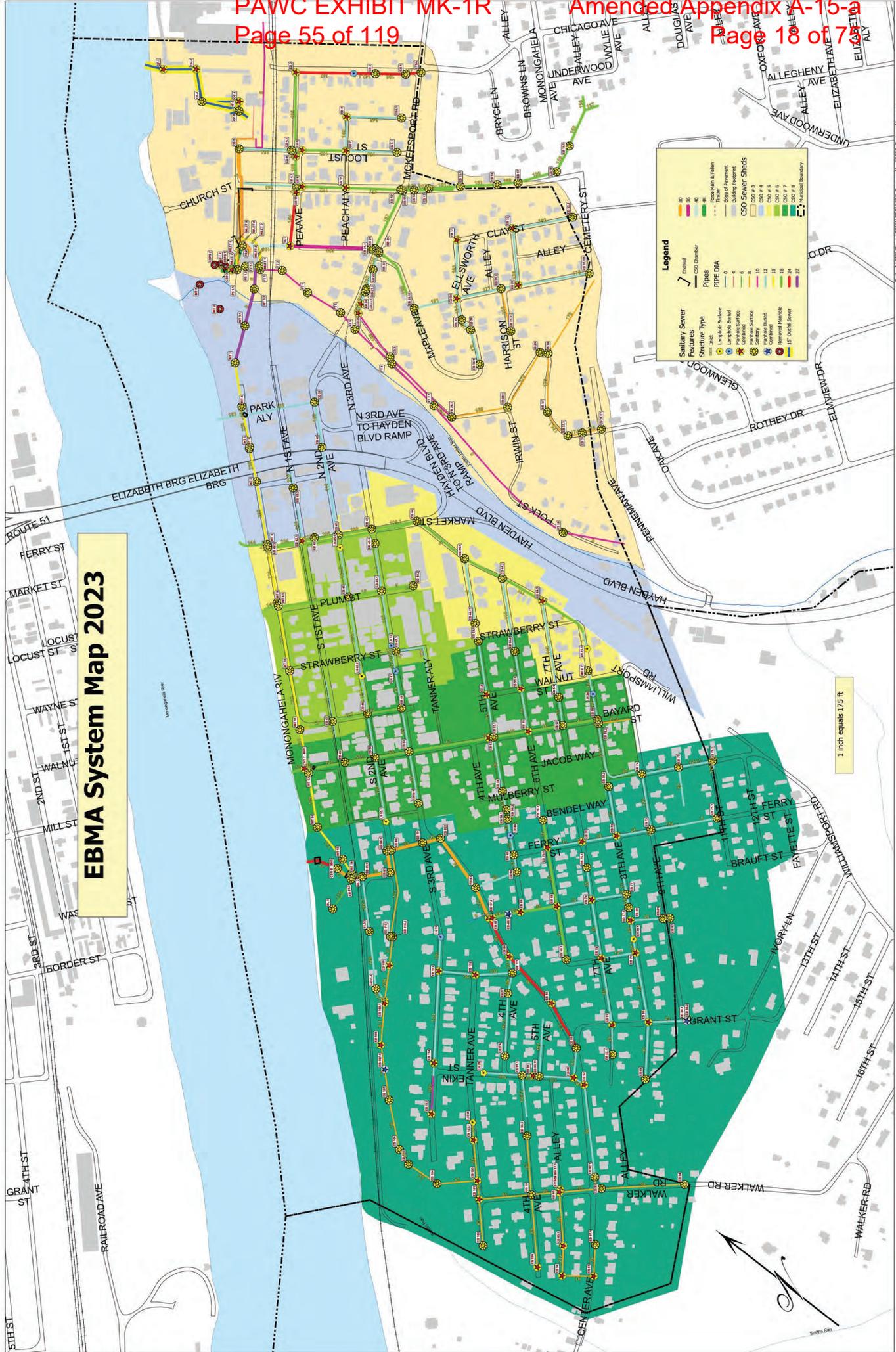
Table 6.0
Summary of Lands and Land Rights Cost

Acct No.	Description	Original Cost
353.1	Collection System Land and Land Rights	\$ 12,069
353.1	Pump Station Land and Land Rights	\$ 120,000
353.1	WWTP Land and Land Rights	\$ 167,000
Total Land and Land Rights		\$ 299,069

The remaining properties with sewer lines on or adjacent to them, that did not have an existing easement, were identified by LSSE using Allegheny County tax map information and the GIS sewer system mapping. These easement exhibits were provided to the Solicitor for use in acquiring easements. A list of these properties is also included in Appendix H.

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Appendix A



EBMA System Map 2023

Legend

- Sanitary Sewer
- Structure Type
- Features
- CSO Sewer Sheds
- Principal Boundary

Pipes

- 30
- 36
- 42
- 48
- 54
- 60
- 66
- 72
- 78
- 84
- 90
- 96
- 102
- 108
- 114
- 120
- 126
- 132
- 138
- 144
- 150
- 156
- 162
- 168
- 174
- 180
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- 192
- 198
- 204
- 210
- 216
- 222
- 228
- 234
- 240
- 246
- 252
- 258
- 264
- 270
- 276
- 282
- 288
- 294
- 300

Structure Type

- Manhole
- Catch Basin
- Outfall Structure

Features

- Force Main & Tunnel
- Trailer Placement
- Valves
- CSO Sewer Sheds

CSO Sewer Sheds

- CSO # 1
- CSO # 2
- CSO # 3
- CSO # 4
- CSO # 5
- CSO # 6
- CSO # 7
- CSO # 8

Principal Boundary

- Principal Boundary

1 inch equals 175 ft





Legend

Combined Sewer Pipes
Pipe Size & Linear Ft (Total: 48,967LF)
 - - - - - Unknown - 622LF
 - - - - - 6in - 295LF
 - - - - - 8in - 624LF
 - - - - - 10in - 940LF
 - - - - - 12in - 1020LF
 - - - - - 15in - 2743LF
 - - - - - 18in - 918LF
 - - - - - 24in - 681LF
 - - - - - 27in - 442LF
 - - - - - 30in - 1471LF
 - - - - - 36in - 387LF
 - - - - - 48in - 218LF
 - - - - - 60in - 165LF

Separate Storm Pipe
 - - - - - 24.262LF
 - - - - - 2.758LF

Sewer Features
 - - - - - 344 (14%)
 - - - - - Combined Lift Station (8)
 - - - - - Combined Lift Station (23)
 - - - - - Combined MH Surface (23)
 - - - - - Combined MH Surface (267)
 - - - - - Storm MH Surface (45)

Misc Additional Features
 - - - - - CSI Outlets
 - - - - - MH Street Chamber
 - - - - - Easement
 - - - - - Horizontal Boundary
 - - - - - Building Footprint

Municipal Boundary
 - - - - - Municipal Boundary
 - - - - - Building Footprint

WWTP Outfall Location
 - - - - - 894LF

Force Main
 - - - - - 2.758LF

Fallen Timber
 - - - - - 2.758LF

Notes:
 - - - - - Stormwater Overlaid by ET Not shown
 - - - - - Low Point Forward Trap also
 - - - - - Forward Trap Walker/Grunt
 - - - - - Flows are minor and the size of
 - - - - - sewers can't be easily measured

EBMA Overall System Map 2023

DRAFT: Auxiliary and Storm updates via as built DWGS

DATE: 5/10/2023

SENATE ENGINEERING
 13340
 10000
 10000

Scale: 1" = 100'

North Arrow

Appendix B

NO.	DATE	REVISIONS

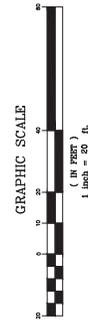
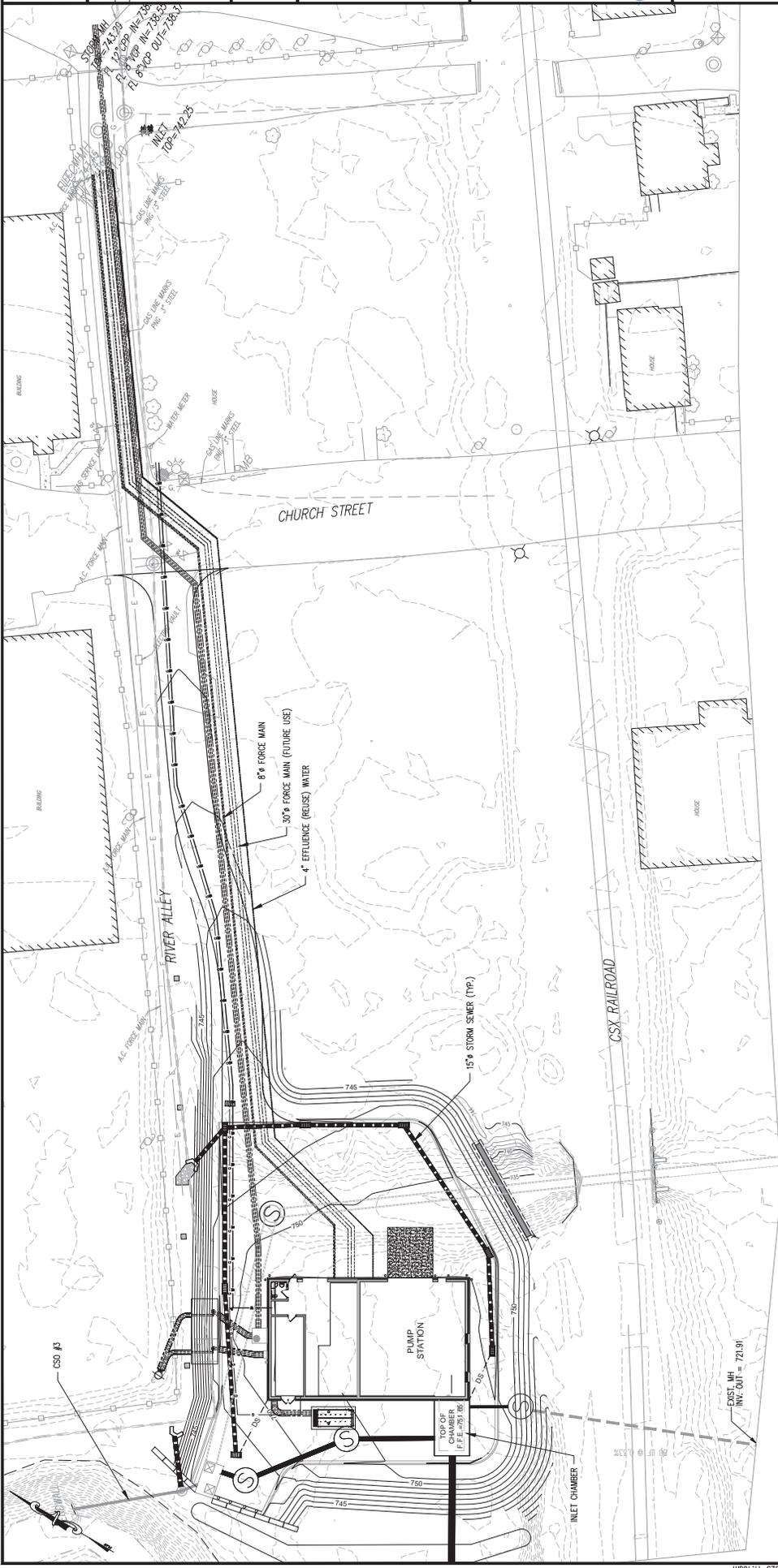
DESIGN BY: [Name]
 CHECKED BY: [Name]
 DRAWN BY: [Name]
 DATE: [Date]

SENATE ENGINEERING
 ENGINEERS-PLANNERS-SURVEYORS
 1420 WILLIAM PITT AVENUE
 PITTSBURGH, PA 15228
 P: 412-928-4444
 F: 412-928-4444

ELIZABETH BOROUGH
 MUNICIPAL AUTHORITY
 No. 1 LOOSE STREET
 ELIZABETH, PA 19007
 P: 412-384-3066
 F: 412-384-3144

PUMP STATION PLAN
 DRAWING NO.: 07-000
 SHEET NO.: 07-000

DATE: 07/20/23
 TIME: 11:16 AM



SEE MEASURES ON ORIGINAL PLANS FOR SCALE ADJUSTMENT

Appendix C

DATE	BY	REVISION

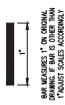
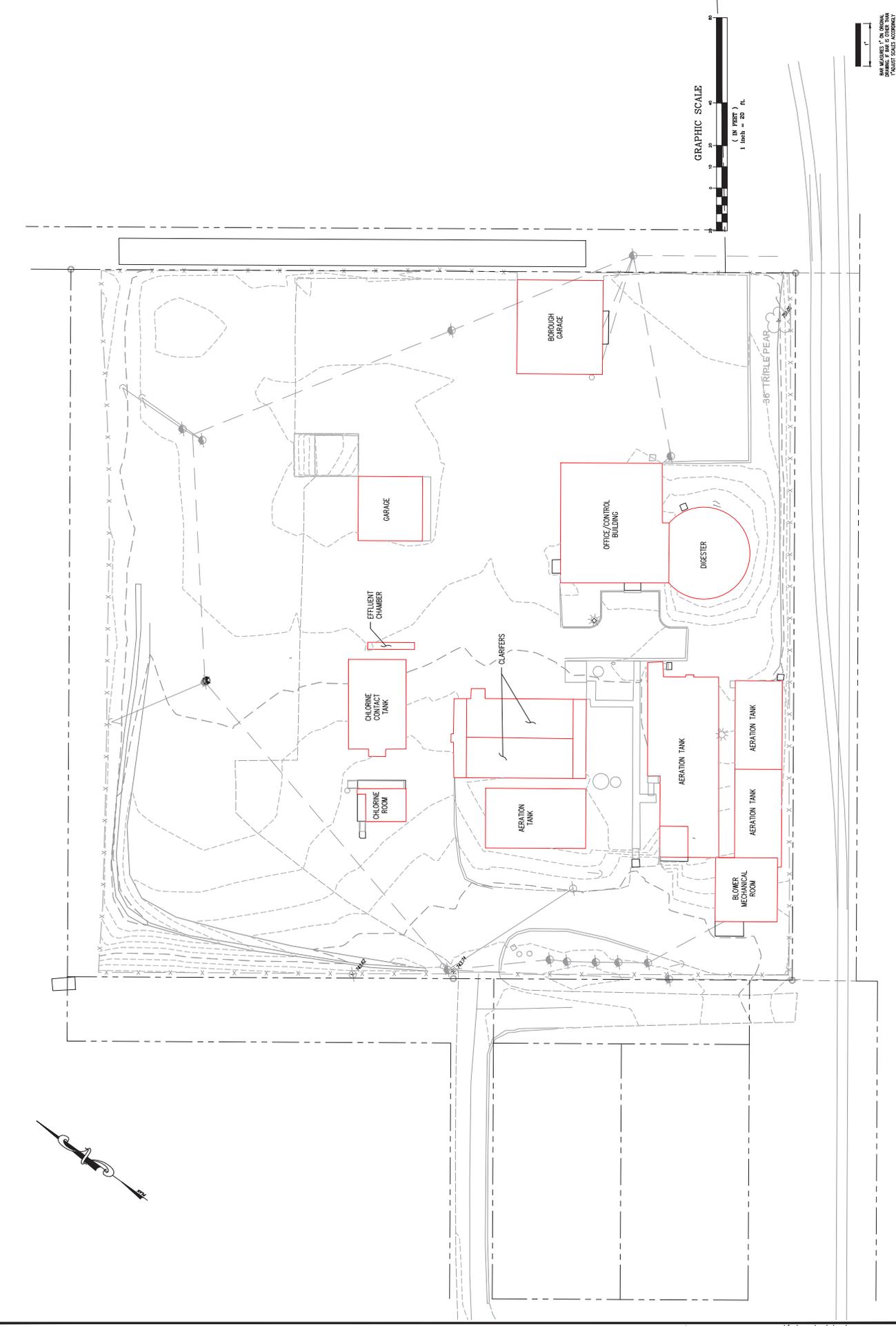
DESIGNED BY	1365
CHECKED BY	
DATE	
SCALE	AS SHOWN
PROJECT NO.	
DATE	03/27/2023
SCALE	1/8" = 1'-0"
DATE	

SENATE ENGINEERING
 ENGINEERS-PLANNERS-SURVEYORS
 412-928-5454
 420 WILLIAM PITT WAY
 PITTSBURGH, PA 15238
 P: 412-928-5454
 F: 412-928-5454
 WWW.SENATEENGINEERING.COM

ELIZABETH BOROUGH
 MUNICIPAL AUTHORITY
 1100 WEST STREET
 ELIZABETH, NJ 07208
 P: 908-261-3000
 F: 908-261-3000

SEWAGE TREATMENT PLANT
 PLAN

SHEET NO. OF 000
 SHEET NUMBER



Appendix D

Elizabeth Borough Municipal Authority

Original Cost of Collection System
as of March 31, 2023

Summary of Account 361.00 - Collection Sewers -Gravity and 364.10 Flow Measuring Devices

Acct No.	Description	Unit	Quantity	Amount
361.10	6" Gravity Collection Sewer	LF	810	\$ 125,311
361.11	8" Gravity Collection Sewer	LF	6,974	\$ 98,345
361.12	10" Gravity Collection Sewer	LF	818	\$ 5,930
361.13	12" Gravity Collection Sewer	LF	19,503	\$ 174,841
361.14	15" Gravity Collection Sewer	LF	3,049	\$ 1,818,387
361.15	18" Gravity Collection Sewer	LF	9,325	\$ 93,558
361.17	24" Gravity Collection Sewer	LF	1,677	\$ 19,551
361.18	30" Gravity Collection Sewer	LF	1,002	\$ 13,075
361.19	36" Gravity Collection Sewer	LF	387	\$ 5,225
361.20	42" Gravity Collection Sewer	LF	218	\$ 3,062
361.21	48" Gravity Collection Sewer	LF	187	\$ 28,767
361.22	Trenchless Sewer Repairs	LS	1	\$ 1,383,699
361.23	Stormwater Inlets to CS System	EA	147	\$ 34,139
361.24	Stormwater Piping to CS System	LF	4,842	\$ 37,329
361.97	CSO Chambers	LS	6	\$ 683,077
361.98	Manholes	EA	224	\$ 203,235
361.99	Miscellaneous	LS	-	\$ 2,463,577
Total 361.10 Asset Cost				\$ 7,191,108
Total 364.10 Asset Cost				\$ 203,981
Total Collection System				\$ 7,395,088

Elizabeth Borough Municipal Authority

Original Cost of Collection System
as of March 31, 2023

Summary of Account 361.10 - Collection Sewers -Gravity

Acct No.	Description - PSR Numbers	Unit	Quantity	Year	Amount
361.10	6" Gravity Collection Sewer	LF			
	6" PVC Pipes for sewers and lateral	LF	809.5	1998	\$ 125,310.60
	Total		809.5		\$ 125,310.60

Elizabeth Borough Municipal Authority

Original Cost of Collection System
as of March 31, 2023

Summary of Account 361.11 - Collection Sewers -Gravity

Acct No.	Description - PSR Numbers	Unit	Quantity	Year	Amount
361.11	8" Gravity Collection Sewer	LF			
	135	LF	170.9	1950	\$ 1,159
	190	LF	436.1	1950	\$ 2,957
	74	LF	9.7	1950	\$ 66
	75	LF	130.2	1950	\$ 883
	76.1	LF	194.1	1950	\$ 1,316
	77	LF	252.7	1950	\$ 1,714
	78	LF	227.5	1950	\$ 1,543
	79	LF	77.8	1950	\$ 528
	80	LF	155.1	1950	\$ 1,052
	81	LF	183.8	1950	\$ 1,246
	82	LF	184.3	1950	\$ 1,250
	83	LF	78.1	1950	\$ 530
	84	LF	82.8	1950	\$ 561
	85	LF	210.7	1950	\$ 1,429
	86	LF	237.5	1950	\$ 1,611
	87	LF	268.2	1950	\$ 1,819
	88	LF	126.7	1950	\$ 859
	89	LF	328.5	1950	\$ 2,228
	90	LF	242.2	1950	\$ 1,642
	91	LF	143.8	1950	\$ 975
	92	LF	143.1	1950	\$ 970
	93	LF	192.7	1950	\$ 1,307
	94	LF	376.8	1950	\$ 2,555
	170	LF	289.1	1950	\$ 1,960
	171	LF	34.6	1950	\$ 235
	172	LF	399.1	1950	\$ 2,706
	173	LF	267.2	1950	\$ 1,812
	174.1	LF	144.3	1950	\$ 979
	216	LF	197.4	1950	\$ 1,339
	222	LF	19.6	1950	\$ 133
	209	LF	160.4	1950	\$ 1,088
	212	LF	137.8	1950	\$ 934
	213	LF	88.9	1950	\$ 603
	174	LF	66.2	1950	\$ 449
	21.1	LF	142.8	1950	\$ 968
	169	LF	259.8	1950	\$ 1,762

	76	LF	9.5	1950	\$	64
	12	LF	43	1950	\$	292
	204.1	LF	17.4	1950	\$	118
8" PVC Pipes at all depths up to 22'		LF	244	1998	\$	52,704
Total			6974.4		\$	98,345

Notes:

1. Average Depth is 8.17'
2. All costs include 5' wide pavement restoration

Elizabeth Borough Municipal Authority

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Summary of Account 361.12 - Collection Sewers -Gravity

Acct No.	Description - PSR Numbers	Unit	Quantity	Year	Amount
361.12	10" Gravity Collection Sewer	LF			
	105	LF	175.3	1950	\$ 1,270
	168	LF	250.6	1950	\$ 1,816
	169.1	LF	392.5	1950	\$ 2,844
Total			818.4		\$ 5,930

Notes:

1. Average Depth is 13.68'
2. All costs include 5' wide pavement restoration

Elizabeth Borough Municipal Authority

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Summary of Account 361.13 - Collection Sewers -Gravity

Acct No.	Description - PSR Numbers	Unit	Quantity	Year	Amount
361.13	12" Gravity Collection Sewer	LF			
	1	LF	77.8	1950	\$ 600
	4	LF	297.1	1950	\$ 2,291
	8	LF	217.9	1950	\$ 1,680
	11	LF	195.5	1950	\$ 1,507
	13	LF	72	1950	\$ 555
	14	LF	250.7	1950	\$ 1,933
	15	LF	196.1	1950	\$ 1,512
	17	LF	176.8	1950	\$ 1,363
	18	LF	200.2	1950	\$ 1,544
	19	LF	127.2	1950	\$ 981
	22	LF	117.7	1950	\$ 907
	23.1	LF	269.2	1950	\$ 2,076
	24	LF	104.7	1950	\$ 807
	25	LF	248.8	1950	\$ 1,918
	26	LF	156	1950	\$ 1,203
	28	LF	175.6	1950	\$ 1,354
	29	LF	17.5	1950	\$ 135
	30	LF	161.1	1950	\$ 1,242
	31	LF	158.3	1950	\$ 1,221
	34	LF	160	1950	\$ 1,234
	35	LF	147.1	1950	\$ 1,134
	36	LF	161.5	1950	\$ 1,245
	37	LF	90.5	1950	\$ 698
	38	LF	269	1950	\$ 2,074
	39	LF	85.1	1950	\$ 656
	40	LF	147.8	1950	\$ 1,140
	41	LF	30.8	1950	\$ 237
	42	LF	316.8	1950	\$ 2,443
	43	LF	175.4	1950	\$ 1,352
	44	LF	265.4	1950	\$ 2,046
	45	LF	140.1	1950	\$ 1,080
	46	LF	308	1950	\$ 2,375
	50	LF	201	1950	\$ 1,550
	51	LF	78.6	1950	\$ 606
	52	LF	89.2	1950	\$ 688
	53	LF	74.1	1950	\$ 571

56	LF	33.9	1950	\$	261
62	LF	231.6	1950	\$	1,786
63	LF	202.9	1950	\$	1,564
65	LF	207	1950	\$	1,596
66	LF	176.5	1950	\$	1,361
68	LF	253.8	1950	\$	1,957
69	LF	79.9	1950	\$	616
95	LF	421.7	1950	\$	3,251
96	LF	56	1950	\$	432
97	LF	135.7	1950	\$	1,046
101	LF	74.7	1950	\$	576
102	LF	170	1950	\$	1,311
103	LF	138.9	1950	\$	1,071
104	LF	425.5	1950	\$	3,281
106.1	LF	291	1950	\$	2,244
107	LF	266.5	1950	\$	2,055
108	LF	175.8	1950	\$	1,355
110	LF	337	1950	\$	2,598
112	LF	449.2	1950	\$	3,463
113	LF	363.9	1950	\$	2,806
115	LF	251.6	1950	\$	1,940
120	LF	294.3	1950	\$	2,269
122	LF	172.6	1950	\$	1,331
124	LF	12	1950	\$	93
125	LF	266.7	1950	\$	2,056
126	LF	58.5	1950	\$	451
127	LF	158	1950	\$	1,218
130	LF	167.2	1950	\$	1,289
131	LF	184.6	1950	\$	1,423
133	LF	396.8	1950	\$	3,059
134.1	LF	363.5	1950	\$	2,803
145	LF	246	1950	\$	1,897
148	LF	251.3	1950	\$	1,938
149	LF	155.4	1950	\$	1,198
150	LF	233.1	1950	\$	1,797
163	LF	266.7	1950	\$	2,056
164	LF	99.9	1950	\$	770
175	LF	328.9	1950	\$	2,536
176	LF	259.8	1950	\$	2,003
177	LF	285.8	1950	\$	2,204
178	LF	60.5	1950	\$	466
179	LF	167.7	1950	\$	1,293
182	LF	312.4	1950	\$	2,409
183	LF	132.2	1950	\$	1,019
184	LF	238.5	1950	\$	1,839
191	LF	198.2	1950	\$	1,528
192	LF	277.7	1950	\$	2,141

193	LF	208.3	1950	\$	1,606
194	LF	8.5	1950	\$	66
215	LF	108.8	1950	\$	839
217	LF	42.9	1950	\$	331
218	LF	59.4	1950	\$	458
219	LF	65.1	1950	\$	502
220	LF	262.2	1950	\$	2,022
223	LF	17.1	1950	\$	132
224	LF	88	1950	\$	678
225	LF	29.6	1950	\$	228
229	LF	294.1	1950	\$	2,268
230	LF	80.4	1950	\$	620
106	LF	95.1	1950	\$	733
23	LF	17.5	1950	\$	135
39.1	LF	67.6	1950	\$	521
124.1	LF	155.9	1950	\$	1,202
194.1	LF	35.6	1950	\$	274
215	LF	107.4	1950	\$	828
220.1	LF	250.7	1950	\$	1,933
134	LF	181	1950	\$	1,396
134.2	LF	228	1950	\$	1,758
216	LF	150	1950	\$	1,157
108.1	LF	49.6	1950	\$	382
108.2	LF	187.5	1950	\$	1,446
95.1	LF	32.5	1950	\$	251
22.1	LF	114.5	1950	\$	883
124.2	LF	30	1950	\$	231
184.1	LF	34.2	1950	\$	264
105	LF	54	1950	\$	416
12" PVC gravity sewer up to 16'	LF	155	1998	\$	25,668
Total		19502.5		\$	174,841

Notes:

1. Average Depth is 9.32'
2. All costs include 5' wide pavement restoration

Elizabeth Borough Municipal Authority

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Summary of Account 361.14 - Collection Sewers -Gravity

Acct No.	Description - PSR NUMBERS	Unit	Quantity	Year	Amount
361.14	15"Gravity Collection Sewer	LF			
	136	LF	25.1	1998	\$ 22,108
	137	LF	76.4	1998	\$ 67,293
	138	LF	185.3	1998	\$ 163,212
	139	LF	249	1998	\$ 219,319
	231	LF	201.6	1998	\$ 177,569
	232	LF	277.1	1998	\$ 244,070
	233	LF	298.6	1998	\$ 263,007
	234	LF	256.1	1998	\$ 225,573
	235	LF	289.9	1998	\$ 255,344
	236	LF	153.5	1998	\$ 135,203
	237	LF	9.4	1998	\$ 8,280
	238	LF	186.2	1950	\$ 1,522
	243	LF	11.8	1950	\$ 96
	15" PVC Sewer Pipe	LF	828.5	1998	\$ 35,791
Total			3048.5		\$ 1,818,387

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Summary of Account 361.15 - Collection Sewers -Gravity

Acct No.	Description - PSR NUMBERS	Unit	Quantity	Year	Amount
361.15	18" Gravity Collection Sewer	LF			
	2	LF	233.4	1950	\$ 2,341.60
	3	LF	196.4	1950	\$ 1,970
	5	LF	259.7	1950	\$ 2,605
	7	LF	692.6	1950	\$ 6,949
	9	LF	145.5	1950	\$ 1,460
	10	LF	157.8	1950	\$ 1,583
	12	LF	109.9	1950	\$ 1,103
	20	LF	158.7	1950	\$ 1,592
	21	LF	160.2	1950	\$ 1,607
	32	LF	131.7	1950	\$ 1,321
	33	LF	269.5	1950	\$ 2,704
	47	LF	242.1	1950	\$ 2,429
	48	LF	167.7	1950	\$ 1,682
	49.1	LF	77.1	1950	\$ 774
	64	LF	157.7	1950	\$ 1,582
	67	LF	369.8	1950	\$ 3,710
	70	LF	57	1950	\$ 572
	109.1	LF	226.5	1950	\$ 2,272
	111	LF	206.1	1950	\$ 2,068
	114	LF	316.2	1950	\$ 3,172
	118	LF	159.1	1950	\$ 1,596
	119	LF	137	1950	\$ 1,374
	121	LF	142.7	1950	\$ 1,432
	141	LF	58.9	1950	\$ 591
	142	LF	27	1950	\$ 271
	143	LF	34.9	1950	\$ 350
	144	LF	114.1	1950	\$ 1,145
	146	LF	40.3	1950	\$ 404
	151	LF	252.2	1950	\$ 2,530
	152	LF	198.6	1950	\$ 1,992
	153	LF	39.6	1950	\$ 397
	155	LF	199.1	1950	\$ 1,997
	156	LF	63.5	1950	\$ 637
	157	LF	63.6	1950	\$ 638
	158	LF	202.4	1950	\$ 2,031
	159	LF	103.7	1950	\$ 1,040

160	LF	94.7	1950	\$	950
161	LF	170	1950	\$	1,706
162	LF	175.1	1950	\$	1,757
165	LF	38.2	1950	\$	383
166	LF	21.9	1950	\$	220
167	LF	291.8	1950	\$	2,928
185	LF	383	1950	\$	3,842
188	LF	164.5	1950	\$	1,650
189	LF	180.7	1950	\$	1,813
190	LF	436.1	1950	\$	4,375
202	LF	51.9	1950	\$	521
203	LF	67.2	1950	\$	674
204	LF	159.9	1950	\$	1,604
205	LF	58	1950	\$	582
206	LF	108	1950	\$	1,084
207	LF	23.7	1950	\$	238
227	LF	163.3	1950	\$	1,638
228	LF	142.2	1950	\$	1,427
214	LF	9.5	1950	\$	95
151.1	LF	48.8	1950	\$	490
49.2	LF	14.7	1950	\$	147
49	LF	53.6	1950	\$	538
161.1	LF	142	1950	\$	1,425
109	LF	154.3	1950	\$	1,548
Total		9325.4		\$	93,558

Notes:

1. Average Depth is 11.06'
2. All costs include 5' wide pavement restoration

Elizabeth Borough Municipal Authority

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Summary of Account 361.17 - Collection Sewers -Gravity

Acct No.	Description - PSR numbers	Unit	Quantity	Year	Amount
361.17	24" Gravity Collection Sewer	LF			
	71	LF	142.4	1950	\$ 1,660
	98	LF	284.9	1950	\$ 3,321
	99	LF	199.1	1950	\$ 2,321
	132	LF	238.7	1950	\$ 2,783
	147	LF	264.1	1950	\$ 3,079
	154	LF	245.4	1950	\$ 2,861
	186	LF	137.3	1950	\$ 1,601
	187	LF	67.6	1950	\$ 788
	147.1	LF	97.5	1950	\$ 1,137
Total			1677		\$ 19,551

Notes:

1. Average Depth is 7.86'
2. All costs include 6' wide pavement restoration

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Summary of Account 361.18 - Collection Sewers -Gravity

Acct No.	Description - PSR Numbers	Unit	Quantity	Year	Amount
361.18	30" Gravity Collection Sewer	LF			
	54	LF	275.7	1950	\$ 3,598
	55	LF	143.9	1950	\$ 1,878
	57	LF	19.3	1950	\$ 252
	58	LF	98.9	1950	\$ 1,291
	72	LF	51.2	1950	\$ 668
	73	LF	128.9	1950	\$ 1,682
	128	LF	84.5	1950	\$ 1,103
	129	LF	148.3	1950	\$ 1,936
	208	LF	51.1	1950	\$ 667
Total			1001.8		\$ 13,075

Notes:

1. Average Depth is 10.17'
2. All costs include 6' wide pavement restoration

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Summary of Account 361.19 - Collection Sewers -Gravity

Acct No.	Description - PSR Numbers	Unit	Quantity	Year	Amount
361.19	36" Gravity Collection Sewer	LF			
	180	LF	369.5	1950	\$ 4,994
	180.1	LF	17.1	1950	\$ 231
Total			386.6		\$ 5,225

Notes:

1. Average Depth is 10.23'
2. All costs include 6' wide pavement restoration

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Summary of Account 361.20 - Collection Sewers -Gravity

Acct No.	Description - PSR Numbers	Unit	Quantity	Year	Amount
361.20	42" Gravity Collection Sewer	LF			
	195	LF	217.6	1950	\$ 3,062
Total			217.6		\$ 3,062

Notes:

1. Average Depth is 12.80'
2. All costs include 6' wide pavement restoration

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Summary of Account 361.21 - Collection Sewers -Gravity

Acct No.	Description - PSR Numbers	Unit	Quantity	Year	Amount
361.21	48" and Larger Gravity Collection Sewer	LF			
	198	LF	45.6	1950	\$ 674
	211	LF	11.5	1950	\$ 170
	48" Concrete sewer	LF	130	1998	\$ 27,924
	Total		187.1		\$ 28,767

Notes:

1. Average Depth is 14.76'
2. All costs include 8' wide pavement restoration

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Summary of Account 361.22 - Collection Sewers -Gravity

Acct No.	Description - PSR Numbers & work	Unit	Quantity	Year of Work	Amount
361.22	Trenchless Sewer Repairs				
	190 - MH-MH Lining	LF	436.1	2016	\$ 25,119.36
	86 - MH-MH Lining	LF	237.5	2015	\$ 10,830
	91 - MH-MH Lining	LF	143.8	2015	\$ 6,557
	93 - MH-MH Lining	LF	192.7	2015	\$ 8,787
	94 - MH-MH Lining	LF	376.8	2015	\$ 17,182
	170 - MH-MH Lining	LF	289.1	2016	\$ 16,652
	173 - MH-MH Lining	LF	267.2	2016	\$ 15,391
	212 - MH-MH Lining	LF	137.8	2015	\$ 6,284
	169 - MH-MH Lining	LF	259.8	2016	\$ 14,964
	105 - MH-MH Lining	LF	175.3	2015	\$ 8,625
	168 - MH-MH Lining	LF	250.6	2016	\$ 16,239
	169.1 - MH-MH Lining	LF	392.5	2016	\$ 25,434
	15 - MH-MH Lining	LF	196.1	2016	\$ 17,649
	22 - MH-MH Lining	LF	117.7	2015	\$ 7,062
	51 - MH-MH Lining	LF	78.6	2015	\$ 4,716
	68 - MH-MH Lining	LF	253.8	2016	\$ 22,842
	103 - MH-MH Lining	LF	138.9	2015	\$ 8,334
	112 - MH-MH Lining	LF	449.2	2015	\$ 26,952
	127 - MH-MH Lining	LF	158	2015	\$ 9,480
	133 - MH-MH Lining	LF	396.8	2015	\$ 23,808
	149 - MH-MH Lining	LF	155.4	2016	\$ 13,986
	179 - MH-MH Lining	LF	167.7	2016	\$ 15,093
	191 - MH-MH Lining	LF	198.2	2016	\$ 17,838
	193 - MH-MH Lining	LF	208.3	2016	\$ 18,747
	105 - MH-MH Lining	LF	54	2015	\$ 3,240
	3 - MH-MH Lining	LF	196.4	2015	\$ 18,854
	5 - MH-MH Lining	LF	259.7	2016	\$ 32,722
	7 - MH-MH Lining	LF	692.6	2015	\$ 66,490
	9 - MH-MH Lining	LF	145.5	2016	\$ 18,333
	10 - MH-MH Lining	LF	157.8	2015	\$ 15,149
	33 - MH-MH Lining	LF	269.5	2015	\$ 25,872
	64 - MH-MH Lining	LF	157.7	2016	\$ 19,870
	67 - MH-MH Lining	LF	369.8	2016	\$ 46,595
	114 - MH-MH Lining	LF	316.2	2016	\$ 39,841
	118 - MH-MH Lining	LF	159.1	2016	\$ 20,047
	121 - MH-MH Lining	LF	142.7	2016	\$ 17,980

143 - MH-MH Lining	LF	34.9	2016	\$	4,397
152 - MH-MH Lining	LF	198.6	2016	\$	25,024
153 - MH-MH Lining	LF	39.6	2016	\$	4,990
167 - MH-MH Lining	LF	291.8	2016	\$	36,767
185 - MH-MH Lining	LF	383	2016	\$	48,258
188 - MH-MH Lining	LF	164.5	2016	\$	20,727
202 - MH-MH Lining	LF	51.9	2016	\$	6,539
204 - MH-MH Lining	LF	159.9	2016	\$	20,147
205 - MH-MH Lining	LF	58	2016	\$	7,308
207 - MH-MH Lining	LF	23.7	2016	\$	2,986
109 - MH-MH Lining	LF	154.3	2016	\$	19,442
98 - MH-MH Lining	LF	284.9	2016	\$	41,026
99 - MH-MH Lining	LF	199.1	2016	\$	28,670
132 - MH-MH Lining	LF	238.7	2016	\$	34,373
154 - MH-MH Lining	LF	245.4	2016	\$	50,651
186 - MH-MH Lining	LF	137.3	2016	\$	28,339
187 - MH-MH Lining	LF	67.6	2016	\$	13,953
55 - MH-MH Lining	LF	143.9	2015	\$	32,792
129 - MH-MH Lining	LF	148.3	2015	\$	33,795
150 - Trenchless Spot Repair	LS	1	2015	\$	2,034
148 - Trenchless Spot Repair	LS	1	2015	\$	2,034
187 - Trenchless Spot Repair	LS	1	2015	\$	36,480
151 - Trenchless Spot Repair	LS	1	2015	\$	8,184
176 - Trenchless Spot Repair	LS	1	2015	\$	2,034
174.1 - Trenchless Spot Repair	LS	1	2015	\$	672
169 - Trenchless Spot Repair	LS	1	2015	\$	672
182 - Trenchless Spot Repair	LS	1	2015	\$	2,034
1 - Trenchless Spot Repair	LS	1	2015	\$	2,034
2 - Trenchless Spot Repair	LS	1	2015	\$	8,184
111 - Trenchless Spot Repair	LS	1	2015	\$	8,184
110 - Trenchless Spot Repair	LS	1	2015	\$	2,034
3 - Trenchless Spot Repair	LS	1	2015	\$	8,184
229 - Trenchless Spot Repair	LS	1	2015	\$	2,034
9 - Trenchless Spot Repair	LS	1	2015	\$	8,184
115 - Trenchless Spot Repair	LS	1	2015	\$	2,034
10 - Trenchless Spot Repair	LS	1	2015	\$	8,184
134.2 - Trenchless Spot Repair	LS	1	2015	\$	8,184
134.1 - Trenchless Spot Repair	LS	1	2015	\$	2,034
134 - Trenchless Spot Repair	LS	1	2015	\$	2,034
227 - Trenchless Spot Repair	LS	1	2015	\$	8,184
22 - Trenchless Spot Repair	LS	1	2015	\$	2,034
21 - Trenchless Spot Repair	LS	1	2015	\$	8,184
20 - Trenchless Spot Repair	LS	1	2015	\$	8,184
17 - Trenchless Spot Repair	LS	1	2015	\$	2,034
69 - Trenchless Spot Repair	LS	1	2015	\$	2,034
66 - Trenchless Spot Repair	LS	1	2015	\$	2,034
92 - Trenchless Spot Repair	LS	1	2015	\$	672

90 - Trenchless Spot Repair	LS	1	2015	\$	672
77.1 - Trenchless Spot Repair	LS	1	2015	\$	672
130 - Trenchless Spot Repair	LS	1	2015	\$	2,034
85 - Trenchless Spot Repair	LS	1	2015	\$	672
82 - Trenchless Spot Repair	LS	1	2015	\$	672
106.1 - Trenchless Spot Repair	LS	1	2015	\$	2,034
101 - Trenchless Spot Repair	LS	1	2015	\$	2,034
100 - Trenchless Spot Repair	LS	1	2015	\$	2,034
97 - Trenchless Spot Repair	LS	1	2015	\$	2,034
96 - Trenchless Spot Repair	LS	1	2015	\$	2,034
89 - Trenchless Spot Repair	LS	1	2015	\$	672
90 - Trenchless Spot Repair	LS	1	2015	\$	672
92 - Trenchless Spot Repair	LS	1	2015	\$	672
44 - Trenchless Spot Repair	LS	1	2015	\$	2,034
47 - Trenchless Spot Repair	LS	1	2015	\$	8,184
34 - Trenchless Spot Repair	LS	1	2015	\$	2,034
38 - Trenchless Spot Repair	LS	1	2015	\$	2,034
36 - Trenchless Spot Repair	LS	1	2015	\$	2,034
35 - Trenchless Spot Repair	LS	1	2015	\$	2,034
39 - Trenchless Spot Repair	LS	1	2015	\$	2,034
40 - Trenchless Spot Repair	LS	1	2015	\$	2,034
26 - Trenchless Spot Repair	LS	1	2015	\$	2,034
25 - Trenchless Spot Repair	LS	1	2015	\$	2,034
30 - Trenchless Spot Repair	LS	1	2015	\$	2,034
31 - Trenchless Spot Repair	LS	1	2015	\$	2,034
175 - Trenchless Spot Repair	LS	1	2015	\$	2,034
175 - Excavated Spot Repair	LF	34	2015	\$	12,240
199 - Excavated Spot Repair	LF	8	2015	\$	2,640
149 - Excavated Spot Repair	LF	34	2015	\$	12,240
18 - Excavated Spot Repair	LF	33	2015	\$	11,880
133 - Excavated Spot Repair	LF	8	2015	\$	2,640
Total		11795.3		\$	1,383,699

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Summary of Account 361.23 - Stormwater Inlets Connected to Combined Sewer System

Acct No.	Description - PSR Numbers & work	Unit	Quantity	Year of Work	Amount
361.23	Stormwater Inlets to CS System Standard Size Inlet w/ Grating	EA	147	1950	\$ 34,139
	Total		147		\$ 34,139

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Summary of Account 361.24 - Stormwater Piping Connected to Combined Sewer System

Acct No.	Description - PSR Numbers & work	Unit	Quantity	Year of Work	Amount
361.24	12" Dia Stormwater Piping to CS System All Segments (from GIS Mapping)	LF	4,841.5	1950	\$ 37,329
	Total		4,841.5		\$ 37,329

Elizabeth Borough Municipal Authority

Original Cost of Collection System
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Summary of Account 361.97 - Collection Sewers -Gravity

Acct No.	Description	Unit	Quantity	Year	Amount
361.97	Cost of CSO Chambers				
	Total Upper Mill St Regulator (CSO 8)	LS	1	1998	\$ 118,273
	CSO 8 Regualtor	EA	1		\$ 59,340
	Hancor	EA	1		\$ 3,450
	Flow Channel	EA	1		\$ 3,036
	New Concrete Endwalls & Apron	EA	1		\$ 2,622
	Red Valve Tideflex	EA	1		\$ 20,728
	Outfall Channels	EA	1		\$ 4,278
	Select Backfill	SF	1		\$ 4,050
	Labor & Other overheads	EA	1		\$ 11,040
	Aluminum baffle on sides	EA	1		\$ 898
	Fiberglass Platforms	EA	1		\$ 8,280
	3" Dia. Safety Posts (4/Regulator)	EA	4		\$ 552
	Total Bayard St (CSO 7)	LS	1	1998	\$ 109,552
	CSO 7 Regulator	EA	1		\$ 62,100
	Hancor	EA	1		\$ 3,450
	Flow Channel	EA	1		\$ 3,036
	New Concrete Endwalls & Apron	EA	1		\$ 2,346
	Red Valve Tideflex	EA	1		\$ 9,798
	Outfall Channels	EA	1		\$ 4,002
	Select Backfill	SF	1		\$ 4,050
	Labor & Other overheads	EA	1		\$ 11,040
	Aluminum baffle on sides	EA	1		\$ 898
	Fiberglass Platforms	EA	1		\$ 8,280
	3" Dia. Safety Posts (4/Regulator)	EA	4		\$ 552
	Total Plum St (CSO 6)	LS	1	1998	\$ 106,588
	CSO 6 Regulator	EA	1		\$ 66,240
	Hancor	EA	1		\$ 3,450
	Flow Channel	EA	1		\$ 3,036
	New Concrete Endwalls & Apron	EA	1		\$ 2,418
	Red Valve Tideflex	EA	1		\$ 9,798
	Outfall Channels	EA	1		\$ 6,486
	Select Backfill	SF	1		\$ 4,050
	Pipe Plugs	EA	1		\$ 1,380
	Aluminum baffle on sides	EA	1		\$ 898
	Fiberglass Platforms	EA	1		\$ 8,280
	3" Dia. Safety Posts (4/Regulator)	EA	4		\$ 552

Total Market St (CSO 5)	LS	1	1998	\$	101,824
CSO 5 Regulator	EA	1		\$	62,100
Flow Channel	EA	1		\$	3,036
New Concrete Endwalls & Apron	EA	1		\$	4,554
Red Valve Tideflex	EA	1		\$	9,798
Outfall Channels	EA	1		\$	7,176
Select Backfill	SF	1		\$	4,050
Pipe Plugs	EA	1		\$	1,380
Aluminum baffle on sides	EA	1		\$	898
Fiberglass Platforms	EA	1		\$	8,280
3" Dia. Safety Posts (4/Regulator)	EA	4		\$	552
Total Park Alley (CSO 4)	LS	1	1998	\$	111,898
CSO 4 Regulator	EA	1		\$	62,100
Hancor	EA	1		\$	3,450
Flow Channel	EA	1		\$	3,036
New Concrete Endwalls & Apron	EA	1		\$	3,726
Red Valve Tideflex	EA	1		\$	8,280
Outfall Channels	EA	1		\$	6,486
Select Backfill	SF	1		\$	4,050
Labor & Other overheads	EA	1		\$	11,040
Aluminum baffle on sides	EA	1		\$	898
Fiberglass Platforms	EA	1		\$	8,280
3" Dia. Safety Posts (4/Regulator)	EA	4		\$	552
Total Mill Alley (CSO 3)	LS	1	1998	\$	134,944
CSO 3 Regulator	EA	1		\$	62,100
New Chamber Ahead of Mill Alley	EA	1		\$	3,036
New Concrete Endwalls & Apron	EA	1		\$	4,968
Red Valve Tideflex	EA	1		\$	48,300
Select Backfill	SF	1		\$	4,050
Pipe Plugs	EA	1		\$	2,760
Aluminum baffle on sides	EA	1		\$	898
Fiberglass Platforms	EA	1		\$	8,280
3" Dia. Safety Posts (4/Regulator)	EA	4		\$	552
Total				\$	683,077

Elizabeth Borough Municipal Authority

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Summary of Account 361.98 - Collection Sewers -Gravity

Acct No.	Description - Manhole Numbers	Unit	Quantity	Year	Amount
361.98	Manholes	EA			
	EB 35	EA	1	2014	\$ 3,588
	EB 36	EA	1	1950	\$ 302
	EB 31.33	EA	1	1950	\$ 302
	EB 31.2	EA	1	1950	\$ 302
	EB 31.111	EA	1	1950	\$ 302
	EB 32.1	EA	1	1950	\$ 302
	EB 4.1	EA	1	1950	\$ 302
	EB 7.1	EA	1	1950	\$ 302
	EB8.1	EA	1	1950	\$ 302
	EB 2	EA	1	1950	\$ 302
	EB 97.1	EA	1	1950	\$ 302
	EB 92.1	EA	1	2014	\$ 3,588
	EB 99.1	EA	1	2014	\$ 3,588
	EB27A	EA	1	2014	\$ 3,588
	EB27	EA	1	2014	\$ 3,588
	EB 86	EA	1	1950	\$ 302
	EB 89	EA	1	2014	\$ 3,588
	EB 87.1	EA	1	2014	\$ 3,588
	EB 82	EA	1	1950	\$ 302
	EB 81	EA	1	1950	\$ 302
	EB 77	EA	1	1950	\$ 302
	EB 77.1	EA	1	2014	\$ 3,588
	EB 76.1	EA	1	2014	\$ 3,588
	EB 70.2	EA	1	2014	\$ 3,588
	EB 69.1	EA	1	2014	\$ 3,588
	EB 64	EA	1	1950	\$ 302
	EB 65	EA	1	1950	\$ 302
	EB 56.1	EA	1	2014	\$ 3,588
	EB 56.2	EA	1	2014	\$ 3,588
	EB 58.2	EA	1	1950	\$ 302
	EB 75.1	EA	1	2014	\$ 3,588
	EB 75	EA	1	1950	\$ 302
	EB 75.2	EA	1	2014	\$ 3,588
	EB 62	EA	1	1950	\$ 118
	EB 63	EA	1	2014	\$ 3,588
	EB 58.2	EA	1	1950	\$ 302

LH 21.1	EA	1	1950	\$	302
Eb 57.1	EA	1	1950	\$	302
EB 55.2	EA	1	1950	\$	302
EB 54.1	EA	1	1950	\$	302
EB 44.11	EA	1	1950	\$	302
EB 30	EA	1	1950	\$	302
EB 29	EA	1	1950	\$	302
EB 37.1	EA	1	1950	\$	302
OF-4	EA	1	1950	\$	302
OF-5	EA	1	1950	\$	302
OF-6	EA	1	1950	\$	302
OF-7	EA	1	1950	\$	302
OF-2	EA	1	1950	\$	302
OF-1	EA	1	1950	\$	302
EB 1	EA	1	1950	\$	302
EB 3	EA	1	1950	\$	302
EB 4	EA	1	1950	\$	302
EB 6	EA	1	1950	\$	302
EB 7	EA	1	1950	\$	302
EB 8	EA	1	1950	\$	302
EB 11	EA	1	1950	\$	302
EB 9	EA	1	1950	\$	302
EB 10	EA	1	1950	\$	302
EB 5	EA	1	1950	\$	302
EB 10.2	EA	1	1950	\$	302
CSO 3	EA	1	1950	\$	302
EBPS 2	EA	1	1950	\$	302
EB 10.1	EA	1	1950	\$	302
EB 25	EA	1	1950	\$	302
EB 24	EA	1	1950	\$	302
EB 23.1	EA	1	1950	\$	302
EB 23	EA	1	1950	\$	302
EB 21	EA	1	1950	\$	302
EB 20	EA	1	1950	\$	302
EB 22	EA	1	1950	\$	302
EB 34	EA	1	1950	\$	302
EB 33	EA	1	1950	\$	302
EB 32	EA	1	1950	\$	302
EB 31	EA	1	1950	\$	302
EB 18	EA	1	1950	\$	302
EB 17	EA	1	1950	\$	302
EB 16	EA	1	1950	\$	302
EB 15	EA	1	1950	\$	302
EB 14	EA	1	1950	\$	302
EB 13	EA	1	1950	\$	302
EB 12	EA	1	1950	\$	302
EB 38	EA	1	1950	\$	302

EB 37	EA	1	1950	\$	302
EB 28.1	EA	1	1950	\$	302
EB 26	EA	1	1950	\$	302
FT 10	EA	1	1950	\$	302
INT 7	EA	1	1950	\$	302
INT 8	EA	1	1950	\$	302
EB 42.2	EA	1	1950	\$	302
INT 9	EA	1	1950	\$	302
INT 9.1	EA	1	1950	\$	302
INT 10	EA	1	1950	\$	302
INT 11	EA	1	1950	\$	302
CSO 7 - MH1	EA	1	1950	\$	302
INT 12	EA	1	1950	\$	302
INT 15	EA	1	1950	\$	302
CSO 8 - MH1	EA	1	1950	\$	302
INT 16	EA	1	1950	\$	302
EB 61.1	EA	1	1950	\$	302
61.3D	EA	1	1950	\$	302
BL 1	EA	1	1950	\$	302
BL 2	EA	1	1950	\$	302
EB 61.2	EA	1	1950	\$	302
EB 61	EA	1	1950	\$	302
EB 60.1	EA	1	1950	\$	302
EB 60	EA	1	1950	\$	302
EB 59	EA	1	1950	\$	302
EB 39	EA	1	1950	\$	302
EB 40	EA	1	1950	\$	302
EB 41	EA	1	1950	\$	302
EB 45	EA	1	1950	\$	302
EB 46	EA	1	1950	\$	302
EB 50	EA	1	1950	\$	302
EB 51	EA	1	1950	\$	302
EB 48	EA	1	1950	\$	302
EB 45.1	EA	1	1950	\$	302
EB 45.2	EA	1	1950	\$	302
EB 49	EA	1	1950	\$	302
EB 45.3	EA	1	1950	\$	302
EB 43	EA	1	1950	\$	302
EB 44	EA	1	1950	\$	302
INT 6	EA	1	1950	\$	302
INT 5	EA	1	1950	\$	302
INT 4	EA	1	1950	\$	302
EB 42.3	EA	1	1950	\$	302
EB 42	EA	1	1950	\$	302
EB 42.1	EA	1	1950	\$	302
EB 47	EA	1	1950	\$	302
EB 97	EA	1	1950	\$	302

EB 54	EA	1	1950	\$	302
EB 53.1	EA	1	1950	\$	302
EB 53	EA	1	1950	\$	302
EB 56	EA	1	1950	\$	302
EB 68	EA	1	1950	\$	302
EB 55.1	EA	1	1950	\$	302
EB 55	EA	1	1950	\$	302
EB 70.1	EA	1	1950	\$	302
EB 69	EA	1	1950	\$	302
EB 44.3	EA	1	1950	\$	302
EB 57	EA	1	1950	\$	302
EB 58	EA	1	1950	\$	302
EB 73	EA	1	2014	\$	3,588
EB 79	EA	1	1950	\$	302
EB 80	EA	1	1950	\$	302
EB 72	EA	1	1950	\$	302
EB 71	EA	1	1950	\$	302
EB 76	EA	1	1950	\$	302
EB 78	EA	1	1950	\$	302
EB 87	EA	1	1950	\$	302
EB 88	EA	1	1950	\$	302
EB 110.1	EA	1	1950	\$	302
EB 109	EA	1	1950	\$	302
EB 67	EA	1	1950	\$	302
EB 67.1	EA	1	1950	\$	302
EB 84	EA	1	1950	\$	302
EB 85	EA	1	1950	\$	302
EB 90	EA	1	1950	\$	302
EB 92	EA	1	1950	\$	302
EB 93	EA	1	1950	\$	302
EB 94	EA	1	1950	\$	302
EB 108.1	EA	1	1950	\$	302
EB 108	EA	1	1950	\$	302
EB 96	EA	1	1950	\$	302
EB 95.1	EA	1	1950	\$	302
STORM MH 17.1	EA	1	1950	\$	302
EB 95	EA	1	1950	\$	302
EB 100	EA	1	1950	\$	302
EB 28	EA	1	1950	\$	302
EB 102	EA	1	1950	\$	302
EB 101	EA	1	1950	\$	302
EB 103	EA	1	1950	\$	302
EB 105	EA	1	1950	\$	302
EB 107	EA	1	1950	\$	302
EB 104	EA	1	1950	\$	302
EB 106	EA	1	1950	\$	302
LH 30	EA	1	1950	\$	302

EB 103.1	EA	1	1950	\$	302
EB 91	EA	1	1950	\$	302
INT 2	EA	1	1950	\$	302
INT 1	EA	1	1950	\$	302
LH 29	EA	1	1950	\$	302
EB 115	EA	1	1950	\$	302
EB 114	EA	1	1950	\$	302
EB 113	EA	1	1950	\$	302
EB 112	EA	1	1950	\$	302
LH 13	EA	1	1950	\$	302
LH 12	EA	1	1950	\$	302
LH 66	EA	1	1950	\$	302
EB 110	EA	1	1950	\$	302
EB 61.4	EA	1	1950	\$	302
LH 24	EA	1	1950	\$	302
EB 74	EA	1	1950	\$	302
EB 88.1	EA	1	1950	\$	302
EB 111	EA	1	1950	\$	302
LH 31	EA	1	1950	\$	302
ETSA	EA	1	1950	\$	302
INT 14	EA	1	1950	\$	302
EB-23.2	EA	1	1950	\$	302
EB-107.1	EA	1	1950	\$	302
EB-68.1	EA	1	1950	\$	302
EB 90.11	EA	1	1950	\$	302
EB 91.1	EA	1	1950	\$	302
EB 38.1?	EA	1	1950	\$	302
LH 79.1	EA	1	2014	\$	3,588
LH 46.1	EA	1	1950	\$	302
LH 50.1	EA	1	1950	\$	302
EB 21.1	EA	1	1950	\$	302
EB 26.1	EA	1	1950	\$	302
EB 15.1	EA	1	1950	\$	302
EB 18.1	EA	1	1950	\$	302
EB 88.2	EA	1	1950	\$	302
MH # ?	EA	1	1950	\$	302
EB52.1	EA	1	1950	\$	302
EB 4.1	EA	1	1950	\$	302
EB 20.11	EA	1	1950	\$	302
EB 36.1	EA	1	1950	\$	302
EB 44.1	EA	1	1950	\$	302
EB 44.2	EA	1	1950	\$	302
EB 45.5	EA	1	1950	\$	302
LH 45.5	EA	1	1950	\$	302
INT 3	EA	1	1950	\$	302
INT 3.1	EA	1	1950	\$	302
INT 3.2	EA	1	1950	\$	302

Additional 48" Sections (2014 contract)	LS	1	2014	\$	47,158
72" Diameter Manhole (2014 contract)	EA	1	2014	\$	29,484
Total		224		\$	203,235

Elizabeth Borough Municipal Authority

Original Cost of Collection System
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Summary of Account 361.99 - Collection Sewers -Gravity

Acct No.	Description	Unit	Quantity	Year	Amount
361.99	Miscellaneous	LS			
	15"x6" PVC wyes (Boat Club Area)	EA	3	1998	\$ 1,325
	8"x6" PVC wye pieces w/ caps	EA	5	1998	\$ 2,484
	12'x6' concrete chamber	EA	1	1998	\$ 55,200
	Mobilization for CSO Construction	LS	1	1998	\$ 75,900
	Manhole Covers (Standard)	EA	18	1998	\$ 7,452
	Manhole Covers (Watertight)	EA	4	1998	\$ 2,626
	Furnishing and installing shoring	LS	1	1998	\$ 28,800
	CSO 6 2018 Emergency Repair	LS	1	2018	\$ 83,831
	2018 Street Paving for Sewer Impr (depr sch)	LS	1	2018	\$ 123,207
	2019 Street Paving for Sewer Impr (depr sch)	LS	1	2019	\$ 87,382
	2020 Street Paving for Sewer Impr (depr sch)	LS	1	2020	\$ 166,687
	Flow Metering Equipment (depr sch)	LS	1	2019	\$ 26,320
	Flow Metering Equipment (depr sch)	LS	1	2020	\$ 15,440
	CCTV for Repairs	LS	1	2013	\$ 228,809
	Pipe Cleaning for CCTV and Repairs (bond)	LS	1	2014	\$ 24,587
	Pipe Cleaning for CCTV and Repairs (bond)	LS	1	2015	\$ 11,388
	Gate Repair (bond)	LS	1	2015	\$ 14,016
	System Repairs (bond)	LS	1	2015	\$ 125,850
	CSO 8 Repair (depr sch, bond)	LS	1	2015	\$ 758,734
	System Repairs (bond)	LS	1	2015	\$ 112,078
	2016 Miscellaneous Projects (depr sch)	LS	1	2016	\$ 26,581
	2017 Miscellaneous Projects (depr sch)	LS	1	2017	\$ 151,594
	2018 Miscellaneous Projects (depr sch)	LS	1	2018	\$ 1,599
	2018 CDBG Projects (depr sch)	LS	1	2018	\$ 235,593
	2023 Inlet Rehabilitation	LS	1	2023	\$ 82,996
	2023 CCTV Work	LS	1	2023	\$ 13,100
Total					\$ 2,463,577

Elizabeth Borough Municipal Authority

Original Cost of Collection System
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Summary of Account 364.10 - Collection Sewers -Gravity

Acct No.	Description	Unit	Quantity	Year	Amount
364.10	Flow Measuring Devices	LS			
	Flow Metering Equipment (depr sch)	LS	1	2019	\$ 21,933.00
	Flow Metering Equipment (depr sch)	LS	1	2020	\$ 12,866.90
	Flow Metering Rentals and Services	LS	1	2013	\$ 100,391.00
	Flow Metering Rentals and Services	LS	1	2014	\$ 68,790.00
	Total				\$ 203,980.90

Appendix E

Elizabeth Borough Municipal Authority

Original Cost of Pump Station
as of March 31, 2023

Summary of Pump Station Assets

Acct No.	Description	Unit	Quantity	Amount
354.2	Structures and Improvements	LS	1	\$ 6,902,762
355.2	Power Generation Equipment	LS	1	\$ 120,666
360.2	Collection Sewers - Force	LS	1	\$ 254,698
365.2	Flow Measuring Installations	LS	1	\$ 6,814
366.2	Reuse Systems	LS	1	\$ 88,521
371.2	Pumping Equipment	LS	1	\$ 98,671
380.2	Treatment and Disposal Equipment	LS	1	\$ 740,637
381.2	Plant Sewers	LS	1	\$ 750,255
398.2	Other Tangible Plant	LS	1	\$ 194,468
Total Asset Cost				\$ 9,157,492

Elizabeth Borough Municipal Authority

Original Cost of Pump Station
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Pump Station Inventory

Acct No.	Description	Unit	Quantity	Year	Amount
354.20	Shoring	1	LS	2022	\$1,939,321
354.20	Retaining Walls (Incl. Guide Rail)	1	LS	2022	\$39,603
354.20	Construction Dewatering	1	LS	2022	\$143,562
354.20	Sanitary and Combined Bypass Pumping	1	LS	2022	\$29,702
354.20	Construction Surveying	1	LS	2022	\$19,802
354.20	Site Preparation	1	LS	2022	\$35,890
354.20	Earth Moving	1	LS	2022	\$189,353
354.20	Railroad Coordination	1	LS	2022	\$18,564
354.20	Traffic Maintenance	1	LS	2022	\$6,188
354.20	Demolition-Existing Lift Station Building	1	LS	2022	\$53,217
354.20	Demolition-Existing Residential Buildings	1	LS	2022	\$13,614
354.20	Erosion and Sedimentation Control	1	LS	2022	\$25,990
354.20	Berms	1	LS	2022	\$3,713
354.20	Temporary Fence	1	LS	2022	\$3,403
354.20	Permanent Fence	1	LS	2022	\$38,799
354.20	Exploratory Excavation	1	LS	2022	\$6,807
354.20	Storm Sewer Catch Basin	1	LS	2022	\$16,708
354.20	Storm Water Endwall / Headwall	1	LS	2022	\$2,723
354.20	Milling	1	LS	2022	\$7,396
354.20	Non-Woven Geotextile Fabric (Class 4)	1	LS	2022	\$5,908
354.20	9.5 mm Superpave Wearing Course (1.5" thk.)	1	LS	2022	\$28,835
354.20	19 mm Superpave HMA Binder Course (3.5" thk.)	1	LS	2022	\$40,590
354.20	25 mm Superpave HMA Base Course (4" thk.)	1	LS	2022	\$47,784
354.20	Subbase No. 2A Stone (6" thk.)	1	LS	2022	\$29,918
354.20	Imported / Borrow Materials	1	LS	2022	\$6,188
354.20	1-1/4" HDPE Service Water Line	1	LS	2022	\$11,757
354.20	1-1/2" Natural Gas Service Line	1	LS	2022	\$11,138
354.20	Masonry	1	LS	2022	\$300,490
354.20	Metals	1	LS	2022	\$241,001
354.20	Roofing	1	LS	2022	\$110,765
354.20	Metal Doors & Frames & Hardware	1	LS	2022	\$11,559
354.20	OH Doors	1	LS	2022	\$26,008
354.20	Access Hatches	1	LS	2022	\$25,155
354.20	Paint	1	LS	2022	\$35,395
354.20	Fire Extinguishers	1	LS	2022	\$879
354.20	Flumes	1	LS	2022	\$18,242

354.20	Single Girder Crane Systems	1	LS	2022	\$200,636
354.20	North Admin. BLD SOG	1	LS	2022	\$16,398
354.20	North Admin. BLD Walls	1	LS	2022	\$36,134
354.20	North Admin. BLD SOG / Haunch	1	LS	2022	\$22,827
354.20	Dry Side Infill	1	LS	2022	\$105,639
354.20	Wet Side Weir Wall	1	LS	2022	\$28,695
354.20	Wet Side Separation Wall & Beams	1	LS	2022	\$21,552
354.20	Wet Side Fillet & Reinforcing	1	LS	2022	\$12,800
354.20	Site Concrete	1	LS	2022	\$29,231
354.20	Main Structure Mat	1	LS	2022	\$324,723
354.20	Main Structure Walls	1	LS	2022	\$728,367
354.20	Main Structure Columns	1	LS	2022	\$31,987
354.20	Main Structure Deck EL 751	1	LS	2022	\$46,152
354.20	Intake Structure Mat 710.50 - 714.50	1	LS	2022	\$28,812
354.20	Intake Structure Walls	1	LS	2022	\$115,826
354.20	Intake Structure EL V SLAB 729 - 730	1	LS	2022	\$5,579
354.20	Intake Structure LID 751 - 751.66	1	LS	2022	\$15,830
354.20	Intake Structure Infill Channels 714.5 - 718.5	1	LS	2022	\$9,074
354.20	CO-18-1A-3 Door Lintel	1	LS	2022	\$94
354.20	CO-18-1A-4 Job Trailer	1	LS	2022	\$11,077
354.20	CO-18-1A-6 Martin Door	1	LS	2022	\$44,931
354.20	CO-18-1A-7 Deck Support Angle	1	LS	2022	\$10,317
354.20	CO-18-1A-11 Fence only (Asphalt in above)	1	LS	2022	\$5,783
354.20	Electrical Switchgear Cost	1	LS	2022	\$215,590
354.20	UTIL-CT-1 & UTIL-CT-2	1	LS	2022	\$3,713
354.20	SWBD-101 & SWBD-102	1	LS	2022	\$7,178
354.20	ATS-101	1	LS	2022	\$3,218
354.20	MCC-101	1	LS	2022	\$7,426
354.20	BCP-101 & TX-101	1	LS	2022	\$3,094
354.20	Pad	1	LS	2022	\$7,549
354.20	Fuel	1	LS	2022	\$6,807
354.20	Lighting Cost	1	LS	2022	\$95,295
354.20	Solids Handling Lighting	1	LS	2022	\$6,188
354.20	Pipe Gallery Lighting	1	LS	2022	\$6,188
354.20	Lower Level Lighting	1	LS	2022	\$3,094
354.20	Electrical Service	1	LS	2022	\$100,246
354.20	Equipment Terminations	1	LS	2022	\$51,979
354.20	Equipment Feeders	1	LS	2022	\$86,632
354.20	Lighting and Branch Power Feeders	1	LS	2022	\$30,940
354.20	Manholes / Handholes	1	LS	2022	\$14,232
354.20	Junction Boxes	1	LS	2022	\$27,227
354.20	Equipment Racks	1	LS	2022	\$7,426
354.20	Grounding	1	LS	2022	\$5,569
354.20	RTU-100 & OIT-200	1	LS	2022	\$111,384
354.20	Instruments	1	LS	2022	\$75,494
354.20	Instrument Termination	1	LS	2022	\$49,504
354.20	Gas Monitoring	1	LS	2022	\$22,277

354.20	Gas Monitoring System Terminations	1	LS	2022	\$8,044
354.20	Instrument Feeders	1	LS	2022	\$30,940
354.20	Cables	1	LS	2022	\$8,663
354.20	Fiber Cable	1	LS	2022	\$6,183
354.20	Change Order Duct Bank O1a	1	LS	2022	\$15,470
354.20	Change Order Duct Bank O1b	1	LS	2022	\$8,663
354.20	Change Order Duct Bank O5a	1	LS	2022	\$76,731
354.20	Change Order Exhaust Fan	1	LS	2022	\$7,477
354.20	Change Order Exterior Lights	1	LS	2022	\$944
354.20	Change Order Remote Access	1	LS	2022	\$2,634
354.20	Change Order Dialer - Call Out Alarms	1	LS	2022	\$3,314
354.20	Labor	1	LS	2022	\$18,713
354.20	Materials	1	LS	2022	\$3,337
354.20	Equipment	1	LS	2022	\$183,828
354.20	Insulation	1	LS	2022	\$1,566
354.20	Ductwork	1	LS	2022	\$79,929
354.20	Balancing	1	LS	2022	\$1,293
354.20	Controls	1	LS	2022	\$8,713
354.20	Crane	1	LS	2022	\$2,135
354.20	Change Order 1 Add Unit Heaters	1	LS	2022	\$6,188
354.20	Plumbing Mobilization	1	LS	2022	\$8,010
354.20	Below Slab San/Vent	1	LS	2022	\$12,581
354.20	Bldg San to Manhole	1	LS	2022	\$8,077
354.20	San/Vent Above Grade	1	LS	2022	\$7,376
354.20	Domestic Water Piping	1	LS	2022	\$13,354
354.20	Piping Insulation	1	LS	2022	\$3,049
354.20	Core Drilling	1	LS	2022	\$5,285
354.20	Fire Stopping	1	LS	2022	\$2,017
354.20	Plumbing Fixtures	1	LS	2022	\$16,032
354.20	Demobilization	1	LS	2022	\$5,536
355.20	Emergency Generator	1	LS	2022	\$114,478
355.20	250 KW Generator	1	LS	2022	\$3,713
355.20	ATS-102	1	LS	2022	\$2,475
360.20	30" Dia DIP Force Main	1	LS	2022	\$171,037
360.20	8" Dia DIP Force Main w/ valves and fittings	1	LS	2022	\$83,662
365.20	Integrating (2) Flow Meters	1	LS	2022	\$6,814
366.20	4" Dia. DIP Effluent Reuse Extension	1	LS	2022	\$75,674
366.20	4" Dia. Gate Valve with Valve Box Assembly	1	LS	2022	\$2,084
366.20	Effluent Reuse System Modifications	1	LS	2022	\$8,002
366.20	Change Order Reuse Pump	1	LS	2022	\$2,760
371.20	Submersible Solids Handling Pumps	1	LS	2022	\$88,318
371.20	Horizontal Centrifugal Pump	1	LS	2022	\$10,353
380.20	Mechanical Equipment Install	1	LS	2022	\$354,895
380.20	Sluice & Slide Gates	1	LS	2022	\$62,858
380.20	Bulk Material Conveyors	1	LS	2022	\$54,934
380.20	Mechanically Cleaned Bar Screen	1	LS	2022	\$78,218
380.20	Screen Washing and Compacting Eqp.	1	LS	2022	\$43,103

380.20	Vortex Grit & Grit Dewatering Screw	1	LS	2022	\$119,693
380.20	Cantilever Slide Gate with Electrical Operator	1	LS	2022	\$24,752
380.20	CO-18-1A-5 Auma Actuators	1	LS	2022	\$2,185
361.20	10" Dia. SDR-26 PVC Pipe	1	LS	2022	\$10,392
381.20	27" Dia. CL-46 PVC Pipe	1	LS	2022	\$263,968
381.20	Boring, 27" Dia. CL-46 PVC Pipe x 36" Dia. Steel	1	LS	2022	\$245,045
381.20	48" Dia. CL-46 PVC Pipe	1	LS	2022	\$10,891
381.20	15" HDPE Corrugated Storm Sewer Pipe	1	LS	2022	\$18,564
381.20	18" HDPE Corrugated Storm Sewer Pipe	1	LS	2022	\$2,710
381.20	48" Dia. Pre-Cast Concrete Manholes (0-10 ft.)	1	LS	2022	\$37,128
381.20	48" Dia. Manhole Riser (>10 ft.)	1	LS	2022	\$15,520
381.20	60" Dia. Pre-Cast Concrete Manhole (0-10 ft.)	1	LS	2022	\$55,692
381.20	60" Dia. Manhole Riser (> 10 ft.)	1	LS	2022	\$16,708
381.20	72" Dia. Pre-Cast Concrete Manhole	1	LS	2022	\$17,326
381.20	CSO Interceptor Modifications	1	LS	2022	\$3,713
381.20	Abandoning Ex. Manholes Sewer Lines	1	LS	2022	\$44,554
381.20	CSO #3 Overflow Structure Modifications	1	LS	2022	\$6,188
381.20	Change Order CSO #3	1	LS	2022	\$1,856
398.20	General Contract Mobilization	1	LS	2022	\$110,147
398.20	Electrical Contract Insurance and Bonds	1	LS	2022	\$26,608
398.20	Electrical Contract Mobilization	1	LS	2022	\$39,975
398.20	Electrical Contract Submittals	1	LS	2022	\$12,376
398.20	HVAC Bonds	1	LS	2022	\$3,587
398.20	Plumbing Permits	1	LS	2022	\$681
398.20	Plumbing Bonds	1	LS	2022	\$1,095
	TOTAL ASSET ORIGINAL COST				\$9,157,492

Appendix F

Elizabeth Borough Municipal Authority

Original Cost of WWTP
as of March 31, 2023

Summary of WWTP Assets

Acct No.	Description	Unit	Quantity	Amount
354.3	Structures and Improvements	1	LS	\$ 1,040,090
364.3	Flow Measuring Installations	1	LS	\$ 16,255
371.3	Pumping Equipment	1	LS	\$ 95,292
380.3	Treatment and Disposal Equipment	1	LS	\$ 566,826
381.3	Plant Sewers	1	LS	\$ 173,407
382.3	Outfall Sewers	1	LS	\$ 126,076
389.3	Other Plant and Miscellaneous Equipment	1	LS	\$ 14,436
Total Asset Cost				\$ 2,032,383

Elizabeth Borough Municipal Authority

Original Cost of WWTP
as of March 31, 2023

WWTP Inventory

Acct No.	Description	Unit	Quantity	Year	Amount
354.30	Digester Foundations	LS	1	1972	\$16,078
354.30	Digester Floors on Grade	LS	1	1972	\$4,582
354.30	Digester Superstructure	LS	1	1972	\$11,400
354.30	Digester Roofing	LS	1	1972	\$3,024
354.30	Digester Exterior Walls	LS	1	1972	\$21,493
354.30	Digester Partitions	LS	1	1972	\$4,504
354.30	Digester Wall Finishes	LS	1	1972	\$1,764
354.30	Digester Floor Finishes	LS	1	1972	\$212
354.30	Digester Ceiling Finishes	LS	1	1972	\$493
354.30	Digester HVAC	LS	1	1972	\$1,561
354.30	Digester Plumbing	LS	1	1972	\$5,316
354.30	Digester Electrical	LS	1	1972	\$9,539
354.30	Aeration Foundations	LS	1	1959	\$12,875
354.30	Aeration Floors on Grade	LS	1	1959	\$3,772
354.30	Aeration Superstructure	LS	1	1959	\$6,565
354.30	Aeration Roofing	LS	1	1959	\$64
354.30	Aeration Exterior Walls	LS	1	1959	\$19,529
354.30	Aeration Partitions	LS	1	1959	\$9,372
354.30	Aeration Plumbing	LS	1	1959	\$2,788
354.30	Aeration Electrical	LS	1	1959	\$3,906
354.30	Mechanical Foundations	LS	1	1972	\$2,005
354.30	Mechanical Floors on Grade	LS	1	1972	\$768
354.30	Mechanical Superstructure	LS	1	1972	\$1,682
354.30	Mechanical Roofing	LS	1	1972	\$464
354.30	Mechanical Exterior Walls	LS	1	1972	\$3,775
354.30	Mechanical HVAC	LS	1	1972	\$324
354.30	Mechanical Electrical	LS	1	1972	\$10,835
354.30	Drainage Sump Foundations	LS	1	1992	\$2,023
354.30	Drainage Sump Floors on Grade	LS	1	1992	\$201
354.30	Drainage Sump Superstructure	LS	1	1992	\$295
354.30	Drainage Sump Exterior Walls	LS	1	1992	\$6,375
354.30	Drainage Sump Electrical	LS	1	1992	\$197
354.30	Settling Tanks Foundations	LS	1	1992	\$19,797
354.30	Settling Tanks Floors on Grade	LS	1	1992	\$9,191
354.30	Settling Tanks Superstructure	LS	1	1992	\$11,978
354.30	Settling Tanks Exterior Walls	LS	1	1992	\$42,602
354.30	Settling Tanks Partitions	LS	1	1992	\$24,674
354.30	Settling Tanks Electrical	LS	1	1992	\$8,971

354.30	Return Sludge Foundations	LS	1	1959	\$646
354.30	Return Sludge Floors on Grade	LS	1	1959	\$120
354.30	Return Sludge Superstructure	LS	1	1959	\$145
354.30	Return Sludge Exterior Walls	LS	1	1959	\$1,217
354.30	Return Sludge Electrical	LS	1	1959	\$117
354.30	Chlorine Building Foundations	LS	1	1972	\$1,044
354.30	Chlorine Building Floors on Grade	LS	1	1972	\$490
354.30	Chlorine Building Superstructure	LS	1	1972	\$2,200
354.30	Chlorine Building Roofing	LS	1	1972	\$236
354.30	Chlorine Building Exterior Walls	LS	1	1972	\$2,639
354.30	Chlorine Building Partitions	LS	1	1972	\$391
354.30	Chlorine Building Wall Finishes	LS	1	1972	\$172
354.30	Chlorine Building Floor Finishes	LS	1	1972	\$17
354.30	Chlorine Building Ceiling Finishes	LS	1	1972	\$78
354.30	Chlorine Building HVAC	LS	1	1972	\$1,010
354.30	Chlorine Building Electrical	LS	1	1972	\$152
354.30	Chlorine Contact Tank Foundations	LS	1	1992	\$13,905
354.30	Chlorine Contact Tank Floors on Grade	LS	1	1992	\$4,736
354.30	Chlorine Contact Tank Superstructure	LS	1	1992	\$1,880
354.30	Chlorine Contact Tank Exterior Walls	LS	1	1992	\$21,286
354.30	Chlorine Contact Tank Partitions	LS	1	1992	\$6,672
354.30	Garage Foundations	LS	1	1992	\$3,519
354.30	Garage Floors on Grade	LS	1	1992	\$2,240
354.30	Garage Superstructure	LS	1	1992	\$4,905
354.30	Garage Roofing	LS	1	1992	\$1,130
354.30	Garage Exterior Walls	LS	1	1992	\$10,208
354.30	Garage Wall Finishes	LS	1	1992	\$749
354.30	Garage Ceiling Finishes	LS	1	1992	\$1,268
354.30	Garage HVAC	LS	1	1992	\$944
354.30	Garage Electrical	LS	1	1992	\$2,320
354.30	1992 STP Structures and Impr (PR 10)	LS	1	1992	\$286,927
354.30	Aeration Tank Repairs (depr sch)	LS	1	2019	\$19,108
354.30	Tank Painting and Wash (depr sch)	EA	1	2020	\$25,175
354.30	Plant Improvements (depr sch)	EA	1	2017	\$4,804
354.30	Plant Improvements (depr sch)	EA	1	2015	\$332,650
364.30	Ultrasonic Flowmeters	LS	1	1996	\$5,855
364.30	1992 STP Flow Measuring Impr (PR 10)	LS	1	1992	\$10,400
371.30	Froth Spray Pumps in Digester Bldg	LS	1	1972	\$1,756
371.30	Sludge Pumps and Dives	LS	1	1972	\$7,025
371.30	Flygt Pump (depr sch)	EA	1	2017	\$6,967
371.30	Flygt Pump (depr sch)	EA	1	2017	\$6,813
371.30	Pump Rebuild (depr sch)	EA	1	2017	\$11,817
371.30	Pump Backup Feed (depr sch)	EA	1	2021	\$60,915
380.30	Digester Fixed Equipment	LS	1	1972	\$3,503
380.30	Aeration Fixed Equipment	LS	1	1959	\$9,677
380.30	Mechanical Fixed Equipment	LS	1	1972	\$7,511
380.30	Drainage Sump Fixed Equipment	LS	1	1992	\$11,752

380.30	Settling Tanks Fixed Equipment	LS	1	1992	\$45,425
380.30	Return Sludge Pumps	LS	1	1959	\$1,582
380.30	Chlorine Building Conveying Systems	LS	1	1972	\$1,035
380.30	Chlorine Building Fixed Equipment	LS	1	1972	\$2,634
380.30	Chlorine Contact Tank Fixed Equipment	LS	1	1992	\$2,921
380.30	1992 STP Treatment Equip Impr (PR 10)	LS	1	1992	\$76,460
380.30	2016 Miscellaneous Projects (depr sch)	LS	1	2016	\$22,151
380.30	2017 Miscellaneous Projects (depr sch)	LS	1	2017	\$126,328
380.30	2018 Miscellaneous Projects (depr sch)	LS	1	2018	\$1,333
380.30	Plant Equipment (depr sch)	LS	1	2015	\$166,608
380.30	Plant Equipment (depr sch)	LS	1	2016	\$11,053
380.30	Plant Equipment (depr sch)	LS	1	2016	\$3,080
380.30	Plant Equipment (depr sch)	LS	1	2016	\$12,680
380.30	Channel Monster (depr sch)	EA	1	2019	\$20,611
380.30	Spare Blower (depr sch)	EA	1	2019	\$5,685
380.30	PLC Replacement (depr sch)	EA	1	2015	\$12,574
380.30	Electrical Work (depr sch)	EA	1	2016	\$9,260
380.30	Repair Clarifier Chain and Flights (depr sch)	EA	1	2018	\$12,964
381.30	Interconnecting Piping Foundations	LS	1	1992	\$35,829
381.30	Interconnecting Piping Floors on Grade	LS	1	1992	\$5,777
381.30	Interconnecting Piping Superstructure	LS	1	1992	\$6,666
381.30	Interconnecting Piping Exterior Walls	LS	1	1992	\$3,500
381.30	Interconnecting Piping Plumbing	LS	1	1992	\$89,785
381.30	1992 STP Plant Sewers (PR 10)	LS	1	1992	\$31,850
382.30	Outfall Interconnecting Piping	LS	1	2004	\$126,076
389.30	6 MP Ruggedized Sec Camera (depr sch)	EA	1	2019	\$4,999
389.30	Install of Asset 28 (depr sch)	EA	1	2019	\$9,437
	TOTAL ASSET ORIGINAL COST				\$2,032,383

Appendix G

Elizabeth Borough Municipal Authority

Original Cost of Other Plant Assets
as of March 31, 2023

Summary of Other Plant Inventory

Acct No.	Description	Unit	Quantity	Amount
390.4	Office Furniture and Equipment	1	LS	\$ 58,067
391.4	Transportation Equipment	1	LS	\$ 1,950
393.4	Tools, Shop and Garage Equipment	1	LS	\$ 232,348
394.4	Laboratory Equipment	1	LS	\$ 19,293
395.4	Power Operated Equipment	1	LS	\$ 23,297
396.4	Communication Equipment	1	LS	\$ 1,025
Total Asset Cost				\$ 335,980

Elizabeth Borough Municipal Authority

Original Cost of Other Plant Inventory
as of March 31, 2023

Other Plant Inventory

Acct No.	Description	Unit	Quantity	Year	Amount
390.40	Dell 2135cn Printer	Each	1	2009	\$ 549.00
390.40	Dell 1765cdn Printer	Each	1	2017	\$ 259.00
390.40	Lexmark Printer	Each	1	2005	\$ 199.00
390.40	Security Cameras	Each	13	2021	\$ 13,531.00
390.40	Dell Power Edge Server	Each	1	2017	\$ 13,114.33
390.40	Dell Desktop Computers	Each	6	2017	\$ 1,596.24
390.40	Dell Monitors	Each	2	2017	\$ 549.00
390.40	Dell Laptop Computer	Each	2	2017	\$ 1,777.04
390.40	APC Smart UPS	Each	1	2017	\$ 479.55
390.40	Dell Firewall	Each	1	2017	\$ 182.75
390.40	Dell Sonic Wall	Each	1	2017	\$ 723.75
390.40	Toshiba 55" TV Monitor	Each	3	2017	\$ 1,439.97
390.40	Desk & Hutch (OM Office)	Each	1	2017	\$ 1,152.90
390.40	Chair (OM Office)	Each	1	2017	\$ 260.00
390.40	Bush Bookcase (OM Office)	Each	1	2005	\$ 249.00
390.40	Presentation Board (Conference Room)	Each	1	2017	\$ 382.00
390.40	Conference Room Table	Each	1	2005	\$ 400.00
390.40	Conference Room Chairs	Each	12	2005	\$ 2,400.00
396.40	Avaya Phone System	Each	1	2014	\$ 7,600.00
390.40	Dell Server	Each	1	2019	\$ 8,404.00
390.40	Desk & Hutch (Secretary Office)	Each	1	2019	\$ 1,650.00
390.40	Wardrobe (Secretary Office)	Each	1	2019	\$ 275.00
390.40	Chair (OM Office)	Each	1	2019	\$ 260.00
390.40	Drawing File Cabinet ^A	Each	2	1995	\$ 633.73
390.40	Filing Cabinet ^A	Each	12	1995	\$ 1,195.77
394.40	Hach Pocket Colorimeter ^A	Each	1	1995	\$ 260.76
394.40	Sybron Thermoline Muffle Furnace	Each	1	1979	\$ 492.97
394.40	Millipore Single Chamber Incubator	Each	1	1997	\$ 481.07
394.40	Thermo Orion 3 Star D.O. Meter	Each	1	2006	\$ 858.26
394.40	Thermo Orion 3 Star pH Meter	Each	1	2012	\$ 712.07
394.40	Heinicke Autoclave	Each	1	1979	\$ 952.43
394.40	Thermo Scientific Stir Plate ^A	Each	1	2009	\$ 147.69
394.40	VanGuard Microscope	Each	1	2006	\$ 1,452.40
394.40	American Optical Stereoscope	Each	1	1979	\$ 133.55
394.40	Raven Centrifuge	Each	1	2008	\$ 853.99
394.40	Frigidare Refrigerator ^A	Each	1	2019	\$ 624.14

394.40	Magic Chef Refridgerator (mini) ^A	Each	1	2016	\$ 231.85
394.40	Labnet Digital Dry Bath	Each	1	2012	\$ 213.12
394.40	A&D International Analytical Balance	Each	1	2010	\$ 1,754.00
394.40	Weber Scintific NIST Thermometer	Each	1	2007	\$ 295.07
394.40	QCEC Influent Sampler	Each	1	2013	\$ 9,810.00
394.40	QCEC Effluent Sampler	Each	1	2013	\$ 5,632.00
394.40	Miscellaneous Lab Equipment (various brands)	Lump Sum	1	2022	\$ 8,747.79
391.40	Ford Super Duty Dump Truck ^A	Each	1	1989	\$ 24,517.50
391.40	Ford F450 Service Truck	Each	1	2008	\$ 60,549.30
391.40	Ford F250 Truck	Each	1	2015	\$ 26,450.00
393.40	Trailer	Each	1	2022	\$ 10,295.00
393.40	Cues CCTV Camera System	Each	1	2021	\$ 65,052.78
395.40	Toro Wheel Horse Tractor	Each	1	1990	\$ 5,000.00
395.40	Honda 21" Lawn Mower	Each	1	2007	\$ 1,129.99
395.40	Fisher Snow Plow	Each	2	1989	\$ 3,100.00
395.40	Stihl Blower B	Each	1	1995	\$ 270.00
395.40	Stihl Weed Wacker ^B	Each	1	1995	\$ 300.00
393.40	Briggs & Stratton Pressure Washer	Each	1	2016	\$ 1,100.00
393.40	Tsunami Submersible Pump 1/2 H.P.	Each	2	2014	\$ 615.42
393.40	Chicago Air Impact Wrench	Each	1	2014	\$ 34.00
393.40	Snap Ring Pliar Set	Each	1	2014	\$ 19.00
393.40	Kesson Measuring Wheel	Each	1	2015	\$ 89.95
393.40	Manhole Extractor	Each	1	2015	\$ 209.95
393.40	Marking Wand	Each	1	2018	\$ 43.95
393.40	Milwaukie Impact Wrench	Each	1	2021	\$ 494.99
393.40	Chapin Backpack Sprayer	Each	1	2021	\$ 176.99
393.40	Powerhorse Telescoping Pressure Washer Wan	Each	1	2021	\$ 144.99
393.40	Proto Torque Wrench	Each	1	2010	\$ 126.55
393.40	Catch Basin Slip Rings	Each	1	2010	\$ 152.50
393.40	Magnetic Locator Wand	Each	1	2012	\$ 854.95
393.40	Milwaukee 18 Volt 3aH Batteries	Each	2	2013	\$ 102.60
393.40	Lincoln Grease Gun	Each	3	2013	\$ 81.00
393.40	Milwaukee 5 piece cordless tool kit	Each	1	2017	\$ 599.99
395.40	Peerless Electric Hoist ^B	Each	1	1995	\$ 2,460.00
393.40	Tripod Harness Kit ^B	Each	1	1996	\$ 1,649.00
393.40	Confined Space Kit ^B	Each	1	1996	\$ 2,495.00
393.40	Ingersol Rand 80 Gallon Air Compressor ^B	Each	1	2015	\$ 1,000.00
393.40	Gorman Rupp Submersible Pump ^B	Each	1	1995	\$ 3,000.00
393.40	Gorman Rupp Overload Panel Subm Pump ^B	Each	1	1995	\$ 500.00
393.40	Milwaukie Holesaw Kit ^B	Each	1	2005	\$ 120.00
393.40	Kobalt Tool Kit	Each	2	2019	\$ 220.00
395.40	Honda Portable Generator ^B	Each	1	1995	\$ 2,799.00
395.40	Delta Drill Press ^B	Each	1	1995	\$ 1,059.89
395.40	Lincoln 225V Welder ^B	Each	1	2015	\$ 1,927.25
393.40	Dyna Glo Portable Kerosene Heater ^B	Each	1	1995	\$ 214.99

395.40	Milwaukie Bench Grinder ^B	Each	1	1995	\$ 208.01
393.40	WellBilt Parts Washer	Each	1	2014	\$ 139.00
393.40	Rigid Pipe Threader ^B	Each	1	1985	\$ 5,000.00
393.40	Rigid Threader Dies ^B	Each	10	1985	\$238.99
395.40	Central Machine 20 Ton Shop Press	Each	1	2018	\$ 249.99
393.40	Tool Box	Each	1	2015	\$ 700.00
393.40	Hand Tools (various) B	LS	1	2020	\$ 12,500.00
393.40	Eagle Flammable Storage Cabinets	Each	2	2003	\$ 3,590.20
393.40	Chicago 4 1/2 Angle Grinder	Each	2	2017	\$ 37.98
393.40	Salt Spreader	Each	1	2023	\$ 417.77
393.40	Axial Manhole Blower System	Each	1	2010	\$ 1,025.00

OTHER PLANT TOTAL

\$ 335,979.66

^A Replacement cost was indexed back to original date of purchase

^B Date of purchase was best estimate from former manager

Appendix H

Elizabeth Borough Municipal Authority

Original Cost of Land and Land Rights
as of March 31, 2023

Summary of Account 353.00 - Lands and Land Rights
Revised February 20, 2025

Acct No.	Description	Year Purchased	Original Cost
Pipelines			
353.101	Deed Book 8401-5	1990	\$ 1.00
353.102	1133-M-167	1997	\$ 240.00
353.103	1133-H-95	1997	\$ 260.00
353.104	1133-M-117	1997	\$ 460.00
353.105	1133-H-98	1997	\$ 640.00
	1133-S-107		
353.106	1133-S-108	1997	\$ 330.00
353.107	1133-D-40	1997	\$ 940.00
353.108	1133-M-189	1997	\$ 270.00
353.109	1133-M-195	1997	\$ 450.00
353.110	1133-S-188	1997	\$ 300.00
353.111	1133-M-169	1997	\$ 300.00
353.112	1133-M-163 and 1133-S-106	1997	\$ 1,360.00
353.113	1133-P-149	2000	\$ 1.00
353.114	1133-P-159	2000	\$ 1.00
353.115	1133-D-40	2000	\$ 2,063.00
353.116	1133-L-289	2000	\$ 614.00
353.117	1133-H-349	2000	\$ 1,946.00
353.118	1133-L-298	2000	\$ 262.00
353.119	1133-L-299	2000	\$ 235.00
353.120	1133-G-335	2000	\$ 330.00
353.121	1133-L-284	2000	\$ 768.00
353.122	1133-H-349	2019	\$ -
353.123	1272-B-317	2021	\$ 1.00
353.124	1133-H-349	2019	\$ -
353.125	1133-L-293	1999	\$ 297.00
	Pipeline Subtotal		\$ 12,069
Pump Station			
353.21	1133-D-50	2018	\$ 120,000.00
	Pump Station Subtotal		\$ 120,000
WWTP			
353.31	1132-A-206	2019	\$ 167,000.00
	WWTP Subtotal		\$ 167,000
Total Land and Land Rights			\$ 299,069

Elizabeth Borough Municipal Authority

Lands and Land Rights That Need to be Retained or Executed

Deed Book	Description
3917-62	1272-B-263
42-90	1272-B-328
13766-69	1272-B-304 1026 Third Avenue Elizabeth, PA 15037
16449-91	1272-B-293
4633-361	1272-B-287
17673-460	1133-R-250 161 Center Avenue Elizabeth, PA 15037
5077-290	1133-R-188
4104-223	1133-S-325 8th and Bayard Elizabeth, PA 15037
6403-303	1133-S-324 804 Bayard Street Elizabeth, PA 15037
14965-495	1133-S-322 810 Bayard Street Elizabeth, PA 15037
12129-474	1272-B-032 220 Center Avenue Elizabeth, PA 15037
09586-237	1133-H-265 303 Second Street Elizabeth, PA 15037
17656-269	1133-R-017
17764-1	1133-R-284 160 Center Avenue Elizabeth, PA 15037
1527-304	1133-R-334
8120-215	1133-H-366 227 Water Street Elizabeth, PA 15037
17071-140	1132-E-386
15395-291	1132-E-332 1132-E-372 1132-E-376
16794-209	1132-E-329

5389-699	1132-E-240 164 McKeesport Road Elizabeth, PA 15037
14116-159	1133-H-024 156 McKeesport Road Elizabeth, PA 15037
18563-159	1133-H-028 138 McKeesport Road Elizabeth, PA 15037
8283-329	1133-H-031 140 McKeesport Road Elizabeth, PA 15037
10414-001	1133-H-032 142 McKeesport Road Elizabeth, PA 15037 1133-H-033 1133-H-037
1033-847	1133-M-071
09464-352	1133-P-209 1133-L-357
13625-406	1133-G-335 1133-H-301
15713-22	1133-R-253 163 Center Avenue

Application of Pennsylvania-American Water Company for the Acquisition of
the Wastewater Treatment Plant and Collection System Owned and Operated by
Elizabeth Borough Municipal Authority (“EBMA”)

Docket No. A-2025-3052983

66 Pa. C.S. § 1329

Application Filing Checklist – Water/Wastewater

18. Rates.

a. State the current rates of the seller.

RESPONSE: a. All Customer Classes

Service Charge per month: \$35.00

Usage Charger per 100 gallons: \$0.800

Please see the following Appendices regarding the current rates of the Seller:

- **Appendix A-18-a.1:** EBMA’s Resolution No. 01-2024 – defines the \$37.75 rate to Forward Township
- **Appendix A-18-a.2:** EBMA’s Resolution No. 02-2021 – establishes rates and service charge rates
- **Appendix A-18-a.3:** EBMA’s Resolution No. 06-2018 – defines the \$8.00/1000 gallons overage charge
- **Appendix A-18-a.4:** EBMA’s Resolution No. 03-10 – establishes a comprehensive rate schedule

AMENDED RESPONSE:

Please see an additional Appendix regarding the current rates of the Seller:

- **Appendix A-18-a.5:** EBMA’s Resolution No. 01/20 – eliminates monthly minimum allowance of metered water usage

Amended Appendix A-18-a

RESOLUTION NO. 01/20

A RESOLUTION OF ELIZABETH BOROUGH MUNICIPAL AUTHORITY, ALLEGHENY COUNTY, COMMONWEALTH OF PENNSYLVANIA, AMENDING THE RATE STRUCTURE RESOLUTION, RESOLUTION NO. 01/10, TO ALTER THE BILLING RATES TO ENSURE FOR ADEQUATE REVENUES TO MEET THE AUTHORITY'S FINANCIAL REQUIREMENTS FOR NECESSARY INFRASTRUCTURE IMPROVEMENTS.

WHEREAS, pursuant to Elizabeth Borough Municipal Authority's Rate Structure Resolution, No. 01/10, the Elizabeth Borough Municipal Authority wishes to adjust its minimum monthly charges to account for increases in billing from its providers, for increases in its operation costs and to ensure for adequate revenues to meet financial requirements for necessary infrastructure improvements.

WHEREAS, Elizabeth Borough Municipal Authority, wishes to eliminate its monthly minimum allowance of metered water usage effective starting on the January 2020 billing cycle.

WHEREAS, it is noted that billing cycles differ between the Borough and its Contract Customers, so the "billing cycle " is specifically defined as the bill generated by the Borough for the customer in January of 2020, irrespective of when that water usage has occurred.

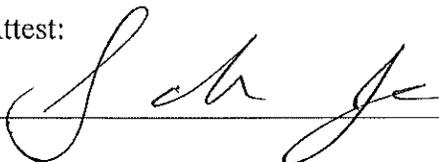
SECTION I. Commencing with the billing cycle in January 2020, the allowed consumption per EDU provided in the minimum monthly charge shall be eliminated, or ZERO gallons of metered water usage per month. All consumption of metered water over no usage or zero gallons shall be billed at the prevailing usage rate.

SECTION II. All other resolutions or sections of resolutions inconsistent with this Resolution are hereby repealed.

RESOLVED this 12 day of September, 2019.

TALLY OF VOTES: 4 Yeas _____ Nays

Attest:



**Application of Pennsylvania-American Water Company for the Acquisition of
the Wastewater Treatment Plant and Collection System Owned and Operated by
Elizabeth Borough Municipal Authority (“EBMA”)**

Docket No. A-2025-3052983

66 Pa. C.S. § 1329

Application Filing Checklist – Water/Wastewater

25. Provide a copy of all municipal and affiliate contracts to be assumed by buyer as part of the acquisition and a list and annual dollar value of other contracts.

RESPONSE: The attached municipal, affiliate and other contracts to be assumed by PAWC as part of the acquisition are listed below and attached as **Appendix A-25.1 through Appendix A-25.10**. Please see below a listing and dollar value of other contracts.

Municipal and Affiliate Contracts

Tab	Agreement	Parties to Contract	Date of Contract
Appendix A-25.1	Service Agreement*	<ul style="list-style-type: none"> • Borough of Elizabeth • Sanitary Authority of Elizabeth Township 	01/25/2000
Appendix A-25.2	Fallen Timber Run Watershed Area Interceptor Sewer Project Agreement*	<ul style="list-style-type: none"> • Borough of Elizabeth • Elizabeth Borough Municipal Authority • Township of Forward • Township of Elizabeth • Sanitary Authority of Elizabeth Township 	Undated
Appendix A-25.3	Agreement Re: Treat the sewage and industrial wastes from Borough of Lincoln (Patterson Hills Area)*	<ul style="list-style-type: none"> • Borough of Elizabeth • Elizabeth Borough Municipal Authority • Borough of Lincoln 	12/15/1987
Appendix A-25.4	Agreement Re: Treat the sewage and industrial wastes from Township of Elizabeth and Sanitary Authority of Elizabeth Township, Allegheny County, Pennsylvania (Fallen Timber Run and Wylie Run watershed)	<ul style="list-style-type: none"> • Borough of Elizabeth • Elizabeth Borough Municipal Authority • Township of Elizabeth • Sanitary Authority of Elizabeth Township, Allegheny County, Pennsylvania 	11/26/1957

**Application of Pennsylvania-American Water Company for the Acquisition of
the Wastewater Treatment Plant and Collection System Owned and Operated by
Elizabeth Borough Municipal Authority (“EBMA”)**

Docket No. A-2025-3052983

66 Pa. C.S. § 1329

Application Filing Checklist – Water/Wastewater

Appendix A-25.5	Agreement Re: Treat the sewage and industrial wastes from Township of Forward	<ul style="list-style-type: none"> • Borough of Elizabeth • Elizabeth Borough Municipal Authority • Township of Forward 	01/23/1958
Appendix A-25.6	<i>Pro Forma</i> Lease Agreement	<ul style="list-style-type: none"> • Elizabeth Borough Municipal Authority • Pennsylvania-American Water Company 	N/A

* Although some of the attached agreements have missing pages and/or attachments, PAWC has confirmed with EBMA that no more complete version of these agreements exists.

List of Other Contracts & Annual Dollar Value				
Tab	Parties to Contract	Date of Contract	Subject	Annual Dollar Value
Appendix A-25.7	<ul style="list-style-type: none"> • Elizabeth Borough Municipal Authority • CME Operations LP 	01/09/2019	Agreement Re: Plant operation services	\$86,500
Appendix A-25.8	<ul style="list-style-type: none"> • Elizabeth Borough Municipal Authority • Diversified Technology Corporation 	09/28/2018	Agreement Re: Billing for utilities*	\$16,560
Appendix A-25.9	<ul style="list-style-type: none"> • Elizabeth Borough Municipal Authority • Hapchuck, Inc. 	11/25/2020	Contract Agreement Re: Sludge Hauling (and Disposal)	\$200,650
Appendix A-25.10	<ul style="list-style-type: none"> • Elizabeth Borough Municipal Authority • Ricoh USA, Inc. 	05/23/2018	Master Lease Agreement and Product Schedule	\$2,650

Amended Appendix A-25

**Application of Pennsylvania-American Water Company for the Acquisition of
the Wastewater Treatment Plant and Collection System Owned and Operated by
Elizabeth Borough Municipal Authority (“EBMA”)**

Docket No. A-2025-3052983

66 Pa. C.S. § 1329

Application Filing Checklist – Water/Wastewater

AMENDED RESPONSE:

Miscellaneous			
Tab	Document	Date	Subject
Appendix A-25.11	Pennsylvania-American Water Company Verification	02/21/2025	Verified statement provides that the agreements included in Appendix A-25 are the most complete version of the agreements that exist.

Amended Appendix A-25

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :
Company under Sections 1102(a) and 1329 of :
the Pennsylvania Public Utility Code, 66 Pa C.S. :
§ § 1102(a) and 1329, for approval of (1) the transfer, by :
sale, to Pennsylvania-American Water Company, of :
substantially all of the assets, properties and rights : Docket No. A-2025-3052983
related to the wastewater treatment plant and collection :
system owned and operated by the Elizabeth Borough :
Municipal Authority, (2) the rights of Pennsylvania- :
American Water Company to begin to offer or furnish :
wastewater service to the public in the Borough of :
Elizabeth, Allegheny County, Pennsylvania :

In re: Application of Pennsylvania-American Water :
Company under Section 1329 of the Pennsylvania Public :
Utility Code, 66 Pa C.S. § 1329, for approval of the use :
for ratemaking purposes of the lesser of the fair market : Docket No. A-2025-_____
value or the negotiated purchase price of the assets :
related to the wastewater treatment plant and collection :
system owned and operated by the Elizabeth Borough :
Municipal Authority :

In re: Petition of Pennsylvania-American Water :
Company, related to its acquisition of the wastewater :
treatment plant and collection system owned and :
operated by the Elizabeth Borough Municipal Authority, :
for approval under Section 1329 of the Pennsylvania :
Public Utility Code, 66 Pa. C.S. § 1329, to (i) collect a :
distribution system improvement charge, (ii) for book : Docket Nos. P-2025-_____
and ratemaking purposes, accrue Allowance for Funds :
Used During Construction for post-acquisition :
improvements not recovered through the distribution :
system improvement charge, (iii) for book and :
ratemaking purposes, defer depreciation related to post- :
acquisition improvements not recovered through the :
distribution system improvement charge, and (iv) :
include, in its next base rate case, a claim for transaction :
and closing costs :

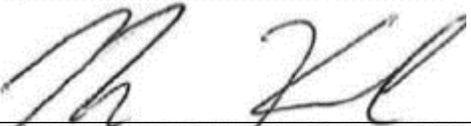
In re: Filing by Pennsylvania-American Water Company :
under Section 507 of the Pennsylvania Public Utility :
Code, 66 Pa. C.S. § 507, of (i) the Asset Purchase :
Agreement by and between Elizabeth Borough :
Municipal Authority and Pennsylvania-American Water :
Company, and (ii) six (6) agreements with municipal : Docket Nos. U-2025-_____, *et al.*
corporations to be assumed by Pennsylvania-American :
Water Company upon closing of its acquisition of :
substantially all of the assets related to the wastewater :
treatment plant and collection system owned and :
operated by the Elizabeth Borough Municipal Authority :

VERIFICATION

I, Marcus Kohl, Director of Business Development, Pennsylvania-American Water Company, state that after a reasonable search by PAWC and EBMA personnel, the agreements included in Appendix A-25 are the most complete version of the agreements that exist. After reasonable search, portions of these agreements that appear to be missing do not exist. All parties have been operating under the terms of the agreements provided in Appendix A-25, and therefore, the agreements are valid as is.

The facts set forth above 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 herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: February 21, 2025



Marcus Kohl
Director of Business Development
Pennsylvania-American Water Company

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :
Company under Sections 1102(a) and 1329 of the :
Pennsylvania Public Utility Code, 66 Pa C.S. §§ 1102(a) :
and 1329, for approval of (1) the transfer, by :
sale, to Pennsylvania-American Water Company, of :
substantially all of the assets, properties and rights related :
to the wastewater treatment plant and collection system : Docket No. A-2025-3052983, *et al.*
owned and operated by the Elizabeth Borough Municipal :
Authority, and (2) the rights of Pennsylvania-American :
Water Company to begin to offer or furnish wastewater :
service to the public in the Borough of Elizabeth, :
Allegheny County, Pennsylvania :

**REBUTTAL TESTIMONY OF
DANIEL J. HUFTON, P.E., ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER COMPANY**

Date: June 9, 2025

PAWC Statement No. 2-R

**REBUTTAL TESTIMONY OF
DANIEL J. HUFTON**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

2 **A.** My name is Daniel J. Hufton, P.E., and my business address is 60 Elrama Avenue, Elrama,
3 PA 15038.

4

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

6 **A.** I am employed by Pennsylvania-American Water Company (“PAWC” or the “Company”)¹
7 as an Engineering Manager.

8

9 **Q. HAVE YOU SUBMITTED ANY OTHER TESTIMONY IN THIS PROCEEDING?**

10 **A.** Yes. I submitted Direct Testimony, PAWC Statement No. 2, on January 28, 2025.

11

12 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

13 **A.** I will respond to the testimony of Mr. DeMarco from the Office of Consumer Advocate
14 (“OCA”). Specifically, I will respond to testimony related to the technical fitness of the
15 Elizabeth Borough Municipal Authority (“the Authority”) and its ability to complete the
16 improvements and upgrades under its approved Long Term Control Plan (“LTCP”). I will
17 also respond to Mr. DeMarco’s testimony related to the DUPERON® FLEXRAKE® FPFS
18 Full Penetration Fine Screen unit (the “Screen Unit”).

¹ Unless otherwise noted, all capitalized terms and acronyms used herein have the same definitions as set forth in my Direct Testimony.

1 **THE AUTHORITY’S TECHNICAL FITNESS TO COMPLETE THE LTCP**

2 **Q. AT PAGE 10 OF HIS DIRECT TESTIMONY, MR. DEMARCO INFERS IN HIS**
3 **TESTIMONY THAT THE AUTHORITY IS TECHNICALLY FIT TO COMPLETE**
4 **THE LTCP IMPROVEMENTS AND UPGRADES. DO YOU AGREE?**

5 **A.** No. Mr. DeMarco asserts that the main obstruction to the Authority’s ability to repair
6 and/or upgrade its wastewater infrastructure is cost rather than its technical fitness and
7 infers that the Authority could complete the LTCP if it could just find the funding. The
8 evidence does not support Mr. DeMarco’s assertion.

9 The testimony from Mr. Timothy Guffey, Chairman for the Authority and the
10 President of Council for Elizabeth Borough, states that the Authority currently has one
11 administrative employee, only two (2) facility employees and one part-time operator.
12 EBMA St. No. 1 p. 3. Mr. Guffey also testifies that the employees have limited expertise,
13 and that if the Authority had to complete its LTCP, it would increase the stress on the
14 Authority’s limited staff. *Id.* p. 7. Finally, Mr. Guffey acknowledges in his testimony that
15 the Authority has been unable to complete any of the benchmarks in the LTCP compliance
16 schedule mandated by the Pennsylvania Department of Environmental Protection (“DEP”).
17 *Id.* p. 9.

18 In addition, Elizabeth Borough’s Mayor and Borough Manager provided testimony
19 at the public input hearing in this proceeding further emphasizing this issue. Mayor
20 Boucher explained that the Borough is struggling to handle sewer operations and keep up
21 with managing sewer overflows. Borough Manager Craighead stated that over the last
22 several years, DEP has increased restrictions on sewage plants, which is difficult for small

1 operations that do not have expertise in DEP rules. As a result, many more citations are
2 imposed on small sewage operations.

3 I believe the Authority's demonstrated inability to complete the required LTCP
4 improvements is just as much from a lack of technical fitness as it is a lack of financial
5 fitness. For a sewage system of this size with an aging, manually-operated treatment plant
6 and several combined sewer outfall locations, two employees would be considered an
7 extremely small staff. These employees would be expected to be operating the plant and/or
8 addressing issues or performing regular maintenance in the collection system on a daily
9 basis, with little time for anything else. It is not feasible, in my opinion, for these two
10 employees, with limited expertise, to also take on the additional responsibilities of
11 planning, managing and executing a \$24 million capital improvement project.

12
13 **Q. DO YOU HAVE OTHER CONCERNS ABOUT THE AUTHORITY'S**
14 **TECHNICAL FITNESS TO OPERATE THE SYSTEM?**

15 **A.** Yes. I testified at page 20 of my Direct Testimony that the Authority was cited in August
16 2023 by the Allegheny County Health Department for not having a certified Operator in
17 Responsible Charge on staff for the facility, as required by regulation. Having a properly
18 certified wastewater operator on staff is one of the most basic responsibilities of a public
19 sewage system owner. Operating a system without a certified Operator in Responsible
20 Charge in place is a violation of DEP regulations, constitutes a lack of technical fitness of
21 the system owner, and increases the risk that improper system operations lead to poor
22 treatment plant performance or continued CSOs containing untreated sewage, the
23 ramifications of which I discuss below. Mr. DeMarco references the August 2023 citation

1 at page 5 in his Direct Testimony, but fails to take this obvious deficiency into account
2 when he infers that the Authority is technically fit to complete the LTCP.

3
4 **Q. WHAT ARE THE POTENTIAL RAMIFICATIONS FROM A COMBINED**
5 **SEWER SYSTEM THAT IS NOT BEING PROPERLY OPERATED,**
6 **MAINTAINED AND UPGRADED?**

7 **A.** The Authority received approval of its LTCP from DEP in July 2018, and today -- almost
8 7 years later -- the project is stalled and years away from completion. As a result, an
9 unacceptable number of combined sewer overflows (“CSOs”) containing untreated sewage
10 continue to discharge into the Monongahela River unabated. Federal and state
11 environmental regulatory agencies have long recognized the significant environmental
12 harms caused by CSO discharges. The United States Environmental Protection Agency
13 (“USEPA”) has stated that CSOs are a major water pollution and public health concern for
14 approximately 700 communities in the United States.² CSOs contain bacteria, debris, and
15 other hazardous substances that can be harmful to people, pets, and wildlife. CSOs can also
16 cause beach closures, shellfish bed closures, algae growth, reduced oxygen levels in
17 waterways, and aesthetic impacts from floating debris or oil slicks. The Clean Water Act
18 requires communities with CSOs to put controls in place to address these concerns.

19 In its 1994 CSO Policy Document,³ USEPA recognizes that CSOs consist of
20 mixtures of domestic sewage, industrial and commercial wastewaters, and storm water
21 runoff. CSOs often contain high levels of suspended solids, pathogenic microorganisms,

² <https://www.epa.gov/npdes/combined-sewer-overflow-basics#:~:text=CSOs%20can%20also%20cause%20beach,place%20to%20address%20these%20concerns.>

³ Federal Register, Vol. 59, No. 75, pages 18688-18698, April 19, 1994.

1 toxic pollutants, floatables, nutrients, oxygen-demanding organic compounds, oil and
2 grease, and other pollutants. CSOs can cause exceedances of water quality standards. Such
3 exceedances may pose risks to human health, threaten aquatic life and its habitat, and
4 impair the use and enjoyment of the Nation’s waterways.

5 DEP recognizes that CSOs contain untreated or partially treated wastewater, and
6 have the potential to carry pathogens, solids, debris, and toxic pollutants to receiving
7 waters, which may impact public health and the environment.⁴ DEP states that CSOs have
8 caused or contributed to beach closures, shellfish bed closures, contamination of drinking
9 water supplies, and other environmental and public health problems.

10 Finally, recent scientific studies have shown direct links between CSOs and adverse
11 impacts on community health. A 2024 study by the Boston University School of Public
12 Health found that residents living in the downstream communities that border the
13 Merrimack River are at a substantially increased risk of developing acute gastrointestinal
14 illnesses in the four days following large-volume combined sewer overflows.⁵ A 2022
15 study by the School of Public Health, University of Washington, and Rollins School of
16 Public Health, Emory University found that the occurrence of CSOs was related to a 9
17 percent increase in acute gastrointestinal illness in the City of Atlanta.⁶ A 2017 study by
18 the Cincinnati Children's Hospital Medical Center found evidence that CSO events

⁴ PADEP Combined Sewer Overflows (CSO) Frequently Asked Questions (FAQ), Final, December 14, 2020, Version 1.0 (https://files.dep.state.pa.us/Water/BNPNSM/WastewaterManagement/CSOs/CSO_FAQ.pdf).

⁵ Haley, B. M., et al. (2024) Association between Combined Sewer Overflow Events and Gastrointestinal Illness in Massachusetts Municipalities with and without River-Sourced Drinking Water, 2014–2019. Environmental Health Perspectives. doi.org/10.1289/EHP14213.

⁶ Combined Sewer Overflows and Gastrointestinal Illness in Atlanta, 2002–2013: Evaluating the Impact of Infrastructure Improvements, Alyssa G. Miller, Stefanie Ebel, and Karen Levy, Department of Environmental and Occupational Health Sciences, School of Public Health, University of Washington, Seattle, Washington, Gangarosa Department of Environmental Health, Rollins School of Public Health, Emory University, Atlanta, Georgia, Environmental Health Perspectives, May 2022.

1 occurring near residences were linked to childhood emergency department visits for
2 gastrointestinal illnesses, primarily acute gastroenteritis, 2- and 5-days post CSO events.⁷
3 The study cites clear evidence linking a range of bacteria, viruses, and parasites to
4 symptoms of diarrhea and vomiting.

5 On page 10 of my Direct Testimony, I discuss PAWC's Hays Mine Water
6 Treatment Plant that is used as a source of drinking water for an approximate population
7 of 510,000 people residing in 79 municipalities located in Allegheny, Beaver, and
8 Washington Counties. The plant obtains its source water from a location on the
9 Monongahela River that is approximately 19.5 miles downstream from the Authority's
10 CSOs. The untreated sewage discharged from the CSOs into the river introduces bacteria,
11 viruses, and parasites into the drinking water source of supply, which increases the risk of
12 waterborne illness should those pathogens pass through the drinking water treatment
13 process. Furthermore, the suspended solids and organic matter in the untreated sewage
14 increase the solids loading on the plant's clarifiers and filters and increase the disinfectant
15 (chlorine) demand at the plant, both of which increase the operating cost and could
16 compromise the treatment process.

17 **THE SCREEN UNIT**

18 **Q. MR. DEMARCO PROVIDES TESTIMONY ON THE SCREEN UNIT. WOULD**
19 **YOU LIKE TO RESPOND TO HIS TESTIMONY?**

20 **A.** Yes. I agree with Mr. DeMarco's testimony except for one portion. At page 12 of his
21 Direct Testimony, Mr. DeMarco states that "PAWC and the Borough have been working

⁷ Combined sewer overflow events and childhood emergency department visits: A case-crossover study, Cole Brokamp, Andrew F. Beck, Louis Muglia, Patrick Ryan, Cincinnati Children's Hospital Medical Center, Cincinnati, OH, Science of The Total Environment, Volumes 607-608, 31 December 2017, Pages 1180-1187.

1 with the PA DEP as to how the Borough would be allowed to continue its current treatment
2 status and plan for stormwater.” Mr. DeMarco is correct that the parties intend to retain
3 the Authority’s treatment plant status as a Publicly Owned Treatment Works under state
4 and federal regulations, through the lease arrangement for the Screen Unit. This would
5 allow the sludge produced from the plant to be managed as normal sewage sludge rather
6 than as a regulated hazardous waste. This lease arrangement, however, has nothing to do
7 with plans for stormwater management.

8
9 **Q. MR. DEMARCO REFERENCES COST SAVINGS FROM THE SCREEN UNIT**
10 **LEASE ARRANGEMENT. WOULD YOU LIKE TO ELABORATE?**

11 **A.** Yes. Mr. DeMarco restates PAWC's position that cost increases would occur in the
12 absence of the Screen Unit lease arrangement. OCA St. No. 1 p. 12 n. 40 (citing PAWC
13 Response OCA-7-19). A preliminary, conservative estimate of the annual cost increase to
14 transport and dispose of sludge from the plant as a regulated hazardous waste instead of
15 normal sewage sludge is on the order of \$50,000 per year.⁸ This does not include the
16 additional administrative costs associated with hazardous waste regulatory compliance and
17 the long-term liabilities associated with being a hazardous waste generator. By employing
18 the lease arrangement, all of these additional costs will be avoided, resulting in lower cost
19 of service to PAWC and ultimately lower rates for customers.

⁸ Estimated using sludge quantity from EBMA’s 2023 Chapter 94 Annual Report, hazardous waste transport and disposal unit cost from hazardous waste management firm Resource Management Associates (<https://www.rmagreen.com/rma-blog/how-much-does-waste-hazardous-waste-management-cost>), and PAWC’s unit cost to transport and dispose sewage sludge from its McKeesport wastewater treatment plant.

CONCLUSION

1
2
3
4

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY AT THIS TIME?

A. Yes, it does. However, I reserve the right to supplement my testimony as additional issues and facts arise during the course of the proceeding.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :
Company under Sections 1102(a) and 1329 of the :
Pennsylvania Public Utility Code, 66 Pa C.S. §§ 1102(a) :
and 1329, for approval of (1) the transfer, by :
sale, to Pennsylvania-American Water Company, of :
substantially all of the assets, properties and rights related :
to the wastewater treatment plant and collection system : Docket No. A-2025-3052983, *et al.*
owned and operated by the Elizabeth Borough Municipal :
Authority, and (2) the rights of Pennsylvania-American :
Water Company to begin to offer or furnish wastewater :
service to the public in the Borough of Elizabeth, :
Allegheny County, Pennsylvania :

**REBUTTAL TESTIMONY OF
STACEY D. GRESS, ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER COMPANY**

Date: June 9, 2025

PAWC Statement No. 3-R

**REBUTTAL TESTIMONY OF
STACEY D. GRESS**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

2 **A.** My name is Stacey D. Gress, and my business address is 1 Water Street, Camden, New
3 Jersey 08102.

4
5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 **A.** I am employed by American Water Works Service Company (the “Service Company”)¹ as
7 the Director of Rates and Regulatory for Pennsylvania-American Water Company
8 (“PAWC” or the “Company”). The Service Company is a wholly owned subsidiary of
9 American Water Works Company, Inc. (“American Water”) that provides services to
10 PAWC and its affiliates.

11
12 **Q. HAVE YOU SUBMITTED ANY OTHER TESTIMONY IN THIS PROCEEDING?**

13 **A.** Yes. I submitted Direct Testimony, PAWC Statement No. 3, on January 28, 2025.

14
15 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

16 **A.** I will respond to portions of the Direct Testimony of Office of Consumer Advocate
17 (“OCA”) witness Nicholas DeMarco and the Direct Testimony of Bureau of Investigation
18 and Enforcement (“I&E”) witness Ethan Cline. Specifically, I will respond to testimony
19 related to: application of the DSIC, rate impacts, transaction and closing costs, a separate
20 cost of service study for the System in the Company’s next base rate case,

¹ Unless otherwise noted, all capitalized terms and acronyms used herein have the same definitions as set forth in my Direct Testimony.

1 recommendations regarding the customer notice and notification of low income programs,
2 and the proposed increase to the Company’s hardship fund contribution.

3
4 **DISTRIBUTION SYSTEM IMPROVEMENT CHARGE**

5 **Q. PLEASE SUMMARIZE THE OCA AND I&E TESTIMONY REGARDING THE**
6 **APPLICATION OF THE DSIC TO ELIZABETH BOROUGH CUSTOMERS.**

7 **A.** At OCA St. 1, page 27, Mr. DeMarco recommends that PAWC should not include System-
8 related investments in its DSIC until PAWC collects a DSIC from EBMA customers.
9 PAWC accepts the OCA’s recommendation that EBMA assets should not be included in
10 the DSIC until the DSIC applies to EBMA customers.

11 In addition, Mr. DeMarco recommends that PAWC amend its LTIP including the
12 System and file within 90 days of closing on the transaction (“Closing”). At I&E St. 2,
13 page 7, Mr. Cline recommends that PAWC file an amended LTIP including the System
14 and apply the DSIC to acquired EBMA customers within 180 days of Closing.

15 PAWC does not agree with the recommendation that an LTIP modification should
16 be required within 90 or 180 days of closing. There are many factors to be considered when
17 choosing to modify an LTIP, and a single acquisition should not automatically require an
18 LTIP modification. This is especially relevant when considering the scale of an
19 acquisition such as EBMA, which represents less than 3% of PAWC’s total wastewater
20 rate base and less than 1% of PAWC’s wastewater customer base.²

² Based on PAWC’s wastewater rate base at June 30, 2025, as projected at Docket No. R-2023-3043189 and actual PAWC wastewater customers as of April 30, 2025.

1 **RATE IMPACTS**

2 **Q. ON PAGE 14 OF OCA ST. 1, MR. DEMARCO DESCRIBES THE RATE BASE**
3 **TREATMENT OF THE PURCHASE PRICE. PLEASE DISCUSS HIS**
4 **RECOMMENDATION.**

5 **A.** Mr. DeMarco states that PAWC is only seeking to include \$27,971,178 in its ratemaking
6 rate base, but still seeks to record the \$28,000,000 net value of the asset on its books. He
7 additionally defines net book value as the value of an asset when depreciation is subtracted
8 from its cost.

9 To clarify, PAWC’s ratemaking rate base and the net value of the EBMA assets are
10 the same: \$28,000,000. PAWC is seeking to record its purchase price of \$28,000,000 as
11 the new value of the assets on its books. The Application requests recovery of the \$28
12 million purchase price, but due to the implementation of the 2024 FSIO and the application
13 of a Reasonableness Review Ratio (“RRR), I testified at page 6 of my Direct Testimony
14 that PAWC would not object if the Commission only approved a ratemaking rate base of
15 \$27,971,178 for the System. Additionally, OCA witness Garrett proposes adjustments to
16 the appraisals completed by the Utility Valuation Experts (“UVEs”), which PAWC
17 opposes. PAWC witness Weinert discusses why the Commission should not accept the
18 OCA’s proposed adjustments to the appraisals in his rebuttal testimony.

19 To be clear, PAWC seeks to record the System on its books at a net asset value
20 equal to the amount that the Commission approves for inclusion in ratemaking rate base;
21 provided that the approved amount is reasonable and PAWC elects to move forward with
22 the transaction in light of the approved amount.

1 **TRANSACTION AND CLOSING COSTS**

2 **Q. PLEASE SUMMARIZE AND RESPOND TO MR. DEMARCO'S**
3 **RECOMMENDATIONS FOR WHEN PAWC CLAIMS TRANSACTION AND**
4 **CLOSING COSTS IN ITS NEXT BASE RATE CASE.**

5 **A.** On page 25 of OCA St. 1, Mr. Demarco recommends that, when PAWC claims transaction
6 and closing costs in its next base rate case, it should separately identify all closing costs by
7 category, including any outside legal fees. In addition, he recommends that PAWC should
8 not be permitted to claim any transaction and closing costs incurred by EBMA in
9 ratemaking rate base.

10 PAWC does not object to these recommendations and will separately identify
11 estimated costs, including legal expenses, included in its claim for transaction and closing
12 costs.

13
14 **COST OF SERVICE STUDY**

15 **Q. DOES MR. DEMARCO RECOMMEND THAT THE COMPANY BE REQUIRED**
16 **TO PROVIDE A SEPARATE COST OF SERVICE STUDY ("COSS") FOR THE**
17 **SYSTEM IN THE COMPANY'S NEXT BASE RATE CASE?**

18 **A.** Yes. On pages 25-26 of OCA St. 1, Mr. DeMarco recommends that PAWC provide in its
19 next base rate case a separate cost of service study ("COSS") for the System.

20
21 **Q. HOW DO YOU RESPOND TO THE RECOMMENDATION?**

22 **A.** The Company will provide in the next base rate case a separate COSS for the System in a
23 similar manner to the separate COSSs provided in the Company's last base rate case for

1 new Section 1329 acquisitions, as well as in prior base rate cases for other recently-
2 acquired Section 1329 systems.

3
4 **LOW INCOME PROGRAMS AND CUSTOMER NOTICES**

5 **Q. PLEASE DESCRIBE THE RECOMMENDATIONS MADE BY OCA WITNESS**
6 **DEMARCO REGARDING THE COMPANY’S LOW INCOME PROGRAMS.**

7 **A.** On page 23 of OCA St. 1, Mr. DeMarco recommends that PAWC provide a letter to the
8 acquired customers that provides information regarding its low-income programs,
9 including a description of the available programs, eligibility and requirements, and
10 PAWC’s contact information. The letter should be sent within 30 days after closing so that
11 eligible customers can benefit from the programs as soon as possible and before rates are
12 increased. PAWC should include the same information regarding low-income programs in
13 bills sent to EBMA customers within 90 days after closing.

14
15 **Q. HOW DO YOU RESPOND TO MR. DEMARCO’S RECOMMENDATION?**

16 The Company recognizes the importance of communicating information about its low-
17 income programs to customers and is already executing the steps that Mr. DeMarco has
18 outlined in his testimony. Information about the Company’s low income program is readily
19 available on the PAWC website and through social media. When an acquisition closes,
20 those customers are sent a welcome packet within 30 days, which includes the contact
21 information for Dollar Energy Fund, the program administrator, as well as a link to the
22 Company’s website where more detailed program information is provided. Then, in the
23 first billing cycle, customers will receive a bill onsert with the information contained on
24 the website. Additionally, page 14 of my Direct Testimony states that EBMA customers

1 who are PAWC water customers and are already enrolled in the Company's Bill Discount
2 Program for their water service will automatically be enrolled in the program for their
3 wastewater service.

4
5 **Q. MR. DEMARCO ALSO RECOMMENDS THAT PAWC SUBMIT A REPORT TO**
6 **THE COMMISSION EVERY SIX MONTHS WITH INFORMATION ABOUT**
7 **EBMA CUSTOMERS' ASSISTANCE PROGRAM PARTICIPATION. PLEASE**
8 **RESPOND.**

9 **A.** Mr. DeMarco recommends that, every six months, PAWC report the number of former
10 EBMA customers who are enrolled in PAWC's customer assistance program ("CAP").
11 This report would be submitted to the Commission and to the parties every six months until
12 the conclusion of PAWC's next base rate case. OCA St. No. 1 p. 23.

13 PAWC disagrees with this recommendation. Mr. DeMarco does not explain the
14 purpose of this recommendation. Simply advising the Commission and the parties that a
15 certain number of former EBMA customers are now enrolled in PAWC's CAP seems
16 pointless. The Commission should not require PAWC and its customers to incur the cost
17 of reporting requirements that serve no purpose. PAWC already tracks its CAP enrollment
18 participation levels and reports that information as part of its Customer Assistance
19 Advisory Committee meetings.

20 **Q. ON PAGES 27-28 OF OCA ST. 1, OCA WITNESS DEMARCO MAKES**
21 **RECOMMENDATIONS REGARDING PAWC'S CUSTOMER NOTICE. PLEASE**
22 **SUMMARIZE AND RESPOND TO HIS RECOMMENDATION.**

1 A. Mr. DeMarco recommends that, in future Section 1329 acquisitions,³ PAWC include in its
2 customer notice rate impacts at more than just average usage. Specifically, Mr. DeMarco
3 recommends that the notice show the customer rate impacts at a usage level of 5,000
4 gallons and 10,000 gallons used in a month. In fact, Mr. DeMarco recommends that “going
5 forward, [all] investor-owned utilities acquiring municipal systems under Section 1329
6 should be required to notice their customers at 5,000 and 10,000 gal./month usage levels.”
7 OCA St. No. 1 p. 28.⁴

8 PAWC does not agree with Mr. DeMarco’s recommendation. PAWC’s customer
9 notices show an estimated bill impact based on average usage from PAWC’s last base rate
10 case rather than at arbitrary usage levels requested by the OCA. On the notices sent to
11 customers, in addition to the current monthly bill and potential future monthly bill, the
12 potential increase is expressed in terms of a percentage increase. This percentage increase
13 is applicable to all customer classes and usage amounts; therefore, a customer with any
14 level of usage could estimate their impact using the estimated percentage increase that is
15 shown on the customer notice.

16 The impact of adding additional usage levels as OCA requests is that PAWC would
17 be required to show nine different bill impacts for the three customer classes. This large
18 number of scenarios is likely to cause confusion for customers. PAWC currently shows the
19 average usage amount for residential, commercial and industrial customers, consistent with

³ In its brief, I am advised by counsel that PAWC will argue that Section 1103(a) of the Code (allowing the Commission to approve an application subject to conditions that are just and reasonable) does not authorize the Commission to approve an application subject to conditions that would modify the procedures to be used in *subsequent* applications – particularly where that condition would modify the Commission’s procedure for only one utility.

⁴ In its brief, I am advised by counsel that PAWC will argue that this recommendation should not be adopted because it would violate due process; the Commission cannot issue a decision in this case that binds investor-owned utilities that are not parties to this proceeding.

1 the Commission’s regulations regarding customer notice which require only one average
2 usage amount to be shown in the notice for each customer class. 52 Pa. Code § 53.45(b).

3 It is important to note that the current format of the customer notices are compliant
4 with the 2024 FSIO and the format required by rate case notice regulations. In the
5 Company’s last base rate case at Docket No. R-2023-3043189, *et al.*, the Commission
6 adopted the ALJs’ recommendation denying a similar request by the OCA to change the
7 customer notice requirements. The ALJs found that there is no need to revise customer
8 notices related to rate changes, and that the notice provided by PAWC to customers in its
9 recent base rate cases complies with the Commission’s regulations. The ALJs also
10 concluded that any new notice requirements should first be adopted by the Commission
11 and then applied to all Pennsylvania water and wastewater utilities.

12
13 **Q. DOES MR. DEMARCO MAKE ANY OTHER RECOMMENDATIONS**
14 **REGARDING PAWC’S CUSTOMER NOTICES IN FUTURE SECTION 1329**
15 **ACQUISITIONS?**

16 **A.** Yes. On page 30 of his Direct Testimony, Mr. DeMarco summarizes his recommendations
17 for conditions on approval of the Application. According to his summary, he recommends
18 that PAWC’s customer notices going forward “shall include the monthly or quarterly
19 estimated volumetric charge, as well as the DSIC impact under PAWC ownership.”

20 This recommendation should be rejected. There is no testimony supporting this
21 recommendation. As a result, it is unclear what problem this recommendation is intended
22 to solve. Moreover, as discussed above, the Commission should not change its customer
23 notice requirements for one utility but not others.

1 **HARDSHIP FUND CONTRIBUTION**

2 **Q. ON PAGE 24 OF OCA ST. 1, OCA WITNESS DEMARCO RECOMMENDS THAT**
3 **THE APPLICATION BE “CONDITIONED ON” THE COMMISSION**
4 **REQUIRING PAWC TO MAKE A \$70,000 ANNUAL DONATION TO ITS**
5 **HARDSHIP FUND FOR LOW-INCOME CUSTOMERS FOR A PERIOD OF FIVE**
6 **YEARS. HOW DO YOU RESPOND?**

7 **A.** The Company disagrees with this recommendation. Contributions to the PAWC’s
8 Hardship Fund are made to the Dollar Energy Fund, which is a 501(c)(3) organization that
9 administers the program. The Company currently contributes a minimum of \$1,450,000
10 annually to its Hardship Fund to assist its low income water and wastewater customers. To
11 my knowledge, that voluntary contribution is significantly more than any other water utility
12 in Pennsylvania contributes to a similar fund. Under these circumstances, it would not be
13 just or reasonable for the Commission to require PAWC to increase its charitable donation
14 as a condition for approval of this, or any, acquisition. PAWC should be permitted to
15 increase its Hardship Fund contributions based on need rather than because it is forced to
16 do so in a Commission proceeding.

17 Moreover, I am advised by counsel that conditioning approval of an acquisition on
18 an involuntary, non-recoverable charitable donation is impermissible under Pennsylvania
19 law. Section 319 of the Public Utility Code states that Commissioners and Administrative
20 Law Judges must “[r]efrain from solicitation of funds for any political, educational,
21 religious, charitable, fraternal or civic purposes....” Accordingly, PAWC cannot be
22 directed by the Commission to make charitable contributions to its Hardship Fund or any
23 other 501(c)(3) organization.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :
Company under Sections 1102(a) and 1329 of the :
Pennsylvania Public Utility Code, 66 Pa C.S. §§ 1102(a) :
and 1329, for approval of (1) the transfer, by :
sale, to Pennsylvania-American Water Company, of :
substantially all of the assets, properties and rights :
related to the wastewater treatment plant and collection : Docket No. A-2025-3052983, *et al.*
system owned and operated by the Elizabeth Borough :
Municipal Authority, and (2) the rights of Pennsylvania- :
American Water Company to begin to offer or furnish :
wastewater service to the public in the Borough of :
Elizabeth, Allegheny County, Pennsylvania :

**REBUTTAL TESTIMONY
OF
JEROME C. WEINERT, PE, ASA, CDP
UTILITY VALUATION EXPERT
SELECTED BY PAWC**

June 9, 2025

PAWC Statement No. 4-R

1 **Q. Please state your name, business address, and occupation.**

2 **A.** My name is Jerome C. Weinert. My business address is 8555 West Forest Home
3 Avenue, Suite 201, Greenfield, WI 53228. I am a Principal and Owner of Weinert
4 Appraisal and Depreciation Services, LLC (“WADS Consultants”).¹ This testimony was
5 prepared by me.

6

7 **Q. HAVE YOU PREPARED TESTIMONY IN THIS PROCEEDING BEFORE?**

8 **A.** Yes, I prepared Direct Testimony (PAWC Statement No. 5) in support of my utility
9 valuation expert (“UVE”) appraisal of the Elizabeth Borough Municipal Authority’s
10 (“EBMA’s”) Wastewater Collection and Treatment System on behalf of Pennsylvania
11 American Water Company (“PAWC”). That testimony was in response to PAWC which
12 has submitted an application to the Pennsylvania Public Utility Commission
13 (“Commission”) to acquire the EBMA’s wastewater collection and treatment system (the
14 “System”).

15

16 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

17 **A.** I will respond to the direct testimony of David J. Garrett (“Mr. Garrett”) on behalf of the
18 Office of Consumer Advocate (the “OCA”) in this proceeding.

19

20 **Q. MR. WEINERT, WHAT ARE THE AREAS OF YOUR CONCERNS**
21 **REGARDING THE OCA WITNESS GARRETT’S TESTIMONY?**

¹ Unless otherwise noted, all capitalized terms and acronyms used herein have the same definitions as set forth in my Direct Testimony.

1 A. My testimony will respond to and rebut OCA witness Mr. Garrett’s testimony and
 2 recommended adjustments to the UVE appraisals presented by EBMA’s witness Walker
 3 and PAWC’s Appraisal by WADS Consultants’ (Weinert) in the areas of the Market,
 4 Cost, and Income Approaches of the appraisal. Mr. Garrett made the following
 5 adjustment to the appraisals in his testimony:

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Gannett Fleming Results and Adjustments							
	Base		Weighted	OCA	Adjusted	OCA	OCA Weighted
Approach	Value	Weight	Value	Adjustment	Value	Weight	Value
Market	\$27,678,195	33.30%	\$9,226,065	(\$3,311,767)	\$24,366,428	33.30%	\$8,122,143
Cost	28,371,029	33.30%	9,457,010	-5,875,026	22,496,004	33.30%	7,498,668
Income	28,359,361	33.30%	9,453,120	-8,938,864	19,420,497	33.30%	6,473,499
Total		100.00%	\$28,136,195	Total		100.00%	\$22,094,309
WADS Consultants Results and Adjustments							
	Base		Weighted	OCA	Adjusted	OCA	OCA Weighted
Approach	Value	Weight	Value	Adjustment	Value	Weight	Value
Market	\$27,221,430	33.30%	\$9,073,810	(\$2,855,002)	\$24,366,428	33.30%	\$8,122,143
Cost	30,657,221	33.30%	10,219,074	-8,161,218	22,496,004	33.30%	7,498,668
Income	28,344,391	33.30%	9,448,130	-8,923,894	19,420,497	33.30%	6,473,499
Total		100.00%	\$28,741,014	Total		100.00%	\$22,094,309
Results Summary							
Appraiser Weighted Value				OCA Adjusted Value			
Gannett Fleming			\$28,136,195				\$22,094,309
WADS Consultants			28,741,014				22,094,309
Average			\$28,438,605				\$22,094,309
Purchase Price			\$28,000,000				\$28,000,000
Lesser of Purchase Price and Market Value			\$28,000,000				\$22,094,309
[1] Valuation approach							
[2] Appraised value							
[3] Applied weighting							
[4] = [2] * [3];							
[5] = [6] - [2]							
[6] OCA adjusted value							
[7] Applied weighting							
[8] = [6] * [7]							

6

1 In the above table I presented Mr. Garrett's adjustments to both Gannett Fleming's and
2 WADS Consultants' appraisals because Mr. Garrett makes adjustments to any or all of
3 Gannett Fleming's approaches (market, cost, income) and adopts the resulting approach's
4 figure for both his adjusted UVES' value.

5
6 **Q. IS MR. GARRETT A REGISTERED UTILITY VALUATION EXPERT IN**
7 **PENNSYLVANIA?**

8 **A.** No, not according to the Registry of Utility Valuation Experts maintained by the
9 Pennsylvania Public Utility Commission which was updated as of March 25, 2025.

10
11 **Q. DO YOU BELIEVE IT IS APPROPRIATE FOR SOMEONE WHO IS NOT A**
12 **REGISTERED UTILITY VALUATION EXPERT TO RECOMMEND**
13 **MODIFICATIONS IN A UTILITY VALUATION EXPERT'S APPRAISAL,**
14 **WHERE THE APPRAISAL HAS BEEN COMPLETED IN COMPLIANCE WITH**
15 **USPAP?**

16 **A.** No. What's the point of forcing a municipality (or a municipal authority) and a public
17 utility to incur the cost of hiring an expert to complete a report in compliance with
18 USPAP – a cost that will be passed on to taxpayers and ratepayers – if a non-expert can
19 recommend changes in the appraisal based on factors that have nothing to do with
20 USPAP.

21 Market Approach

22 **Q. MR. WEINERT PLEASE PROCEED WITH YOUR TESTIMONY.**

23 **A.** Yes, I'll begin with Mr. Garrett's testimony regarding the Market Approach.

1 **Q. THE OCA WITNESS STATES ON PAGE 6 LINES 8-9 THAT WADS**
2 **CONSULTANTS ESTIMATES A MARKET APPROACH VALUATION OF \$46.8**
3 **MILLION, IS THAT CORRECT?**

4 **A.** No. I believe that is a typographical error. WADS Consultants' Market Approach
5 Valuation for EBMA is \$27,221,430 or \$27.2 million; Mr. Garrett used the correct
6 Market Approach valuation of \$27,221,430 in the remainder of his testimony and
7 exhibits.

8
9 **Q. DID OCA WITNESS GARRETT EXPLAIN IN HIS TESTIMONY HOW HE**
10 **ARRIVED AT HIS ADJUSTMENT TO WADS CONSULTANTS' MARKET**
11 **APPROACH?**

12 **A.** No. It appears that Mr. Garrett simply utilized the results of his adjustments to Gannett
13 Fleming's market value resulting in \$24,366,428 in order to quantify his adjustment to
14 WADS Consultants' Market Approach of a negative 2,855,002 (*i.e.*, WADS Market
15 Approach of \$27,221,430 less OCA Garrett's Market Approach of \$24,366,428 resulting
16 in an adjustment of negative \$2,855,002). No further discussion or explanation was
17 provided in Mr. Garrett's testimony.

18
19 **Q. SINCE WITNESS GARRETT'S TESTIMONY PRECLUDES A DISCUSSION OF**
20 **WADS CONSULTANTS' MARKET APPROACH PERHAPS YOU COULD**
21 **EXPLAIN HOW YOU THINK WADS CONSULTANTS' MARKET APPROACH**
22 **IS SUPERIOR TO MR. GARRETT'S?**

1 A. Yes. In the WADS Consultants' Market Approach, the sales of all Section 1329
2 transactions were reviewed (26 sales were considered); the sales were further refined as
3 to the type of utility the transaction included:

WADS Market Approach Type of Utility

	No. Tranaction
Wastewater Collection and Treatment	15
Wastewater Collection	7
Water Treatment and Distribution	3
Water Distribution	1
4 All section 1329	26

5 WADS' basis of analyzing the various transactions' purchase price utilized five
6 comparison criteria which included:

7

WADS Market Approach Comparison Criteria

- Purchase Price to Original Cost less Depreciaion
- Purchase Price to Replacement Cost less Depreciaton
- Purchase price to Customer Acquired
- Purchase Price to Earnings Before Interest, Amortizaton and Depreciation
 - 5-year average of EBTIDA
 - 8 13-year average of EBITDA

9 In the WADS Consultants' Market Approach analysis for the EBMA wastewater
10 collection and treatment facilities, the comparison statistics for the Wastewater Collection
11 and Treatment utilities (15 transactions) were used in developing the Market Approach
12 conclusion. In contrast, Mr. Garrett included twenty transactions (including four water
13 utilities and one wastewater collection utility) in his Market analysis. The market
14 comparison statistics for the other categories present significantly differing results and as
15 such are not comparable.

1 **Q. WHAT WERE THE RESULTS OF EACH OF THE ABOVE ANALYSES YOU**
2 **PERFORMED?**

3 **A.** The comparable sales analysis produced a result of \$27,221,430 detailed as follows:

Pennsylvania American Water Company (PAWC)
Elizabeth Borough Municipal Authority
Wastewater System
Investor-Owned Utility
As of January 24, 2023

Comparable Sales Approach

Summary of Market Analyses

Indicators

OCLD	38,095,898
CORLD	26,169,515
Customers	20,194,383
Cash Flows	
EBITDA Periods 1-5	24,526,770
EBITDA Periods 1-13	22,602,560
Value Line	31,739,456

Mean 27,221,430

Median 25,348,143

4 **Conclusion** 27,221,430

5 This result is quite similar to Mr. Walker’s of Gannett Fleming’s \$27,678,195 Market
6 Approach Conclusion -- before OCA witness Garrett’s market approach adjustments to
7 the Gannett Fleming Market Approach. This makes me wonder when Mr. Garrett states
8 on page 14 lines 9-11 of his testimony: *“Although my adjusted market approach is not*
9 *significantly different than Mr. Weinert’s results, I believe my results are more*
10 *reasonable for the reasons discussed above.”* In actuality Mr. Walker’s and WADS
11 Consultants’ results are nearly identical while Mr. Garrett’s results are nearly \$3 million
12 lower than both Gannett Fleming’s and WADS Consultants’ results.

13

1 **Q. PLEASE COMPARE MR. GARRETT'S APPROACH TO SECTION 1329.**

2 **A.** Section 1329 requires that the buyer and the seller each retain a UVE and each UVE
3 completes an independent appraisal. These appraisals are then averaged to obtain the fair
4 market value of the System. In most of the Section 1329 proceedings in which I have
5 been involved, if a party proposed changes to the UVE appraisals, that party reviewed
6 each appraisal on its own merits and then averaged the resulting adjusted appraisals. I do
7 not believe it is appropriate to make adjustments to one UVE's appraisal and then simply
8 make adjustments to the other UVE's appraisal to produce the same result.

9

10 **Q. DOES THAT CONCLUDE YOUR COMMENTS ON MR. GARRETT'S**
11 **ADJUSTMENTS TO THE UVEs' MARKET APPROACH?**

12 **A.** Yes, I will continue my testimony discussing Mr. Garrett's adjustments to the UVEs'
13 Cost Approaches.

14 Cost Approach

15 **Q. CAN YOU DESCRIBE GENERALLY MR. GARRETT'S ADJUSTMENTS TO**
16 **THE UVEs' COST APPROACHES?**

17 **A.** Yes, Mr. Garrett's testimony describes Gannett Fleming's Cost Approach as trended
18 original cost and WADS Consultants' Cost Approach as replacement Cost New including
19 the fact that both UVEs "*estimated accumulated depreciation, or the depreciation*
20 "*reserve*", as a reduction to their respective cost estimates." Both statements are
21 correct.

1 Mr. Garrett also pointed out that Gannett Fleming provided an estimate of original
2 cost less depreciation of \$16.6 million (OCN \$19.2 million less Depreciation \$2.6
3 million).

4 Beyond those descriptions Mr. Garrett provided no critiques nor adjustments to
5 either UVE's Cost Approach procedures or conclusion. Rather, OCA witness Garrett
6 substituted a Cost Approach based on the average of Gannett Fleming's Original cost less
7 depreciation of \$16.6 million and its cost new less depreciation of \$28.3 million for his
8 "adjusted cost approach valuation of \$22.5 million." Mr. Garrett offer's no explanation
9 as why his Original Cost approach is superior to the reproduction cost approach of Mr.
10 Walker or the Replacement Cost Approach of WADS Consultants, approaches which
11 have consistently been presented to this Commission in numerous Section 1329 cases
12 over the last 8 or 9 years.

13 Mr. Garrett's testimony page 15 lines 12-13 states "*[i]f the acquisition is*
14 *approved, PAWC's ratemaking rate base will be based on the purchase price*" which is
15 not exactly correct. Section 1329 states that the ratemaking rate base will be the lower of
16 the purchase price (\$28,000,000 in this case) or the average of the two UVE appraisals
17 (\$28,438,605 in this case (the average of Gannett Fleming's \$28,136,195 and WADS
18 Consultants' \$28,741,014)). Therefore, if approved by this Commission, PAWC's rate
19 base would be \$28,000,000 and not the depreciated original cost of the acquired plant.
20 Using a purchase price of \$28,000,000 and an average depreciated original cost from the
21 UVE appraisals of \$16,649,511 (Gannett Fleming's \$16,620,978 + WADS Consultants'
22 \$16,678,044 / 2), the purchase price to net plant ratio is 1.682 as follows:

Purchase Price	28,000,000
Gannett Fleming	16,620,978
WADS Consultants	16,678,044
Average	16,649,511
Purchase Price to Net Plant	1.68173107

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This ratio is consistent with the Commission’s thinking as to the “Reasonableness Review Ratio (RRR)” which was first estimated as 1.68 in Chairman’s DeFrank’s Motion in Docket No. M-2016-2543193 adopted at the Commission’s Public Meeting on February 1, 2024. The RRR as determined by this Commission represent the ratio of the Enterprise Value of a proxy group of water utilities to their depreciated original cost as such one would expect the ratio of the UVE’s appraisals (which represent the enterprise value of EBMA operations) to its depreciated original cost to be similar to the Commission published RRR which is 1.68 in this time period which the UVE appraisals do in fact calculated to. Mr. Garrett’s testimony when weighting his recommendation for the adjusted appraisal approaches suggest an amount of \$22,094,309 with a cost approach of \$22,496,004 (which represents depreciated original cost) which produces a ratio of 0.98 for the ratio of EBMA’s Enterprise Value to DOC indicating he clearly is understating the value of EBMA’s operation and market value of its assets.

Q. MR. WEINERT, ARE THERE ANY AUTHORITIES WHICH SUPPORT YOUR CONTENTION THAT REPRODUCTION AND/OR REPLACEMENT COST IS THE PROPER STARTING POINT IN A COST APPROACH?

1 A. Yes, Valuing Machinery and Equipment, Fourth Edition, American Society of
2 Appraisers, 2020 and The Appraisal of Real Estate, 14th Edition, Appraisal Institute,
3 2013.

4 In Valuing Machinery and Equipment page 32: “The cost approach begins with
5 the current replacement or reproduction cost new of the property being appraised. The
6 appraiser deducts for the loss of value caused by physical deterioration, functional
7 obsolescence, and economic obsolescence.”

8 In The Appraisal of Real Estate, page 562: “Cost Approach A set of procedures
9 through which a value indication is derived for the fee simple estate by estimating the
10 current cost to construct a reproduction of (or replacement for) the existing structure,
11 including entrepreneurial incentive or profit; deducting depreciation from the total cost;
12 and adding the estimated land value.”

13
14 **Q. DOES THAT CONCLUDE YOUR COMMENTS ON MR. GARRETT’S**
15 **ADJUSTMENTS TO THE UVES’ COST APPROACH?**

16 A. Yes, I will continue my testimony discussing Mr. Garrett’s adjustments to the UVES’
17 Income Approaches.

18
19 Income Approach

20 **Q. CAN YOU DESCRIBE GENERALLY MR. GARRETT’S ADJUSTMENTS TO**
21 **THE UVES’ INCOME APPROACHES?**

22 A. Yes, Mr. Garrett developed an Income Approach using the direct capitalization method
23 wherein the income value indicator is derived by estimating the cash flow from

1 operations adjusted for growth which is capitalized to value with a capitalization rate.
 2 His income approach was developed as follows:

Annual Cash Flow	\$ 334,482 [1]
Constant Growth Rate	3.70% [2]
Discount Rate	5.49% [3]
Adjusted Value	<u>\$ 19,420,497</u> [4]
[1] From OCA Exhibit DJG-5	
[2] From OCA Exhibit DJG-7	
[3] From OCA Exhibit DJG-6	
[4] = [1] * (1+[2]) / ([3] - [2])	

3
 4 Mr. Garrett’s estimate of the Income Approach was determined to be \$19,420,497
 5 as shown in the above table. Mr. Garrett’s direct capitalization model essentially has
 6 three inputs: the Annual Cash Flow (EBMA’s Cash Flow from operations), Constant
 7 Growth Rate (EBMA’s expected future growth in Cash Flows), and the Discount Rate
 8 (the rate used to discount future earning based on the capital cost reflective of financing
 9 the investment and perceived required return of those sources of capital).

10 Mr. Garrett utilized Gannett Fleming’s estimate of cash flows for period zero (*i.e.*,
 11 the initial cash flow at the acquisition date) which was as follows:

12

1

	Year 0
Operating Revenues	\$ 1,780,000
EBIT	833,460
Tax (21%)	175,027
EBIT (1-t)	658,433
Depreciation	-
Capital Expenditures	323,951
Free Cash Flow from Operations	\$ 334,482
See Exhibit R, Gannett Fleming Appraisal, Exh. 13, p. 1.	
Adjust to account for capital expenditures	

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6

WADS Consultants, in developing its input to its Income Approach indicator of discounted cash flow, reviewed EBMA’s financials over the period 2016 through 2022 and EBMA’s Budgets 2022 and 2023. The following summarizes those financial statements:

Elizabeth Borough Audited Financials and EBMA Budgets

Year	Revenues	Growth Rate	Expenses	Earnings
2016	1,093,674		702,085	391,589
2017	1,200,167	9.7%	667,284	532,883
2018	1,185,276	-1.2%	685,907	499,369
2019	1,387,733	17.1%	775,729	612,004
2020	1,642,277	18.3%	1,015,268	627,009
2021	1,812,938	10.4%	1,070,844	742,094
2022	1,821,890	0.5%	1,076,794	745,096
Financials				
Average Growth				
		Rate		
		9.1%		
2022	1,912,450	5.0%	1,089,895	822,555
2023	2,061,700	7.8%	971,600	1,090,100
Budgets Average				
		Growth Rate		
		6.4%		

7

1 If I simply adjust the cashflow (earnings) input of Mr. Garrett's Direct Capitalization
 2 Model to \$1,090,100 Mr. Garrett's Income Indicator is as follows:

EBMA's Operating Statistics	Garrett's Year 0 EBMA Cashflow	WADS Consultants Estimate of EBMA's Initial Cashflow
Operating Revenues	\$1,780,000	2,061,706
EBIT	833,460	1,090,106
Tax (21%)	175,027	228,922
EBIT (1-t)	658,433	861,184
Depreciation	-	-
Capital Expenditures	323,951	323,951
Free Cash Flow from Operations	\$334,482	\$537,233

3
 4 The Direct Capitalization model's income indicator model is as follows:

Direct Capitalization of EBMA's Operation					
		Garrett Estimate		Garrett's Model with WADS Revised Income	Garrett's Model with WADS Revised Income, Growth Rate and Discount Rate
Annual Cash Flow		\$334,482	[1]	\$537,233	\$537,233
Constant Growth Rate		3.70%	[2]	3.70%	6.00%
Discount Rate		5.49%	[3]	5.49%	7.97%
Adjusted Value		\$19,420,497	[4]	\$31,192,454	\$28,906,939

5

1 As the above table demonstrates, if the earnings estimate is moved closer to the
2 January 24, 2023 appraisal date using witness Garrett's growth rate and capitalization
3 rate, the indicated income approach value is \$31,192,454. When using WADS
4 Consultants' earning growth estimate of 6.0% and discount rate of 7.97%, Garrett's direct
5 capitalization model results in a value of \$28,906,939. WADS Consultants' Income
6 Approach was based on a discount cash flow over a 20 year period, which resulted in
7 \$28,344,391. The revised Garrett direct capitalization model supports WADS
8 Consultants' conclusion of \$28,344,391.

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

11 **A.** It does. However, by filing this Rebuttal Testimony I understand that I may have the
12 opportunity to submit additional testimony responsive to challenges to my appraisal.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :
Company under Sections 1102(a) and 1329 of the :
Pennsylvania Public Utility Code, 66 Pa C.S. :
§§ 1102(a) and 1329, for approval of (1) the transfer, :
by sale, to Pennsylvania-American Water Company, :
of substantially all of the assets, properties and rights :
related to the wastewater collection and treatment : Docket No. A-2025-3052983
system owned by the Elizabeth Borough Municipal :
Authority, and (2) the rights of Pennsylvania- :
American Water Company to begin to offer or furnish :
wastewater service to the public in the Borough of :
Elizabeth, and portions of the Borough of Lincoln :
and the Townships of Elizabeth and Forward, in :
Allegheny County, Pennsylvania :

ELIZABETH BOROUGH MUNICIPAL AUTHORITY

**REBUTTAL TESTIMONY
OF**

TIMOTHY GUFFEY

Date: June 9, 2025

EBMA Statement No. 1-R.2

REBUTTAL TESTIMONY OF

TIMOTHY GUFFEY

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I. INTRODUCTION

Q. Please state your name and address.

A. My name is Timothy Guffey, and my address is 103 Harrison Street, Elizabeth, Pennsylvania 15037.

Q. By whom are you employed and in what capacity?

A. I am employed by the Elizabeth Forward School District as the Athletic Director.

Q. What is your role with the Elizabeth Borough Municipal Authority and Elizabeth Borough?

A. I serve as the Chairman for the Elizabeth Borough Municipal Authority (the “Authority”) and as the President of Council for Elizabeth Borough (the “Borough”).

Q. Have you submitted any other testimony in this proceeding?

A. Yes. I submitted Direct Testimony on behalf of the Authority on January 28, 2025.

Q. What is the purpose of your rebuttal testimony?

A. I will respond to portions of the Direct Testimony of Nicholas A DeMarco (“Mr. DeMarco”) on behalf of the Pennsylvania Office of Consumer Advocate (“OCA”).

II. REBUTTAL OF MR. DEMARCO

Q. Throughout his Direct Testimony, Mr. DeMarco suggests that the only reason that EBMA is not able to complete its Long Term Control Plan (“LTCP”) is due to cost. Are there any additional reasons that EBMA is delayed in completing the LTCP?

A. I believe my testimony has made it clear that the cost of completing EBMA’s LTCP would negatively impact ratepayers. A primary concern is the projected increase in sewage rates,

1 which could rise to \$114.23 per month if EBMA proceeds with its \$24.6 million LTCP.
2 However, in addition to the financial burden that will be attributed to our ratepayers,
3 another major concern is EBMA's technical capability to complete the LTCP. The
4 Authority is governed by a five-member Board of Directors, all of whom are appointed to
5 terms on a voluntary basis. Furthermore, the Authority has been without a general manager
6 for at least two years due to a resignation. To make matters worse, the Authority is
7 hampered by an extremely small staff that is tasked with operating its treatment and
8 collection facility. Currently, the Authority employes two individuals that have the
9 responsibility of operating the sewage treatment facility. Additionally, the Authority
10 contracts with a third-party service to provide one additional licensed operator. So, not only
11 was the cost a concern, the Authority's decision to sell its infrastructure to Pennsylvania-
12 American Water Company ("PAWC") was also based upon the limited technical expertise
13 currently in place within the Authority. If the Authority does not sell the System, it would
14 be required to hire additional employees to operate a modernized facility, and the cost of
15 doing so will only add to the expense of completing the LTCP that will ultimately be passed
16 along to our ratepayers. On the other hand, PAWC already possesses the technical
17 capability and staffing to complete the LTCP and operate an upgraded treatment facility
18 and can do so on an immediate basis. When weighing these factors, it made sense to enter
19 into the Asset Purchase Agreement ("APA") with PAWC, because doing so will ensure
20 that the ratepayers benefit from the highest quality sewage collection and treatment service,
21 especially when rates are projected to rise no matter who completes the LTCP.

III. CONCLUSION

1

2 **Q. Does this conclude your rebuttal testimony?**

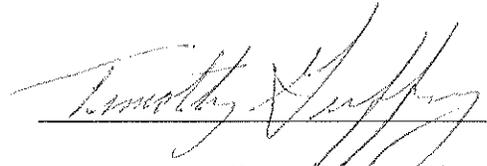
3 A. Yes, it does. However, I reserve the right to file additional testimony later as may be
4 necessary or appropriate.

5

VERIFICATION

I, Timothy Guffey, hereby state that the facts above set forth above 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 made subject to the penalties of 18 Pa. Cons. State. §4904 relating to unsworn falsification to authorities.

Date: June 9, 2025

A handwritten signature in cursive script, appearing to read "Timothy J. Guffey", written over a horizontal line.

Timothy J. Guffey, EBMA Chairman

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :
Company under Sections 1102(a) and 1329 of the :
Pennsylvania Public Utility Code, 66 Pa C.S. :
§§ 1102(a) and 1329, for approval of (1) the transfer, :
by sale, to Pennsylvania-American Water Company, :
of substantially all of the assets, properties and rights :
related to the wastewater collection and treatment : Docket No. A-2025-3052983
system owned by the Elizabeth Borough Municipal :
Authority, and (2) the rights of Pennsylvania- :
American Water Company to begin to offer or :
furnish wastewater service to the public in the :
Borough of Elizabeth, and portions of the Borough of :
Lincoln and the Townships of Elizabeth and Forward, :
in Allegheny County, Pennsylvania :

ELIZABETH BOROUGH MUNICIPAL AUTHORITY

**SUPPLEMENTAL REBUTTAL TESTIMONY
OF
TIMOTHY GUFFEY**

Date: June 10, 2025

EBMA Statement No. 1-R.2

SUPPLEMENTAL REBUTTAL TESTIMONY OF

TIMOTHY GUFFEY

1

2

I. INTRODUCTION

3 **Q. Please state your name and address.**

4 A. My name is Timothy Guffey, and my address is 103 Harrison Street, Elizabeth,
5 Pennsylvania 15037.

6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed by the Elizabeth Forward School District as the Athletic Director.

8 **Q. What is your role with the Elizabeth Borough Municipal Authority and Elizabeth
9 Borough?**

10 A. I serve as the Chairman for the Elizabeth Borough Municipal Authority (“EBMA”) and as
11 the President of Council for Elizabeth Borough (the “Borough”).

12 **Q. Have you submitted any other testimony in this proceeding?**

13 A. Yes. I submitted Direct Testimony on behalf of the Authority on January 28, 2025 and
14 Rebuttal Testimony on June 9, 2025.

15 **Q. What is the purpose of your rebuttal testimony?**

16 A. I will respond to a portion of sworn testimony of Joseph DeChicchis (“Mr. DeChicchis”)
17 presented during the Public Input Hearing held on June 5, 2025..

18 **II. REBUTTAL OF MR. DECHICCHIS**

19 **Q. Throughout his sworn testimony, Mr. DeChicchis alluded to the fact that he was
20 unable to review certain EBMA Articles of Incorporation , and he alleged that their
21 contents could preclude EBMA from entering into the Asset Purchase Agreement**

VERIFICATION

I, Timothy Guffey, hereby state that the facts above set forth above 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 made subject to the penalties of 18 Pa. Cons. State. §4904 relating to unsworn falsification to authorities.

Date:

June 10 2025



Timothy J. Guffey, EBMA Chairman

Pennsylvania Department of State

Bureau of Corporations and Charitable Organizations
 PO Box 8722 | Harrisburg, PA 17105-8722
 T: 717-787-1057
 dos.pa.gov/BusinessCharities

Entity Name: ELIZABETH BOROUGH MUNICIPAL AUTHORITY
Jurisdiction: PENNSYLVANIA **Issuance Date:** 06/09/2025
Entity No.: 0000108491 **Receipt No.:** 001760012
Entity Type: Authority **Certificate No.:** 058092224

Document Listing

Image No.	Date Filed	Effective Date	Filing Description	No. of Pages
A5457581-1	01/12/1950	01/12/1950	Initial Filing	8
A5457580-1	01/25/1950	01/25/1950	Initial Filing Legacy Amendment	1
A5457579-1	01/27/1958	01/27/1958	Articles of Amendment- Miscellaneous (Legacy)	8
A6853979-1	01/27/1958	01/27/1958	Legacy Amendment	1
A5457578-1	02/23/1972	02/23/1972	Articles of Amendment- Miscellaneous (Legacy)	7
A5457577-1	03/15/2013	02/27/2013	Articles of Amendment- Miscellaneous (Legacy)	6

** **** * End of list ***** **

I, Albert Schmidt, Secretary of the Commonwealth of Pennsylvania, do hereby certify that the attached document(s) referenced above are true and correct copies and were filed in this office on the date(s) indicated above.



IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the seal of my office to be affixed, the day and year above written

ALBERT SCHMIDT

Secretary of the Commonwealth

ARTICLES OF INCORPORATION

TO THE SECRETARY OF THE COMMONWEALTH OF PENNSYLVANIA:—

In compliance with the requirements of the Municipality Authorities Act of 1945, approved May 2, 1945, P. L. 382, as amended, the Borough of Elizabeth Allegheny County, Pennsylvania, pursuant to a duly adopted ordinance expressing the intention and desire of the municipal authorities of said municipality to organize an Authority under said Act, does hereby certify:—

(a) The name of the Authority is ELIZABETH BOROUGH MUNICIPAL AUTHORITY.

(b) The said Authority is formed under the Municipality Authorities Act of 1945, approved May 2, 1945, P. L. 382, as amended.

(c) No other authority has been organized under said Municipality Authorities Act of 1945, as amended, or under the Act of June 28, 1935, P. L. 463, and is in existence in or for the incorporating municipality.

(d) The name of the incorporating municipality is the Borough of Elizabeth.
The names and addresses of the municipal authorities of said municipality are:

Office	Name	Address
Burgess:	Charles L. Williams	Fifth Avenue , Elizabeth, Pa.
President of Borough Council:	W.E. Clyde Stanier	Second Avenue, Elizabeth, Pa.
Secretary:	H. T. Duke	Third Avenue Elizabeth, Pa.
Councilman:	Joseph T. Webb	Third Avenue, Elizabeth, Pa.
Councilman:	William H. Braum	Bayard Street, Elizabeth, Pa.
Councilman:	John D. Cox	Plum Street, Elizabeth, Pa.
Councilman:	William R. Pancoast	Church Street, Elizabeth, Pa.
Councilman:	C. Elmer Miller	Second Avenue, Elizabeth, Pa.
Councilman:	Charles S. Tarr	Second Avenue, Elizabeth, Pa.

(e) The names, addresses and terms of office of the first members of the Board of said Authority, all of whom are citizens of the incorporating municipality, are as follows:—

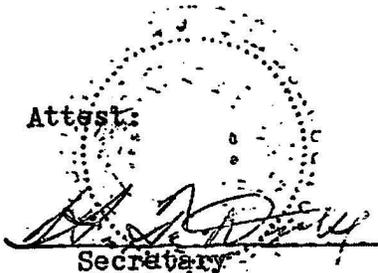
Name	Address	Term of Office Expiring
Robert F. Oberhart	Center Avenue, Elizabeth, Pa.	One year from January 1, 1951
Van Bennett	Fourth Avenue, Elizabeth, Pa.	Two years from January 1, 1951
David C. Luir	Second Avenue, Elizabeth, Pa.	Three years from January 1, 1951
Charles B. Duke	Third Avenue, Elizabeth, Pa.	Four years from January 1, 1951
Herman D. Snyder	Ellsworth Avenue, Elizabeth, Pa.	Five years from January 1, 1951

The ordinance authorizing the incorporation of said Authority, certified from the records of the incorporating municipality, together with proof of advertisement of notice of the filing of these Articles of Incorporation, are submitted herewith.

IN WITNESS WHEREOF, the undersigned have executed these Articles of Incorporation on behalf of the municipality above-named and have caused to be affixed the seal thereof, this 23th. day of December, 1949

BOROUGH OF ELIZABETH

Attest:



[Signature]
Secretary

By W. E. Clyde Stanier
President of Borough Council

Charles L. Williams
Burgess

COMMONWEALTH OF PENNSYLVANIA, } ss.:
COUNTY OF ALLEGHENY

On this 31st. day of December, 1949, before me the undersigned, personally appeared the above named W. E. Clyde Stanier, Charles L. Williams, and ~~H. Duke~~ T. Duke whose official positions in said incorporating municipality are respectively President of Borough Council, Burgess and Secretary, and who in due form of law acknowledge the foregoing to be the act and deed of the said incorporating municipality for the purposes therein specified.

[Signature]
Notary Public

JANUARY 7, 1951



SIGNIFYING THE INTENTION AND DESIRE OF THE MUNICIPAL AUTHORITIES OF THE BOROUGH OF ELIZABETH, ALLEGHENY COUNTY, PENNSYLVANIA, TO ORGANIZE AN AUTHORITY UNDER THE MUNICIPALITY AUTHORITIES ACT OF 1945 TO BE KNOWN AS ELIZABETH BOROUGH MUNICIPAL AUTHORITY; APPOINTING THE MEMBERS OF THE BOARD OF SAID AUTHORITY AND SPECIFYING THEIR TERMS OF OFFICE; SPECIFYING THE FIRST PROJECT TO BE UNDERTAKEN; AND AUTHORIZING OTHER NECESSARY ACTIONS.

BE IT ORDAINED AND ENACTED by the Borough Council of the Borough of Elizabeth and it is hereby ordained and enacted by the authority of the same:

Section 1. That the Borough Council, being the municipal authorities of the Borough of Elizabeth, hereby signify their intention and desire to organize an authority under the provisions of the Municipality Authorities Act of 1945, as amended.

Section 2. The President of Borough Council, Burgess and Secretary of the Borough are hereby authorized and directed to execute on behalf of the Borough of Elizabeth Articles of Incorporation for said authority providing, among other things:-

- (a) That the name of the Authority shall be Elizabeth Borough Municipal Authority;
- (b) That the Authority is formed under the Act of May 2, 1945, P.L. 382, as amended, known as the Municipality Authorities Act of 1945;
- (c) That no other authority has been organized under said Act or under the Act of June 28, 1935, P.L. 463, and is in existence in or for the incorporating municipality;
- (d) That the name of the incorporating municipality is the Borough of Elizabeth; and setting forth the names and addresses of the

3-1-50.02 1285

municipal officers constituting the municipal authorities of said municipality, to wit: the Burgess, President of Borough Council, Secretary and Councilmen of the Borough of Elizabeth; and

(e) That the names, addresses and terms of office of the first members of the Board of the Authority are as follows:-

Name	Address	Term of Office Expiring
Robert F Eberhart	Center Avenue, Elizabeth, Pa.	one year from January 1, 1951
Van W Bennett	Fourth Avenue, Elizabeth, Pa.	two years from January 1, 1951
David C Muir	Second Avenue, Elizabeth, Pa.	three years from January 1, 1951
Charles B Duke	Third Avenue, Elizabeth, Pa.	four years from January 1, 1951
Herman D Snyder	Ellsworth Avenue, Elizabeth, Pa.	five years from January 1, 1951

Section 3. That the said Robert F Eberhart , Van W Bennett , David C Muir , Charles B Duke and Herman D Snyder are hereby appointed by the Borough of Elizabeth for terms of office expiring one year, two years, three years, four years and five years respectively from January 1, 1951.

Section 4. That the proper officers of the Borough are hereby directed, as required by the Municipality Authorities Act of 1945, to publish notice of this ordinance and of the day upon which said Articles of Incorporation will be filed with the Secretary of the Commonwealth of Pennsylvania; to file said Articles of Incorporation, together with a certified copy of this ordinance authorizing the incorporation of the Authority and the necessary proofs of publication, with the Secretary of the Commonwealth; and to do all other things necessary or appropriate to effect the incorporation of the Elizabeth Borough Municipal Authority.

Section 5. The project which shall first be undertaken by the Authority shall be to acquire the present sewage collection system of the

3-1-50.C2 1266

Borough of Elizabeth, to construct for the benefit of the inhabitants of the Borough of Elizabeth a sewage treatment plant, interceptor sewers and additional collection sewers, if desirable, and to lease such Sewer System to the Borough for operation.

Section 6. All other ordinances or parts of ordinances, resolutions or parts of resolutions inconsistent herewith be and the same hereby are expressly repealed.

ENACTED AND ORDAINED this 29th. day of December A.D. 19 49 .

Attest:


M. J. [Signature]
Borough Secretary

W. E. Clyde Starnes
President of Borough Council

Approved this 27th day of December A.D. 19 49 .

Charles L. [Signature]
Burgess

3-1-50.02 1267

The undersigned, Secretary of the Borough of Elizabeth, Allegheny County, Pennsylvania, hereby certifies that the foregoing is a true and correct copy of an ordinance which was passed by a majority vote of the entire Borough Council at a duly convened meeting thereof held December 29th. , 1949; that said ordinance was signed by W. E. Clyde Stanier, as President of Borough Council, and that the undersigned as Borough Secretary affixed the corporate seal of the Borough thereto and attested the same; that said ordinance was approved by Charles L Williams, Burgess of the Borough on December 29th. , 19 49 and was recorded in the Ordinance Book of the Borough on December 31st , 19 49 ; and that said ordinance was duly advertised on December 31st , 19 49 , in a newspaper of general circulation in the Borough of Elizabeth.


Borough Secretary

Certificate Verification No.: 0580922224 Date: 06/09/2025

Approved and filed in the Department of State on the
12th day of January A. D. 1950.


Acting Secretary of the Commonwealth

ESM.

In the Name and by Authority of the

Commonwealth of Pennsylvania



DEPARTMENT OF STATE

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETING:

WHEREAS, In and by the provisions of Act No. 164, approved the second day of May, Anno Domini one thousand nine hundred and forty-five, P. L. 382, as amended, the Department of State is authorized and required to issue a

CERTIFICATE OF INCORPORATION

evidencing the incorporation of an authority under the provisions of said Act.

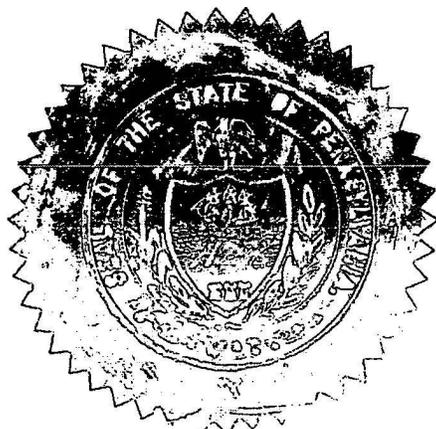
AND WHEREAS, The stipulations and conditions of said Act have been fully complied with by the Municipal Authorities of the Borough of Elizabeth, County of Allegheny, Commonwealth of Pennsylvania, desiring the organization of

ELIZABETH BOROUGH MUNICIPAL AUTHORITY

THEREFORE, KNOW YE, That subject to the Constitution of this Commonwealth, and under the authority of Act No. 164, approved the second day of May, Anno Domini one thousand nine hundred and forty-five, P. L. 382, as amended, I DO BY THESE PRESENTS, which I have caused to be sealed with the Great Seal of the Commonwealth, declare and certify the creation, erection and incorporation of ELIZABETH BOROUGH MUNICIPAL AUTHORITY, into a body politic and corporate in deed and in law by the name chosen and hereinbefore specified, now to become operative with authority to transact business, and which shall exist for a term of fifty years unless sooner dissolved according to law.

Such corporation shall have and enjoy and shall be subject to all the powers, duties, requirements, and restrictions, specified and enjoined in and by the above Act of Assembly and all other applicable laws of this Commonwealth.

GIVEN under my Hand and the Great Seal of the Commonwealth, at the City of Harrisburg, this 12th day of January, in the year of our Lord one thousand nine hundred and fifty, and of the Commonwealth the one hundred and seventy-fourth.



Edward Smith
Acting Secretary of the Commonwealth

ARTICLES OF AMENDMENT
ELIZABETH BOROUGH MUNICIPAL AUTHORITY

To: The Secretary of the Commonwealth

In compliance with the Municipal Authorities Act, 53 Pa.C.S.A. Section 5601, et. seq., as amended, the Elizabeth Borough Municipal Authority hereby amends its articles of incorporation as follows:

1. The name of the Authority is the Elizabeth Borough Municipal Authority.
2. The location of the registered office of the Authority is 1 Locust Street, Elizabeth, PA 15037.
3. The Authority was formed under the Municipal Authorities Act, in 1950.
4. The original Articles of Incorporation were approved and filed with the Secretary of the Commonwealth of Pennsylvania on January 12, 1950.
5. The amendment to the Articles of Incorporation was adopted by Resolution by the Board of the Elizabeth Borough Municipal Authority on August 23, 2012, and adopted by Resolution of the Borough of Elizabeth (the incorporating municipality) on November 27, 2012. Copies of those Resolutions are attached hereto as Exhibit "A" and made a part hereof.
6. The amendment to the Articles of Incorporation adopted by the Municipal Authority is as follows:

(f) The term of existence of the Authority is increased to a date fifty (50) years from the date of approval of these Articles of Amendment."

ATTEST

ELIZABETH BOROUGH MUNICIPAL
AUTHORITY



David Householder, Chairman



Robert Werner, Vice-Chairman

Commonwealth of Pennsylvania
ARTICLES OF AMENDMENT-MISCELLANEOUS 6 Page(s)



T1308011217

PA DEPT. OF STATE
FEB 27 2013

PA DEPT

MAR 15 2013

RESOLUTION NO. 2012-4

**A RESOLUTION OF BOROUGH OF
ELIZABETH, ALLEGHENY COUNTY,
COMMONWEALTH OF PENNSYLVANIA,
ADOPTING AN AMENDMENT TO ITS ARTICLES
OF INCORPORATION, EXTENDING THE TERM OF
EXISTENCE OF THE ELIZABETH BOROUGH
MUNICIPAL AUTHORITY**

WHEREAS, Elizabeth Borough Municipal Authority, has requested that the Borough of Elizabeth authorize and adopt an Amendment to its Articles of Incorporation, extending its life fifty (50) years from the date of the filing of the Amendment;

WHEREAS, the Elizabeth Borough Municipal Authority has approved by resolution the extension of the term of the Authority and further wishes to approve and ratify the amendment to the Authority's Articles of Incorporation in connection therewith to indicate the extension of the Authority's term of existence fifty (50) years from the date of approval of the Articles of Amendment, a copy of which has been provided to Council of the Borough of Elizabeth;

AND NOW THEREFORE, The Borough of Elizabeth hereby adopts the following amendment to the Articles of Incorporation of the Elizabeth Borough Municipal Authority, which amendment shall consist of the following provision in said Articles of Incorporation:

"(f) The term of existence of the Authority is increased to a date fifty (50) years from the date of approval of these Articles of Amendment"

All ordinances, resolutions, parts of ordinances or resolutions not in accord with this resolution are hereby repealed insofar as they conflict with this resolution.

RESOLVED this 27 day of November, 2012.

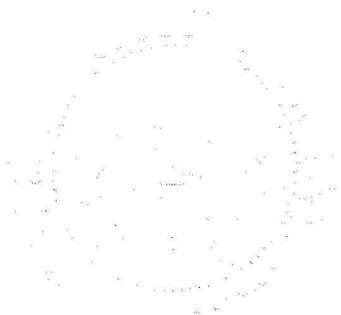
TALLY OF VOTES: 5 Yeas 0 Nays


By President of Council

Attest:



Secretary
(Borough Seal)



EXAMINED AND APPROVED THIS 27 day of November, 2012.



Mayor

RESOLUTION NO. 09-12

**A RESOLUTION OF ELIZABETH BOROUGH
MUNICIPAL AUTHORITY, ALLEGHENY COUNTY,
COMMONWEALTH OF PENNSYLVANIA, SETTING
FORTH AN AMENDMENT TO ITS ARTICLES OF
INCORPORATION, EXTENDING THE TERM OF
EXISTENCE OF THE ELIZABETH BOROUGH
MUNICIPAL AUTHORITY AND DIRECTING THAT
IT BE SUBMITTED TO THE BOROUGH OF
ELIZABETH FOR ADOPTION**

WHEREAS, Elizabeth Borough Municipal Authority wishes to authorize and adopt an Amendment to its Articles of Incorporation, extending its life fifty (50) years from the date of the filing of the Amendment;

AND NOW THEREFORE, the Elizabeth Borough Municipal Authority hereby approves the following amendment to the Articles of Incorporation of the Elizabeth Borough Municipal Authority, which amendment shall consist of the following provision in said Articles of Incorporation:

"(f) The term of existence of the Authority is increased to a date fifty (50) years from the date of approval of these Articles of Amendment"

Said provision shall be added to the Articles of Incorporation.

A draft copy of the Articles of Amendment to be filed are attached hereto for reference.

The Elizabeth Borough Municipal Authority further directs that this Resolution be submitted to the Borough of Elizabeth for Adoption.

All ordinances, resolutions, parts of ordinances or resolutions not in accord with this resolution are hereby repealed insofar as they conflict with this resolution.

RESOLVED this 23 day of August, 2012.

TALLY OF VOTES: 6 Yeas 0 Nays

Attest:


Secretary
(Authority Seal)



TRIB TOTAL MEDIA LEGAL ADVERTISING

Proof of Publication of Notice in The Daily News

Under the Act of July 9, 1976, P.L. 877, No. 160

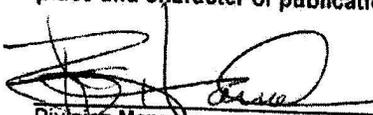
Commonwealth of Pennsylvania

County of Allegheny) SS:

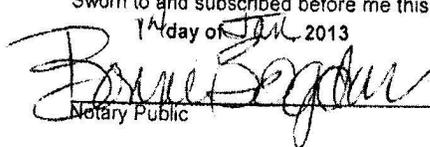
ROBERT HAMMOND, Division Manager of the Trib Total Media, Inc., a Corporation of the Commonwealth of Pennsylvania with places of business in Greensburg, Westmoreland County, Pennsylvania and Pittsburgh, Allegheny County, Pennsylvania, being duly sworn, deposes and says that the **Daily News** is a daily newspaper circulated in Allegheny & Westmoreland Counties, Pennsylvania, and elsewhere, published in the City of McKeesport, Allegheny County, Pennsylvania, established July 1, 1884, and issued every day, except Sunday, since that date. A copy of the printed notice of publication is attached hereto exactly as the same was printed and published in the regular editions of the said newspapers on the following dates,

viz: LEGAL# 5472917, RE: OFFICIAL NOTICE The Elizabeth Borough Municipal Authority, on 01/12/13

Affiant further deposes that she/ he is an officer duly Authorized by the Trib Total Media, Inc., Publisher of The Daily News, to verify the foregoing statement under oath and also declares that affiant is not interested in the subject matter of the aforesaid notice of publication, and that all allegations in the foregoing statement as to time, place and character of publication are true.



Division Manager
Trib Total Media, Inc.

Sworn to and subscribed before me this
14 day of Jan 2013


Notary Public

Corporate Notice
Legals
OFFICIAL NOTICE
The Elizabeth Borough Municipal Authority, 1 Locust Street, Elizabeth, PA 15037, intends to file an Amendment to its articles of Incorporation pursuant to Section 5605 of the Municipal Authorities Act, as amended, with the Commonwealth no sooner than January 17, 2013. This amendment extends the life of the Authority fifty (50) years from the date of the approval of the Articles of Amendment.
5472917(1/12/2013)

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Bonnie Bogdan, Notary Public
Liberty Boro, Allegheny County
My Commission Expires Jan. 28, 2017
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

Statement of Advertising Costs

THOMAS SHANNON BARRY & ASSOCIATES
1103 EAST CARSON STREET
PGH, PA 15203

To Trib Total Media, Inc.		
For Publishing the notice or advertisement attached hereto on the above stated dates	\$	85.00
Probing Same	\$	
Total	\$	85.00

Publisher's Receipt for Advertising Costs

The Trib Total Media, Inc., publisher of The Daily News, a newspaper of general circulation, hereby acknowledges a receipt of the aforesaid advertising and publication costs, and certifies the same have been fully paid.

Trib Total Media Inc., Publisher
of The Daily News, a Newspaper.

By _____

Certificate Verification No.: 058092224 Date: 06/09/2025

Proof of Publication of Notice in Pittsburgh Legal Journal

Official Notice

The Elizabeth Borough Municipal Authority, 1 Locust Street, Elizabeth, PA 15037, intends to file an Amendment to its articles of incorporation, pursuant to Section 5605 of the Municipal Authorities Act, as amended, with the Commonwealth no sooner than February 19, 2013. This amendment extends the life of the Authority fifty (50) years from the date of the approval of the Articles of Amendment.

13-01100 Feb 14, 2013

Commonwealth of Pennsylvania }
County of Allegheny, } SS:
}

Before me, the undersigned notary public, this day, personally appeared Amy Pennell to me known, who being duly sworn according to law, deposes and says the following:

I am an agent of the Pittsburgh Legal Journal. The Pittsburgh Legal Journal is the duly designated legal newspaper for Allegheny County, Pennsylvania and was established on April 23, 1853. It is published at 400 Koppers Building, 436 Seventh Avenue, Pittsburgh, Allegheny County, Pennsylvania; and a copy of the printed notice appearing to the right is exactly the same as is printed or published in the issue or issues of said legal newspaper on the following date or dates:

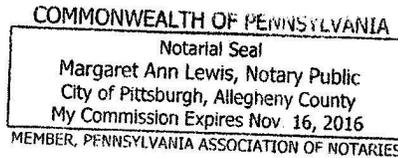
February 14, 2013

That affiant further states that she is the designated agent of the Allegheny County Bar Association, the owner of said legal newspaper, that she is not interested in the subject matter of the aforesaid notice or advertising, and that all the allegations of the aforesaid statement as to time, place, and character of publication are true.

Signature of Affiant

Subscribed and sworn to before me this 14th day of February, 2013

Notary Public



Amy R. Schrempf
Thomas Shannon Barry & Associates
1103 E. Carson St.
Pittsburgh, PA 15203

Statement of Advertising Cost

For publishing the notice or advertisement on the above stated dates.....\$75.05
Proof fees.....\$1.00
Total\$76.05

Pittsburgh Legal Journal
400 Koppers Building
436 Seventh Avenue
Pittsburgh, PA 15219
Phone 412-261-6255

PLJ No.13-01100

Certificate Verification No.: 058092224 Date: 06/09/2025

AMENDMENT OF ARTICLES OF INCORPORATION
OF
ELIZABETH BOROUGH MUNICIPAL AUTHORITY

To the Secretary of the Commonwealth,
Harrisburg, Pennsylvania

In compliance with the Municipality Authorities Act of 1945, May 2, P.L. 382, as amended, Elizabeth Borough Municipal Authority hereby certifies:

(1) The name of the Authority is ELIZABETH BOROUGH MUNICIPAL AUTHORITY.

The location of the registered office of such Authority is Municipal Building, Third Street, Borough of Elizabeth, Allegheny County, Pennsylvania, 15037.

(2) The Authority was formed under the terms of Act No. 164, approved May 2, 1945 (P.L. 382). The original Articles of Incorporation were approved and filed in the Department of State on the 12th day of January, A. D. 1950. An Amendment increasing the number of members of the board of the Authority was approved and filed in the Department of State on the 27th day of January, A.D. 1958.

(3) This amendment to the Articles of Incorporation was adopted by the Borough Council of the Borough of Elizabeth by Ordinance #405, enacted the 8th day of February 1972, a certified copy thereof is attached hereto and made a part hereof.

(4) This amendment to the Articles of Incorporation adopted by the Borough Council of the Borough of Elizabeth consists of the following provision in said Articles of Incorporation, as heretofore amended:

"(f) The term of existence of the Authority is increased to a date fifty (50) years from the date of approval of these Articles of Amendment."

3-1-72 (6)

(5) That notice of the intention of the Authority to file said Articles of Amendment has been published in the The Daily News, a newspaper published and of general circulation in the County of Allegheny, and in the Pittsburgh Legal Journal, a legal periodical of the County of Allegheny; that said notice gives the name and location of the registered office of the Authority, the Act of Assembly under which the amendment is being filed, and a statement of the Articles of Amendment in full, and said notice states that on a day certain, to wit: the 23rd day of February 1972, which is not less than three (3) days after publication of said notice, said Articles of Amendment will be filed in the office of the Secretary of the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, Elizabeth Borough Municipal Authority has caused these Articles of Amendment to be signed by its duly authorized officers and its corporate seal to be hereto affixed this 17th day of February 1972.

William P. Parvost
Chairman

Attest:

Charles H. ...
Secretary

(SEAL)

COMMONWEALTH OF PENNSYLVANIA }
COUNTY OF ALLEGHENY } ss.

Before me, the undersigned officer, a Notary Public in and for said County and Commonwealth, personally appeared

William R. Pancoast Chairman, and Charles S. Storer Secretary of Elizabeth Borough Municipal Authority, known to me to be the persons whose names are subscribed to the foregoing Articles of Amendment, and in due form of law acknowledged the same to be the act and deed of Elizabeth Borough Municipal Authority for the purposes therein specified, and state that the facts set forth therein are true and correct.

WITNESS my hand and seal the 17th day of February 1972.

Forest M. Brucher
Notary Public

My Commission expires

(SEAL)

NOTARY PUBLIC
STATE OF PENNSYLVANIA
COMMISSION EXPIRES
FEBRUARY 20 1973

Certificate Verification No.: 0580922224 Date: 06/09/2025

ORDINANCE No. 405

AN ORDINANCE OF THE BOROUGH OF ELIZABETH ALLEGHENY COUNTY, PENNSYLVANIA, ADOPTING AN AMENDMENT TO THE ARTICLES OF INCORPORATION OF ELIZABETH BOROUGH MUNICIPAL AUTHORITY

WHEREAS, the Elizabeth Borough Municipal Authority has submitted to the Borough Council of the Borough of Elizabeth a resolution amending the Articles of Incorporation of Elizabeth Borough Municipal Authority,

NOW THEREFORE BE IT ORDAINED AND ENACTED by the Borough Council of the Borough of Elizabeth, and it is hereby ordained and enacted by the Authority of the same as follows:

Section 1. The Borough of Elizabeth hereby adopted the following amendment to the Articles of Incorporation of Elizabeth Borough Municipal Authority, which amendment shall consist of the following provision in said Articles of Incorporation, as heretofore amended:

"(f) The term of existence of the Authority is increased to a date fifty (50) years from the date of approval of these Articles of Amendment."

Section 2. All ordinances or parts of ordinances not in accord with this ordinance are hereby repealed insofar as they conflict herewith.

ORDAINED AND ENACTED into law by the Borough Council of the Borough of Elizabeth on this 8th day of February 1972, in lawful session regularly assembled.

[Signature]

President of Council

ATTEST:

[Signature]

Secretary

(BOROUGH SEAL)

EXAMINED AND APPROVED THIS 8th DAY OF February 1972.

[Signature]

Mayor

Certificate Verification No.: 0580922224 Date: 06/09/2025

C E R T I F I C A T E

I, the undersigned, the Borough Secretary of the Borough of Elizabeth, Allegheny County, Pennsylvania, do hereby certify that the foregoing and attached is a true and correct copy of an Ordinance of said Borough which was duly enacted by the affirmative vote of a majority of all of the members of the Council of said Borough at a meeting thereof held on the *8th* day of *February* 1972, which meeting was at all times open to the public and of which due notice was given as required by law, and which Ordinance was duly recorded in Ordinance Book Volume *3* , Page *100*

I further certify that the total number of members of the Council is *7* , that the vote upon said Ordinance was called and duly recorded upon the minutes of said meeting and that the members of Council voted in the following manner:

<u>Lawrence L. Patton</u>	Aye
<u>Harvey W. Rennie Jr.</u>	Aye
<u>Leonard R. Bailey</u>	Aye
<u>John H. Smith</u>	Aye
<u>Anthony E. Rubino</u>	Aye
<u>Kenneth D. Finney</u>	Aye
<u>Roderick K. McNeil</u>	Aye

IN WITNESS WHEREOF I have hereunto set my hand and the Seal of the Borough of Elizabeth this *15th* day of *February* 1972.

[Signature]
Borough Secretary

(BOROUGH SEAL)

Approved and filed in the Department of State on the 23rd
day of February, A. D. 1972.

E. J. ...

Secretary of the Commonwealth

jmw

Commonwealth of Pennsylvania



Department of State

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETING:

WHEREAS, In and by Section 3.2 of the Act of 1945, P. L. 382, as amended, the Department of State is authorized and required to issue a

CERTIFICATE OF AMENDMENT

evidencing the amendment of the Articles of Incorporation of a Municipal Authority organized under or subject to the provisions of that law:

AND WHEREAS, The stipulations and conditions of the Law pertaining to the amendment of Articles of Incorporation have been fully complied with by

ELIZABETH BOROUGH MUNICIPAL AUTHORITY

THEREFORE, KNOW YE, That subject to the Constitution of this Commonwealth, and under the authority of the Municipality Authorities Act of 1945, as amended, I DO BY THESE PRESENTS, which I have caused to be sealed with the Great Seal of the Commonwealth, alter and extend the rights and powers of the corporation named above, in accordance with the terms and provisions of the Articles of Amendment presented by it to the Department of State, with full power and authority to use and enjoy such rights and powers, subject to all the provisions and restrictions of the Municipality Authorities Act of 1945, as amended, and all other applicable laws of this Commonwealth.

GIVEN under my Hand and the Great Seal of the Commonwealth, at the City of Harrisburg, this 23rd day of February in the year of our Lord one thousand nine hundred and seventy-two and of the Commonwealth the one hundred and ninety-sixth.

E. H. Lueders

Secretary of the Commonwealth

jmw

AMENDMENT OF ARTICLES OF INCORPORATION
OF
ELIZABETH BOROUGH MUNICIPAL AUTHORITY

To the Secretary of the Commonwealth,
Harrisburg, Pennsylvania.

In compliance with the Municipality Authorities Act of 1945, May 2, P. L. 382, as amended, the Elizabeth Borough Municipal Authority hereby certifies:

(1) The name of the Authority is ELIZABETH BOROUGH MUNICIPAL AUTHORITY.

The location of the registered office of such Authority is Municipal Building,
Third Street,
Borough of Elizabeth, Allegheny County, Pennsylvania.

(2) The Authority was formed under the terms of Act No. 164, approved May 2, 1945, (P. L. 382) as amended. The original Articles of Incorporation were recorded in the office of the Secretary of the Commonwealth on January 12, 1950.

(3) The amendment to the Articles of Incorporation was adopted by Borough Council of the Borough of Elizabeth by Ordinance # 259, enacted the 23rd day of December, 1957, a certified copy whereof is attached hereto and made a part hereof.

(4) The amendment to the Articles of Incorporation adopted by the Borough Council of the Borough of Elizabeth consists of amending paragraph (e) of said Articles of Incorporation to read hereafter in full as follows:

(e) The names and addresses and terms of office of the present members of the Board of said Authority are as follows:

<u>Name</u>	<u>Municipality</u>	<u>Address</u>	<u>Term</u>
R. A. Price	Elizabeth Borough	234 5th Street, Elizabeth, Pa.	1958 - 63
William R. Pancoast	Elizabeth Borough	300 Church Street, Elizabeth, Pa.	1954 - 59
Harry T. Duke	Elizabeth Borough	907 3rd Street, Elizabeth, Pa.	1955 - 60
Joseph T. Webb	Elizabeth Borough	342 Travs. Dr., Elizabeth, Pa.	1956 - 61
Thomas E. Ralston	Elizabeth Borough	283 Center Ave., Elizabeth, Pa.	1957 - 62
William Shoaf	Elizabeth borough	Douglas Ave., Blaine Hill, Elizabeth, Pa.	1958 - 60
Lawrence King,	Elizabeth Borough	Simpson-Howell Rd., R. D. #2 Elizabeth, Pa.	1958 .61

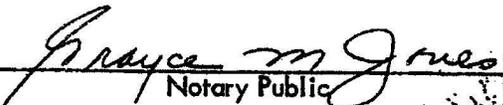
3-1-58.04 259

COMMONWEALTH OF PENNSYLVANIA
COUNTY OF WALLEGHENY

SS.

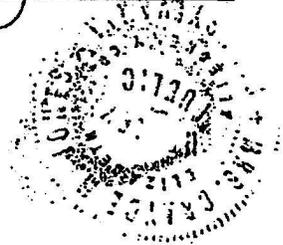
Before me, the undersigned officer, a Notary Public in and for said County and Commonwealth, personally appeared William R. Pancoast, Chairman and Charles S. Storer, Secretary of Elizabeth Borough Municipal Authority, known to me to be the persons whose names are subscribed to the foregoing Articles of Amendment, and in due form of law acknowledged the same to be the act and deed of the Elizabeth Borough Municipal Authority for the purposes therein specified, and state that the facts set forth therein are true and correct.

WITNESS my hand and seal the 23rd day of December, 1957.



Notary Public

My commission expires



ORDINANCE NO. 259

AN ORDINANCE OF THE BOROUGH OF ELIZABETH,
ALLEGHENY COUNTY, PENNSYLVANIA, ADOPTING
AN AMENDMENT TO THE ARTICLES OF INCORPORATION
OF ELIZABETH BOROUGH MUNICIPAL
AUTHORITY.

WHEREAS, the Elizabeth Borough Municipal Authority has submitted to the Borough Council of the Borough of Elizabeth a resolution amending the Articles of Incorporation of Elizabeth Borough Municipal Authority,

NOW THEREFORE BE IT ORDAINED AND ENACTED by the Borough Council of the Borough of Elizabeth, and it is hereby ordained and enacted by the authority of the same as follows:

Section 1. The Borough of Elizabeth hereby adopts the following amendment to the Articles of Incorporation of the Elizabeth Borough Municipal Authority, which amendment shall consist of amending paragraph (e) of said Articles to read hereafter in full as follows:

(e) The names and addresses and terms of office of the present members the Board of said Authority are as follows:

<u>Name</u>	<u>Municipality</u>	<u>Address</u>	<u>Term</u>
R. A. Price	Elizabeth Borough	234 5th Street, Elizabeth, Pa.	1958 - 63
William R. Pancoast	Elizabeth Borough	300 Church Street, Elizabeth, Pa.	1954 - 59
Harry T. Duke	Elizabeth Borough	907 3rd Street, Elizabeth, Pa.	1955 - 60
Joseph T. Webb	Elizabeth Borough	342 Travs. Dr., Elizabeth, Pa.	1956 - 61
Thomas E. Ralston	Elizabeth Borough	283 Center Ave., Elizabeth, Pa.	1957 - 62
William Shoaf	Elizabeth Borough	Douglas Ave., Blaine Hill, Elizabeth, Pa.	1958 - 60
Lawrence King	Elizabeth Borough	Simpson-Howell Rd., R. D. #2 Elizabeth, Pa.	1958 - 61

All of whom reside in and are citizens of either the Borough of Elizabeth or the Township of Elizabeth, Allegheny County, Pennsylvania.

The members of the Board of the said Authority shall be seven (7) in number, and they shall be apportioned as follows:

From the Borough of Elizabeth: five (5) members.

From the Township of Elizabeth: two (2) members.

The term of office of any member of the Board appointed to succeed any of the ~~xxxxx~~ members of the Board shall be for a term of five (5) years.

The Borough Council of the Borough of Elizabeth shall at a meeting held not later than one month prior to January 1 of each year in which a vacancy occurs, appoint as member of the Board, a citizen of the same municipality as the member whose expired term is being filled for a term of five (5) years.

Section 2. All ordinances or parts of ordinances not in accord with this ordinance are hereby repealed insofar as they conflict herewith.

ORDAINED AND ENACTED into law by the Borough Council of the Borough of Elizabeth on this 23 day of December, 1957, in lawful session regularly assembled.

J. A. Turner
President of
Council

Attest:
[Signature]
Secretary

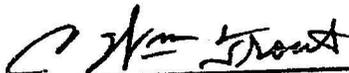
(BOROUGH SEAL)

EXAMINED AND APPROVED this 23rd day of December, 1957.

Charles L. Kilhamer
Burgess

3-1-58.04 26?

Approved and filed in the Department of State on the 27th day of
January A. D. 1958.


Deputy Secretary of the Commonwealth 

Commonwealth of Pennsylvania



DEPARTMENT OF STATE

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETING:

WHEREAS, In and by Section 3.2 of the Act of 1945 P. L. 382, as amended, the Department of State is authorized and required to issue a

CERTIFICATE OF AMENDMENT

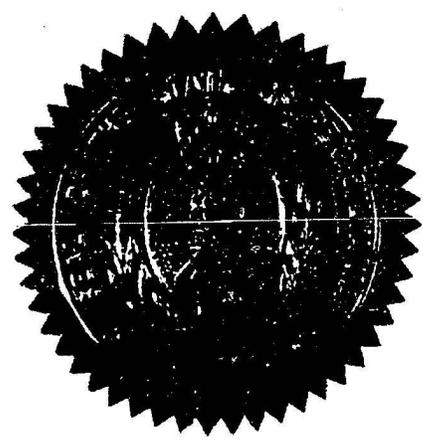
evidencing the amendment of the Articles of Incorporation of a Municipal Authority organized under or subject to the provisions of that law, and

WHEREAS, The stipulations and conditions of the law pertaining to the amendment of Articles of Incorporation have been fully complied with by

ELIZABETH BOROUGH MUNICIPAL AUTHORITY

THEREFORE, KNOW YE, That subject to the Constitution of this Commonwealth and under the authority of the Municipality Authorities Act of 1945, as amended, I DO BY THESE PRESENTS, which I have caused to be sealed with the Great Seal of the Commonwealth, alter and extend the rights and powers of the corporation named above, in accordance with the terms and provisions of the Articles of Amendment presented by it to the Department of State, with full power and authority to use and enjoy such rights and powers, subject to all the provisions and restrictions of the Municipality Authorities Act of 1945, as amended, and all other applicable laws of this Commonwealth.

GIVEN under my Hand and the Great Seal of the Commonwealth, at the City of Harrisburg, this 27th day of January, in the year of our Lord one thousand nine hundred and fifty-eight, and of the Commonwealth the one hundred and eighty-second.



[Signature]
Deputy Secretary of the Commonwealth

Certificate Verification No.: 0580922224 Date: 06/09/2025

Elizabeth Borough Municipal) 3-1-50.02 1269
 authority)
) IN THE NAME AND BY AUTHORITY OF THE
) COMMONWEALTH OF PENNSYLVANIA
 Certificate of Inc.) DEPARTMENT OF STATE
) TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETING:

WHEREAS, In and by the provisions of Act No. 164, approved the second day of May, Anno Domini one thousand nine hundred and forty-five, P. L. 382, as amended, the Department of State is authorized and required to issue a CERTIFICATE OF INCORPORATION evidencing the incorporation of an authority under the provisions of said Act.

AND WHEREAS, The stipulations and conditions of said Act have been fully complied with by the Municipal Authorities of the Borough of Elizabeth, County of Allegheny, Commonwealth of Pennsylvania, desiring the organization of ELIZABETH BOROUGH MUNICIPAL AUTHORITY.

THEREFORE, KNOW YE, That subject to the Constitution of this Commonwealth, and under the authority of Act No. 164, approved the second day of May, Anno Domini one thousand nine hundred and forty-five, P. L. 382, as amended, I DO BY THESE PRESENTS, which I have caused to be sealed with the Great Seal of the Commonwealth, declare and certify the creation, erection and incorporation of ELIZABETH BOROUGH MUNICIPAL AUTHORITY, into a body politic and corporate in deed and in law by the name chosen and hereinbefore specified, now to become operative with authority to transact business, and which shall exist for a term of fifty years unless sooner dissolved according to law.

Such corporation shall have and enjoy and shall be subject to all the powers, duties, requirements, and restrictions, specified and enjoined in and by the above Act of Assembly and all other applicable laws of this Commonwealth.

GIVEN under my Hand and the Great Seal of the Commonwealth, at the City of Harrisburg, this 12th day of January, in the year of our Lord one thousand nine hundred and fifty, and of the Commonwealth the one hundred and seventy-fourth.

Gene D. Smith, (Great Seal of the Commonwealth)
 Acting Secretary of the Commonwealth.
 E.G.H.

No. 4579. Recorded January 25, 1950.

Written by Antoon. Compared by Henry S. Smith

IN THE COURT OF COMMON PLEAS
 OF ALLEGHENY COUNTY, PA.

IN RE APPLICATION FOR CHARTER OF)
 FairVIEW VOLUNTEER FIRE DEPARTMENT) No. 537 APR 1950 A Term, 19--.
 and RELIEF ASSOCIATION.)

To the Honorable, the Judges of said Court:

In compliance with the requirements of the Nonprofit Corporation Law of the Commonwealth of Pennsylvania, approved the fifth day of May, A. D. 1933, P. L. 289, we the undersigned, of whom are residents of Pennsylvania, and citizens of the United States, its territories, or possessions, and all of whom are of full age, having associated themselves together for the purpose or purposes hereinafter specified, and desiring that they may be incorporated, and that a charter may be issued to them and their associates and successors according to law, do hereby certify:

First. The name of the proposed corporation is FAIRVIEW VOLUNTEER FIRE DEPARTMENT and RELIEF ASSOCIATION, which name has been duly registered with the Department of State of the Commonwealth of Pennsylvania.

Second. The location and post office address of the initial registered office of the proposed corporation in the Commonwealth of Pennsylvania will be Fairview, A. D. 1, Bridgeville, County of Allegheny, Pennsylvania.

Third. The corporation does not contemplate pecuniary gain or profit, incidental or otherwise to its members. The purposes for which it is formed are:

To protect from fire all persons and property in the Fairview Community of South Fayette Township and to have police power to maintain law and order in the furtherance of these activities. To assist other communities at the scene of fires, floods or wherever any emergency arises that would require our services.

Fourth. The corporation shall exist perpetually.

Fifth. The name, place of residence and post office address of each of the incorporators, are as follows:

Robert L. Willson,	Fairview, A. D. 1, South Fayette Township,	Bridgeville, Pennsylvania
Kenneth Metcalfe,	Fairview, R. D. 1, South Fayette Township,	Bridgeville, Pennsylvania
Charles H. Schneider,	Fairview, R. D. 1, South Fayette Township,	Bridgeville, Pennsylvania
George Klemencic,	Fairview, R. D. 1, South Fayette Township,	Bridgeville, Pennsylvania
Joseph J. Scrime,	Fairview, R. D. 1, South Fayette Township,	Bridgeville, Pennsylvania.

Sixth. The names and addresses of those persons who are to act as directors until the election of their successors, together with their titles, and who shall be subject to all of the provisions of the aforesaid Act relating to directors, and who shall

Certificate Verification No.: 0580922224 Date: 06/09/2025

CERTIFICATE

TO: THE SECRETARY OF THE COMMONWEALTH OF PENNSYLVANIA,
Harrisburg, Pennsylvania.

I, CHARLES S. STORER, the Secretary of the Elizabeth Borough Municipal Authority, (hereinafter referred to as the "Authority") a body corporate and politic, organized and existing under and by virtue of the laws of the Commonwealth of Pennsylvania,

DO HEREBY CERTIFY

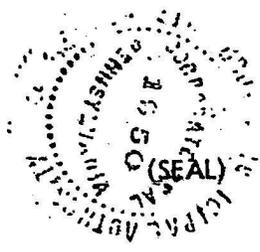
That I am the Secretary of the Authority, duly elected, qualified and acting, and in actual possession of its records and seal; and that the names and addresses of the present officers and members of the Authority are as follows:

NAME	TITLE	ADDRESS
R. A. Price	Member	234 5th Street, Elizabeth, Pa.
William R. Pancoast	Chairman	300 Church Street, Elizabeth, Pa.
Harry T. Duke	Member	907 3rd Street, Elizabeth, Pa.
Joseph T. Webb	Member	342 Travs. Dr., Elizabeth, Pa.
Thomas E. Ralston	Member	283 Center Ave., Elizabeth, Pa.
William V. Scholl	Treasurer, Non-member	285 Center Ave., Elizabeth, Pa.
Charles S. Storer	Secretary, Non-member	726 3rd Street, Elizabeth, Pa.

and that the address of the principal office of the Authority is Municipal Building, Third Street, Elizabeth Borough, Allegheny County, Pennsylvania.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Authority, this 23rd day of December, 1957.

Charles S. Storer
Secretary



Filed in the Department of State on
the 27th day of January 1958
James P. Gorman
Secretary of the Commonwealth

Certificate Verification No.: 058092224 Date: 06/09/2025

ELIZABETH BOROUGH MUNICIPAL AUTHORITY
ELIZABETH BOROUGH, PENNSYLVANIA

REBUTTAL TESTIMONY
OF
HAROLD WALKER, III

FAIR MARKET VALUE APPRAISAL
ELIZABETH BOROUGH MUNICIPAL AUTHORITY
WASTEWATER SYSTEM ASSETS

June 9, 2025

Prepared by:



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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Harold Walker, III my business address is 1010 Adams Avenue, Audubon, Pennsylvania.

Q. ARE YOU THE SAME HAROLD WALKER WHO PREVIOUSLY SUBMITTED TESTIMONY IN THIS PROCEEDING?

A. Yes.

II. SCOPE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. Gannett Fleming Valuation and Rate Consultants, LLC (“Gannett Fleming”) was engaged by the Elizabeth Borough Municipal Authority (“EBMA”) to perform a fair market value appraisal (“FMV”) of their wastewater system assets (“Wastewater System”). The purpose of my rebuttal testimony is to respond to and comment on the direct testimony submitted by the Office of Consumer Advocate’s (“OCA”) witness David J. Garrett as OCA Statement No. 2.

III. RESPONSE TO OCA WITNESS GARRETT

Q. DID MR. GARRETT PERFORM AN APPRAISAL OF EBMA’S WASTEWATER SYSTEM ASSETS?

A. No.

Q. WOULD YOU PLEASE SUMMARIZE MR. GARRETT’S ADJUSTMENTS OF THE GANNETT FLEMING FMV APPRAISAL AND IDENTIFY THE TOPICS THAT YOU WILL ADDRESS IN YOUR REBUTTAL TESTIMONY?

REBUTTAL TESTIMONY OF HAROLD WALKER, III

1 A. Yes. In his direct testimony, Mr. Garrett proposed adjustments to the Gannett Fleming
2 Market Approach, including the market multiples method and the selected transaction
3 method. Mr. Garrett also proposed a new Cost Approach to valuation and a new Income
4 Approach to valuation. All of Mr. Garrett's proposed adjustments/changes are downward,
5 or negative, adjustments to Gannett Fleming's appraisal report. My rebuttal testimony
6 addresses Mr. Garrett's changes and recommended adjustments to Gannett Fleming's
7 appraisal report.

8 **Q. DO MR. GARRETT'S RECOMMENDATIONS MEET A STANDARD OF VALUE**
9 **OF FMV?**

10 A. No. Mr. Garrett's recommendations do not meet a standard of value of FMV and are in
11 direct violation of Section 1329 of the Public Utility Code, 66 Pa. C.S. § 1329.

12 **Q. DID YOU INSPECT OR REVIEW EBMA'S WASTEWATER SYSTEM?**

13 A. Yes, wastewater engineers from our parent company viewed or observed the Wastewater
14 System's facilities on April 17, 2024. We also relied on the engineering assessment of the
15 Wastewater System's facilities report, "Engineering Assessment Study, Physical Assets of
16 the Elizabeth Borough Municipal Authority," dated February 2024 prepared by LSSE, Inc.,
17 the Wastewater System's Chapter 94 reports, the Wastewater System's 537 Plan, and the
18 Asset Purchase Agreement ("APA"), to confirm the condition of the Wastewater System's
19 property and equipment.

20 **IV. MARKET APPROACH**

21 **Q. ON PAGES 6 TO 14 OF MR. GARRETT'S DIRECT TESTIMONY, HE EXPLAINS**
22 **HIS ADJUSTMENTS TO THE MARKET APPROACH. PLEASE DESCRIBE**
23 **GANNETT FLEMING'S MARKET APPROACH.**

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1 A. Gannett Fleming’s Market Approach is explained on pages 41 to 51 of the appraisal.¹ The
2 Market Approach is defined as, “a general way of determining a value indication of a
3 business, business ownership interest, security or intangible asset by using one or more
4 methods that compare the subject to similar businesses, business ownership interests,
5 securities or intangible assets that have been sold.”² There are two methods of doing the
6 Market Approach to valuation: the market multiples method; and the selected transaction
7 method. First, Gannett Fleming determined the value of the Wastewater System’s 680
8 domestic customers using the market multiples method and the selected transaction
9 method. Second, Gannett Fleming determined the value of the Wastewater System’s 1,502
10 ultimate wholesale customers using the selected transaction method. Finally, Gannett
11 Fleming added the value of the Wastewater System’s 680 domestic customers to the value
12 of the Wastewater System’s 1,502 ultimate wholesale customers in reaching our Market
13 Approach conclusion for the Wastewater System’s 2,182 ultimate customers (680 + 1,502
14 = 2,182).

15 **Q. DID MR. GARRETT FOLLOW A SIMILAR PROCEDURE WHEN HE MADE**
16 **ADJUSTMENTS TO GANNETT FLEMING’S MARKET APPROACH?**

17 A. No.

18 **Q. ON PAGE 6 OF MR. GARRETT’S TESTIMONY, HE DEFINES THE MARKET**
19 **APPROACH. SPECIFICALLY, MR. GARRETT STATES, “THE MARKET**
20 **APPROACH INVOLVES COMPARING AN ASSET WITH SIMILAR ASSETS**
21 **THAT HAVE BEEN SOLD OR ARE FOR SALE IN THE RELEVANT**

¹ See PAWC’s application, Appendix A-5.2, for Gannett Fleming’s appraisal report dated April 26, 2024.

² American Society of Appraisers, *ASA Business Valuation Standards*, 2022, BVS-V Market Approach to Business Valuation, p. 12.

1 **MARKETPLACE BY MAKING ADJUSTMENTS TO PRICES BASED ON**
2 **MARKETPLACE CONDITIONS AND THE PROPERTIES' CHARACTERISTICS**
3 **OF VALUE.” DID MR. GARRETT REFLECT THE WASTEWATER SYSTEM’S**
4 **“CHARACTERISTICS OF VALUE” IN REACHING HIS MARKET APPROACH**
5 **RECOMMENDATION?**

6 A. No. Mr. Garrett did not include the Wastewater System’s 1,502 ultimate wholesale
7 customers in reaching his Market Approach recommendation. Mr. Garrett’s Market
8 Approach recommendation only reflects the Wastewater System’s 680 domestic
9 customers. Accordingly, Mr. Garrett did not reflect the Wastewater System’s
10 “characteristics of value” since the Wastewater System’s has 2,182 ultimate customers, not
11 680 customers.

12 **Q. PLEASE EXPLAIN SOME OF THE DIFFERENCES BETWEEN MR.**
13 **GARRETT’S MARKET APPROACH AND GANNETT FLEMING’S MARKET**
14 **APPROACH.**

15 A. First, **Mr. Garrett only calculated the value of the Wastewater System’s 680 domestic**
16 **customers** in his application of the selected transaction method, which is the basis for his
17 Market Approach conclusion. Conversely, Gannett Fleming initially determined the
18 value of the Wastewater System’s 680 domestic customers, and then separately determined
19 the value of the Wastewater System’s 1,502 ultimate wholesale customers, in reaching their
20 Market Approach conclusion for the Wastewater System’s 2,182 ultimate customers.³

21 Second, Mr. Garrett did not use the market multiple method to determine his Market
22 Approach recommendation. He discusses the market multiple method on pages 11 to 13

³ See PAWC’s application, Appendix A-5.2, for Gannett Fleming’s appraisal report dated April 26, 2024, pp. 48, and 50 - 51.

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1 of his testimony, but he did not use its results. On the other hand, Gannett Fleming
2 determined the value of the Wastewater System's 680 domestic customers using **both** the
3 market multiples method and the selected transaction method before they accounted for the
4 Wastewater System's 1,502 ultimate wholesale customers in reaching their Market
5 Approach conclusion of value of the Wastewater System.⁴

6 Third, Mr. Garrett used different transactions in his application of the selected
7 transaction method than were used by Gannett Fleming. Specifically, Gannett Fleming
8 relied primarily on the 8 integrated systems (excluding wholesale) transactions to
9 determine the value of the Wastewater System's 680 domestic customers,⁵ Alternatively,
10 Mr. Garrett used 22 transactions which included 12 collection/distribution assets selected
11 transactions, 8 integrated systems (excluding wholesale) transactions, and 2 integrated
12 systems with wholesale transactions.⁶

13 Fourth, Mr. Garrett gave 44% weight to the values suggested by Capital Items and
14 56% weight to his Demographics Items in his application of the selected transaction
15 method. Conversely, Gannett Fleming gave 75% weight to the values suggested by Asset
16 Items and 25% weight to the Demographics Items.⁷

⁴ See PAWC's application, Appendix A-5.2, for Gannett Fleming's appraisal report dated April 26, 2024, pp. 48, and 50 - 51.

⁵ See page 1 of Exhibit 19 from the PAWC's application, Appendix A-5.2, for Gannett Fleming's appraisal report dated April 26, 2024.

⁶ Gannett Fleming first determined the value of the Wastewater System's 680 domestic customers and then separately determined the value of the Wastewater System's 1,502 ultimate wholesale customers in reaching their Market Approach conclusion of value for the Wastewater System's 2,182 ultimate customers.

⁷ See pages 45 and 47 of the PAWC's application, Appendix A-5.2, for Gannett Fleming's appraisal report dated April 26, 2024, where they explained the values indicated by the Demographics Items were substantially different below the other indicated values, including OCN and OCNLD. As a result of this observation Gannett Fleming gave the Capital Items 75% weight, while weighting the Demographics Items 25%, in reaching their indicated value for the Wastewater System's 680 domestic customers.

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1 It should be noted that Mr. Garrett did not identify, mention or justify any of the
2 four differences listed above in his Direct Testimony.

3 **Q. DO MR. GARRETT’S RECOMMENDED ADJUSTMENTS TO THE MARKET**
4 **APPROACH MEET A STANDARD OF VALUE OF FMV?**

5 A. No. For the reasons discussed previously in my rebuttal testimony, Mr. Garrett’s
6 recommendations are unreasonable, do not meet a standard of value of FMV and are in
7 direct violation of Section 1329 of the Public Utility Code. Specifically, Mr. Garrett’s
8 Market Approach recommendation does not include the value of the Wastewater System’s
9 1,502 ultimate wholesale customers. Therefore, Mr. Garrett’s Market Approach
10 recommendation does not fully reflect the Wastewater System’s “characteristics of value”
11 and cannot be relied upon in these proceedings.

12 **V. MARKET MULTIPLES METHOD**

13 **Q. ON PAGE 11 OF MR. GARRETT’S DIRECT TESTIMONY, HE STATES, “THE**
14 **ADJUSTMENTS MR. WALKER MAKES TO HIS RESULTS UNDER THE**
15 **MARKET MULTIPLES METHOD ARE BASED IN PART ON HIS**
16 **CONCLUSORY AND UNSUPPORTED ASSUMPTIONS THAT THE EBMA**
17 **SYSTEM IS RISKIER THAN THE PROXY GROUP SIMPLY BECAUSE OF ITS**
18 **RELATIVELY SMALL SIZE.” IS MR. GARRETT’S ASSERTION TRUE?**

19 A. No. The size of the Wastewater System is only one of several measures that Gannett
20 Fleming identified which indicate the Wastewater System is riskier than the proxy group.⁸
21 Further, the downward adjustments made in the appraisal to the Wastewater System’s

⁸ See PAWC’s application, Appendix A-5.2, for Gannett Fleming’s appraisal report dated April 26, 2024, pp. 12, 18, 19, and 23. The Wastewater System is riskier than the proxy group due to its: low population growth projection; rates have not considered a fair rate of return nor taxes; small size; lower financial benchmark ratios; and low revenue and earnings before interest, taxes, depreciation and amortization (“EBITDA”) growth.

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1 financial multiples **lowered the value of the Wastewater System**. The downward
2 adjustment (i.e., lower value) of the financial multiples applicable to the Wastewater
3 System under the market multiple method is based on the evidence found, and consistent
4 with the application of the market multiple method:

5 Several valuation ratios may be selected for application to the subject
6 company. These ratios may **require adjustment for differences in**
7 **qualitative and quantitative factors between the guideline public**
8 **companies and the subject. . . .**

9 **Adjustment may be necessary to the ratios or values for factors relating**
10 **to the subject interest** that may not have been considered earlier in the
11 appraisal, such as: . . .

12 **Size**, depth of management, **diversification of markets**, products and
13 services, and **relative growth and risk**.⁹

14 On page 13 of Mr. Garrett’s direct testimony he concludes, “[f]or all of these
15 reasons, Mr. Walker’s claims that the EBMA system is riskier than the proxy group and
16 should thus somehow receive an upward adjustment in valuation, is unwarranted and
17 should be rejected.” However, what Mr. Garrett fails to understand is by **downward**
18 **adjusting the financial multiples applicable to the Wastewater System** under the
19 market multiple method due to risk differences, **the Gannett Fleming appraisal lowered**
20 **the appraised value of the Wastewater System assets**.¹⁰ Consequently, Mr. Garrett’s
21 statement on page 13 of his testimony is either misleading at its core or is a display of Mr.
22 Garrett’s limited knowledge of appraisal.

23 **Q. ON PAGE 13 OF MR. GARRETT’S DIRECT TESTIMONY, HE QUESTIONS THE**
24 **REASONABLENESS OF THE WEIGHTINGS APPLIED TO THE INDICATIONS**

⁹ American Society of Appraisers, *ASA Business Valuation Standards*, 2022, SBVS-1 Guideline Public Company Method, p. 34. (*Emphasis added*). The guideline public company method is a different name for the market multiples method.

¹⁰ If Gannett Fleming had concluded the Wastewater System was the same risk as the proxy group their conclusion of value using the market multiples method would have been \$1.4 million higher,

1 **OF VALUE FOUND IN THE MARKET MULTIPLES METHOD. ARE THE**
2 **WEIGHTINGS GANNETT FLEMING APPLIED TO THE INDICATIONS OF**
3 **VALUE FOUND IN THE MARKET MULTIPLES METHOD REASONABLE?**

4 A. Yes. Gannett Fleming explained our concerns regarding the values suggested by the
5 Demographic Items on pages 45 and 57 of its appraisal.¹¹ Using different weightings is
6 consistent with the evidence found, and consistent with the application of the market
7 multiple method,

8 One or more indications of value may result from the use of the Guideline
9 Public Company Method. The **appraiser must consider the relative**
10 **importance or weight accorded to each of the indications of value** used
11 in arriving at the opinion or conclusion of value.¹²

12 **Q. ON PAGE 13 OF MR. GARRETT’S DIRECT TESTIMONY, HE STATES,**
13 **“WHILE ONE COULD ARGUE THAT CAPITAL ITEMS COULD BE GIVEN**
14 **MORE WEIGHT THAN DEMOGRAPHIC ITEMS, MR. WALKER DECISION TO**
15 **APPLY UNEQUAL WEIGHTINGS IN THIS CASE DOES NOT APPEAR TO BE**
16 **OBJECTIVE OR UNBIASED.” DID GANNETT FLEMING APPLY MORE**
17 **WEIGHT TO THE CAPITAL ITEMS AS SUGGESTED BY MR. GARRETT?**

¹¹ See pages 45 and 47 of the PAWC’s application, Appendix A-5.2, for Gannett Fleming’s appraisal report dated April 26, 2024, where they explained the values indicated by the Demographics Items were substantially below the other indicated values, including OCN and OCNLD. As a result, Gannett Fleming gave the Capital Items 75% weight, while weighting the Demographics Items 25%, in reaching their conclusion of value for the Wastewater System.

¹² American Society of Appraisers, *ASA Business Valuation Standards*, 2022, SBVS-1 Guideline Public Company Method, p. 34. (*Emphasis added*). The guideline public company method is a different name for the market multiples method.

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1 A. Yes, Gannett Fleming gave more weight to the capital items.¹³ Again, Mr. Garrett's
2 statement on page 13 is either misleading at its core or is a display of Mr. Garrett's
3 limited knowledge of appraisal.

4 **VI. SELECTED TRANSACTION METHOD**

5 **Q. EARLIER YOU SAID MR. GARRETT USED DIFFERENT TRANSACTIONS IN**
6 **HIS APPLICATION OF THE SELECTED TRANSACTION METHOD THAN**
7 **WERE USED BY GANNETT FLEMING. PLEASE EXPLAIN THE**
8 **DIFFERENCES IN THE TRANSACTIONS USED BY EACH.**

9 A. The Wastewater System serves both 680 domestic and 1,502 ultimate wholesale customers.
10 The Wastewater System provides both collection and treatment service to its 680 domestic
11 customers but only treatment service to its 1,502 ultimate wholesale customers. The
12 portion of the Wastewater System which provides the Wastewater System's 680 domestic
13 customers is referred to as an integrated system, excluding wholesale. Therefore, Gannett
14 Fleming's selection transaction method primarily used the 8 "Integrated, Excluding
15 Wholesale Selected Transactions" to determine the value of the Wastewater System's 680
16 **domestic customers.**¹⁴ On the other hand, Mr. Garrett used all 22 transactions, which
17 included the 12 collection/distribution selected transactions, the 8 integrated systems
18 (excluding wholesale) transactions, and the 2 integrated systems with wholesale

¹³ Also see page of 10 of OCA Statement 2 where Mr. Garrett advocates a similar approach, "[a]n additional adjustment that could have been considered is applying a **greater weighting to the indicated valuations using the capital statistics than those using the demographic statistics**. Arguably, capital statistics are more directly linked to indicated valuations than statistics such as population and customers." (*Emphasis added*).

¹⁴ Gannett Fleming first determined the value of the Wastewater System's 680 domestic customers using both the market multiples method and the selected transaction method. Then, Gannett Fleming determined the value of the Wastewater System's 1,502 ultimate wholesale customers, who only receive wastewater treatment, using the selected transaction method. Finally, Gannett Fleming added the value of the Wastewater System's 680 domestic customers to the value of the Wastewater System's 1,502 ultimate wholesale customers in reaching their Market Approach conclusion of value for the Wastewater System's 2,182 customers (680 + 1,502 = 2,182).

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1 transactions. Since Mr. Garrett used an average of all 22 selected transactions, his
2 recommendation gave 55% weight to collection/distribution selected transactions, 36%
3 weight to the integrated systems (excluding wholesale) transactions, and 9% weight to the
4 integrated systems with wholesale transactions. Therefore, Mr. Garrett's selected
5 transactions recommendation, and his Market Approach conclusion, **is based primarily**
6 on the 12 transactions of entities that did not provide wastewater treatment (*i.e.*,
7 collection/distribution selected transactions). This last point is important because Mr.
8 Garrett did not determine the Wastewater System's "characteristics of value" since his
9 Market Approach conclusion is based primarily on the 12 transactions of entities that did
10 not provide wastewater treatment, and therefore, is not consistent with his definition on
11 page 6 of his testimony.¹⁵

12 **Q. ON PAGE 7 OF MR. GARRETT'S DIRECT TESTIMONY, HE STATES, "I**
13 **BELIEVE MR. WALKER'S INDICATED VALUATION UNDER THE SELECTED**
14 **TRANSACTIONS METHOD IS OVERSTATED DUE TO THE INCLUSION OF**
15 **TWO TRANSACTIONS THAT ARE INCOMPARABLY HIGH WHEN**
16 **COMPARED WITH THE OTHER TRANSACTIONS. NAMELY, THE RATIO**
17 **OF THE PURCHASE PRICE TO THE INVESTOR-SUPPLIED CAPITAL FOR**
18 **THE EAST BRADFORD AND EAST NORRITON TRANSACTIONS RESULT IN**
19 **INDICATED VALUATIONS OF \$73 MILLION AND \$98 MILLION,**
20 **RESPECTIVELY." IS MR. GARRETT'S ASSERTION TRUE, DOES THE**
21 **GANNETT FLEMING APPRAISAL INCLUDE "THE RATIO OF THE**

¹⁵ See page 6 of OCA Statement 2, "The Market Approach involves comparing an asset with similar assets that have been sold or are for sale in the relevant marketplace by making adjustments to prices based on marketplace conditions and **the properties' characteristics of value.**" (*Emphasis added*).

1 **PURCHASE PRICE TO THE INVESTOR-SUPPLIED CAPITAL FOR THE EAST**
2 **BRADFORD AND EAST NORRITON” IN THEIR SELECTED TRANSACTION**
3 **METHOD DETERMINATION?**

4 A. No. The Gannet Fleming appraisal did not include “the ratio of the purchase price to the
5 investor-supplied capital for the East Bradford and East Norriton transactions result” in
6 their application of the selected transaction method.¹⁶ Mr. Garrett’s statement on page 7
7 is either misleading at its core or is a display of Mr. Garrett’s limited knowledge of
8 appraisal.

9 **Q. REFERRING TO THE SAME AREA OF PAGE 7 OF MR. GARRETT’S DIRECT**
10 **TESTIMONY, HE STATES HIS RATIONALE FOR EXCLUDING THE RATIO**
11 **OF THE PURCHASE PRICE TO THE INVESTOR-SUPPLIED CAPITAL FOR**
12 **THE EAST BRADFORD AND EAST NORRITON TRANSACTIONS FROM HIS**
13 **SELECTED TRANSACTIONS RESULT BY STATING, “THESE VALUATIONS**
14 **ARE SIGNIFICANTLY HIGHER THAN THE OTHER INDICATED**
15 **VALUATIONS UNDER THE SELECTED TRANSACTIONS METHOD, AND**
16 **ULTIMATELY MUCH HIGHER THAN ANY OF THE RECOMMENDED**
17 **VALUATIONS FROM THE UVES.” DOES MR. GARRETT CONSISTENTLY**
18 **APPLY THIS RATIONALE?**

19 A. No. He does remove the ratio of the purchase price to the investor-supplied capital for the
20 East Bradford and East Norriton transactions from his selected transaction method
21 determination because he deemed them to be too high. However, if you look at Figure 6
22 on page 9 of Mr. Garrett’s testimony you will see that he calculated the value for the

¹⁶ See page 47, and Exhibit 19 of the PAWC’s application, Appendix A-5.2, for Gannett Fleming’s appraisal report dated April 26, 2024.

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1 Wastewater System, in part, based on customers and on population (e.g., Demographic
2 Items). Mr. Garrett’s average value based on customers is \$5,922,705 and his average value
3 based on population is \$12,920,328. To somewhat paraphrase Mr. Garrett, “these
4 valuations are significantly” *lower* “than the other indicated valuations under the selected
5 transactions method, and ultimately much” *lower* “than any of the recommended valuations
6 from the UVEs” or Mr. Garrett. Accordingly, Mr. Garrett should have either excluded the
7 values suggested by customers and population or given them much less weight in reaching
8 his conclusion for the Wastewater System. Doing so would have been consistent with Mr.
9 Garrett’s rationale and would be consistent with the application of the selected transaction
10 method.¹⁷

11 **Q. ON PAGE 9 OF MR. GARRETT’S DIRECT TESTIMONY, HE STATES, “THIS**
12 **RESULT IS SIGNIFICANTLY LESS THAN MR. WALKER’S MARKET**
13 **APPROACH VALUATION OF \$50.6 MILLION.” IS MR. GARRETT’S**
14 **STATEMENT TRUE?**

15 A. No. On page 51 of the Gannett Fleming appraisal¹⁸, it states, “[b]ased on the previously
16 mentioned results, the Market Approach to valuation indicates a value of \$27.7 million
17 (\$27,678,195 rounded) for the Wastewater System (\$26.2 million + \$1.4 million) after the
18 value of the Wastewater System’s ultimate wholesale customers was reflected, as shown
19 on Exhibit 21.” Mr. Garrett’s statement on page 9 is either misleading at its core or is a
20 misstatement of facts.

¹⁷ “One or more indications of value may result from the use of the Guideline Transactions Method. The **appraiser must consider the relative importance or weight accorded to each of the indications of value used in arriving at the opinion or conclusion of value.**” American Society of Appraisers, *ASA Business Valuation Standards*, 2022, SBVS-2 Guideline Transactions Method, p. 36. (*Emphasis added*). The guideline transaction method is a different name for the selected transactions method.

¹⁸ See PAWC’s application, Appendix A-5.2, for Gannett Fleming’s appraisal report dated April 26, 2024.

1 **Q. ON PAGE 10 OF MR. GARRETT’S DIRECT TESTIMONY, HE SUGGESTS,**
2 **“INSTEAD OF USING THE NEGOTIATED PURCHASE PRICE FOR THE**
3 **RATIO CALCULATION OF EACH METRIC, THE COMMISSION-APPROVED**
4 **RATE BASE COULD HAVE BEEN USED INSTEAD.” IS MR. GARRETT’S**
5 **SUGGESTION REASONABLE?**

6 A. No. Mr. Garrett’s suggestion of substituting the purchase price paid with the fair market
7 value rate base approved by the Commission was recommended by OCA in both
8 Cheltenham¹⁹ and in East Whiteland²⁰ and it was rejected by the Commission. As
9 recognized by the Commission in Cheltenham, the correct purchase price for Limerick of
10 \$75 million should be used in the selected transaction method in lieu of the Commission-
11 determined ratemaking rate base value, because \$75 million was the amount bid and paid
12 by the buyer. A Commission-determined ratemaking rate base value for an entity does
13 not change the price bid and paid by a buyer.

14 The purchase prices used in the selected transaction method are based on the
15 purchase price determined by buyer and seller, not the Commission-determined ratemaking
16 rate base value. The valuation approach is the Market Approach based on market values,
17 not the “PUC ratemaking rate base value approach.” There is no authoritative source, nor
18 Commission precedent, which supports use of Commission-determined ratemaking rate
19 base value in the Market Approach.

¹⁹ *Application of Aqua Pennsylvania Wastewater, Inc. – Cheltenham Township*, Docket No. A-2019-3008491, Opinion and Order entered November 5, 2019, pp. 60-61.

²⁰ *Application of Aqua Pennsylvania Wastewater, Inc. – East Whiteland Township*, Docket No. A-2021-3026132, Opinion and Order entered July 29, 2022, pp. 81-83.

1 **VII. COST APPROACH**

2 **Q. HOW DID MR. GARRETT DETERMINE HIS COST APPROACH**
3 **RECOMMENDATION?**

4 A. Mr. Garrett applied equal weightings to the OCN less depreciation (“OCNLD”) amount
5 (\$16.6 million) and the replacement cost new less depreciation (“RCNLD”) amount (\$28.3
6 million) determined by Gannett Fleming in reaching his \$22.5 million Cost Approach
7 recommendation.²¹ I note that Mr. Garrett’s current recommended use of the original cost
8 method as the basis for his Cost Approach is not consistent with his recommended use of
9 replacement cost method / reproduction cost method in other 1329 proceedings in which
10 he testified.²²

11 **Q. IS MR. GARRETT’S METHOD OF DETERMINING HIS COST APPROACH**
12 **RECOMMENDATION BASED ON A RECOGNIZED APPROACH FOR AN**
13 **APPRAISAL?**

14 A. No. Further, Mr. Garrett’s approach is not consistent with his cited definition of the Cost
15 Approach from page 14 of his testimony, which states, “[t]he Cost Approach is a procedure
16 to **estimate the current costs to reproduce or create** a property with another of
17 comparable use and marketability.”²³ The Wastewater System cannot be constructed today
18 for the same prices that existed at the original date of its construction.²⁴ Additionally, the

²¹ See page of 16 of OCA Statement 2.

²² For example, Mr. Garrett has provided testimony in the 1329 proceedings involving the purchase of wastewater assets in which he recommended the replacement cost method or reproduction cost method for: East Norriton Township (Docket No. A-2019-3009052) in OCA Statement 1 at page 21; Borough of Royersford (Docket No. A-2020-3019634) in OCA Statement 1 at page 20; East Whiteland Township (A-2021-3026132) in OCA Statement 1 at page 14; and Willistown Township (A-2021-3027268) in OCA Statement 1 at page 15.

²³ See page of 14 of OCA Statement 2. (*Emphasis added*).

²⁴ For example, the cost to “reproduce or create” the Wastewater System’s gravity mains (account 361.2) at the valuation date were 641% **greater than** existed at their original date of construction, Further, the cost to “reproduce or create” the entire Wastewater System at the valuation date was about 126% **more than** existed at its original date of construction.

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1 Wastewater System could not be sold today for the price that existed at the original date of
2 its construction. The Cost Approach is based on the premise that an informed purchaser
3 will not pay more for a property, and a seller will not accept less than the cost of
4 constructing an equally desirable substitute property, minus applicable depreciation, and
5 assuming no undue delay.

6 **Q. IS MR. GARRETT'S RECOMMENDED USE OF THE ORIGINAL COST PLANT**
7 **VALUE AS THE BASIS FOR HIS COST APPROACH A REASONABLE**
8 **APPROACH?**

9 A. No. The circularity of this recommendation defeats or eliminates the need to appraise
10 plant assets since the indicated value of net cost of the plant assets is simply the net original
11 cost of the plant assets under Mr. Garrett's recommendation. If this was the appropriate
12 or correct method to value assets, then an original cost less depreciation analysis would be
13 the only method needed to value assets. However, the value of the investment in plant
14 and equipment for the EBMA's wastewater system assets is being determined in these
15 proceedings based upon a standard of value of FMV, not a standard of value of original
16 cost.²⁵

17 The Commission has previously rejected the use of original cost as the basis of
18 FMV in prior decisions:

19 We note that the original cost study, which is reviewed to determine the
20 reasonableness of a utility's acquisition adjustment claim in a future base
21 rate proceeding, consistent with Section 1327(a) of the Code, 66 Pa. C.S. §
22 1327(a), and the Commission's policy statement at 52 Pa. Code § 69.721,

²⁵ Pratt, Shannon P. "Defining Standards of Value." Valuation 34, no. 2, June 1989.
<http://www.appraisers.org/docs/default-source/college-of-fellows-articles/defining-standards-of-value.pdf> .

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1 regarding acquisitions of viable water and wastewater systems, is not
2 applicable in a Section 1329 proceeding.²⁶

3 Historically, regulated utilities under the Commission’s jurisdiction have
4 predominantly followed a standard and practice of using depreciated
5 original cost value (with various adjustments) as the rate base in which they
6 may recover their capital investment and earn a rate of return on the
7 unrecouped asset value or rate base. However, Section 1329 establishes
8 fair market value, not original cost, as the ratemaking rate base for
9 municipal transactions. Under Section 1329, it is fair value, ratemaking
10 rate base that, ultimately, will be used for ratemaking purposes, rather than
11 being constrained by depreciated original cost value. As indicated by
12 Aqua, “[t]he OCA’s proposed adjustments to the Income Approach are also
13 contrary to the language in McCloskey where the Commonwealth Court
14 clearly stated that ‘Section 1329 allows a private utility to acquire a
15 government utility’s assets at its fair market value rather than at the original
16 cost of assets minus the accumulated depreciation and then add that amount
17 to rate base.’” Aqua R.B. at 6 (citing McCloskey, 195 A.3d at 1055).²⁷

18 In our view, Mr. Garrett’s proposed use of the original cost method as the
19 basis for his Cost Approach recommendation is not consistent with his
20 definition of the Cost Approach, which he defined as “[a] procedure to
21 estimate the current costs to reproduce or create a property with another of
22 comparable use and marketability” based on a citation from The American
23 Society of Appraisers.²⁸

24 We find persuasive Aqua’s argument that the use of the depreciated original
25 cost of plant understates the current costs to reproduce or create a property
26 with another of comparable use by approximately 289% by ignoring the
27 price level changes of constructing utility plant which have occurred over
28 the past 40 to 50 years.

29 Historically, regulated utilities under the Commission’s jurisdiction have
30 predominantly followed a standard and practice of using depreciated
31 original cost value (with various adjustments) as the rate base in which they
32 may recover their capital investment and earn a rate of return on the
33 unrecouped asset value or rate base. However, Section 1329 establishes fair
34 market value, not original cost, as the ratemaking rate base for municipal
35 transactions. Under Section 1329, it is fair value, ratemaking rate base that,
36 ultimately, will be used for ratemaking purposes, rather than being
37 constrained by depreciated original cost value. We are of the opinion that
38
39

²⁶ *Application of Aqua Pennsylvania Wastewater, Inc. – Limerick Township*, Docket No. A-2017-2605434, Opinion and Order entered November 8, 2017, p 30.

²⁷ *Application of Aqua Pennsylvania Wastewater, Inc. – Lower Makefield Township*, Docket No. A-2021-3024267, Opinion and Order entered January 13, 2022, p 69.

²⁸ *Application of Aqua Pennsylvania Wastewater, Inc. – Willistown Township*, Docket No. A-2021-3027268, Opinion and Order entered July 8, 2022, p. 84.

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1 Aqua's valuation expert, Mr. Walker, is well aware that the original cost
2 under Section 1329 does not reflect an offset for contributed plant or capital
3 as is done in traditional ratemaking, and that this variance may produce a
4 slightly higher depreciated original cost for Section 1329 purposes. See 66
5 Pa. C.S. § 1329(d)(5). Regardless of this variance, as the OCA agrees,
6 Commission precedent dictates that depreciated original cost should not be
7 substituted for FMV in Section 1329 proceedings.²⁹
8

9 Also, we reject the determination that the OCA's approach is a more
10 accurate reflection of the FMV of the Willistown assets than Gannett
11 Fleming's estimate using the replacement cost method. Therefore, we shall
12 grant Aqua's Exception No. 3, and reverse the ALJ's Recommended
13 Decision, in part, consistent with the discussion in this Opinion and Order.³⁰

14 **Q. ON PAGE 15 OF MR. GARRETT'S DIRECT TESTIMONY, HE TRIES TO**
15 **JUSTIFY HIS COST APPROACH RECOMMENDATION AND STATES, "IN**
16 **OTHER WORDS, IF THE COMMISSION WERE TASKED WITH**
17 **DETERMINING THE RATEMAKING RATE BASE FOR THE ACQUIRED**
18 **SYSTEM WITHOUT UTILIZING ANY INDEPENDENT APPRAISAL AND THE**
19 **THREE VALUATION APPROACHES, ARGUABLY THE MOST REASONABLE**
20 **AND ACCURATE METRIC TO CONSIDER WOULD BE THE OCN LESS**
21 **DEPRECIATION AMOUNT. IN THIS CASE, THAT AMOUNT IS \$16.6**
22 **MILLION." DO YOU HAVE ANY COMMENTS REGARDING THIS**
23 **TESTIMONY?**

24 **A.** Yes. Contrary to Mr. Garrett's fanciful vision, under 66 Pa. C.S. Section 1329, the
25 Commission is tasked with determining the ratemaking rate base for an acquired
26 wastewater system by utilizing independent fair market value appraisals in compliance
27 with the Uniform Standards of Professional Appraisal Practice, employing the Cost,

²⁹ *Application of Aqua Pennsylvania Wastewater, Inc. – Willistown Township*, p. 85.

³⁰ *Application of Aqua Pennsylvania Wastewater, Inc. – Willistown Township*, p. 86-87.

1 Market, and Income approaches to valuation. The “OCN less depreciation amount” is not
2 a recognized method of determining the Cost Approach under the Uniform Standards of
3 Professional Appraisal Practice, in the *ASA Business Valuation Standards* of the American
4 Society of Appraisers, or in *The International Glossary of Business Valuation Terms* of the
5 National Association of Certified Valuers and Analysts.

6 **VIII. INCOME APPROACH**

7 **Q. ON PAGES 16 TO 35 OF MR. GARRETT’S DIRECT TESTIMONY, HE**
8 **EXPLAINS HIS INCOME APPROACH. WOULD YOU PLEASE SUMMARIZE**
9 **MR. GARRETT’S ADJUSTMENTS TO THE GANNETT FLEMING INCOME**
10 **APPROACH AND IDENTIFY THE TOPICS THAT YOU WILL ADDRESS IN**
11 **YOUR REBUTTAL TESTIMONY?**

12 A. Yes. Mr. Garrett’s adjustments to the Gannett Fleming Income Approach to valuation
13 include using a different model and different cash flows to value. He also disagrees with
14 the discount rates used in the model and presents what he believes is a more appropriate
15 discount rate.

16 **Q. DO MR. GARRETT’S RECOMMENDED ADJUSTMENTS TO THE INCOME**
17 **APPROACH MEET A STANDARD OF VALUE OF FMV?**

18 A. No. For the reasons discussed later in my rebuttal testimony, Mr. Garrett’s
19 recommendations do not meet a standard of value of FMV and are in direct violation of
20 Section 1329 of the Code.

21 **Q. WHAT MODEL OR METHOD IS MR. GARRETT’S INCOME APPROACH TO**
22 **VALUATION RECOMMENDATION BASED ON?**

REBUTTAL TESTIMONY OF HAROLD WALKER, III

1 A. On page 18 of his direct testimony, Mr. Garrett explained that he applied a capitalization
2 of earning or cash flow method model. The capitalization of earning method converts a
3 single base economic income number to a value by dividing it by a capitalization rate. As
4 explained on page 34 of Gannett Fleming’s appraisal, “[t]he capitalization of earnings is
5 best suited when the future earnings, or cash flow, can be predicted. The implicit
6 assumption in the capitalization of earning method is that the cash flow is a perpetuity, and
7 the capitalization rate is a constant.” Mr. Garrett’s recommended model is shown on OCA
8 Exhibit DJG-4.

9 Conversely, the Income Approach to valuation used in Gannett Fleming’s appraisal
10 is based on the discounted cash flow (“DCF”) method which values the potential for profit
11 in an investment and reflects future events. Gannett Fleming used the DCF method to be
12 consistent with the required standard of value of FMV.³¹ FMV is defined as “the price,
13 expressed in terms of cash equivalents, at which property would change hands between a
14 **hypothetical** willing and able **buyer** and a **hypothetical** willing and able **seller**, acting at
15 arm’s length in an open and unrestricted market, when neither is under compulsion to buy
16 or sell and when both have reasonable knowledge of the relevant facts.”³² The DCF
17 method “is based on the principle of anticipation – i.e., value is created by the anticipation
18 of future benefits. DCF analysis reflects investment criteria and requires the appraiser to
19 make rational and supportable assumptions.”³³

³¹ Pratt, Shannon P. “Defining Standards of Value.” *Valuation* 34, no. 2, June 1989.
<http://www.appraisers.org/docs/default-source/college-of-fellows-articles/defining-standards-of-value.pdf>.

³² National Association of Certified Valuers and Analysts, s.v. “Fair Market Value,” *The International Glossary of Business Valuation Terms*. (Emphasis added).

³³ Appraisal Standards Board, “First Exposure Draft of proposed new Advisory Opinions and Advisory Opinion Revisions in conjunction with the 2016-17 edition of the Uniform Standards of Professional Appraisal Practice” p. 6.

REBUTTAL TESTIMONY OF HAROLD WALKER, III

1 The capitalization of earnings method used by Mr. Garrett uses the income or cash
2 flow producing capabilities for a **single year, reflecting current ownership and**
3 **operations**, as shown on OCA Exhibits DJG-4 and DJG-5. Although Mr. Garrett states,
4 on page 18 of his direct testimony, that the single cash flow that he utilized is from the
5 Gannett Fleming appraisal, **he fails to disclose that the single cash flow was not used in**
6 **the Income Approach to valuation used in Gannett Fleming’s appraisal.** Specifically,
7 the Income Approach to valuation used in Gannett Fleming’s appraisal is based on
8 **projected** cash flows beginning in 2024 and thereafter, while Mr. Garrett relied on
9 information for the year 2023. Therefore, the Income Approach to valuation used in
10 Gannett Fleming’s appraisal did not use the single year’s cash flow utilized by Mr. Garrett.

11 Page 37 of Gannett Fleming’s appraisal states, “[a]s noted previously, the
12 Wastewater System’s financial statements and their rates did not include taxes nor a fair
13 rate of return. Accordingly, on Exhibits 13 through 16, we adjusted the Wastewater
14 System’s post-2024 financial information for pro forma expenses and returns to be
15 reflective of a MUNI or IOU ownership.” I do not believe it is appropriate, nor reasonable,
16 to use a single year cash flow as recommended by Mr. Garrett in his Income Approach to
17 valuation.

18 **Q. YOU PREVIOUSLY STATED THAT THE INCOME APPROACH TO**
19 **VALUATION USED IN THE GANNETT FLEMING APPRAISAL IS BASED ON**
20 **THE DCF METHOD. HAS THE COMMISSION EXPRESSED MISGIVINGS OR**
21 **CONCERNS REGARDING THE USEFULNESS OF APPLYING GANNETT**
22 **FLEMING’S INCOME APPROACH TO VALUATION UTILIZING THE DCF**

1 **METHOD IN A 1329 PROCEEDING IN WHICH GANNETT FLEMING HAS**
2 **BEEN INVOLVED?**

3 A. No. Gannett Fleming has applied the DCF method as its Income Approach to valuation
4 as part of its FMV appraisal in 22 Section 1329 FMV proceedings that have been reviewed
5 by the Commission. In fact, the Commission has not adjusted Gannett Fleming's DCF
6 method recommendation in any prior proceeding. Conversely, the Commission has never
7 accepted the recommended use of the capitalization of earnings method recommended by
8 Mr. Garrett in a Section 1329 FMV proceeding.

9 **Q. ON OCA EXHIBIT DJG-5 OF MR. GARRETT'S DIRECT TESTIMONY, HE**
10 **SHOWS THE DEVELOPMENT OF HIS SINGLE YEAR'S "FREE CASH FLOW**
11 **FROM OPERATIONS" USED IN HIS RECOMMENDED CAPITALIZATION OF**
12 **EARNINGS METHOD MODEL. WHAT CONCERNS DO YOU HAVE WITH**
13 **MR. GARRETT'S DETERMINATION OF "FREE CASH FLOW FROM**
14 **OPERATIONS" FOR VALUING THE WASTEWATER SYSTEM?**

15 A. I have several concerns. I discuss my concerns and/or observations referencing information
16 shown on Exhibit DJG-5 below reference the information shown on OCA Exhibit DJG-5.
17 First, the revenues (\$1,780,000) and the EBIT (\$833,460) amounts reflect current
18 ownership, current rates, and current operations, none of which reflect the anticipation of
19 future benefits of a hypothetical buyer's ownership. Second, the revenues and earnings
20 before interest and taxes ("EBIT") used in Mr. Garrett's exhibit do not include income
21 taxes nor a fair rate of return. Third, there is no depreciation expense (\$0) expense shown.
22 Fourth, since Mr. Garrett's revenues and the EBIT amounts reflect current ownership,
23 current rates, and current operations, Mr. Garrett's free cash flow from operations is based

REBUTTAL TESTIMONY OF HAROLD WALKER, III

1 on the original cost of the assets, not a current value of the assets.³⁴ Fifth, the subtraction
2 of income taxes (\$175,027) is not consistent with Mr. Garrett's current ownership
3 approach, as the EBMA is a non-income tax paying entity (i.e., municipality). Finally, the
4 EBIT (\$833,460) amount used by Mr. Garrett is equivalent to a **before income tax overall**
5 **rate of return of only 2.9% to 3.0%** on the value of net plant, based on Gannett Fleming's
6 Cost Approach (\$28,371,029) or Gannett Fleming's Fair Market Value (\$28,136,195), and
7 is clearly below the zone of reasonable returns for public utility assets.³⁵

8 Therefore, I believe Mr. Garrett's "Annual Cash Flow" of \$334,482, shown on
9 OCA Exhibit DJG-4 and developed on OCA Exhibit DJG-5, is unreasonable, is not
10 appropriate to use to determine the value of the Wastewater System and should not be
11 adopted by the Commission.

12 **Q. HAS THE COMMISSION EXPRESSED MANY OF THE SAME CONCERNS YOU**
13 **JUST DISCUSSED REGARDING MR. GARRETT'S CAPITALIZATION OF**
14 **EARNINGS METHOD?**

15 A. Yes. The Commission has expressed many of the same concerns I just discussed
16 regarding Mr. Garrett's capitalization of earnings method in a prior decision:

17 We must agree with Aqua that the OCA did not establish that its proposed
18 adjustments to the Gannett Fleming and AUS Income Approach results,
19 based on Mr. Garrett's use of a single year cash flow utilizing an average of
20 the Township's 2018 through 2020 financials, are appropriate in this
21 proceeding. We agree with Aqua's reasoning that the OCA's formulation
22 of the income from operations and the resultant value erroneously assumes
23 that revenues and expenses as reported in EWT's financials will be the
24 operating results of the buyer. As the ownership and operation migrates to

³⁴ For example, Exhibit 1 from PAWC's application, Appendix A-5.2, for Gannett Fleming's appraisal report dated April 26, 2024, shows the net original cost of the Wastewater System's property, plant equipment was recorded as being \$16,740,424 on their financial statements for 2022 while their value is shown to be \$28,371,029 in Gannett Fleming's Cost Approach, and \$28,136,195 in Gannett Fleming's Fair Market Value.

³⁵ Mr. Garrett's after income tax overall rate of return (\$658,433) is equivalent to only 2.3% on the value of net plant, based on Gannett Fleming's Cost Approach (\$28,371,029) and/or Gannett Fleming's Fair Market Value (\$28,136,195), and is again, clearly below the zone of reasonable returns for public utility assets

REBUTTAL TESTIMONY OF HAROLD WALKER, III

1 the buyer, Aqua in this case, several changes will occur; namely there will
2 be a new rate base determined by the Commission based on their findings
3 in this Application and the buyer, Aqua, will be allowed to earn a
4 Commission authorized return on rate base. Operating expense, including
5 taxes, will be incorporated along with the allowed return on rate base in
6 determining the ongoing EWT revenue requirement. Mr. Garrett’s model
7 does not factor in these changes to the Township’s operations as a rate-
8 regulated wastewater utility.³⁶

9 **Q. IS MR. GARRETT’S RECOMMENDED USE OF THE ORIGINAL COST PLANT**
10 **VALUE AS THE BASIS FOR HIS INCOME APPROACH A REASONABLE**
11 **APPROACH?**

12 A. No. The circularity of this recommendation defeats or eliminates the need to appraise
13 plant assets since the indicated value of net cost of the plant assets is simply the net original
14 cost of the plant assets under Mr. Garrett’s recommendation. The value of the investment
15 in plant and equipment for the EBMA’s wastewater system assets is being determined in
16 these proceedings based upon a standard of value of FMV, not a standard of value of
17 original cost.³⁷

18 The Commission has previously rejected the use of original cost as the basis of
19 FMV in prior decisions:

20 We note that the original cost study, which is reviewed to determine the
21 reasonableness of a utility’s acquisition adjustment claim in a future base
22 rate proceeding, consistent with Section 1327(a) of the Code, 66 Pa. C.S. §
23 1327(a), and the Commission’s policy statement at 52 Pa. Code § 69.721,
24 regarding acquisitions of viable water and wastewater systems, is not
25 applicable in a Section 1329 proceeding.³⁸

26 Historically, regulated utilities under the Commission’s jurisdiction have
27 predominantly followed a standard and practice of using depreciated
28

³⁶ *Application of Aqua Pennsylvania Wastewater, Inc. – East Whiteland Township*, Docket No. A-2021-3026132, Opinion and Order entered July 29, 2022, p. 71.

³⁷ Pratt, Shannon P. “Defining Standards of Value.” *Valuation* 34, no. 2, June 1989.
<http://www.appraisers.org/docs/default-source/college-of-fellows-articles/defining-standards-of-value.pdf> .

³⁸ *Application of Aqua Pennsylvania Wastewater, Inc. – Limerick Township*, Docket No. A-2017-2605434, Opinion and Order entered November 8, 2017, p. 30.

REBUTTAL TESTIMONY OF HAROLD WALKER, III

1 original cost value (with various adjustments) as the rate base in which they
2 may recover their capital investment and earn a rate of return on the
3 unrecouped asset value or rate base. However, Section 1329 establishes
4 fair market value, not original cost, as the ratemaking rate base for
5 municipal transactions. Under Section 1329, it is fair value, ratemaking
6 rate base that, ultimately, will be used for ratemaking purposes, rather than
7 being constrained by depreciated original cost value. As indicated by
8 Aqua, “[t]he OCA’s proposed adjustments to the Income Approach are also
9 contrary to the language in McCloskey where the Commonwealth Court
10 clearly stated that ‘Section 1329 allows a private utility to acquire a
11 government utility’s assets at its fair market value rather than at the original
12 cost of assets minus the accumulated depreciation and then add that amount
13 to rate base.’” Aqua R.B. at 6 (citing McCloskey, 195 A.3d at 1055).³⁹

14 **Q. IS MR. GARRETT’S DISCOUNT RATE SHOWN ON OCA EXHIBIT DJG-4 OF**
15 **HIS DIRECT TESTIMONY AN APPROPRIATE DISCOUNT RATE TO USE FOR**
16 **FAIR MARKET VALUATION PURPOSES?**

17 A. No. Mr. Garrett’s 5.49% discount rate (cost of capital) shown on OCA Exhibit DJG-4 and
18 developed on OCA Exhibit DJG-6 is not appropriate and is not determined in accordance
19 with accepted valuation practice for five reasons. First, Mr. Garrett developed his 5.49%
20 discount rate based on methods used by witnesses who provide testimony before the
21 Commission concerning **fair rate of return on original cost rate base**; whereas discount
22 rates used in the Income Approach to valuation under a standard of value of FMV are not
23 calculated in this manner (as discussed above). Second, Mr. Garrett’s capitalization of
24 earnings method (OCA Exhibit DJG-4) incorporates actual revenues and EBIT reflecting
25 **current ownership, current rates, and current operations as a municipality.**
26 Accordingly, Mr. Garrett’s discount rate should similarly be based on a municipality’s
27 discount rate, not an investor-owned discount rate, so that the cash flows and discount rates

³⁹ *Application of Aqua Pennsylvania Wastewater, Inc. – Lower Makefield Township*, Docket No. A-2021-3024267, Opinion and Order entered January 13, 2022, p. 69.

REBUTTAL TESTIMONY OF HAROLD WALKER, III

1 are coordinated. This mixing and matching by Mr. Garrett is inappropriate and
2 inconsistent.

3 Third, Mr. Garrett used book capitalization ratios (*i.e.*, 48% debt and 52% equity
4 ratios) calculated from a balance sheet. Book capitalization ratios are only used in rate
5 proceedings, whereas the use of market value capitalization ratios at the valuation date (*i.e.*,
6 March 31, 2023) are in accordance with accepted valuation practice and used for fair
7 market valuation purposes.⁴⁰ For a municipality, the appropriate capitalization ratio is
8 always 100% debt because debt is the only major source of capital available to finance an
9 acquisition. Although a municipality likely carries equity on its books (balance sheet), all
10 existing equity is already invested in other assets and, therefore, cannot be used to finance
11 an acquisition.⁴¹

12 Fourth, Mr. Garrett used an embedded cost of debt of 3.9% or the historical cost of
13 all debt issuances outstanding (OCA Exhibit DJG-7) of his comparison companies. An
14 embedded cost of debt is only used in rate proceedings, whereas the use of the marginal
15 cost of debt at the valuation date (*i.e.*, March 31, 2023) is in accordance with accepted
16 valuation practice and used for FMV purposes.⁴² For a municipality, the appropriate debt
17 cost rate is the current municipal revenue bond rate at the valuation date.

⁴⁰ Both the American Society of Appraisers, ASA Business Valuation Standards, 2009, and the National Association of Certified Valuation Analysts, Professional Standards, 2007, use the same definition: “Weighted Average Cost of Capital (WACC). The cost of capital (discount rate) determined by the weighted average, **at market values**, of the cost of all financing sources in the business enterprise’s capital structure.” (*Emphasis added*).

⁴¹ For example, when a municipal or government entity, such as the Commonwealth of Pennsylvania, finances construction of a road or bridge, it only considers the marginal debt cost despite having “equity” reflected on its books (balance sheet).

⁴² For example, see <http://www.investinganswers.com/financial-dictionary/financial-statement-analysis/weighted-average-cost-capital-wacc-2905>. Also see <http://www.wallstreetmojo.com/weighted-average-cost-capital-wacc/>, or <http://accountingexplained.com/misc/corporate-finance/wacc>.

REBUTTAL TESTIMONY OF HAROLD WALKER, III

1 Fifth, Mr. Garrett's equity cost rate was not determined at the valuation date (*i.e.*,
2 March 31, 2023) in accordance with accepted valuation practice and used for FMV
3 purposes. Rather, Mr. Garrett's equity cost rate was calculated over a period from April
4 11, 2025, to May 23, 2025 (OCA Exhibits DJG-8 and DJG-10), which does not comport
5 with the requirements of 66 Pa. C.S. § 1329 nor comply with the Uniform Standards of
6 Professional Appraisal Practice. A FMV appraisal is determined on a stated valuation
7 date, not for a period of time. Gannett Fleming's stated valuation date was March 31,
8 2023.

9 Therefore, based on the aforesaid, I believe Mr. Garrett's 5.49%⁴³ discount rate
10 (cost of capital) shown on OCA Exhibit DJG-4 and developed on OCA Exhibit DJG-6 is
11 unreasonable, not appropriate to use to determine the value of the Wastewater System and
12 should not be adopted by the Commission.

13 **IX. CONCLUSION**

14 **Q. IS THERE ANYTHING PRESENTED IN MR. GARRETT'S DIRECT**
15 **TESTIMONY THAT WOULD RESULT IN YOU ALTERING YOUR FMV**
16 **APPRAISAL OF THE WASTEWATER SYSTEM'S ASSETS?**

17 A. No, there was nothing presented in Mr. Garrett's direct testimony which would result in
18 our changing our FMV appraisal of the Wastewater System.

19 **Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?**

20 A. Yes, it does. However, I reserve the right to supplement my testimony as additional issues
21 arise and additional discovery responses are received during this proceeding.

⁴³ The Comparable Group's DSIC (distribution system improvement charge) related net of tax overall cost of capital at the valuation date was 6.73%.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**In re: Application of Pennsylvania- :
American Water Company under Sections :
1102(a) and 1329 of the Pennsylvania :
Public Utility Code, 66 Pa C.S. § § 1102(a) :
and 1329, for approval of (1) the transfer, :
by sale, to Pennsylvania-American Water :
Company, of substantially all of the assets, :
properties and rights related to the :
wastewater treatment plant and collection : **Docket Nos. A-2025-3052983, et al.**
system owned and operated by the :
Elizabeth Borough Municipal Authority, :
(2) the rights of Pennsylvania-American :
Water Company to begin to offer or :
furnish wastewater service to the public in :
the Borough of Elizabeth, and portions of :
the Borough of Lincoln, and the Townships :
of Elizabeth and Forward, in Allegheny :
County, Pennsylvania :**

VERIFICATION

I, Harold Walker, III, hereby state that the facts set forth in EBMA Statement No. 2-R and accompanying exhibits, if any, are true and correct to the best of my knowledge, information, and belief. I understand that this verification is made subject to the provisions and penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Date: June 9, 2025



Harold Walker, III
Manager, Financial Studies
Gannett Fleming Valuation and Rate Consultants, LLC

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Pennsylvania-American Water :
Company under Sections 1102(a) and 1329 of :
the Pennsylvania Public Utility Code, 66 Pa : Docket No. A-2025-3052983
C.S. § § 1102(a) and 1329, for approval of (1) :
the transfer, by sale, to Pennsylvania- :
American Water Company, of substantially all :
of the assets, properties and rights related to :
the wastewater treatment plant and collection :
system owned and operated by the Elizabeth :
Borough Municipal Authority, (2) the rights :
of Pennsylvania-American Water Company to :
begin to offer or furnish wastewater service to :
the public in the Borough of Elizabeth, and :
portions of the Borough of Lincoln, and the :
Townships of Elizabeth and Forward, in :
Allegheny County, Pennsylvania

Direct Testimony
of
Nicholas A. DeMarco

On Behalf of
the Pennsylvania Office of Consumer Advocate

Date Served: June 3, 2025

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1 **I. Introduction**

2 **Q. Please state your name, business address and occupation.**

3 A. My name is Nicholas A. DeMarco. My business address is 555 Walnut Street, Forum
4 Place, 5th Floor, Harrisburg, Pennsylvania 17101. I am currently employed as a
5 Regulatory Analyst by the Pennsylvania Office of Consumer Advocate (OCA).

6 **Q. Please describe your educational background and qualifications to provide
7 testimony in this case.**

8 A. I have a Master’s degree in Political Science from Lehigh University and a Bachelor of
9 Arts in Political Science, with a concentration in Constitutional Law from Bloomsburg
10 University of Pennsylvania. I also attended Michigan State University’s Institute of
11 Public Utilities online rate school program. I have attached my CV as Exhibit NAD-1.

12 **Q. On whose behalf are you testifying in this proceeding?**

13 A. I am testifying on behalf of the OCA.

14 **Q. Do you have any exhibits that you will be presenting with your testimony?**

15 A. Yes. Attached as follows: OCA Exhibit NAD-1 Qualifications, OCA Exhibit NAD-2 is
16 the EPA Factsheet on Long Term Control plans, and OCA Exhibit NAD-3 an edited
17 version of PAWC’s response to OCA-5-02, which are the work papers associated with
18 PAWC Exhibit SDG-1 pages 1 through 7, and NAD-4 the PAWC Letter to Commission
19 regarding the EBMA Rate Impact Notice to PAWC’s customers.

20 **II. Purpose of Direct Testimony**

21 **Q. What is the purpose of your Direct Testimony in this proceeding?**

1 A. The purpose of my Direct Testimony is to provide my recommendations regarding the
2 Amended Application (Application) and supporting documents submitted by PAWC
3 Pennsylvania Wastewater, Inc. (PAWC or Company) for the acquisition of the assets,
4 properties and rights related to the wastewater collection and treatment system (Assets) of
5 the Elizabeth Borough (Elizabeth Borough or EBMA). I provide an analysis of whether
6 the acquisition, if approved by the Pennsylvania Public Utility Commission
7 (Commission), would provide substantial affirmative public benefits. If the Commission
8 considers approving the Application, it should only do so by imposing the requirements
9 that I outline below in addition to approving the adjustments recommended by OCA
10 witness David Garrett.

11 **Q. Please describe the general nature of PAWC's application.**

12 A. PAWC is seeking approval to acquire the Assets of the EBMA system for a purchase
13 price of \$28,000,000.¹ However, PAWC is only seeking to include \$27,971,178 in its
14 ratemaking rate case, which is the claimed Reasonable Rate Ratio (RRR) value of the
15 system.² The Company, however, still seeks to record the \$28,000,000 net value of the
16 asset on its books.³ If the Commission were to approve PAWC only including
17 \$27,971,178 in its ratemaking rate case, PAWC states that it would not object.⁴

18
19
20

¹ Asset Purchase Agreement Appendix A-24-a.1.

² PAWC Statement No. 3 pg. 6, ln 8-11.

³ PAWC Statement No. 3 pg. 6, ln 18-19.

⁴ PAWC Statement No. 3 pg. 6, ln 10-12.

1 **Q. Does the OCA recommend adjustments to the UVE appraisals?**

2 A. Yes. OCA witness David Garrett recommends the Commission authorize a ratemaking
3 rate base in the amount of \$22,100,000 pursuant to Section 1329(c)(2) of the Code. He
4 will address this further in his testimony, OCA Statement No. 2.

5 **III. Summary of Conclusions and Recommendations**

6 **Q. What is required for approval of an application for a certificate of public
7 convenience?**

8 A. To acquire a municipal wastewater system, a public utility must file an application asking
9 for a Certificate of Public Convenience (Certificate), which will only be granted if the
10 Commission determines that the acquisition is necessary or proper for the service,
11 accommodation, convenience, or safety of the public, or, as the Courts have interpreted
12 this standard, that the transaction “will affirmatively promote the service accommodation,
13 convenience, or safety of the public in some substantial way”.^{5,6} I understand the impact
14 on rates is also to be considered.⁷ Additionally, I have been advised by counsel that if the
15 claimed benefits of the sale are not substantially different than those already being
16 provided by the current system operator and the known harms do not outweigh the
17 existing benefits, the transaction does not meet the legal standard.⁸ In other words, there
18 must be net public benefits as a result of the transaction.

⁵ 66 Pa. C.S. § 1103(a).

⁶ *Borough of York v. Pennsylvania Public Utility Commission*, 209 A.2d 825, 828 (Pa. 1973).

⁷ *Application of PAWC Pennsylvania Wastewater, Inc.*, Docket No. A-2021-3024267, Order Entered January 13, 2022, p 8 (quoting *McCloskey v. Pennsylvania Public Utility Commission*, 195 A.3d 1055, 1066-1067 (Pa. Cmwlth. 2018), *appeal denied*, 207 A.3d 290 (Pa. 2019)) (emphasis added).

⁸ *Cicero v. Pa. PUC*, 300 A.3d 1106, 1119 (Pa. Cmwlth. Ct. 2023) (*Cicero*), *petitions for allowance of appeal docketed*, 47 MAP 2024, 48 MAP 2024, 49 MAP 2024 (June 14, 2024).

1 **Q. Please summarize your conclusions and recommendations.**

2 A. If the Commission were to approve this transaction, it should only approve this
 3 transaction with the recommendations that I make below and those recommended by
 4 OCA witness Garrett. Below I will be addressing concerns regarding EBMA’s Long
 5 Term Control Plan, the DUPERON® FLEXRAKE® FPFS Full Penetration Fine Screen
 6 unit, the potential anticipated rate increase to customers, and ensure that low-income
 7 customers are made aware of the existence of PAWC’s low-income programs, along with
 8 other minimal concerns and recommendations that would benefit Pennsylvania rate
 9 payers.

10 **A. Capital Improvements and Environmental Compliance**

11 **Q. Does the Elizabeth Borough system have any environmental compliance issues?**

12 A. Company witness Hufton states in his direct testimony that, “2022 Chapter 94 Wasteload
 13 Management Report included in Appendix A-20-c indicates that the conveyance,
 14 treatment, and disposal capacity is not adequate to meet present and future customer
 15 demands through the year 2027. The System has met PADEP’s definition of being
 16 hydraulically overloaded in four of the past five years and met the definition of being
 17 organically overloaded in three of the past five years. The System is also projected to be
 18 hydraulically and organically overloaded in the future from 2023 through 2027.”⁹

19 Additionally, the Authority has issues meeting the deadlines of its Long Term
 20 Control Plan (LTCP) approved in 2018, with a cost of \$19.6 million. The main goal of the
 21 LTCP is to bring the combined sewer system and treatment plant into compliance with the
 22 existing Combined Sewer Overflow Control Policy set by the USEPA. In December of

⁹ PAWC Statement No. 2 pg. 8-9 ln. 19 – 12.

1 2020, the Authority’s engineer submitted a request to PADEP to reset the compliance
2 schedule for the LTCP. To date, PADEP has not responded in writing to this request. Since
3 writing to the DEP regarding resetting the compliance schedule the Authority has failed to
4 keep compliance with the approved schedule.¹⁰

5 In his testimony Company witness Hufton outlines environmental and operational
6 issues that the EBMA system has been facing. The issues include combine sewer
7 overflows (CSOs) caused by inflow and infiltration (I/I) due to aging infrastructure.¹¹
8 The CSOs caused by the I/I are a key issue related to EBMA’s need for a Long Term
9 Control Plan (LTCP), an issue which will be addressed further below. Other issues
10 include multiple citations from the Allegheny County Health Department (ACHD). In
11 each of the last three annual inspections conducted by the ACHD (June 22, 2022, August
12 2, 2023, and June 26, 2024), the Authority has been cited for exceeding permitted
13 effluent limits for Fecal Coliform bacteria and for missing and or damaged air diffusers in
14 the aeration basins. In the August 2, 2023, inspection report, the ACHD found that there
15 is no certified Operator in Responsible Charge for the facility as required by regulation,
16 and that “the facility is old and in need of upgrades.”¹²

17 **Q. Does Elizabeth Borough have a Corrective Action Plan (CAP) with DEP?**

18 A. No. According to company witnesses Hufton and EBMA’s response to the OCA’s
19 discovery request, “PADEP has not put the Authority under a Corrective Action Plan nor
20 an associated connection moratorium at this time.”^{13,14}

¹⁰ PAWC Statement No. 2 pg. 18-19 ln. 20-19.

¹¹ PAWC Statement No. 2 pg. 15 ln. 20-23.

¹² PAWC Statement No. 2 pg. 20 ln. 3-10.

¹³ PAWC Statement No. 2 pg. 20 ln. 222-23.

¹⁴ EBMA Response OCA-3-38.

1 **Q. Is the Elizabeth Borough system currently in compliance with Pennsylvania**
2 **Department of Environmental Protection (PA DEP) requirements?**

3 A. No. According to Company witness Hufton and the Authority is not under PADEP
4 Corrective Action Plans and under an connection moratorium at this time.^{15,16} Company
5 witness Hufton states in his direct testimony that, “the Authority is operating under a
6 PADEP-approved Long Term Control Plan (“LTCP”) that requires expansion and
7 improvements to the collection system and treatment plant in order to provide long-term
8 capacity for its customers. The Authority is years behind schedule on the compliance
9 deadlines set forth by PADEP in the approved LTCP.”¹⁷

10 **Q. Is the Elizabeth Borough system able to provide wastewater service in compliance**
11 **with state and federal regulatory compliance?**

12 A. According to EBMA witness Guffey, EBMA is not providing wastewater service in
13 compliance with state and federal regulatory requirements because it is behind on
14 implementing its Long Term Control Plan due to cost.^{18,19}

15 **Q. Are there any anticipated capital improvements?**

16 A. The Authority has a Long Term Control Plan (LTCP) approved in 2018, with a cost of
17 \$19.6 million. The main goal of the program is to expand the combined sewer system and
18 treatment plant to meet the existing 85% minimum capture requirement Combined Sewer

¹⁵ PAWC Statement No. 2 pg. 18 ln.7-9.

¹⁶ EBMA Response OCA-3-38.

¹⁷ PAWC Statement No. 2 pg. 8-9 ln. 21-5

¹⁸ EBMA Response OCA-3-37.

¹⁹ EBMA Response OCA-3-39 & OCA-3-40.

1 Overflow Control Policy set by the USEPA.²⁰

2 **Q. What is the Combined Sewer Overflow Control Policy set by the United States**
3 **Environmental Protection Agency?**

4 A. The Combined Sewer Overflow Control Policy set by the USEPA stems from the EPA’s
5 National Pollutant Discharge Elimination System (NPDES) permitting program, which
6 was created in 1972 through the Clean Water Act to address water pollution. Through the
7 NPDES program, EPA established a national framework for controlling CSOs, called the
8 CSO Control Policy. Communities with CSOs must comply with the CSO Control Policy
9 and have a permit to discharge.^{21,22}

10 **Q. How does the EPA recommend that the LTCP be implemented?**

11 A. According to the EPA, the CSO Control policy recommends a phased implementation
12 based on the relative importance of adverse impacts on water quality standards (WQS)
13 and designated uses. The municipality is expected to consider eliminating overflows that
14 discharge to sensitive areas and cause use impairment. The CSO Policy also recommends
15 considering financial capability in developing the implementation schedule. The
16 municipality can consider the availability of grants and loans; previous and current
17 residential, commercial, and industrial sewer user fees and rate structures; and other
18 viable funding mechanisms. These considerations are incorporated into a schedule with
19 start and finish dates for major tasks and milestones. The schedule should also include

²⁰ PAWC Statement No. 2 pg. 8-9 ln. 8– 11.

²¹ <https://www.epa.gov/npdes/combined-sewer-overflow-control-policy>

²² In December 2000, as part of the Consolidated Appropriations Act for Fiscal Year 2001 (P.L. 106–554), Congress amended the Clean Water Act by adding Section 402(q) ([33 U.S.C. \(§\) 1342 \[2020\]](#)). This amendment is commonly referred to as the “Wet Weather Water Quality Act of 2000.” It requires that each permit, order, or decree issued pursuant to the Clean Water Act after the date of enactment for a discharge from a municipal combined sewer system shall conform to the 1994 CSO Control Policy.

1 interim dates for reporting CSO control results and monitoring program results.²³

2 **Q. Are these capital improvements mandated or required?**

3 A. The Authority has pledged that it would complete its Long Term Control Plan, but so far
 4 has been unable to complete it.²⁴ According to Mr. Guffey, as of December 17, 2020, the
 5 Authority was scheduled to submit its Act 537 Update to DEP for Approval by August
 6 2021, received its Act 537 Sewage Facilities Planning Update Approval on December
 7 2021, then complete the design of the a new facility and submit its permit application by
 8 December of 2023. EBMA was to begin facility construction by October 2025 and
 9 complete said construction by October 2028. Due to construction delays, the total price of
 10 the project has increased to \$24.63 million.²⁵ According to PAWC witness Hufton the
 11 original cost of the project was approximately \$19.6 million.²⁶

12 **Q. Is Elizabeth Borough financially fit to complete the improvements and upgrades?**

13 A. Yes, possibly. According to Mr. Guffey, the Authority’s engineer estimated that the
 14 Authority’s cost to complete the LTCP would be \$24.63 million.²⁷ If the Transaction is
 15 not approved, EBMA will be required to raise its rates in order to complete the LTCP.²⁸
 16 Analysis conducted indicates that rates would need to be raised from \$60to \$112 to \$114
 17 a month for the average customer.²⁹

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 19

²³ EPA Fact Sheet NAD-2.
²⁴ EBMA Statement No. 1 pg. 9-10 ln. 13-14.
²⁵ EBMA Statement No. 1 pg. 9-10 ln. 13-22.
²⁶ PAWC Statement No. 2. Pg. 15 ln. 5-8.
²⁷ EBMA Statement No. 1 pg. 9-10 ln. 21-23.
²⁸ EBMA Response to OCA-3-1.
²⁹ EBMA Response to OCA-3-10.

1 **Q. At any time within the last 5 years has EBMA been unable to conduct necessary**
2 **infrastructure replacements or updates to its wastewater system?**

3 A. EBMA had one instance where it was unable to conduct necessary infrastructure
4 replacements. EBMA attempted to repair its Combine Sewer Overflow outfalls by
5 obtaining grant funding from a Community Development Block Grant (CDBG) in 2023.
6 The grant funding awarded was not sufficient at that time. Since then, EBMA has
7 received additional grant funding from CDBG, which then provided adequate funding
8 and is in the progress of pre-bidding.³⁰

9 As stated earlier the Authority has pledged that it would complete its Long Term
10 Control Plan by 2028, but thus far has not been able to complete or work on the plan.
11 When asked why has the Authority not been able to meet the requirements of its Long
12 Term Control plan. The Authority cited that it was mainly due to cost.³¹

13 **Q. Is there any indication on the record that, if the Borough continued to own the**
14 **system, Elizabeth Borough' rates would increase to the same extent they would**
15 **under PAWC ownership?**

16 A. According to Mr. Guffey, the authority can anticipate that a customer using 3,000 gallons
17 of water a month would increase to approximately \$114.23. This rate was calculated
18 based on a blend of the three possible financing options the Authority would have, which
19 include PENNVEST funding, bonds, and a mix of PENNVEST funding and bonds.³²

³⁰ EBMA Response to OCA-3-35.

³¹ EBMA Response to OCA-3-39.

³² EBMA Statement No. 1 pg. 9-10 ln. 21-4.

1 **Q. Is Elizabeth Borough technically fit to complete the improvements and upgrades?**

2 A. Discovery responses indicate that the main obstruction to EBMA’s ability to repair and or
3 upgrade its wastewater infrastructure is cost rather than its technical fitness.³³

4 **Q. Does PAWC believe that it can complete the LTCP at a lower cost than the Borough?**

5 A. According to witness Hufton, PAWC estimates that it can complete the remaining
6 portions of LTCP project at a cost of \$23.7 million. Compared to the estimated \$24.6
7 million estimated by the Borough.³⁴ On page 15 of his testimony, Mr. Hufton outlines
8 how continued delays in the completion of the LTCP has increased the cost of completing
9 the LTCP and continued delays will only increase that cost further.

10 **Q. Do you have any comments regarding PAWC’s claim that it can complete the**
11 **project in a more cost-effective and timely manner?**

12 A. Yes, I do not doubt that PAWC can complete the project at a more cost-effective and
13 timely manner, the estimated savings is about \$1 million dollars. This estimated savings
14 does not offset the total cost of \$27.9 million addition to the ratemaking rate base that
15 PAWC will spend to purchase the system. Both the purchase cost and the cost of the
16 completed project will be borne by other PAWC customers. If the application is to be
17 approved, to the extent any project under the LTCP would be financed by debt, PAWC
18 should apply for PENNVEST funding to help offset the purchase price and the cost of the
19 project to its existing and future ratepayers.

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³³ EBMA Response to OCA-3-10.

³⁴ PAWC Statement No. 2 pg. 16 ln. 7–15.

1 **Q. Are there any other issues you would like to address regarding the infrastructure of**
2 **the plant in this transaction?**

3 A. Yes. I would like to address the DUPERON® FLEXRAKE® FPFS Full Penetration Fine
4 Screen unit (Screen Unit) and how it will be treated in this transaction.

5 **Q. What is a DUPERON® FLEXRAKE® FPFS Full Penetration Fine Screen unit.**

6 A. The Screen Unit is a near vertical conveyer belt type device used to capture debris during
7 wastewater treatment.³⁵

8 **Q. Why are you addressing this unit specifically?**

9 A. I am not just addressing the full unit itself, but instead, I would like to discuss ownership
10 of the non-moving structural portion of the Screen Unit. Under the Application, Elizabeth
11 Borough will retain ownership of the non-moving structural portion of the Screen Unit
12 after closing of the transaction and PAWC will lease³⁶ this portion of the Screen Unit
13 from the Borough.^{37,38}

14 **Q. What are the components of the non-moving structural portion of the Screen Unit?**

15 A. The non-moving structural portion consists of the base, vertical supports, and back/side
16 plates.³⁹

³⁵ <https://www.duperon.com/our-products/screening-bar-screens/flexrake-fpfs/> - The FlexRake® FPFS is a front-clean, front-return, mechanically cleaned bar screen. Features the industry-leading FlexLink™ multifunctional link system, which eliminates underwater sprockets, bearings or tracks that create a fixed path of travel and are subject to fouling and/or jamming. The groundbreaking flex/pivot action of the Duperon FlexRake® is unhampered by large debris. The FlexRake® FPFS is a fine screen that utilizes individually replaceable, stainless steel, tear-drop shaped bars with ¼ inch to ½ inch openings. Stainless steel Thru-Bar™ scrapers eliminate accumulation by cleaning all three sides of the bar and cross members to remove hard-to-capture-debris.

³⁶ copy of the *pro forma* lease agreement is provided in Appendix A-25.6, pages 1 through 10 of the Application.

³⁷ PAWC Statement No. 1 pg. 13-14 ln. 22–2.

³⁸ See schedule 1.4(a) of the First Amendment to Asset Purchase Agreement, which is attached to the Application as Appendix A-24-a.2, p. 4.

³⁹ PAWC Response OCA-7-1.

1 **Q. Why is the Borough retaining ownership of the non-moving structural portion of**
2 **the Screen Unit?**

3 A. According to PAWC through formal discovery responses, the Authority is retaining
4 ownership of the non-moving structural portion of the fine screen unit so that the
5 wastewater treatment plant will continue to be classified as a Publicly Owned Treatment
6 Works for purposes of the “domestic sewage exclusion” contained in 40 C.F.R.
7 261.4(a)(1) and the Resource Conservation and Recovery Act (RCRA) of 1976. Absent
8 this classification, the treatment residuals (sewage sludge) produced from the sewage
9 treatment plant under PAWC’s ownership would be classified as hazardous waste under
10 USEPA’s “mixture rule” (40 C.F.R 261.3(a)(2)(iv)) and “derived-from rule” (40 C.F.R
11 261.(c)(2)(i)). This would considerably increase the cost to manage and dispose of the
12 sewage sludge, resulting in higher cost of service to PAWC and ultimately higher rates
13 for customers.⁴⁰ The hazardous waste that is referred to in this particular situation is
14 leachate or water that has percolated through a solid and leached out some of
15 the constituents from the Kelly Run Landfill located in Forward Township. The landfill
16 leachate is classified as a hazardous waste under state and federal environmental
17 regulations, because the landfill accepted listed (also known as categorical) hazardous
18 wastes in the past.⁴¹
19 Though informal discovery it was explained to the OCA that PAWC and the Borough
20 have been working with the PA DEP as to how the Borough would be allowed to
21 continue its current treatment status and plan for stormwater. By retaining the ownership

⁴⁰ PAWC Response OCA-7-19.

⁴¹ PAWC Response OCA-7-20.

1 of the non-moving structural portion of Screen Unit, DEP would continue to accept the
2 Borough's stormwater treatment plan.

3 **Q. How old is the DUPERON® FLEXRAKE® FPFS Full Penetration Fine Screen**
4 **unit?**

5 A. The DUPERON® FLEXRAKE® FPFS Full Penetration Fine Screen unit was installed
6 during the new main pump station construction in the 2020-2021 time frame.⁴²

7 **Q. How old is the non-moving structural portion of the DUPERON® FLEXRAKE®**
8 **FPFS Full Penetration Fine Screen unit?**

9 A. The DUPERON® FLEXRAKE® FPFS Full Penetration Fine Screen unit has been in
10 service since 2021.⁴³

11 **Q. If any of the non-moving structural portion of the DUPERON® FLEXRAKE®**
12 **FPFS Full Penetration Fine Screen unit needs to be replaced, who is responsible for**
13 **that replacement?**

14 A. PAWC is responsible for replacement of the components under the *pro forma* lease
15 agreement.⁴⁴

16 **Q. What is the expected annual O&M related to the maintenance/repair of the non-**
17 **moving structural portion of the DUPERON® FLEXRAKE® FPFS Full**
18 **Penetration Fine Screen unit?**

19 A. The non-moving structural portion of the DUPERON® FLEXRAKE® FPFS Full
20 Penetration Fine Screen unit requires minimal to no annual maintenance. Annual O&M
21 costs are expected to be *de minimis*.⁴⁵

⁴² PAWC Response OCA-7-3.

⁴³ PAWC Response OCA-7-4.

⁴⁴ PAWC Response OCA-7-2.

⁴⁵ PAWC Response OCA-7-5.

1 **Q. What are the payment terms, including frequency and amount for the lease?**

2 A. In lieu of payment, PAWC will monitor, operate, maintain, repair, replace and manage
3 the asset in accordance with all applicable laws.⁴⁶

4 **IV. Rate Impact**

5 **Q. Please reiterate the general nature of PAWC's application.**

6 A. PAWC is seeking approval to acquire the Assets of the EBMA system for a purchase
7 price of \$28,000,000.⁴⁷ However, PAWC is only seeking to include \$27,971,178 in its
8 ratemaking rate case, which is the claimed Reasonable Rate Ratio (RRR) value of the
9 system.⁴⁸ The Company however still seeks to record the \$28,000,000 net value of the
10 asset on its books.⁴⁹

11 **Q. How many customers does the Elizabeth Borough wastewater system serve?**

12 A. As of August 2024, EBMA provided direct wastewater service to approximately 672
13 customers and approximately 1,504 indirect customers through bulk connections with
14 Elizabeth Township, Forward Township, and Lincoln Borough. EBMA customers by
15 class: 600 residential, 65 commercial, 0 industrial, and 7 other public authorities. EBMA
16 does not differentiate rates by customer class.⁵⁰

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⁴⁶ PAWC Response OCA-7-9.

⁴⁷ Asset Purchase Agreement Appendix A-24-a.1.

⁴⁸ PAWC Statement No. 3 pg. 6, ln 8-11.

⁴⁹ PAWC Statement No. 3 pg. 6, ln 18-19.

⁵⁰ Appendix A-17-a.

1 **Q. What is the net book value of the Elizabeth Borough system Assets that are being**
2 **acquired by PAWC?**

3 A. According to PAWC's witness Mr. Weinhart, the netbook value of the EBMA system is
4 \$16,678,044. The original cost of the system was \$19,537,512 with an accrued
5 depreciation reserve of \$2,859,468.⁵¹

6 **Q. What is net book value?**

7 A. Net book value is the value of an asset when depreciation is subtracted from its cost.⁵²
8 By way of example, if I were to purchase a car for \$10,000 and drive the car enough so
9 that it depreciates by \$1,000 due to wear and tear, the net book value of the car would be
10 \$9,000.⁵³ In the utility context, the net book value is calculated by subtracting the
11 accumulated depreciation of an asset from the asset's original cost, which is how it would
12 appear in a company's books.⁵⁴

13 **Q. Why does the net book value matter?**

14 A. Net book value matters because it shows the book value of an asset after depreciation is
15 subtracted due to use of the asset. In this case the asset is the Elizabeth Borough
16 wastewater system and the net book value shows how much PAWC is over paying for
17 this asset.

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⁵¹ PAWC Statement. No. 4 pg. 12.

⁵² <https://dictionary.cambridge.org/us/dictionary/english/net-book-value>

⁵³ \$10,000-\$1,000=\$9,000.

⁵⁴ <https://thelawdictionary.org/net-book-value/>

1 **Q. By how much does the purchase price exceed the net book value?**

2 A. The purchase price exceeds the netbook value by \$11,321,956.⁵⁵ In another perspective
3 PAWC is purchasing the system for roughly 2.5 times its netbook value.⁵⁶

4 **Q. How will the acquisition impact PAWC's revenues?**

5 A. PAWC witness Gress calculates that for Year 1, the proposed transaction will create an
6 annual revenue deficiency of \$1.9 million.⁵⁷

7 **Q. Has the Public Utility Commission offered an opinion or guidance regarding how to
8 determine a reasonable price at which a Company could purchase a water or
9 wastewater system?**

10 A. Yes, at the public meeting held February 1, 2024, the Commission recognized the public
11 interest pertaining to the Valuation of Acquired Municipal Water & Wastewater Systems
12 – Act 12 of 2016, specifically the use of Section 1329. The Commission issued a
13 Tentative Supplemental Implementation Order or “TSIO”, which among other things
14 pertaining to Act 12 and Section 1329, addressed a “guidepost” which the Commission
15 could use to determine the reasonableness of the purchase price of a 1329 transaction.⁵⁸
16 This “guidepost” for reasonableness would be referred to as the Reasonable Review Ratio
17 or RRR.

18 **Q. What is the Reasonable Review Ratio or RRR?**

19 A. The Commission states in the TSIO that:

20 “The crux of the RRR is to determine the ratio of the fair market value
21 (FMV) to depreciated original cost (DOC) of a barometer group of similarly

⁵⁵ \$28,000,000 - \$16,678,044 = \$11,321,956.

⁵⁶ \$27,971,178/\$11,321,956 = 2.47.

⁵⁷ PAWC Statement No. 3 Exhibit SDG-1 pg. 4.

⁵⁸ *Valuation of Acquired Municipal Water & Wastewater Systems – Act 12 of 2016 Implementation*, Docket No. M-2016-2543193 (*Tentative Supplemental Implementation Order* entered Feb. 1, 2024) (*2024 TSIO*), *2024 TSIO* at 6.

1 situated investor-owned water utility companies (IOUs).”⁵⁹

2 **Q. How is the RRR calculated?**

3 A. The Final Supplemental Implementation Order (FSIO) states the following:

4 “To evaluate the FMV, we will utilize the EV of the investor-owned utilities
5 (IOUs) as a relevant proxy. As noted in the 2024 TSIO, the EV is a
6 comprehensive valuation of the IOUs and is readily available to the public
7 for each of these IOUs given their publicly traded status. To determine the
8 DOC of these IOUs, we will utilize the Net PP&E included on each of the
9 company’s balance sheets. We reiterate that Net PP&E is an appropriate
10 proxy for DOC since it represents the total value of the physical assets of the
11 company less depreciation. The RRR is the ratio of these two numbers, with
12 EV being the numerator and Net PP&E being the denominator, such that
13 Reasonableness Review Ratio = Enterprise Value / Net Property, Plant &
14 Equipment.”⁶⁰

15 **Q. What is the OCA’s opinion of the RRR as adopted in the FSIO?**

16 A. The OCA supports the intent to provide guideposts to assist in determining the prudency
17 of applications. The OCA asserts, however, that the RRR should not be a test of
18 presumptive reasonableness or a determination that the application is in the public
19 interest, but rather one factor among many. The OCA also asserts that the RRR should
20 not override *Borough of York, McCloskey*^{61,62} and *Cicero*^{63,64}, which clearly require the
21 Commission to consider the rate impact of the transaction as part of the overall
22 consideration of whether there are substantial affirmative public benefits from the
23 proposed transaction. Additionally, the OCA prefers a fixed value guidepost of 1.25x

⁵⁹ *Act 12 of 2016 Implementation*, Docket No. M-2016-2543193 *2024 TSIO* at 6.

⁶⁰ *Valuation of Acquired Municipal Water & Wastewater Systems – Act 12 of 2016 Implementation*, Docket No. M-2016-2543193 (*Final Supplemental Implementation Order* entered June 13, 2024) (*2024 FSIO*), *2024 FSIO* at 103.

⁶¹ *Application of PAWC Pennsylvania Wastewater, Inc.*, Docket No. A-2021-3024267, Order Entered January 13, 2022, p 8 (quoting *McCloskey v. Pennsylvania Public Utility Commission*, 195 A.3d 1055, 1066-1067 (Pa. Cmwlth. 2018), *appeal denied*, 207 A.3d 290 (Pa. 2019))

⁶² *Act 12 of 2016 Implementation*, Docket No. M-2016-2543193 *2024 FSIO* at 117.

⁶³ *Cicero*, 300 A.3d at 1119.

⁶⁴ *Act 12 of 2016 Implementation*, Docket No. M-2016-2543193 *2024 FSIO* at 117.

1 because the use of the RRR raises variability and timing concerns.⁶⁵ In the FSIO, the
 2 Commission agreed with the OCA’s comments, “that the RRR is not a test of
 3 presumptive reasonableness or a determination that an acquisition is in the public interest,
 4 but rather one factor among many.”⁶⁶

5 **Q. What are Elizabeth Borough’s current rates?**

6 A. At the time of writing EBMA’s charges a “line fee” or customer charge of \$35 dollars a
 7 month and a usage fee of \$8.00 per 1000 gallons.⁶⁷ EBMA customers, who on an average
 8 use of 3,201 gallons a month, currently pay \$60.61 a month. As stated, earlier customers
 9 analysis conducted by the Borough indicates that rates would need to be raised to \$112 to
 10 \$114 a month for the average customer.⁶⁸

11 **Q. What is the proposed rate impact for Elizabeth Borough customers?**

12 A. As shown in the notice initially filed in this case EBMA customers were noticed based on
 13 an average use of 3,201 gallons a month. The noticed average residential bill at closing
 14 would increase by \$63.52 or 104.8%⁶⁹ increase in their bills or to \$124.25⁷⁰ a month if
 15 100% of the year 1 revenue deficiency is included.⁷¹

⁶⁵ OCA Comments at 17-18.

⁶⁶ *Act 12 of 2016 Implementation*, Docket No. M-2016-2543193 *2024 FSIO* pg. 106.

⁶⁷ <https://ebmastp.com/rates-and-charges/>

⁶⁸ EBMA Response to OCA-3-10.

⁶⁹ Appendix A-18-d (customer notice).

⁷⁰ PAWC Response OCA-5-2.

⁷¹ PAWC Statement No. 2 pg. 11 ln. 7-16.

1 **Q. What is the estimated bill impact for Elizabeth Borough customers with OCA's**
2 **adjustments?**

3 A. With the OCA's adjustments the estimated bill increase would be approximately 76% or
4 \$106.61 a month.⁷²

5 **Q. What is the proposed rate impact for existing PAWC customers?**

6 A. As shown in the notice provided to PAWC customers, based on an average usage of
7 3,201 gal/month, the average bill for current PAWC wastewater customers could increase
8 by \$1.21 or 1.1% a month, while the average PAWC water customer's bill could increase
9 by \$0.16 or 0.2% a month.⁷³

10 **Q. What is the proposed rate impact for existing PAWC customers with the OCA**
11 **adjusted price?**

12 A. PAWC wastewater customers would see an increase of 0.88% or \$0.88 a month and
13 water customers would see an increase of 0.2% or \$0.16 a month.⁷⁴

14 **Q. Do you have any comments and recommendations based on the rates presented?**

15 A. Yes. The OCA notes that the rates of PAWC's rate Zone 1 customers are currently less
16 than the projections of the estimated rates that could be levied by EBMA if EBMA
17 retains control of the system That said, if this Application is approved customers would
18 still see a monthly increase of 76% to 104%, depending on whether the OCA's proposed
19 adjustments are adopted. Accordingly, the principles of gradualism and avoidance of rate
20 shock should dictate that increases that could come about as a result of this Application
21 should only be done on a phased in approach.

⁷² NAD-3 (edited PAWC Response OCA-5-2.).

⁷³ Appendix A-18-d (customer notice).

⁷⁴ PAWC Response OCA-5-2.

1 **V. Concerns Raised by Customers**

2 **Q. Do you have a comment regarding any concerns raised by customers at the public**
3 **input hearings?**

4 A. The public input hearings have not taken place at this time. I reserve the right to address
5 this issue in further testimony.

6 **Q. Have any consumers filed informal complaints with the PUC in reference to this**
7 **case?**

8 A. Yes, two customers filed informal complaints. Both complaints were submitted by two
9 existing PAWC customers, who raised concerns around the cost of PAWC service. One
10 of the customers raised concerns about the quality of the service that their family receives
11 from PAWC and how Act 12 has contributed to the increase in PAWC's services. It is
12 that customer's opinion that Act 12 should be repealed.

13 **VI. Additional Recommendations**

14 **Q. Do any witnesses claim that Elizabeth Borough customers will benefit from the**
15 **acquisition?**

16 A. Yes. Mr. Guffey, states that the sale of the system will benefit Elizabeth Borough because
17 the revenues from the sale will help offset any necessary tax increases due to the
18 Borough's declining population, customers who are already PAWC water customers will
19 only receive one bill, and sales revenues would help with beautification projects. Mr.
20 Guffey also claims that the sale will allow PAWC to complete the LTCP more
21 efficiently.⁷⁵

22 PAWC witness Khol, echoes many of the same benefits for the citizens of

⁷⁵ EBMA Statement No. 1 pg. 9-11.

1 Elizabeth Borough as Mr. Guffey. A benefit that Mr. Khol mentions includes PAWC's
2 fitness as regulated public utility, which I will address later in my testimony.⁷⁶ PAWC
3 witness Hufton reiterates PAWC ability to complete EBMA's LTCP⁷⁷ and PAWC's
4 customer service resources.⁷⁸ As mentioned above, PAWC witness Gress outlines
5 PAWC's low-income program that would be available to wastewater customers of
6 EBMA.⁷⁹

7 **Q. Do you have any comments?**

8 A. Yes. With regards to the claimed benefits of regionalization and consolidation claimed by
9 PAWC concerning its McKeesport facility. I do not deny that the employees who work at
10 that facility will be able to assist and or work at the facility in Elizabeth Borough.⁸⁰ I do
11 however question the speculative benefits that could be realized if PAWC were to
12 connect their McKeesport facility with Elizabeth Borough for two reasons. The first being
13 that acquiring the necessary system or systems between McKeesport and Elizabeth
14 Borough are not guaranteed, so any of the speculated benefits would be delayed until
15 such time that the necessary system(s) are acquired and interconnected. Second, PAWC
16 presented a plan to complete the LTCP and upgrade the existing EBMA system. This
17 system would then be in compliance and any additional money spent would see
18 diminishing returns on its benefits to customers if any would exist by connecting two
19 working systems.

⁷⁶ PAWC Statement No. 1 pg. 18-22.

⁷⁷ PAWC Statement No. 2 pg. 15-16 ln. 5-15.

⁷⁸ PAWC Statement No. 2 pg. 31 ln. 8-23.

⁷⁹ PAWC Statement No. 3 pg. 13-15 ln. 13-6.

⁸⁰ PAWC Statement. No. 1 pg.23 ln. 6-12.

1 **Q. PAWC witness Hufton, testified on page 26 of his Direct Testimony that he believes**
2 **that PAWC is technically fit to operate the system. Do you agree?**

3 A. Yes, however, PAWC’s technical fitness as a public utility does not in itself produce
4 substantial affirmative public benefits.

5 **Q. Is Elizabeth Borough currently in compliance with all state and federal regulations**
6 **related to the physical and cyber security in place for its operations?**

7 A. According to Mr. Guffey, the Chairman of the Authority, believes that the Authority is in
8 compliance with all state and federal regulations to the physical and cyber security in
9 place for its operations because it does not have knowledge of any notice of violation
10 pertaining to these regulations.⁸¹

11 **Q. PAWC witness Hufton claims that PAWC will improve Elizabeth Borough**
12 **cybersecurity measures.⁸² Please respond.**

13 A. PAWC’s proposed improvements appear to be designed to make the EBMA system
14 consistent with PAWC’s processes. Those proposed improvements do not necessarily
15 confer a benefit where the current operator is not aware that there is anything wrong with
16 the way EBMA is currently operating its system. I refer here back to OCA-6-1, where
17 witness Guffey identified that EBMA has not been informed by any local, state, or
18 federal, regulatory authority that it must improve its physical and/or cyber security in
19 order to maintain compliance with the law.

⁸¹ EBMA Response OCA-6-1.

⁸² PAWC Statement No. 2 pg. 30.

1 **A. Low-Income Programs**

2 **Q. Did any witness address Elizabeth Borough low-income customers?**

3 A. Yes. Company witness Gress addressed the low-income programs provided by PAWC in
4 detail.⁸³

5 **Q. Do you have any comments?**

6 A. Yes. PAWC's low-income program will be a benefit to those customers who qualify but
7 specifically to those who qualify and apply. Ensuring that acquired customers are made aware of
8 the existence of PAWC's low-income program will be addressed later in my testimony.

9 **Q. Do you have a recommendation?**

10 A. Yes. Unless Elizabeth Borough customers know about and enroll in PAWC's low-income
11 programs, the existence of PAWC's low-income programs will not provide any benefit. If
12 the Commission approves the transaction, PAWC should provide a letter to the acquired
13 customers that provides information regarding its low-income programs, including a
14 description of the available programs, eligibility and requirements, and PAWC's contact
15 information. The letter should be sent within 30 days after closing so that eligible
16 customers can benefit from the programs as soon as possible and, importantly, before
17 rates are increased. Also, PAWC should include the same information regarding low-
18 income programs in bills sent to Elizabeth Borough customers within 90 days after
19 closing.

20 PAWC should report the number of eligible customers from the former Elizabeth

⁸³ PAWC Statement No. 3 pg. 13-15.

1 Borough service area who are enrolled in PAWC’s CAP. The report should be provided
 2 to the Commission and to the parties every six months until the conclusion of PAWC’s
 3 next base rate case.

4 **Q. Do you have any recommendations regarding a hardship fund?**

5 A. If the Commission were to approve the transaction, it should be conditioned on the
 6 requirement that PAWC make an annual contribution of \$70,000⁸⁴ to the hardship fund
 7 for five years following closing. These contributions should not be recovered in rates and
 8 all unspent funds at the end of the program year should be rolled over and added to the
 9 budget for the hardship grant program in the following year(s). This will provide a
 10 concrete and actual benefit to PAWC’s existing and acquired customers that will provide
 11 a small offset to the rate increases that will result from approval of this acquisition.

12
 13 **B. Transaction and Closing Costs**

14 **Q. In addition to the purchase price of \$27,971,178, what other expenses will PAWC
 15 record for ratemaking purposes with respect to its Section 1329 Application?**

16 A. The estimated transaction and closing costs are approximately \$1.1 million. According to
 17 PAWC witness Gress, PAWC will be seeking transaction and closing costs which include
 18 the UVE’s appraisal fee and the buyer’s closing costs, including reasonable attorney fees.
 19 PAWC witness Gress states that the exact extent of such costs cannot be known at the
 20 time of the Application and will not be finally know until after closing due to a number of

⁸⁴The OCA calculated this number by rounding down from 0.25% of the \$28,000,000 million purchase price.
 (\$28,000,000 x 0.0025) = \$70,000.

1 variables. PAWC will track such costs and incorporate them into rate base in a future
2 base rate proceeding when appropriate.⁸⁵

3 **Q. Do you have any recommendations regarding PAWC's claim for transaction and**
4 **closing costs and capital improvements?**

5 A. Yes. Under Section 1329(d)(iv), PAWC is required to estimate its transaction and closing
6 costs, but the actual costs cannot be known until closing. If the Commission approves the
7 acquisition, subject to the conditions I lay out in this testimony, PAWC will be permitted,
8 in its next base rate case, to claim the actual costs. To help the review of those costs,
9 PAWC should be required to separately identify all of its closing costs by cost category,
10 including any outside legal fees when it makes a claim for recovery in its next base rate
11 case. Also, PAWC should not be permitted to claim any transaction and closing costs
12 incurred by Elizabeth Borough in ratemaking rate base. Section 1329 does not allow
13 transaction and closing costs incurred by the *selling* utility to be included in the acquiring
14 utility's ratemaking rate base. Additionally, PAWC should track and quantify the cost of
15 capital improvements into two categories: (1) necessary capital improvements – defined
16 as bringing the system into: (i) conformity with PUC standards; and (ii) environmental
17 compliance – capital improvements; and (2) the costs associated with integrating the
18 system into Company-wide standards.

19 **C. Cost of Service Study (COSS)**

20 **Q. Should a separate cost of service study be required for the acquired Elizabeth**
21 **Borough system when PAWC files its next base rate?**

⁸⁵ PAWC Statement No. 3 pg. 15, ln 9-22.

1 A. Yes. In accordance with Section 1329, the rate base valuation for Elizabeth Borough is
 2 different than for acquisitions approved under the traditional regulatory framework,
 3 where assets are valued for ratemaking purposes at original cost net of accumulated
 4 depreciation and net of contributions. At the time of filing its next base rate case, PAWC
 5 should submit a wastewater cost-of-service study that removes all costs and revenues
 6 associated with the operation of the Elizabeth Borough system and will also provide a
 7 separate cost-of-service study (COSS) for the Elizabeth Borough system. A COSS would
 8 provide the necessary information needed to establish rates that reflect the costs of the
 9 acquired system. Additionally, PAWC should submit a COSS that removes all costs and
 10 revenues associated with the operation of the Elizabeth Borough system.

11 **D. Distribution System Improvement Charge (DSIC)**

12 **Q. Is PAWC requesting the implementation of a DSIC for Elizabeth Borough**
 13 **customers at closing?**

14 A. Not initially. According to Witness Gress’s testimony:

15 “Section 6.10 provides that PAWC shall not charge a Distribution
 16 System Improvement Charge (“DSIC”) to former Authority
 17 customers prior to the first revision of PAWC’s Long Term
 18 Infrastructure Improvement Plan that occurs after Closing or the
 19 effective date of PAWC’s next PUC-approved base rate increase,
 20 whichever is sooner.”⁸⁶

21 **Q. Do you have a concern about PAWC’s proposal?**

22 A. Yes. Although Section 1329(d)(4) provides that Elizabeth Borough rates will not increase
 23 until new base rates are approved in PAWC’s next base rate case post-closing, the statute
 24 does allow PAWC to collect a DSIC during this time. Though PAWC does not commit to

⁸⁶ PAWC Statement No. 3 pg. 8, ln 11-14.

1 *when* it will file an amended LTIP, having the acquired customers pay a DSIC is one
2 small way in which PAWC's existing customers can receive a short-term benefit from the
3 acquisition – by spreading the costs recovered through the DSIC over a larger customer
4 base.

5 **Q. What is your recommendation?**

6 A. PAWC's amended LTIP including the Elizabeth Borough system should be filed within
7 90 days of closing. Additionally, the proposed projects reflected in the amended LTIP
8 should be in addition to, and not re-prioritize, any capital improvements that PAWC has
9 already committed to undertake for existing customers. Also, PAWC should not include
10 Elizabeth Borough system-related investments in its DSIC until PAWC collects a DSIC
11 from Elizabeth Borough customers. The last two requirements protect PAWC's existing
12 customers by helping to ensure the acquisition does not mean that (1) projects in their
13 service areas will not be carried out as planned and (2) they will not pay for projects in
14 the Elizabeth Borough service area through their DSIC rates until Elizabeth Borough
15 customers are also paying DSIC rates.

16 **E. Customer Notices of Rate Impact from Transaction**

17 **Q. Do you have any recommendations regarding the notice provided to customers?**

18 A. Yes. Moving forward, PAWC's notices should also include rate impacts at more than just
19 average usage. The OCA recommends that the notice provided to customers that
20 estimates the rate impact of the acquisition will have on their bills should reflect a usage
21 range rather than what the Company deems is the average. The range should show a
22 customer using 5,000 gallons per month (perhaps a 2-person household) would see a
23 different bill impact. A customer using 10,000 gallons per month (perhaps a 4-person

1 household) would see a different impact. There is no information in the rate case notices
2 that would permit a customer with different usage levels to calculate the impact on their
3 bill.⁸⁷

4 **Q. Why did you choose 5,000 and 10,000 gallons per month for additional usage levels?**

5 A. I used those amounts as an estimate that falls at or near the middle of a range of usage for
6 2 and 4-person households and a range of daily usage of 50-100 gallons per day (gpd).
7 This range is based on information contained in Penn State Extension: Estimating Water
8 Needs. Although this paper is based on designing water systems, using 50 gallons per
9 day per person (gppd) as the minimum and 100 gppd for a 30 day month would equal
10 3,000-6,000 gallons per month for a 2-person household and 6,000-12,000 gallons per
11 day for a 4-person household. By choosing a level close to the middle of each range, it is
12 a reasonable approach to show the impact of the proposed rate increases on customers at
13 different usage levels.⁸⁸ If customers are not clearly and transparently shown the rate
14 impact of the acquisition on their usage level, it will be unreasonably difficult for
15 customers to surmise the potential impact of the acquisition on their vital utility bills. I
16 recommend that, going forward, investor-owned utilities acquiring municipal systems
17 under Section 1329 should be required to notice their customers at 5,000 and 10,000
18 gal/month usage levels. According to this study the 3,201 gallons that the Company used
19 in its notice to its customers on March 7, 2025 is not average usage.⁸⁹

⁸⁸ <https://extension.psu.edu/water-system-planning-estimating-water-needs>

⁸⁹ NAD-4.

1 **F. Easements**

2 **Q. Did PAWC indicate whether Elizabeth Borough has identified all real estate,**
3 **including leases, easement rights, and access to public rights-of-ways that must be**
4 **transferred to PAWC?**

5 A. All interests in real estate, including leases, easements and access to public rights-of-way,
6 owned by the Authority and relating to the System are defined and described in Schedule
7 4.1(l)(i)-(iii), as well as all assigned contracts to be conveyed to PAWC in Schedule
8 5.1(c).⁹⁰ As of the Closing Date, the Authority will fund an easement escrow fund in the
9 amount of Two Thousand Dollars (\$2,000) for each missing easement. APA Section
10 11.4(a).⁹¹

11 **Q. Why is having the land rights to all parts of the system important?**

12 A. Having the land rights to all parts of the system is important and critical in the event
13 maintenance is required, or an emergency occurs. This allows the operating utility to
14 provide the necessary service in a timely manner without risking the health or safety of
15 its customers or the system.

16 **Q Do you have any other recommendations?**

17 A. Yes. PAWC should not be permitted to include the Elizabeth Borough assets into its rate
18 base until it acquires all outstanding easements. Absent this condition, ratepayers would
19 be in the position of paying for assets, including a return on such assets, that PAWC does
20 not actually own and this result is not in the public interest.

⁹⁰ PAWC Statement No. 1 pg. 13, ln 11-14.

⁹¹ PAWC Statement No. 1 pg. 14-15, ln 22-2.

1 **Q. Please summarize your recommendations for conditions on approval of the**
 2 **Application.**

3 A. If the Commission determines to approve the application it should only do so by
 4 incorporating the OCA's adjustments and recommendations..

- 5 • PAWC shall separately identify all of its closing costs by category, including any
 6 outside legal fees when it makes a claim for recovery in its next base rate case,
 7 and will not be permitted to claim any transaction and closing costs incurred by
 8 Elizabeth Borough.
- 9 • Commission shall authorize a ratemaking rate base in the amount of \$22,100,000.
- 10 • PAWC shall consider rate gradualism to avoid "rate shock" when increasing the
 11 rates of the acquired customers during their next base rate case.
- 12 • PAWC shall to the extent any project under the LTCP would be financed by debt,
 13 where the PAWC deems appropriate, PAWC shall apply for PENNVEST funding
 14 to help offset the purchase price and the cost of the project to its existing and
 15 future ratepayers.
- 16 • PAWC shall include rate impacts at a usage level range of 5,000 gallons and
 17 10,000 gallons used a month in its customer notices moving forward.
- 18 • PAWC shall include the monthly or quarterly estimated volumetric charge, as
 19 well as the DSIC impact under PAWC ownership in its customer notices moving
 20 forward.
- 21 • Closing of the transaction shall not be permitted to occur until PAWC has (1)
 22 identified all missing easements including public rights-of-way and other property
 23 rights and (2) taken any and all necessary actions to obtain any missing easements
 24 and other property rights so they can be conveyed at closing.
- 25 • PAWC shall not be permitted to recover any rates in any costs for obtaining and
 26 conveying the missing easements and other property rights.
- 27 • PAWC shall not be permitted to include the Elizabeth Borough assets into its rate
 28 base until it acquires all outstanding easements.
- 29 • PAWC shall mail a welcome letter to the acquired customers within 30 days after
 30 the closing that provides information about its low-income programs, including a
 31 description of the available programs, eligibility and requirements, and PAWC's
 32 contact information. PAWC will provide the same information in a bill insert that
 33 is sent within the first 90 days after closing.

- 1 • PAWC shall make an annual contribution of \$70,000 to the hardship fund
2 annually, for five years following the closing. These contributions should not be
3 recovered in rates and all unspent funds at the end of the program year should be
4 rolled over and added to the budget for the hardship grant program in the
5 following year(s). This will provide a concrete and actual benefit to PAWC's
6 existing and acquired customers that will provide a small offset to the rate
7 increases that will result from approval of this acquisition.

- 8 • At the time of filing its next base rate case, PAWC will submit a cost of service
9 study that removes all costs and revenues associated with the operation of the
10 Elizabeth Borough system and will also provide a separate cost of service study
11 for the Elizabeth Borough system.

- 12 • PAWC's shall file an amended LTIP including the Elizabeth Borough customers
13 within 90 days of closing. The proposed projects reflected in the amended LTIP
14 should be in addition to, and not re-prioritize, any capital improvements that
15 PAWC has already committed to undertake for existing customers. PAWC should
16 not include System-related investments in its DSIC until PAWC collects a DSIC
17 from System customers.

18

19 **VII. Conclusion**

20 **Q. Does this conclude your Direct Testimony?**

21 A. Yes. However, I reserve the right to modify if necessary.

Exhibit NAD-1
Qualifications of Nicholas A. DeMarco

Qualifications of

Nicholas A. DeMarco

Education:

2021 Master's of Political Science, Lehigh University

2016 B.A. Political Science with concentration in Constitutional Law, Bloomsburg University of Pennsylvania

2016 B.A. Eastern European Languages and Cultures, Russian, Bloomsburg University of Pennsylvania

Relevant Positions:

January 2023 Regulatory Analyst, Pennsylvania Office of Consumer Advocate

Role Description:

I am currently employed by the Pennsylvania Office of Attorney General, Office of Consumer Advocate (OCA) as a Regulatory Analyst. In this position, my responsibilities include reviewing utility company filings with the Pennsylvania Public Utility Commission (Commission) and analyzing the financial, economic, rate of return, and policy issues that are relevant to the filings. Additionally, I am tasked with preparing recommendations for the OCA's involvement in utility filings with the PA PUC, writing testimony and presenting oral testimony on behalf of the OCA. As part of my role, I also assist in the policy matters regarding low-income issues and PJM.

Submitted Testimony:

PAWC's proposed acquisition of the Brentwood Borough wastewater system, at

Docket No. A-2021-3024058

Pennsylvania Public Utility Commission, Office of Consumer Advocate, v. Community Utilities of Pennsylvania, Inc.

Docket Nos. R-2023-3042804 (water), R-2023-3042805 (wastewater), C-2023-3044737 (water), C-2023-3044738 (wastewater)

Pennsylvania Public Utility Commission, Office of Consumer Advocate, v. Veolia Water Pennsylvania, INC

Docket Nos. R-2024-3045192 (Water), R-2024-3045193 (Wastewater)

Pennsylvania Public Utility Commission, Office of Consumer Advocate, v. Duquesne Light Co

Docket No. R-2024-3046523

Pennsylvania Public Utility Commission, Office of Consumer Advocate, v. Columbia Gas of Pennsylvania Inc.

Docket Nos. R-2024-3046519, C-2024-3047905, C-2024-3047675, C-2024-3048339

Pennsylvania Public Utility Commission, Office of Consumer Advocate, v. PECO Energy Company – Electric Division

Docket No. R-2024-3046931

Pennsylvania Public Utility Commission, Office of Consumer Advocate, v. PECO Energy Company – Gas Division

Docket No. R-2024-3046932

Pennsylvania Public Utility Commission Bureau of Investigation & Enforcement Petition to Request the Commission Open Section 529 Investigation into the Acquisition of Rock Spring Water Company

Docket No. P-2024-3051313

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

Relevant Training:

IPU Michigan State University, IPU Accounting and Ratemaking Course 2023

Exhibit NAD-2
LTCP Review Fact Sheet

Long-Term Control Plan Review

This fact sheet lays out the process for developing and reviewing combined sewer overflow (CSO) long-term control plans (LTCPs) to ensure conformity with EPA's 1994 CSO Control Policy. National Pollutant Discharge Elimination System (NPDES) authorities and CSO permittees can use this information to determine if the controls proposed in an LTCP are sufficient to meet water quality standards (WQS) and protect designated uses and if the permittee has designed an appropriate plan for controlling CSOs.

When developing and reviewing LTCPs, it is important to keep in mind that the level of detail in the LTCP can vary significantly depending on the permittee and the complexity of the combined sewer system involved. The overall intent of the review is to ensure that the LTCP is a coherent, organized document featuring a logical, step-by-step analysis that justifies the selection of CSO controls to meet WQS and protect designated uses.

EPA created an interactive checklist to help CSO permittees and NPDES authorities determine if LTCPs meet the requirements of the CSO Control Policy and conform with EPA guidance on developing LTCPs. The checklist is an Excel workbook that is available to permittees and NPDES authorities. Through an interactive review process, the checklist also provides a list of recommendations that can be used to improve LTCPs. Due to the site-specific nature of CSOs and LTCPs, the checklist includes additional fields for the user to document their specific situation.



The CSO Control Policy (59 FR 18691) states that permittees:

...should immediately undertake a process to accurately characterize their sewer systems, to demonstrate implementation of the nine minimum controls, and to develop a long-term CSO control plan.... Implementation of the nine minimum controls with appropriate documentation should be completed as soon as practicable but no later than January 1, 1997.

Nine Minimum Controls (NMC)

The LTCP should integrate the NMC to achieve the requirements of CWA and CSO Control Policy. The NMC are measures that can reduce CSOs and their effects on receiving water quality, that do not require significant engineering studies or major construction, and that can be implemented in a relatively short period (e.g., less than two years). Implementation of the NMC was among the first steps a municipality was expected to take in response to the CSO Control Policy. The NMC are not temporary measures; they should be part of long-term efforts to control CSOs. It is expected that all municipalities have already implemented the NMC. These are presented in the figure below.

Nine Minimum Controls	
	Proper operation and regular maintenance programs for the sewer system and CSOs
	Maximum use of the collection system for storage
	Review and modification of pretreatment requirements to assure CSO impacts are minimized
	Maximization of flow to the POTW for treatment
	Prohibition of CSOs during dry weather
	Control of solids and floatable materials in CSOs
	Pollution prevention
	Public notification to ensure that the public receives adequate notification of CSO occurrences and CSO impacts
	Monitoring to effectively characterize CSO impacts and the efficacy of CSO controls

LTCP Elements

The CSO Control Policy (59 FR 18691.C) states that:

Permittees with CSOs are responsible for developing and implementing long-term CSO control plans that will ultimately result in compliance with the requirements of the CWA. The long-term plans should consider the site-specific nature of CSOs and evaluate the cost effectiveness of a range of control options/strategies.

CSO communities are generally expected to complete the development of an LTCP within two years of being required to do so by an NPDES permit or other enforceable mechanism. The CSO Control Policy lists the following nine elements that should be addressed, as appropriate, in an LTCP:

Characterization, Monitoring, and Modeling of the Combined Sewer System

The primary objective of system characterization is to develop a detailed understanding of the current conditions of the CSS and receiving waters. This assessment—a crucial part of the planning process—establishes a baseline and a foundation for determining receiving water goals and priorities and identifying specific CSO controls in the LTCP.

Throughout CSO planning, it is essential to have a well-developed monitoring and modeling plan that covers gathering useful monitoring data for system characterization, evaluating and choosing control alternatives, and post-construction compliance monitoring. The monitoring effort necessary will depend on a number of factors: the layout of the collection system; the quantity, quality, and variability of the existing historical data and the necessary additional data; whether modeling will be done and, if so, the complexity of the selected model; and the available budget. The monitoring program should span enough storm events to enable the permittee to fully understand the pollutant loads from CSOs, including the means and variations of pollutant concentrations and the resulting effects on receiving water quality.

In developing a monitoring and modeling plan, the permittee should consider up front whether to use modeling. The CSO Control Policy refers to modeling as a tool for characterizing a CSS and the impacts of CSOs on receiving waters. Although not every CSS needs to be analyzed using complex computer models, EPA anticipates that most permittees will need to perform some degree of modeling to support CSO control decisions.

Public Participation

Input from the public, obtained during the early phases of the planning process, will enable a municipality to better develop an outreach program that reaches a broad base of citizens. In addition to public meetings, municipalities can obtain input in a number of ways, including

telephone surveys, community leader interviews, and workshops. Each of these activities can give the municipality a better understanding of the public perspective on local water quality issues and sewer system problems, the amount of public concern about CSOs in particular, and public willingness to participate in efforts to eliminate CSOs.

Consideration of Sensitive Areas

Sensitive areas are defined in the CSO Control Policy (59 FR 18692.C.3). In accordance with the CSO Control Policy, the LTCP should give highest priority to prohibiting new or significantly increased overflows (treated or untreated) to designated sensitive areas. If physically possible and economically achievable, existing overflows to sensitive areas should be eliminated or relocated unless doing so creates more environmental impact than continued discharge (with additional treatment necessary to meet WQS) to the sensitive area.

Evaluation of Alternatives

EPA expects the long-term CSO control plan to consider a reasonable range of alternatives. The plan should, for example, evaluate controls that would be necessary to achieve zero overflow events per year and an average of one to three, four to seven, and eight to 12 overflow events per year. Alternatively, the long-term plan could evaluate controls that achieve 100 percent capture, 40 percent capture, 85 percent capture, 80 percent capture, and 75 percent capture for treatment.

The analysis of alternatives should be sufficient to make a reasonable assessment of cost and performance as described in the CSO Control Policy, Section II.C.5. Because the final long-term CSO control plan will become the basis for NPDES permit limits and requirements, the chosen controls should be sufficient to meet CWA requirements. The evaluation of CSO control alternatives can be complex, and no one methodology is appropriate for all CSO control programs.

Cost/Performance Considerations

Cost/performance analyses typically involve estimating costs for a range of control levels, then comparing performance versus cost and identifying the point of diminishing returns, referred to as the “knee” of the curve. For the development of alternatives, it is likely that more than one alternative will be identified to achieve each level of control. A simpler cost/performance approach might be appropriate to eliminate non-cost-effective alternatives. For example, a computation of capital cost per gallon controlled might provide a reasonable basis for screening certain alternatives. During the more detailed alternatives evaluation process, present worth costs, incorporating annual operations and maintenance (O&M) costs, would be developed for the remaining alternatives.

Operational Plan

Typically, each facility constructed as part of the LTCP will have its own O&M manual detailing its equipment and features, including operating instructions, troubleshooting guides, and safety considerations. If the LTCP features multiple facilities, however, a master operating strategy should be developed to optimize the operation of the various LTCP components. Optimization

might involve coordinating pump back timing, dynamic regulator operation, or other real-time operating strategies. Interim operating strategies might be required for phased projects and for construction-period operations and flow transitions. Maintenance programs should consider the unique operating conditions of CSO facilities, particularly with regard to schedules for inspecting and exercising idle equipment.

Maximizing Treatment at the Existing POTW Treatment Plant

This control measure involves maximizing the quantity of flow collected and treated, thereby minimizing overflows. It involves ongoing maintenance and inspection of the collection system, particularly flow regulators and tide gates. Minor modifications or repairs can sometimes result in significant increases in the volume of storm flow retained in the system. Strict adherence to a well-planned preventive maintenance program can be a key factor in controlling dry and wet weather overflows.

Implementation Schedule

The CSO Control Policy recommends a phased implementation schedule based on the relative importance of adverse impacts on WQS and designated uses. The municipality is expected to consider eliminating overflows that discharge to sensitive areas and cause use impairment. The CSO Policy also recommends considering financial capability in developing the implementation schedule. The municipality can consider the availability of grants and loans; previous and current residential, commercial, and industrial sewer user fees and rate structures; and other viable funding mechanisms. Other considerations include the need for pilot-scale testing, the time necessary for obtaining permits, and the need to observe timing constraints for obtaining funding (e.g., State Revolving Fund grant/loan application deadlines, local referenda). These considerations are incorporated into a schedule with start and finish dates for major tasks and milestones. The schedule should also include interim dates for reporting CSO control results and monitoring program results.

Post-Construction Compliance Monitoring Program

The selected CSO controls should include a post-construction water quality monitoring program adequate to verify compliance with WQS and protection of designated uses as well as to ascertain the effectiveness of CSO controls.

The municipality should conduct a monitoring program during and after LTCP implementation to help determine the effectiveness of the overall program in meeting CWA requirements and achieving local water quality goals. Monitoring during LTCP implementation should include data collection to measure the overall effects of the program on water quality and to determine the effectiveness of CSO controls. Because existing water quality conditions should have been determined during the planning process, receiving water quality will probably be well understood before LTCP implementation. A monitoring plan to assess water quality conditions during and after program implementation will allow municipalities to evaluate improvements through comparison to baseline conditions.

The CSO Control Policy (59 FR 18690.D) states:

At the discretion of the NPDES Authority, jurisdictions with populations under 75,000 may not need to complete each of the formal steps outlined in Section II.C. of this Policy, but should be required through their permits or other enforceable mechanisms to comply with the nine minimum controls (II.B), public participation (II.C.2), and sensitive areas (II.C.3) portions of this Policy.

Small CSO Communities

As EPA acknowledges in the CSO Control Policy (see the excerpt above), compliance with the scope of the LTCP may be difficult for some small CSO communities.

At a minimum, however, all small municipalities must continue to implement the NMCs. Further, municipalities should be required to develop LTCPs that will provide for the attainment of WQS and include the following elements, at the discretion of the NPDES Authority:



A municipality with a population less than 75,000 should consult with both the NPDES permitting authorities and WQS authorities to ensure that its LTCP addresses at least the elements noted above and it can show that the CSO control program will meet the objectives of the CWA. In addition, the municipality may propose to implement any of the criteria contained in the CSO Control Policy for alternatives evaluation.

For Additional Information

Contacts

Names and telephone numbers for the U.S. EPA's Office of Wastewater Management (Headquarters), each EPA regional office, and state contacts are listed at <https://www.epa.gov/npdes/contact-us-combined-sewer-overflows-csos>

Your NPDES Permitting Authority

Most states and U.S. territories are authorized to administer the NPDES Program, except the following, for which EPA is the permitting authority:

- American Samoa
- District of Columbia
- Guam
- Indian Tribes
- Johnston Atoll
- Massachusetts
- Midway and Wake Islands
- New Hampshire
- New Mexico
- Northern Mariana Islands
- Puerto Rico
- Trust Territories

Additional Resources

- [EPA's CSO website](#)
 - [CSO Control Policy](#)
 - [Combined Sewer Overflows: Guidance for Long-Term Control Plan](#)
 - [Combined Sewer Overflows: Guidance for Monitoring and Modeling](#)
 - [Combined Sewer Overflows: Guidance for Nine Minimum Controls](#)
 - [Combined Sewer Overflows: Guidance for Permit Writers](#)
 - [Coordinating CSO Long-Term Planning with Water Quality Standards Reviews](#)
 - [EPA's Wastewater Collection System Toolbox](#)
 - [Greening CSO Plans: Planning and Modeling Green Infrastructure for CSO Control](#)
 - [NPDES SSO Technical Reports and Materials](#)

Disclaimer: The statements in this document are intended solely as suggestions. This document is not intended, nor can it be relied on, to create any rights enforceable by any party in litigation with the United States. Long-term CSO control plans are site-specific in nature. EPA, state officials, and CSO permittees may decide to follow a suggestion provided in this document, or to act at variance with the suggestion, based on an analysis of site-specific circumstances.

Exhibit NAD-3
OCA 5-2 Attachment

Elizabeth Borough Municipal Authority Wastewater Customers

Wastewater

Rate Class	Average Usage	Average Monthly Bill at Elizabeth Borough Municipal Authority Rates at Closing	Potential Average Monthly Bill	Potential Increase
Residential	3,201 gal/month	\$60.61	\$106.61	\$46.00 or 75.9%
Commercial	22,094 gal/month	\$211.75	\$372.47	\$160.72 or 75.9%

PAWC Current Customers

Wastewater

Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 Rates	Average Monthly Bill at PAWC Zone 1 Rate Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,201 gal/month	\$109.55	\$110.43	\$0.88 or 0.8%
Commercial	22,094 gal/month	\$522.46	\$526.64	\$4.18 or 0.8%
Industrial	685,947 gal/month	\$15,117.93	\$15,238.87	\$120.94 or 0.8%

Water

Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 Rates	Average Monthly Bill at PAWC Zone 1 Rate Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,201 gal/month	\$78.89	\$79.05	\$0.16 or 0.2%
Commercial	22,094 gal/month	\$419.34	\$420.18	\$0.84 or 0.2%
Industrial	685,947 gal/month	\$8,863.12	\$8,880.85	\$17.73 or 0.2%

Pennsylvania American Water Company
Acquisition of Wastewater Assets of the Elizabeth Borough Municipal Authority
Docket No. A-2025-3052983

Elizabeth Borough Municipal Authority
Wastewater

PAWC - Wastewater

PAWC - Water

Residential		
	Rate per EDU	\$35.00
32.01	0.8000	25.61
		\$60.61

Zone 1 - Residential		
	Service Charge	\$15.00
32.01	2.9539	94.55
		\$109.55

Zone 1 - Residential		
5/8"	Service Charge	\$18.80
32.01	1.8772	60.09
		\$78.89

Rate Impact 75.9%
\$46.00

Rate Impact 0.8%
\$0.88

Rate Impact 0.2%
\$0.16

Total \$106.61

Total \$110.43

Total \$79.05

Commercial		
	Rate per EDU	\$35.00
220.94	0.8000	176.75
		\$211.75

Zone 1 - Commercial		
	Service Charge	\$36.70
220.94	2.1986	485.76
		\$522.46

Zone 1 - Commercial		
1"	Service Charge	\$48.40
160.00	1.8033	288.53
60.94	1.3523	82.41
220.94		
		\$419.34

Rate Impact 75.9%
\$160.72

Rate Impact 0.8%
\$4.18

Rate Impact 0.2%
\$0.84

Total \$372.47

Total \$526.64

Total \$420.18

Industrial		
	Rate per EDU	N/A

Zone 1 - Industrial		
	Service Charge	\$36.70
6,859.47	2.1986	15,081.23
		15,117.93

Zone 1 - Industrial		
2"	Service Charge	\$224.00
160.00	1.6720	267.52
5,840.00	1.2860	7,510.24
859.47	1.0022	861.36
6,000.00		
		8,863.12

Rate Impact N/A

Rate Impact 0.8%
\$120.94

Rate Impact 0.2%
\$17.73

Total

Total \$15,238.87

Total \$8,880.85

Pennsylvania American Water Company
Acquisition of Wastewater Assets of the Elizabeth Borough Municipal Authority
Docket No. A-2025-3052983

Estimated Rate Increase

Increase applied to Acquired System Customers	
Revenue Requirement Increase	\$ 1,386,419
Current Elizabeth Borough Municipal Authority Wastewater revenues	1,827,402
Estimated Increase to wastewater customers	75.9%

Amount of increase allocated to wastewater customers and applied to the combined revenues of all PAWC wastewater customers and acquired customers:	
Revenue Requirement Increase	\$ 1,386,419
PAWC Wastewater Revenues (R-2023-3043189 Proof of Revenues excl. Other Operating Revenues & Contract Sales)	174,906,969
Estimated Increase to wastewater customers	0.8%

Amount of increase allocated to water customers:	
Revenue Requirement Increase	\$ 1,386,419
PAWC Water Revenues (R-2023-3043189 Proof of Revenues excl. Other Operating Revenues & Contract Sales)	890,733,518
Estimated Increase to Water Customers	0.2%

Pennsylvania American Water Company
Acquisition of Wastewater Assets of the Elizabeth Borough Municipal Authority
Docket No. A-2025-3052983

Revenue Requirement Increase

Rate Base	\$ 22,100,000	Appendix A-11
Rate of Return %	7.15%	See Calculations
Rate of Return	<u>1,580,000</u>	
O&M	546,000	Appendix K
Taxes Other	52,788	Appendix K
Depreciation	619,033	Appendix K
Taxes	416,000	See Calculations
Revenue Requirement	<u>3,213,821</u>	
Elizabeth Borough Municipal Authority Wastewater Year-1 Revenues	1,827,402	Appendix K
Revenue Requirement Increase	1,386,419	

Pennsylvania American Water Company
Acquisition of Wastewater Assets of the Elizabeth Borough Municipal Authority
Docket No. A-2025-3052983

Income Tax Calculation

Revenue Requirement	
Rate Base	\$ 22,100,000
Pretax ROR %	9.03%
Pretax ROR	1,996,000
Plus: O&M Expense	546,000
Taxes Other	52,788
Depreciation	619,033
Total Revenue Requirement	<u>3,213,821</u>

Income Tax Calculation	
Revenues	\$ 3,213,821
Less: O&M Expense	546,000
Taxes Other	52,788
Depreciation	619,033
Interest	475,000
SIT Taxable Income	1,521,000
State Income Tax Rate	7.99%
State Income Tax	122,000
FIT Taxable Income	1,399,000
Federal Income Tax Rate	21.00%
Federal Income Tax	294,000
Total Income Taxes	<u>416,000</u>

Interest	
Rate Base	\$ 22,100,000
Weighted Cost of Debt (2.03% + 0.12%)	2.15%
	<u>\$ 475,000</u>

Wastewater	Capital Structure	Cost Rate	Weighted Cost	Revenue Multiplier	Revenue Requirement
Long-Term Debt	42.73%	4.76%	2.03%		2.03%
Wastewater Financing	4.40%	2.67%	0.12%		0.12%
Preferred Stock	0.00%	0.00%	0.00%	1.37574	0.00%
Common Equity	52.87%	9.45%	5.00%	1.37574	6.88%
			<u>7.15%</u>		<u>9.03%</u>

Capital Structure, Cost of Debt, and Cost of Equity are based on PAWC's last wastewater base rate case.
Docket No. R-2023-3043189, Order Entered July 22, 2024, page 200.
State Income Tax Rate of 7.99% in effect 1/1/2025

Revenue Multiplier

Statutory State Tax Rate	0.0799
Statutory Federal Tax Rate	0.21
1- State Tax Rate	0.9201
Fed Rate Times (1-State Tax Rate)	0.193221
Effective Tax Rate	0.273121
1-Eff Tax Rate	0.726879
Reciprocal	1.37574

Pennsylvania American Water Company
Acquisition of Wastewater Assets of the Elizabeth Borough Municipal Authority
Docket No. A-2025-3052983

Operating Revenue Assumptions

Service Charge	Customers	Units	Rate	Revenue
Residential	629	7,548	35.000	264,180
Commercial	68	816	35.000	28,560
Other Public Authority	3	36	35.000	1,260
Bulk Municipal	1,490	17,880	35.000	625,800
Bulk Municipal - Flat Rate	1	36	37.750	1,359
				921,159

Usage Charge	Customers	Units	Rate	Revenue
Residential	629	230,192	0.8000	184,154
Commercial	68	48,030	0.8000	38,424
Other Public Authority	3	1,122	0.8000	898
Bulk Municipal	3	853,460	0.8000	682,768
				906,244

Total Revenues				1,827,402
-----------------------	--	--	--	------------------

**Pennsylvania American Water Company
Acquisition of Wastewater Assets of the Elizabeth Borough Municipal Au
Docket No. A-2025-3052983**

O&M and General Tax Assumptions

Operating and Maintenance Expenses

Labor and Labor Related	\$223,000
Fuel & Power	45,000
Chemicals	38,000
Waste Disposal	76,000
Management Fees	2,000
Insurance Other Than Group	45,000
Maintenance	71,000
Customer Accounting	18,000
General Office Expense	6,000
Miscellaneous	22,000
Total O&M	\$546,000

General Taxes

Property Tax	\$27,000
Regulatory Assessment	12,834
Payroll Taxes	12,954
Total General Taxes	\$52,788

PENNSYLVANIA-AMERICAN WATER COMPANY
SUMMARY OF PROOF OF REVENUES
R-2023-3043189

	Water Operations	Wastewater SSS General Operations	CSS Wastewater Operations
Pro Forma Revenues Under Present Rates	\$820,869,547	\$94,672,721	\$78,636,216
Additional Revenue Requirement	\$64,799,685	\$24,226,880	\$10,302,448
Act 11 - Wastewater Allocation	23,321,384	(18,170,160)	(5,151,224)
Pro Forma Revenues Under Authorized Rates	<u>\$908,990,616</u>	<u>\$100,729,440</u>	<u>\$83,787,440</u>
Revenue Requirement Increase	\$64,799,685	\$24,226,880	\$10,302,448
Percentage Allocated to Water	67.54%		

	Water Operations	Wastewater SSS General Operations	CSS Wastewater Operations
Proof of Revenues			
Total Sales of Water	908,990,616	100,729,440	83,787,440
Other Operating Revenues	10,458,913	1,433,165	474,148
Less Contract Revenues	7,798,185	7,702,598	
Applicable Revenues	890,733,518	91,593,677	83,313,292
DIS Contracts	4,482,099		
DRS Contracts	3,316,086		
York Bulk WW	7,702,598		

**Total
Company**

\$994,178,484

99,329,013

0

\$1,093,507,497

\$99,329,013

**Total
Company**

1,093,507,496

12,366,226

15,500,783

1,065,640,487

Pennsylvania-American Water Company
Estimated Annual Revenues and Expenses of New Service Area
Year 1
(Dollars in thousands)

Appendix K

Operating Revenues	\$	1,827
Operating Expenses		
Operation and Maintenance		546
Depreciation and Amortization		618
General Taxes and Other		53
Total Operating Expenses		<u>1,217</u>
Operating income		610
Other Income/(Expenses)		
Other Income/(Expense), Net		-
Interest Expense, Net		(629)
Total Other Expenses		<u>(629)</u>
Income Before Income Taxes		(19)
Provision for Income Taxes		(5)
Net Income	\$	<u><u>(14)</u></u>

PENNSYLVANIA AMERICAN WATER COMPANY
CSS WASTEWATER OPERATIONS

TABLE 2. SUMMARY OF ESTIMATED SURVIVOR CURVE, ORIGINAL COST, BOOK DEPRECIATION RESERVE, AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO WASTEWATER PLANT AS OF JUNE 30, 2025

DEPRECIABLE GROUP (1)	SURVIVOR CURVE (2)	ORIGINAL COST AS OF JUNE 30, 2025 (3)	BOOK DEPRECIATION RESERVE (4)	FUTURE ACCRUALS (5)	CALCULATED ANNUAL ACCRUAL AMOUNT (6)	ACCRUAL RATE (7)=(6)/(3)	COMPOSITE REMAINING LIFE (8)	
DEPRECIABLE PLANT								
354.20	STRUCTURES AND IMPROVEMENTS - COLLECTION	45-R3	9,755,421.35	762,913	8,992,508	253,754	2.60	35.4
354.30	STRUCTURES AND IMPROVEMENTS - SPP	55-S0	21,053,791.97	8,184,256	12,869,536	413,563	1.96	31.1
354.40	STRUCTURES AND IMPROVEMENTS - TDP	55-S0	147,669,252.51	56,715,396	90,953,857	2,969,694	2.01	30.6
355.00	POWER GENERATING EQUIPMENT	35-S0.5	5,259,130.23	357,652	4,901,478	210,757	4.01	23.3
360.10	COLLECTION SEWERS - FORCE MAINS	75-R3	24,889,714.44	62,109	24,827,605	398,457	1.60	62.3
361.10	COLLECTION SEWERS - GRAVITY MAINS	80-R2.5	419,036,884.06	155,183,595	263,853,289	5,794,665	1.38	45.5
361.20	MANHOLES	50-S2.5	59,326,868.83	19,268,258	40,058,611	1,402,469	2.36	28.6
363.00	SERVICES	47-R3	18,076,021.84	5,203,897	12,872,125	507,622	2.81	25.4
364.00	FLOW MEASURING DEVICES	15-L2.5	2,099,193.73	1,083,679	1,015,515	155,103	7.39	6.5
371.00	PUMPING EQUIPMENT	30-S0.5	18,041,430.43	5,448,964	12,592,466	720,875	4.00	17.5
380.00	TREATMENT EQUIPMENT	35-S1.5	88,898,702.45	31,061,063	57,837,639	2,942,431	3.31	19.7
381.00	PLANT SEWERS	50-R3	1,576,345.41	863,615	712,730	30,852	1.96	23.1
382.00	OUTFALL SEWER LINES	50-R3	189,250.37	58,189	131,061	3,487	1.84	37.6
389.10	OTHER PLANT AND MISCELLANEOUS EQUIPMENT - INTANGIBLES	20-S2.5	10,740,054.36	3,831,745	6,908,309	619,092	5.76	11.2
390.00	OFFICE FURNITURE AND EQUIPMENT	20-SQ	3,347,253.97	721,775	2,625,479	179,922	5.38	14.6
391.00	TRANSPORTATION EQUIPMENT	14-L4	8,379,886.54	4,855,626	3,524,261	509,477	6.08	6.9
392.00	STORES EQUIPMENT	25-SQ	106,844.28	20,471	86,373	4,358	4.08	19.8
393.00	TOOLS, SHOP AND GARAGE EQUIPMENT	20-SQ	3,524,789.98	654,201	2,870,589	174,754	4.96	16.4
394.00	LABORATORY EQUIPMENT	15-SQ	1,401,650.48	353,232	1,048,418	90,689	6.47	11.6
395.00	POWER OPERATED EQUIPMENT	22-R2	1,909,398.22	1,106,103	803,295	68,230	3.57	11.8
396.00	COMMUNICATION EQUIPMENT	15-SQ	2,903,863.89	1,230,716	1,673,148	195,723	6.74	8.5
397.00	MISCELLANEOUS EQUIPMENT	15-SQ	3,197,757.35	843,210	2,354,547	217,215	6.79	10.8
TOTAL DEPRECIABLE PLANT			851,383,506.69	297,870,665	553,512,839	17,863,189	2.10	
NONDEPRECIABLE PLANT								
353.20	LAND AND LAND RIGHTS - COLLECTION		3,161,743.45					
353.30	LAND AND LAND RIGHTS - SPP		1,153,570.00					
353.40	LAND AND LAND RIGHTS - TDP		148,041.59					
TOTAL NONDEPRECIABLE PLANT			4,463,355.04					
AMORTIZATION OF NET SALVAGE						2,718,072		
TOTAL UTILITY PLANT			855,846,861.73	297,870,665	553,512,839	20,581,261		

Exhibit NAD-4

PAWC Letter to Commission regarding
Elizabeth Borough Municipal Authority
Rate Impact Notice, dated March 21, 2025



Teresa K. Harrold
Director, Corporate Counsel
852 Wesley Drive | Mechanicsburg, PA 17055
Phone: 717-550-1562 | Fax: 717-550-1255
teresa.harrold@amwater.com

VIA eFiling

March 21, 2025

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

In re: Application of Pennsylvania-American Water Company under Sections 1102(a) and 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S. §§ 1102(a) and 1329, for approval of (1) the transfer, by sale, to Pennsylvania-American Water Company, of substantially all of the assets, properties and rights related to the wastewater treatment plant and collection system owned and operated by the Elizabeth Borough Municipal Authority, and (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in the Borough of Elizabeth, Allegheny County, Pennsylvania

Docket No: A-2025-3052983

Dear Secretary Chiavetta:

In response to the Secretarial Letter dated March 6, 2025 ("Secretarial Letter") issued in the above-referenced case, Pennsylvania-American Water Company ("Company") is informing the Pennsylvania Public Utility Commission that distribution of the enclosed rate impact notice began on March 17, 2025, to the Company's current customer base.

Additionally, concurrent rate impact notices are scheduled to be mailed to Elizabeth Borough Municipal Authority's customers on approximately March 25, 2025.

Once the conditions established within the Secretarial Letter have been met, the Company will file with the Commission a verification letter and proof of publication indicating satisfaction with the required notifications.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Teresa K. Harrold".

Teresa K. Harrold

Enclosure

cc. OCA: Christy M. Appleby, Esq. and Katie M. Kennedy, Esq. w/Enc. **VIA** Email
OSBA: Steven C. Gray, Esq. and Rebecca Lyttle, Esq. w/ Enc. **VIA** Email
BIE: Michael A. Podskoch, Jr., Esq. w/Enc. **VIA** Email

NOTICE OF PROPOSED WASTEWATER ACQUISITION AND RATE BASE ADDITION (Docket No. A-2025-3052983)



Dear Customer:

On March 7, 2025, the Pennsylvania Public Utility Commission ("PUC") conditionally accepted for filing the application of Pennsylvania-American Water Co. ("Pennsylvania-American" or "PAWC") for approval to acquire the wastewater system assets owned and operated by Elizabeth Borough Municipal Authority ("EBMA"). EBMA serves approximately 2,200 customers in Allegheny County. Pennsylvania-American's application also requests that the PUC authorize an addition of \$28 million to Pennsylvania-American's rate base pursuant to 66 Pa. C.S. § 1329. A utility's rate base is the value of property used by the utility to provide service to its customers and is one of many components used to establish customer rates.

PAWC periodically makes applications to the PUC for newly acquired systems which requires PAWC to send these types of notices. This notice is specific to the EBMA acquisition. PAWC is not requesting a rate increase in this acquisition proceeding. Accordingly, this acquisition will not immediately, but may in the future, affect water and/or wastewater bills of Pennsylvania-American customers, including new EBMA wastewater customers. Your current rates will not change as a result of this acquisition until the conclusion of Pennsylvania-American's first base rate case where Pennsylvania-American requests and receives PUC approval to increase its rates. At that time, based on a preliminary analysis of the potential rate impacts, PAWC estimates that the rates of the average customer could increase. The amount of the increase will be determined in PAWC's next base rate case and will be dependent on how the PUC chooses to apportion the increase among PAWC's acquired and existing customers. The tables below present non-binding, estimated incremental rate effects of the proposed rate base addition on PAWC's existing water and wastewater customers.

PAWC WATER			
Rate Class	Average Usage	Estimated Monthly Increase	Estimated Percentage Increase
Residential	3,201 gallons/month	\$0.16	0.2%
Commercial	22,094 gallons/month	\$0.84	0.2%
Industrial	685,947 gallons/month	\$17.73	0.2%

PAWC WASTEWATER			
Rate Class	Average Usage	Estimated Monthly Increase	Estimated Percentage Increase
Residential	3,201 gallons/month	\$1.21	1.1%
Commercial	22,094 gallons/month	\$5.75	1.1%
Industrial	685,947 gallons/month	\$166.30	1.1%

These amounts could change and will depend on how the PUC chooses to apportion any increase among different types of utility service, rate zones and classes of customers. For Pennsylvania-American customers in a rate zone other than Rate Zone 1, the potential rate impact could vary from the chart above.

PUC ROLE

The state agency that approves acquisitions and rates for regulated public utilities is the PUC. The PUC will review and investigate the proposed acquisition. After examining the evidence, the PUC may approve, modify or deny the acquisition and may approve, modify or deny the requested addition to rate base.

ACTIONS YOU CAN TAKE

You can support or challenge Pennsylvania-American's request by:

- 1. Sending a letter to the PUC.** You can tell the PUC why you support or object to the application in your letter. This information can be helpful when the PUC investigates the application. Send your letter to the Pennsylvania Public Utility Commission, Post Office Box 3265, Harrisburg, PA 17105-3265.
- 2. Attending or presenting testimony at a PUC public input hearing.** You can attend or be a witness at a PUC public input hearing. The PUC holds public input hearings if it opens an investigation of Pennsylvania-American's transaction and if there is enough interest in the case. At these hearings, you can present your views in person to the PUC judge and to company

representatives. Testimony under oath becomes part of the application case record. The PUC holds these hearings in the service area of the company. For more information, call the PUC at 1-800-692-7380.

- 3. Filing a protest or a petition to intervene.** If you want to be a party to the case, you must file a protest or a petition to intervene. You then have an opportunity to take part in all the hearings about the proposed acquisition. You can receive copies of all materials distributed by the other parties. Protests and petitions to intervene must be filed in accordance with 52 Pa. Code (relating to public utilities) on or before June 3, 2025. Filings must be made with the Secretary of the Pennsylvania Public Utility Commission at P.O. Box 3265, Harrisburg, PA 17105-3265, with a copy served on Pennsylvania-American's counsel at:

David P. Zambito, Esq.
Cozen O'Connor
17 North Second Street, Suite 1410
Harrisburg, PA 17101

The documents filed in support of the application are available on the PUC's website at www.puc.pa.gov, and for inspection and copying at the Office of the Secretary of the PUC between 8 a.m. and 4:30 p.m., Monday through Friday, and at Pennsylvania-American's offices at 852 Wesley Drive, Mechanicsburg, PA 17055. The PUC docket number is A-2025-3052983. For more information, you may contact the PUC's Bureau of Consumer Services at 1-800-692-7380.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In re: Application of Pennsylvania- :
American Water Company under : Docket No. A-2025-3052983
Sections 1102(a) and 1329 of the :
Pennsylvania Public Utility Code, 66 Pa :
C.S. § § 1102(a) and 1329, for approval :
of (1) the transfer, by sale, to :
Pennsylvania-American Water Company, :
of substantially all of the assets, :
properties and rights related to the :
wastewater treatment plant and collection :
system owned and operated by the :
Elizabeth Borough Municipal Authority, :
(2) the rights of Pennsylvania- American :
Water Company to begin to offer or :
furnish wastewater service to the public :
in the Borough of Elizabeth, and portions :
of the Borough of Lincoln, and the :
Townships of Elizabeth and Forward, in :
Allegheny County, Pennsylvania :

VERIFICATION

I, Nicholas A. DeMarco, hereby state that the facts above set forth in my Direct Testimony, OCA Statement 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 herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: June 3, 2025

Signature: /s/Nicholas A. DeMarco
Nicholas A. DeMarco

Address: Office of Consumer Advocate
555 Walnut Street
Fifth Floor, Forum Place
Harrisburg, PA 17101

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
 : Docket No. A-2025-3052983
v. :
 :
 :
Application of Pennsylvania-American :
Water Company under Sections 1102(a) and :
1329 of the Pennsylvania Public Utility :
Code, 66 Pa C.S. § § 1102(a) and 1329, for :
approval of (1) the transfer, by sale, to :
Pennsylvania-American Water Company, of :
substantially all of the assets, properties and :
rights related to the wastewater treatment :
plant and collection system owned and :
operated by the Elizabeth Borough :
Municipal Authority, (2) the rights of :
Pennsylvania-American Water Company to :
begin to offer or furnish wastewater service :
to the public in the Borough of Elizabeth, and :
portions of the Borough of Lincoln, and the :
Townships of Elizabeth and Forward, in :
Allegheny County, Pennsylvania

SURREBUTTAL TESTIMONY

OF

Nichoals A. DeMarco

On behalf of the

PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

Date Served: June 12, 2025

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Introduction

Q. Please state your name and business address.

A. My name is Nicholas Anthony DeMarco. My business address is 555 Walnut Street, Forum Place, 5th Floor, Harrisburg, Pennsylvania 17101. I am currently employed as a Regulatory Analyst by the Pennsylvania Office of Consumer Advocate (OCA).

Q. On whose behalf are you testifying in this proceeding?

A. I am testifying on behalf of the OCA.

Q. Have you previously provided testimony in this case?

A. Yes, I provided direct testimony in this case that was served on May 28, 2025.

Q. Have you prepared Exhibits to accompany your testimony?

A. Yes. Exhibit NAD-SR-1 is a short summary of the concerns of the citizens who testified at the public input hearing held on Jun 5, 2025.

Purpose of Surrebuttal Testimony

Q. What is the purpose of your surrebuttal testimony in this case?

A. The purpose of my surrebuttal in this case is to discuss the public input hearing testimony of the citizens who testified at the hearing on Jun 5, 2025. I will also be responding to the rebuttal testimony of Pennsylvania American Water’s (PAWC) witnesses Marcus Khol, Daniel Hufton, and Stacy Gress, along with the rebuttal testimony of Timothy Guffey of the Elizabeth Borough Municipal Authority (EBMA).

Public Input Hearing

Q. Was a public input hearing held to address the concerns of citizens related to the Asset Purchase Agreement (APA) and the sale of the EBMA system?

A. Yes. A telephonic public input hearing was held on Jun 5, 2025.

1 **Q. Did you attend the telephonic Public Input Hearing and review the transcript of the**
2 **public input hearing held on June 5, 2025?**

3 A. Yes, I called in to listen to the Public Input Hearing and reviewed the transcript that was
4 served on Monday, June 10, 2025.

5 **Q. How many customers testified on the record during the PIH?**

6 A. Eight people testified during the public input hearing. One person, Amy Cline, was not a
7 customer but testified as a concerned citizen. She is a newly elected supervisor of the
8 neighboring Forward Township but did not testify in that capacity. Mayor of Elizebeth
9 Borough, Barry Boucher, and Borough Manager, Scott Craighead, testified in favor of the
10 sale.

11 **Q. Please summarize the concerns raised by those who testified during the hearing.**

12 A. Of those who testified during the hearing 6 citizens opposed the sale or application for
13 the following reasons: concerns regarding the impact of higher rates especially those on
14 fixed incomes, concerns about lack of transparency around the negotiations of the sale
15 and the asset purchase agreement, concerns regarding a lack of prompt and appropriate
16 notification of consumers especially those who do not live in the Borough itself or of an
17 older age, and concerns regarding a for profit entity owning and operating the system.

18 **Summary of Direct Testimony**

19 **Q. Please summarize your direct testimony.**

20 A. In my direct testimony, OCA Statement No.1, I provided an analysis of whether the
21 proposed acquisition of the EBMA system at a purchase price of \$28 million would
22 provide substantial affirmative public benefits. I concluded that the adoption of my
23 recommendations, including an adjusted and recommended purchase price of \$22.1, as

1 recommended by OCA witness Garrett, could help to provide public benefit in this
2 transaction.

3 **Response to PAWC and EBMA Testimony**

4 **Mr. Khol**

5 **Q. Does Mr. Khol address your thoughts and concerns regarding the speculative**
6 **nature of the benefits of regionalization and the consolidation aspect of this**
7 **transaction with regards to its location near PAWC’s McKeesport facility?**

8 A. Yes.¹ Mr. Khol and I agree that the vicinity of the EBMA to McKeesport will allow for
9 the two systems to share staff and equipment. However, we seem to view the weight that
10 should be given to any other speculative and aspirational benefits of PAWC’s purchase of
11 EBMA differently, specifically, the aspirational and speculative benefits of
12 interconnecting the two systems. As I state in my direct testimony, PAWC, as of the time
13 of this writing, has no solid plan to purchase the system or systems necessary to connect
14 EBMA with their McKeesport facility. Mr. Khol rebuts my concern that ratepayers will
15 see diminishing returns on investment if the fully upgraded EBMA system were to be
16 connected to PAWC’s McKeesport facility. However, the benefits he discusses should be
17 treated as speculative and aspirational.

18 **Q. Does Mr. Khol address your concern related to the easements?**

19 A. Yes.² Mr. Khol states that under the APA, PAWC will own all of the easements after
20 closing. If PAWC will own all of the easements *immediately* after closing then I have no
21 concerns. If all of the easements after closing are not *immediately* owned by PAWC, then
22 I continue to recommend that PAWC should not be permitted to include the Elizabeth

¹ PAWC Statement R-1 pg. 4-6 ln. 17-2.

² PAWC Statement R-1 pg. 6-8 ln. 5-10.

1 Borough assets into its rate base until it acquires all outstanding easements as ratepayers
 2 would be in the position of paying for assets, including a return on such assets, that
 3 PAWC does not actually own and this result is not in the public interest. Additionally,
 4 having the land rights to all parts of the system is important and critical in the event
 5 maintenance is required, or an emergency occurs. This allows the operating utility to
 6 provide the necessary service in a timely manner without risking the health or safety of
 7 its customers or the system. Closing without all easements could put PAWC in a position
 8 in which they are unable to access critical parts of the system, not having legal access to
 9 facilities can serve as barrier to providing reasonable or safe service. PAWC should be
 10 required to acquire all easements as a condition of closing the transaction to prevent this
 11 outcome. This is something that is not addressed by Mr. Khol’s rebuttal testimony.

12 **Q. Mr. Khol states that two of my recommendations regarding easements should be**
 13 **rejected as I do not provide evidence in the text of my direct testimony and should**
 14 **be rejected on the merits as well.**

15 A. First I will address Mr. Khol’s regarding my easement recommendation that:

16 “Closing of the transaction shall not be permitted to occur until PAWC has
 17 (1) identified all missing easements including public rights-of-way and
 18 other property rights and (2) taken any and all necessary actions to obtain
 19 any missing easements and other property rights so they can be conveyed at
 20 closing.”³

21 Mr. Khol believes that this could delay the transaction indefinitely on a transaction that
 22 benefits this public. As I state in my direct testimony:

23 “Having the land rights to all parts of the system is important and critical in
 24 the event maintenance is required, or an emergency occurs. This allows the

³ OCA Statement 1 pg. 30 ln. 21-24.

1 operating utility to provide the necessary service in a timely manner without
2 risking the health or safety of its customers or the system.”⁴

3 This transaction will not promote affirmative public benefit if PAWC is unable to
4 perform routine maintenance or respond to emergencies. Once all easements are obtained
5 in this transaction PAWC will be able to perform routine maintenance or respond to
6 emergencies without issue. In my direct testimony I provide an analysis as to whether or
7 not this transaction would provide substantial affirmative public benefit. So, the claim of
8 Mr. Khol that there is no foundation for this recommendation in my direct testimony and
9 that there is no merit to this recommendation is false.

10 The other recommendation Mr. Khol takes issue with is that PAWC should not be
11 permitted to recover in rates any costs for obtaining and conveying any missing
12 easements. He says that this recommendation is unnecessary as the APA covers this issue
13 with the escrow fund. He then states that if the escrow account were to have insufficient
14 funds to cover the costs of all missing easements it would be up to the Commission to
15 decide whether or not to allow PAWC to recover these costs in a base rate proceeding
16 and that the Commission should not address this hypothetical in this case. I do not believe
17 that this is a hypothetical issue. The point of my testimony in this case is to provide an
18 analysis of whether the acquisition would provide substantial affirmative public benefits.
19 It is not fair to ratepayers that all possible known costs of the transaction and possible rate
20 impacts be put off until a later date.

⁴ OCA Statement 1 pg. 29 ln 11-15.

1 **Mr. Hufton and Mr. Guffey**

2 **Q. Do Mr. Hufton and Mr. Guffey address your testimony related to the Authority's**
3 **ability to complete the LTCP improvements and upgrades?**

4 A. Yes.^{5,6} In my direct testimony I state that it seemed that the only issue pertaining to
5 EBMA's inability to complete the LTCP was funding. However, after reviewing the
6 rebuttal of Mr. Hufton and Mr. Guffey along with listening to the public input hearing
7 testimony provided by Mayor Barry Boucher⁷ and Borough Manager Scott Craighead,⁸ I
8 believe that EBMA lacks the technical fitness to complete the LTCP on its own.

9 **Q. Why do you now believe that EBMA lacks the technical fitness to complete the**
10 **LTCP?**

11 A. The testimony presented by the witnesses shows that even if EBMA had the funding to
12 implement the LTCP plan they would not have the necessary technical expertise on staff
13 to adequately run and maintain the system. If EBMA had even more funding available
14 consideration could be given to hiring additional contractors but that is not an option in
15 this case.

16 **Q. Does Mr. Hufton address your testimony on the Screen Unit?**

17 A. Yes. Mr. Hufton's rebuttal provides an additional level of clarity to the issue which was
18 missing from PAWC in direct testimony and addressed in my direct testimony.⁹

19 **Q. Has your position on the Screen Unit changed as a result of the rebuttal testimony?**

20 A. No, my position on the Screen Unit has not changed as a result of the rebuttal.

⁵ PAWC Statement R-2 pg. 2-6 ln. 1-16.

⁶ EBMA Statement R-1 pg. 2-3 ln. 17-21.

⁷ Mayor Barry Boucher Tr 44-50.

⁸ Scott Craighead – Tr 136-143.

⁹ PAWC Statement R-2 pg. 6-7 ln. 17-19.

1 **Ms. Gress**

2 **Q. Does Ms. Gress comment on your recommendation regarding PAWC's DSIC and**
3 **LTIPP?**

4 A. Yes.¹⁰ Ms. Gress states that PAWC does not agree with the recommendation made by
5 myself or I&E witness Cline's reformations regarding the DSIC or LTIPP. She states that
6 there are many factors to consider when choosing to modify an LTIPP and that EBMA
7 represents less than 3% of its wastewater customers and less than 1% of its water
8 customers.

9 **Q. What is your response to the Company's rejection of these recommendations?**

10 A. I continue to recommend an update to the LTIPP within 90 days of closing on this
11 acquisition, if approved by the Commission. Ms. Gress disagrees due to the many factors
12 involved in modifying an LTIPP and that EBMA represents less than 3% of its
13 wastewater customers and less than 1% of its water customers. PAWC should be more
14 than capable of adjusting its LTIPP so that customers are treated fairly no matter how
15 small a portion of their total customer population is affected.
16 Additionally, Section 1329 permits a DSIC to be charged to the acquired customers even
17 while the customers' other rates are held to the current level at closing. To effectuate that
18 portion of Section 1329, PAWC needs to file an amended LTIIIP to include the EBMA
19 customers and projects that are related to their service and DSIC eligible. If PAWC did
20 that, without impacting existing DSIC commitments, it would be one way that the EBMA
21 customers would contribute towards the cost to serve them until the next rate case in
22 which they would be included in rates.

¹⁰ PAWC Statement R-3 pg. 2 ln. 4-20.

1 **Q. Does Ms. Gress clarify PAWC’s position on rate impacts and ratemaking rate base**
2 **related to your recommendations?**

3 A. Yes. Ms. Gress states the following:

4 “To be clear, PAWC seeks to record the System on its books at a net
5 asset value equal to the amount that the Commission approves for inclusion
6 in ratemaking rate base; provided that the approved amount is reasonable and
7 PAWC elects to move forward with the transaction in light of the approved
8 amount.”¹¹
9

10 **Q. How does Ms. Gress respond to your recommendation regarding the transaction**
11 **and closing costs?**

12 A. She states that PAWC does not object to my recommendation and will separately identify
13 estimated costs, including legal expenses, included in its claim for transaction and closing
14 costs.¹²

15 **Q. How does Ms. Gress respond to your recommendation that the Company provide a**
16 **Cost of Service Study (COSS) for the System in the next base rate case?**

17 A. Ms. Gress states that the Company will provide a separate COSS for the System in the
18 next base rate case in a similar manner as it has in its previous base rate case.¹³

19 **Q. Does Ms. Gress address your concerns and recommendation regarding PAWC’s**
20 **low-income program notification and customer education?**

21 A. Yes.¹⁴ Ms. Gress outlines that PAWC existing outreach plan and schedule to notify low-
22 income customers alleviates my concerns at the moment.

¹¹ PAWC Statement R-3 pg. 3 ln. 19-22.

¹² PAWC Statement R-3 pg. 4 ln. 3-12.

¹³ PAWC Statement R-3 pg. 4-5 ln. 21-2.

¹⁴ PAWC Statement R-3 pg. 5 ln. 15-3.

1 **Q. Does Ms. Gress take issue with your recommendation that PAWC report to the**
 2 **Commission every six months with EBMA participation in PAWC’s low-income**
 3 **program.**

4 A. Yes.¹⁵ Ms. Gress says that I do not explain the purpose of this recommendation. I would
 5 like to restate my recommendation from my direct testimony where I say:

6 “Unless Elizabeth Borough customers know about and enroll in PAWC’s low-income
 7 programs, the existence of PAWC’s low-income programs will not provide any benefit.”

8 PAWC’s low-income program will be a benefit to those customers who qualify but
 9 specifically to those who qualify and apply. Ensuring that acquired customers are made
 10 aware of the existence of PAWC’s low-income program is important so that these
 11 customers have access to discounted rates or the Hardship Fund. Tracking the number of
 12 acquired customers will help to show whether or not customers who have been acquired
 13 due to an acquisition are participating in these programs. This is why I recommend that
 14 PAWC track the number of customers from this transaction who sign-up for their low-
 15 income program. This can only be considered a benefit if customers are aware and
 16 actually sign up for the program.

17 **Q. Does Ms. Gress address your recommendation regarding customer notices related**
 18 **to estimated customer usage.**

19 A. Yes.¹⁶ Ms. Gress took issue with my recommendation that customers be notified at a rate
 20 impact of 5,000 and 10,000 gallons per month. Citing that these usage levels are
 21 arbitrary, that customers can calculate these changes themselves, and that providing
 22 additional impact estimates would cause confusion to customers.

¹⁵ PAWC Statement R-3 pg. 6 ln. 5-19.
¹⁶ PAWC Statement R-3 pg. 6-8 ln. 20-11.

1 **Q. Do you have any comments.**

2 A. Yes. This usage level is not arbitrary. As I cited in my direct testimony, the usage levels
3 are based upon the comprehensive study conducted by Pennsylvania State University¹⁷
4 showing what an average household's actual water usage is. Since PAWC generally bills
5 wastewater customers by their water usage, this is far from arbitrary. She also does not
6 explain why PAWC's "average" bills are so far from the average usage estimated in the
7 study. Customers should not have to do math to estimate their possible future bill.

8 Additionally, including the DSIC cost on a customer notification shows a more accurate
9 representation of a what a customer can expect to be billed for under PAWC ownership.

10 In response to the comment that notifying customers at multiple rates as too complicated
11 or possibly confusing for customers, PAWC is a large enough and capable enough
12 Company that relaying information simply to its customers should not be a burdensome
13 task to undertake. The alternative is to require customers with 5,000 or 10,000 gallons of
14 usage to complete those calculations.

15 **Q. Does Ms. Gress address your recommendation regarding PAWC donating to their
16 Hardship Fund?**

17 A. Yes.¹⁸ Ms. Gress states that the Company disagrees with this recommendation for two
18 reasons. One, being that the Company already donates a minimum of \$1.45 million to its
19 hardship fund annually. Two, PAWC's hardship fund is administered by Dollar Energy
20 Fund, which is a 501(c)(3) organization. Factually, while Dollar Energy Fund is a
21 501(c)(3) organization, Dollar Energy is the administrator of the Hardship Fund. The
22 dollars are not a charitable contribution to the Dollar Energy Fund. Instead, they are

¹⁷ <https://extension.psu.edu/water-system-planning-estimating-water-needs>

¹⁸ PAWC Statement R-3 pg. 9-10 ln. 2-5.

1 funds directly to benefit PAWC's customers, and Dollar Energy is paid as the
2 administrator to disperse the funds to those customers. According to Ms. Gress's counsel,
3 this creates legal issues. The claimed legal issues pertaining to the recommended
4 donation will be addressed by OCA attorneys.

5 **Q. Do you have any comments regarding the claimed arbitrary nature of your**
6 **recommended donation?**

7 A. Yes. Despite PAWC voluntarily donating a large amount of to its hardship fund, the
8 reality is that the cost of the acquisition will increase rates for EBMA's customers and
9 PAWC's existing customers. As a result, both EBMA's and PAWC's customers will
10 have a greater need for PAWC's Hardship Fund. Moreover, access to the Hardship Fund
11 a claimed benefit of the acquisition and of being a PAWC customer. The Hardship Fund
12 should increase with PAWC rates and size. As PAWC increases its customer base and
13 cost of service due to acquisitions so should it increase its donations in relation to
14 acquisitions. The "arbitrary" amount that I chose to use to establish an appropriate
15 donation is a relatively small amount in relation to the total purchase price and cost to
16 upgrade the system. This number should not be considered arbitrary as it seeks to balance
17 the needs of customers who rely or may need to rely on the Company's Hardship fund
18 with the cost of the Company's expansion.

19 **Conclusion**

20 **Q. Does this conclude your surrebuttal testimony?**

21 A. Yes, it does. However, I reserve the right to supplement my testimony as additional
22 issues and facts arise during the course of the proceeding.

Exhibit NAD-SR-1
Summary of Witness Testimony

Summary of Witness Testimony EBMA 1329 PIH

Those who testified in favor of the sale and or APA

Mayor Barry Boucher Tr 44-50 – Testified as Mayor of Elizabeth Borough – the system is in debt, was developed when the surrounding area had smaller population, issues keeping up with environmental compliance.

Scott Craighead – Tr 136-143 - Testified as the Elizabeth Borough Manager – does not think that the Borough can manage the system nor keep up with environmental compliance, believes it is the financially responsible thing to do.

Those who testified against the sale or APA

Amy Cline Tr- 51-65 – testified as a concerned citizen – against the sale

Michael Downden – Tr 66-71 - Testified as an EBMA customer – against the sale.

Sherry Fisher – Tr 72-78 – Testified as an EBMA customer – detrimental to the Mon Valley.

Joseph DeChicchis – Tr 79-127 - Testified as an EBMA and PAWC customer – the APA presented to PUC should be not approved at this time. Additionally submitted 6 exhibits.

Bonnie Pollock – Tr 128-131 – Testified as an EBMA customer – Sale should be delayed.

Scott Benack – Tr 132-135 - Testified as an EBMA customer – against the sale.

Those who testified concerned with the potential rate impact

Michael Downden – Tr 66-71 - Testified as an EBMA customer – PAWC's rates never go down but the cost of the Long Term Control Plan for EBMA could be a surcharge which could be discarded once the project is completed.

Sherry Fisher – Tr 72-78 – Testified as an EBMA customer – concerned about rates increasing as she is on a fixed income.

Joseph DeChicchis – Tr 79-127 - Testified as an EBMA and PAWC customer – concerned about rate increases for himself and his business.

Those who testified concerned with the transparency of the APA and sale

Amy Cline Tr- 51-65 – testified as a concerned citizen – There should have been at least two public input hearings on this matter.

Michael Downden – Tr 66-71 - Testified as an EBMA customer – submitting a formal complaint is too burdensome.

Sherry Fisher – Tr 72-78 – Testified as an EBMA customer – Not enough information was given to ratepayers about the sale. The Appendices should not have been confidential.

Joseph DeChicchis – Tr 79-127 - Testified as an EBMA and PAWC customer – Upset nobody had the 1950s foundational document, appendices should not be confidential, the public has not been privy to discovery or testimony, schedule is too fast.

Bonnie Pollock – Tr 128-131 – Testified as an EBMA customer – Greatly opposed to the accelerated schedule of the sale. PAWC attorney should be ordered to disclose the confidential documents.

Scott Benack – Tr 132-135 - Testified as an EBMA customer – Need more public hearings

Those who testified with concerns regarding the way in which customers were notified of the transaction

Amy Cline Tr- 51-65 – testified as a concerned citizen – Many citizens of Forward Township could not show up. She had to receive notification of this sale and this meeting through another person. Nobody from Forward Township is on the EBMA Board and therefore is not represented. Additionally, notice was published in the Pittsburg Post Gazette which she estimated has 25% readership in the area as opposed to the local Mon Valley paper.

Michael Downden – Tr 66-71 - Testified as an EBMA customer – upset he did not receive a letter regarding the sale until the end of March 2025.

Sherry Fisher – Tr 72-78 – Testified as an EBMA customer – the notice period was too short and did not leave customers with enough time to comment.

Joseph DeChicchis – Tr 79-127 - Testified as an EBMA and PAWC customer – concerned that nobody from Lincoln Township was at the meeting

Bonnie Pollock – Tr 128-131 – Testified as an EBMA customer – A lot of the residents were not aware of this sale.

Scott Benack – Tr 132-135 - Testified as an EBMA customer – The majority of people in Forward did not know about this sale

Those who testified with concerns regarding the selling of the assets to an Investor Owned Utility (IOU)

Michael Downden – Tr 66-71 - Testified as an EBMA customer – concerned that BlackRock and Vanguard have too high of stake in all of his utilities if sold to PAWC. PAWC has a duty to its shareholders rather than its community.

Joseph DeChicchis – Tr 79-127 - Testified as an EBMA and PAWC customer – PAWC is beholden to its shareholders rather than its community.

Bonnie Pollock – Tr 128-131 – Testified as an EBMA customer – Should not be sold to a public utility company

Who does the system belong to or who should receive the proceeds of the sale

Sherry Fisher – Tr 72-78 – Testified as an EBMA customer – believe that the customers own the system and should receive the proceeds of the sale.

Joseph DeChicchis – Tr 79-127 - Testified as an EBMA and PAWC customer – stated that the 1950 founding document is missing and that this document would help determine who should make the decision to sell the system and who the proceeds of the sale would go to.

Bonnie Pollock – Tr 128-131 – Testified as an EBMA customer – EBMA is owned by the ratepayers.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In re: Application of Pennsylvania- :
American Water Company under : Docket No. A-2025-3052983
Sections 1102(a) and 1329 of the :
Pennsylvania Public Utility Code, 66 Pa :
C.S. § § 1102(a) and 1329, for approval :
of (1) the transfer, by sale, to :
Pennsylvania-American Water Company, :
of substantially all of the assets, :
properties and rights related to the :
wastewater treatment plant and collection :
system owned and operated by the :
Elizabeth Borough Municipal Authority, :
(2) the rights of Pennsylvania- American :
Water Company to begin to offer or :
furnish wastewater service to the public :
in the Borough of Elizabeth, and portions :
of the Borough of Lincoln, and the :
Townships of Elizabeth and Forward, in :
Allegheny County, Pennsylvania :

VERIFICATION

I, Nicholas A. DeMarco, hereby state that the facts above set forth in my Surrebuttal Testimony, OCA Statement 1SR, 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 herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: June 12, 2025

Signature: /s/Nicholas A. DeMarco
Nicholas A. DeMarco

Address: Office of Consumer Advocate
555 Walnut Street
Fifth Floor, Forum Place
Harrisburg, PA 17101

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LIST OF EXHIBITS

OCA Exhibit DJG-1	Curriculum Vitae
OCA Exhibit DJG-2	FMV Adjustment Summary
OCA Exhibit DJG-3	Market Approach Valuation Adjustment
OCA Exhibit DJG-4	Income Adjustment Summary
OCA Exhibit DJG-5	Annual Free Cash Flow Calculation
OCA Exhibit DJG-6	Weighted Cost of Capital Calculation
OCA Exhibit DJG-7	Cost of Equity Summary
OCA Exhibit DJG-8	DCF Stock and Index Prices
OCA Exhibit DJG-9	DCF Sustainable Growth Rate Determinants
OCA Exhibit DJG-10	CAPM Risk Free Rate
OCA Exhibit DJG-11	CAPM Implied ERP Estimate
OCA Exhibit DJG-12	CAPM ERP Result

I. INTRODUCTION

1 **Q. State your name and occupation.**

2 A. My name is David J. Garrett. I am a consultant specializing in public utility regulation. I
3 am the managing member of Resolve Utility Consulting, PLLC.

4 **Q. Summarize your educational background and professional experience.**

5 A. I received a B.B.A. with a major in Finance, an M.B.A. and a Juris Doctor from the
6 University of Oklahoma. I worked in private legal practice for several years before
7 accepting a position as assistant general counsel at the Oklahoma Corporation Commission
8 in 2011. At the Oklahoma Commission, I worked in the Office of General Counsel in
9 regulatory proceedings. In 2012, I began working for the Public Utility Division as a
10 regulatory analyst providing testimony in regulatory proceedings. After leaving the
11 Oklahoma Commission, I formed Resolve Utility Consulting, PLLC, where I have
12 represented various consumer groups, state agencies, and municipalities in utility
13 regulatory proceedings, primarily in the areas of cost of capital and depreciation. I am a
14 Certified Depreciation Professional with the Society of Depreciation Professionals. I am
15 also a Certified Rate of Return Analyst with the Society of Utility and Regulatory Financial
16 Analysts. A more complete description of my qualifications and regulatory experience is
17 included in my curriculum vitae.¹

18 **Q. On whose behalf are you testifying in this proceeding?**

19 A. I am testifying on behalf of the Pennsylvania Office of Consumer Advocate (“OCA”).

¹ OCA Exhibit DJG-1.

1 **Q. Describe the scope and organization of your testimony.**

2 A. My testimony addresses the application filed by Pennsylvania-American Water Company
3 (“PAWC” or the “Company”) for the acquisition of the wastewater system assets of
4 Elizabeth Borough Municipal Authority (“EBMA”). My testimony responds to the fair
5 market value (“FMV”) approaches addressed in the testimony of Harold Walker, III of
6 Gannett Fleming, who sponsors the FMV appraisal commissioned by EBMA, and the
7 testimony of Jerome C. Weinert, of Weinert Appraisal and Depreciation Services, LLC
8 (“WADS”), who sponsors the appraisal commissioned by PAWC.

II. EXECUTIVE SUMMARY

A. Overview

9 **Q. Please summarize PAWC’s application in this proceeding.**

10 A. In its application, PAWC proposes to acquire EBMA’s wastewater assets under Sections
11 507, 1102, 1329 and 2102 of the Public Utility Code (the “Code”). According to Section
12 1329(c)(2) of the Code, the ratemaking rate base is the lesser of the negotiated purchase
13 price or the average of two FMV appraisals. The FMV estimated by Gannett Fleming and
14 WADS is \$28.1 million and \$28.7 million, respectively, which equate to an average
15 valuation of \$28.4 million.² The purchase price negotiated by PAWC and EBMA is
16 \$28,000,000. This is also the amount of proposed rate base in the application.³

² See Application, App. A-11.

³ *Id.*

1 **Q. Please summarize the FMV appraisals commissioned by the Company and EBMA.**

2 A. Gannett Fleming and WADS provided appraisals using the cost, income, and market
3 approaches, as set forth in Section 1329(a)(3) of the Code. The following table outlines
4 the results of Gannett Fleming’s appraisal.⁴

**Figure 1:
Gannett Fleming Appraisal Results**

<u>Approach</u>	<u>Base Value</u>	<u>Weight</u>	<u>Weighted Value</u>
Market	\$ 27,678,195	33.3%	\$ 9,226,065
Cost	28,371,029	33.3%	9,457,010
Income	28,359,361	33.3%	9,453,120
Total		100.0%	\$ 28,136,195

5 As shown in the table, the weighted average FMV estimated by Gannett Fleming is \$28.1
6 million. The table below shows the results of the WADS appraisal.⁵

**Figure 2:
WADS Appraisal Results**

<u>Approach</u>	<u>Base Value</u>	<u>Weight</u>	<u>Weighted Value</u>
Market	\$ 27,221,430	33.3%	\$ 9,073,810
Cost	30,657,221	33.3%	10,219,074
Income	28,344,391	33.3%	9,448,130
Total		100.0%	\$ 28,741,014

⁴ EBMA Statement No. 6, Direct Testimony of Harold Walker, III, p. 13, lines 18-19; Mr. Walker rounded the total to \$44,292,000.

⁵ PAWC Statement No. 5, Direct Testimony of Jerome C. Weinert, p. 13, Table 2.

1 The weighted average FMV estimated by WADS is \$28.7 million. As discussed further in
2 my testimony, the estimates provided by both UVEs under all three approaches are
3 influenced by several unreasonable and upwardly biased assumptions.

4 **Q. Please summarize your adjustments to the FMV appraisals.**

5 A. The table below outlines my proposed adjusted valuations to Gannett Fleming’s appraisal
6 under all three approaches.⁶

**Figure 3:
Adjustments to Gannett Fleming Appraisal**

Approach	OCA Adjustment	Adjusted Value	OCA Weight	OCA Weighted Value
Market	\$ (3,311,767)	\$ 24,366,428	33.3%	\$ 8,122,143
Cost	(5,875,026)	22,496,004	33.3%	7,498,668
Income	(8,938,864)	19,420,497	33.3%	6,473,499
Total				\$ 22,094,309

7 Applying reasonable adjustments to Gannett Fleming’s appraisal results in a weighted
8 average FMV of \$22.1 million. The table below outlines my adjustments to the WADS’
9 appraisal.⁷

⁶ OCA Exhibit DJG-2.

⁷ *Id.*

**Figure 4:
Adjustments to WADS Appraisal**

Approach	OCA Adjustment	Adjusted Value	OCA Weight	OCA Weighted Value
Market	\$ (2,855,002)	\$ 24,366,428	33.3%	\$ 8,122,143
Cost	(8,161,218)	22,496,004	33.3%	7,498,668
Income	(8,923,894)	19,420,497	33.3%	6,473,499
Total				\$ 22,094,309

1 Applying reasonable adjustments to WADS’ appraisal results in a weighted average FMV
 2 of \$22.1 million. As shown in these tables, I applied equal weightings to all three
 3 approaches. The detailed technical aspects of my adjustments to these appraisals are
 4 discussed below.

B. Recommendation

5 **Q. Please summarize your recommendation to the Commission.**

6 A. As stated above, according to Section 1329(c)(2) of the Code, the ratemaking rate base is
 7 the lesser of the negotiated purchase price and the average of the two FMV appraisals. In
 8 this case, both UVEs’ FMV estimates were higher than the purchase price of \$28.0 million.
 9 However, when reasonable adjustments are applied to the appraisals, and those adjusted
 10 results are averaged, the indicated FMV estimate is \$22.1 million, which is less than the
 11 negotiated purchase price. The results are summarized in the table below.⁸

⁸ See OCA Exhibit DJG-2.

**Figure 5:
OCA’s Recommended Rate Base**

	Appraiser Results	OCA Adjusted
Gannett Fleming	\$ 28,136,195	\$ 22,094,309
WADS Consultants	28,741,014	22,094,309
Average	\$ 28,438,605	\$ 22,094,309
Purchase Price	\$ 28,000,000	\$ 28,000,000
Proposed Ratebase	\$ 28,000,000	\$ 22,094,309

1 If the transaction is approved, I recommend the Commission authorize a ratemaking rate
2 base in the amount of \$22,100,000 pursuant to Section 1329(c)(2) of the Code.

III. MARKET APPROACH

3 **Q. What is the market approach?**

4 A. The Market Approach involves comparing an asset with similar assets that have been sold
5 or are for sale in the relevant marketplace by making adjustments to prices based on
6 marketplace conditions and the properties’ characteristics of value.⁹

7 **Q. Please summarize the UVEs’ valuations under the market approach.**

8 A. Gannett Fleming estimates a market approach valuation of \$27.7 million¹⁰ and WADS
9 estimates a market approach valuation of \$46.8 million.¹¹ The details of these estimates as
10 well as my proposed adjustments are discussed further below.

⁹ https://www.appraisers.org/docs/default-source/5---standards/bv-standards-feb-2022.pdf?sfvrsn=5c9e5ac0_3

¹⁰ EBMA Statement No. 2, Direct Testimony of Harold Walker, III, p. 12, lines 6-8.

¹¹ PAWC Statement No. 4, Direct Testimony of Jerome C. Weinert, p. 3, lines 8-11.

1 **Q. Please describe Gannett Fleming’s market approach valuation.**

2 A. In his appraisal, Mr. Walker used the market multiples method and selected transactions
3 method.

4 **Q. Please describe Mr. Walker’s “selected transactions” and “market multiples”**
5 **methods used in his market approach valuation.**

6 A. In Mr. Walker’s selected transactions method, he estimates the valuation of the EBMA
7 system using ratios based on financial and demographic statistics from other acquired
8 systems under Section 1329 proceedings. Mr. Walker’s selected transactions method
9 indicates a valuation of \$25.5 million and his Market Multiples method indicates a
10 valuation of \$26.9 million.¹² I will address each of these methods below.

11 **Q. Do you believe the results of Mr. Walker’s selected transactions method indicate a**
12 **reasonable valuation?**

13 A. Although my adjusted market approach valuation is not significantly different than Mr.
14 Walker’s valuation, I believe Mr. Walker’s indicated valuation under the selected
15 transactions method is overstated due to the inclusion of two transactions that are
16 incomparably high when compared with the other transactions. Namely, the ratio of the
17 purchase price to the investor-supplied capital for the East Bradford and East Norriton
18 transactions result in indicated valuations of \$73 million and \$98 million, respectively.
19 These valuations are significantly higher than the other indicated valuations under the
20 selected transactions method, and ultimately much higher than any of the recommended
21 valuations from the UVEs. Even if these two transactions are removed, the average

¹² See Appendix A-5.2, Gannett Fleming Fair Market Value Appraisal, Exhibit 21.

1 indicated valuation under the investor-supplied capital metric is \$37.8 million, which is
2 still much higher than the ultimate recommendation under the market approach.
3 Removing these two transactions and applying equal weighting to the selected transaction
4 metrics results in an indicated valuation of \$24.4 million.¹³

5 **Q. Please illustrate the results of your adjustments under the selected transactions**
6 **method.**

7 A. In his exhibits, Mr. Walker provides the key metrics for 22 different transactions involving
8 the sales of water and wastewater systems in Pennsylvania.¹⁴ He also provides the same
9 metrics for EBMA. These metrics include: investor supplied capital, gross PP&E, net
10 PP&E, customers, and population. The figure below presents the 22 transactions selected
11 by Mr. Walker and the key metrics he provided related to each transaction.¹⁵

¹³ See Exhibit DJG-3.

¹⁴ *Id.* at Exhibit 18, pp. 2-3.

¹⁵ See OCA Exhibit DJG-3.

**Figure 6:
Selected Transactions and Metrics (000's)**

System Name	Investor Capital	Gross PP&E	Net PP&E	Cust.	Pop.
Municipal Authority of the City of Mckeesport	\$ 35,261,936	\$ 32,791,556	\$ 35,127,209	\$ 8,337,089	\$ 18,074,890
New Garden Township/Authority's WW System's Assets	24,323,879	21,817,115	27,289,483	11,218,541	13,142,573
Limerick Township Wastewater System's Assets	32,741,105	23,722,074	34,564,041	9,470,698	21,509,650
Steelton Borough (Water) Authority	-	-	-	6,216,626	20,421,443
Exeter Township Wastewater System Assets	-	-	-	7,298,308	18,720,852
Kane Borough Authority Wastewater System	30,810,202	16,653,738	32,801,958	5,940,307	20,353,722
Borough of Royersford Wastewater System Assets	52,424,118	36,300,444	47,533,441	5,563,283	13,580,132
Muni Auth Borough of Shenandoah Water System Assets	17,346,719	10,913,217	17,725,503	2,827,182	10,478,106
Butler Area Sewer Authority	59,290,665	32,127,895	65,897,146	10,756,820	23,741,328
York City Sewer Authority Wastewater System Assets	44,349,814	37,435,013	49,698,612	11,675,638	15,633,951
Sadsbury Township Wastewater Utility	-	-	-	6,330,411	12,935,584
East Bradford Township Wastewater System Assets	73,020,660	-	-	2,736,378	2,707,705
Township of Mahoning Water System Assets	-	-	-	2,726,702	6,043,661
Township of Mahoning Sewer System Assets	-	-	-	2,243,027	6,082,465
Cheltenham Township Wastewater System Assets	-	-	-	3,358,523	7,149,547
East Norriton Township Wastewater System Assets	98,214,098	-	-	2,888,240	7,908,786
Valley Township Water System Assets	-	-	-	2,997,588	5,263,286
Valley Township Wastewater System Assets	-	-	-	3,048,912	10,023,595
Upper Pottsgrove Township Wastewater System Assets	-	17,278,142	19,788,768	6,576,506	13,386,980
Lower Makefield Township Wastewater System Assets	60,825,232	-	50,074,368	3,246,256	8,595,716
Willistown Township Wastewater Systems Assets	33,637,629	38,778,140	59,512,064	5,210,331	8,401,998
East Whiteland Township Wastewater System Assets	24,504,482	21,690,806	26,739,663	9,632,141	20,091,245
Average	\$ 37,774,162	\$ 26,318,922	\$ 38,896,021	\$ 5,922,705	\$ 12,920,328
Indicated Valuation			\$ 24,366,428		

1 As shown in this figure, if the investor-supplied capital metrics for East Bradford and East
2 Norriton are removed, the indicated valuation is \$24.4 million.

3 **Q. Were there additional adjustments you could have made that would have lowered the**
4 **indicated valuation under this approach?**

5 A. Yes. To be clear, the calculations presented in the figure above represent all of the
6 comparable 1329 transactions and associated metrics provided in Mr. Walker's exhibits,
7 without adjustment. The final indicated valuation of \$24.4 million represents an equal
8 weighting of all transactions. This result is significantly less than Mr. Walker's market
9 approach valuation of \$50.6 million. I made no decisions or assumptions that might have
10 had an increasing or decreasing effect on the final results. However, additional adjustments

1 could be made that would have a decreasing effect on the results. For example, instead of
2 using the negotiated purchase price for the ratio calculation of each metric, the
3 commission-approved rate base could have been used instead. It is not uncommon for the
4 commission-approved rate base to be less than the negotiated purchase price, which would
5 have a decreasing effect on the indicated valuations under the market approach. The
6 argument in favor of using the approved rate base instead of the negotiated purchase price
7 is that the approved rate base is effectively the actual approved fair market value as defined
8 by Section 1329. The entire purpose of the appraisal process is to determine a fair market
9 value ratemaking rate base for EBMA under Section 1329. However, I conservatively used
10 the negotiated purchase prices in my analysis.

11 An additional adjustment that could have been considered is applying a greater
12 weighting to the indicated valuations using the capital statistics than those using the
13 demographic statistics. Arguably, capital statistics are more directly linked to indicated
14 valuations than statistics such as population and customers. In fact, valuation methods
15 such as the discounted cash flow (“DCF”) method (discussed later in my testimony) *only*
16 consider financial metrics, and do not account for any demographic metrics. In that regard,
17 if one were using the DCF method to conduct a valuation, capital statistics would receive
18 a 100% weighting, and demographic statistics would receive a 0% weighting. In addition,
19 metrics such as PP&E are tangible capital assets on a company’s balance sheet that are
20 used to generate revenues and profits. Investors would directly consider this type of metric
21 when assessing the value of a company they were considering investing in – much more
22 so than the current demographic statistics in a particular area. Despite this, Mr. Walker
23 actually applied a three-fold *greater* weighting to the indicated valuation of the

1 demographic statistics over the financial statistics. This decision does not appear to be tied
2 to any objective approach to determining a fair market value of the system assets. Mr.
3 Walker has not provided an adequate explanation as to why the level of customers and
4 population should be primary drivers of a fair market valuation when compared with capital
5 and financial metrics. In contrast to Mr. Walker's approach, I decided not to make the
6 adjustments discussed above, which would have had a decreasing effect on the final results,
7 despite the fact there are rational and objective arguments in favor of making those
8 adjustments. This approach further indicates the fairness and reasonableness of my
9 proposed adjustments.

10 **Q. Does Mr. Walker's market multiples approach suffer from similar upwardly biased**
11 **assumptions?**

12 A. Yes. Under Mr. Walker's market multiples method, he uses a proxy group of publicly
13 traded water companies and considers several metrics, such as revenue, EBIT, gross PP&E,
14 and net PP&E. The adjustments Mr. Walker makes to his results under the market
15 multiples method are based in part on his conclusory and unsupported assumptions that the
16 EBMA system is riskier than the proxy group simply because of its relatively small size.

17 **Q. Do you agree with Mr. Walker that EBMA's system is riskier than the proxy group**
18 **due to its size?**

19 A. No. The "size effect" phenomenon, upon which Mr. Walker's assumptions are apparently
20 based, arose from a 1981 study conducted by Banz, which found that "in the 1936 – 1975
21 period, the common stock of small firms had, on average, higher risk-adjusted returns than

1 the common stock of large firms.”¹⁶ According to Ibbotson, Banz’s size effect study was
2 “[o]ne of the most remarkable discoveries of modern finance.”¹⁷ Perhaps there was some
3 merit to this idea at the time, but the size effect phenomenon was short lived. Banz’s 1981
4 publication generated much interest in the size effect and spurred the launch of significant
5 new small cap investment funds. However, this “honeymoon period lasted for
6 approximately two years. . .”¹⁸ After 1983, U.S. small-cap stocks actually underperformed
7 relative to large cap stocks. In other words, the size effect essentially reversed. In *Triumph*
8 *of the Optimists*, the authors conducted an extensive empirical study of the size effect
9 phenomenon around the world. They found that after the size effect phenomenon was
10 discovered in 1981, it disappeared within a few years:

11 It is clear . . . that there was a global reversal of the size effect in virtually
12 every country, with the size premium not just disappearing but going into
13 reverse. Researchers around the world universally fell victim to Murphy’s
14 Law, with the very effect they were documenting – and inventing
15 explanations for – promptly reversing itself shortly after their studies were
16 published.¹⁹

17 In other words, the authors assert that the very discovery of the size effect phenomenon
18 likely caused its own demise. The authors ultimately concluded that it is “inappropriate to
19 use the term ‘size effect’ to imply that we should automatically expect there to be a small-
20 cap premium,” yet, this is exactly what utility witnesses often do in attempting to

¹⁶ Rolf W. Banz, *The Relationship Between Return and Market Value of Common Stocks* 3-18 (Journal of Financial Economics 9 (1981)).

¹⁷ 2015 Ibbotson Stocks, Bonds, Bills, and Inflation Classic Yearbook 99 (Morningstar 2015).

¹⁸ Elroy Dimson, Paul Marsh & Mike Staunton, *Triumph of the Optimists: 101 Years of Global Investment Returns* 131 (Princeton University Press 2002).

¹⁹ *Id.* at 133.

1 artificially inflate the cost of equity with a size premium. Other prominent sources have
2 agreed that the size premium is a dead phenomenon. According to Ibbotson:

3 The unpredictability of small-cap returns has given rise to another argument
4 against the existence of a size premium: that markets have changed so that
5 the size premium no longer exists. As evidence, one might observe the last
6 20 years of market data to see that the performance of large-cap stocks was
7 basically equal to that of small cap stocks. In fact, large-cap stocks have
8 outperformed small-cap stocks in five of the last 10 years.²⁰

9 In addition to the studies discussed above, other scholars have concluded similar results.

10 According to Kalesnik and Beck:

11 Today, more than 30 years after the initial publication of Banz's paper, the
12 empirical evidence is extremely weak even before adjusting for possible
13 biases. . . The U.S. long-term size premium is driven by the extreme outliers,
14 which occurred three-quarters of a century ago. . . Finally, adjusting for
15 biases . . . makes the size premium vanish. If the size premium were
16 discovered today, rather than in the 1980s, it would be challenging to even
17 publish a paper documenting that small stocks outperform large ones.²¹

18 For all of these reasons, Mr. Walker's claims that the EBMA system is riskier than the proxy
19 group and should thus somehow receive an upward adjustment in valuation, is unwarranted
20 and should be rejected.

21 **Q. Even if Mr. Walker's assumptions about risk were accepted, could the overall**
22 **valuation under the market multiples method be considered reasonable if equal**
23 **weightings were applied to the results?**

24 A. Yes. While one could argue that capital items could be given more weight than
25 demographic items, Mr. Walker decision to apply unequal weightings in this case does not

²⁰ 2015 Ibbotson Stocks, Bonds, Bills, and Inflation Classic Yearbook 112 (Morningstar 2015).

²¹ Vitali Kalesnik and Noah Beck, *Busting the Myth About Size* (Research Affiliates 2014), available at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKewic84ykqNL_AhWmmWo_FHbwzCpcQFnoECAsQAQ&url=https%3A%2F%2Fwww.researchaffiliates.com%2Fcontent%2Fdam%2Fra%2Fpublications%2Fpdf%2F284-busting-the-myth-about-size.pdf&usg=AOvVaw3Yw7SggIT0R8KvzGmYkuAp&opi=89978449 (emphasis added).

1 appear to be objective or unbiased. If equal weightings were applied to his results, the
2 indicated valuation under the market multiples method would be \$24.4 million;²²
3 interestingly, this is equal to my adjusted market approach valuation.

4 **Q. Please summarize Mr. Weinert's market value approach.**

5 A. Mr. Weinert's market approach indicates a valuation of \$27.2 million, which is similar to
6 Mr. Walker's results. Mr. Weinert used comparable transactions and indicators, similar to
7 the selected transactions method discussed above.

8 **Q. Do you agree with Mr. Weinert's market approach valuation?**

9 A. No. Although my adjusted market approach is not significantly different than Mr.
10 Weinert's results, I believe my adjusted results are more reasonable for the reasons
11 discussed above.

IV. COST APPROACH

12 **Q. What is the Cost Approach?**

13 A. The Cost Approach is a procedure to estimate the current costs to reproduce or create a
14 property with another of comparable use and marketability.²³

²² See Appendix A-5.2, Gannett Fleming Fair Market Value Appraisal, Exhibit 18, p. 1 (averaging capital items result of \$31.5 million and demographics result of \$13.4 million).

²³ https://www.appraisers.org/docs/default-source/5---standards/bv-standards-feb-2022.pdf?sfvrsn=5c9e5ac0_3

1 **Q. Please summarize the UVEs' valuations under the cost approach.**

2 A. Gannett Fleming's appraisal utilized the original cost new ("OCN") to calculate the trended
3 original cost.²⁴ The WADS appraisal relied on the replacement cost method.²⁵ Both UVEs
4 estimated accumulated depreciation, or the depreciation "reserve", as a reduction to their
5 respective cost estimates.

6 **Q. Did either UVE incorporate the original cost less depreciation into their valuations?**

7 A. No. The Gannett Fleming appraisal shows an OCN amount of \$19.2 million and an accrued
8 depreciation amount of \$2.6 million, which results in an OCN less depreciation amount of
9 \$16.6 million.²⁶

10 **Q. Would it be reasonable to consider the OCN less depreciation amount into the**
11 **valuation under the cost approach?**

12 A. Yes. The OCN less depreciation is effectively the "rate base" for EBMA. If the acquisition
13 is approved, PAWC's ratemaking rate base will be based on the purchase price. In that
14 regard, EBMA's "rate base" (as estimated by OCN less depreciation) could be argued to be
15 the most important single metric of the valuation estimate. In other words, if the
16 Commission were tasked with determining the ratemaking rate base for the acquired
17 system without utilizing any independent appraisal and the three valuation approaches,
18 arguably the most reasonable and accurate metric to consider would be the OCN less
19 depreciation amount. In this case, that amount is \$16.6 million.

²⁴ EBMA Statement No. 2, Direct Testimony of Harold Walker, III, p. 16, lines 1-9.

²⁵ PAWC Statement No. 4, Direct Testimony of Jerome C. Weinert, p. 4, lines 8-11.

²⁶ See Appendix A-5.2, Gannett Fleming Fair Market Value Appraisal, Exhibit 7.

1 **Q. Did you incorporate the OCN less depreciation amount into your adjustment under**
2 **the cost approach valuation?**

3 A. Yes. For my adjusted cost approach valuation, I applied equal weightings to the OCN less
4 depreciation amount (\$16.6 million) and the replacement cost new less depreciation
5 amount of \$28.3 million as estimated by Gannett Fleming.²⁷ Averaging these amounts
6 results in an adjusted cost approach valuation of \$22.5 million.²⁸

7 **Q. Do the results of your adjusted valuations under the other two approaches increase**
8 **your confidence in the cost approach result?**

9 A. Yes. The adjusted cost approach valuation of \$22.5 million falls in between the adjusted
10 market and income approach valuations of \$24.3 million and \$19.4 million, respectively.

V. INCOME APPROACH

11 **Q. Please summarize the income approach valuations estimated in the UVEs' appraisals.**

12 A. Mr. Walker and Mr. Weinert estimate income approach valuations of \$28.4 million and
13 \$28.3 million, respectively.²⁹

14 **Q. Are you proposing any adjustments to the UVEs' valuations under the income**
15 **approach?**

16 A. Yes. I propose adjustments reducing Mr. Walker's and Mr. Weinert's income approach
17 valuations by \$8.9 million.³⁰ I am proposing several adjustments to the income approaches
18 of each UVE, including the amount of projected annual cash flow, the discount rate, and

²⁷ Appendix A-5.2, Gannett Fleming Fair Market Value Appraisal, Exhibit 9.

²⁸ OCA Exhibit DJG-2.

²⁹ OCA Exhibit DJG-2.

³⁰ *Id.*

1 the growth rate used in their discounted cash flow models. Adjustments to the discount
2 rate involve using a fundamental approach to estimating the cost of equity of EBMA
3 through the use of financial modeling of a proxy group of utilities, which is further
4 discussed below.

5 **Q. Please summarize your income approach adjustment.**

6 A. My income approach adjustment is based on the theory that assets that are expected to
7 generate cash flows over time can be valued with various discounted cash flow models.
8 While this basic premise also underlies the approach taken by the UVEs in their income
9 approach valuations, I believe several reasonable adjustments are warranted, as further
10 discussed in this section. Under this valuation method, the value of an asset (EBMA's
11 wastewater system assets in this case), is equal to the present value of its future cash flows.
12 This model also requires estimates for a growth rate and discount rate. For publicly traded
13 assets, we can use the dividend discount model. A derivation of this model that solves for
14 the discount rate is called the Discounted Cash Flow ("DCF") model in regulatory
15 proceedings. However, since EBMA is not publicly traded and does not issue dividends,
16 we must consider its estimated free cash flow from operations, rather than dividends, as
17 part of the valuation model.³¹ I also proposed adjustments to the UVEs' long-term growth
18 rate and discount rate, which are both key inputs to the DCF Model. Under the DCF Model
19 used for the valuation adjustment in this case, the discount rate is the asset's estimated cost

³¹ OCA Exhibit DJG-5.

1 of capital.³² My adjustment is the result of applying these reasonable estimates to the UVE
2 income approaches.

A. Free Cash Flow From Operations

3 **Q. Please summarize how you adjusted EBMA’s free cash flows from operations.**

4 A. First, I considered the average amount of operating revenues, earnings before interest and
5 taxes (“EBIT”), depreciation, and capital expenditures for year 2023 (which is referred to
6 as “Year 0” in Mr. Walker’s income approach modeling) to calculate free cash flow from
7 operations as the basis for discounted cash flow analysis.³³ This amount of annual
8 projected cash flows will be grown at a constant growth rate and discounted back to present
9 value using the estimate weighted average cost of capital as the discount rate. This present
10 value amount is the indicated valuation under the income approach.

B. Discount Rate – Cost of Capital

11 **Q. Please summarize how you adjusted EBMA’s cost of capital.**

12 A. The weighted cost of capital essentially involves several key components, including the
13 cost of debt, the cost of equity, and the capital structure. In terms of estimation, the most
14 critical of these components is the cost of equity. To arrive at my adjusted cost of equity,
15 I considered a proxy group of water utilities substantially similar to the proxy group
16 considered by the UVEs. There are several benefits of using a proxy group when

³² The discount rate in DCF Model applied to publicly traded firms is the cost of equity, since the cash flows under that model are cash flows to equity (i.e., post debt dividend payments). In the discounted cash flow valuation model applied to EBMA, the discount rate is the cost of capital, since we are assuming cash flows to the firm (i.e., pre-debt cash flows).

³³ Appendix A-5.2, Gannett Fleming Fair Market Value Appraisal, Exhibit 13.

1 estimating the cost of equity for a regulated utility company. Frequently, the most apparent
 2 reason, as is the case here, is that the target asset is often not publicly traded. Publicly
 3 traded assets have readily obtainable data regarding some of the key components to cost of
 4 equity estimation, including stock prices, dividends, and beta estimates. Because I used
 5 the proxy group of utilities for the cost of equity adjustment, I used the same group for the
 6 cost of debt and capital structure estimates. This is because these elements of the cost of
 7 capital are related. Higher debt ratios can have an increasing effect on the cost of debt and
 8 equity (though sometimes a decreasing effect on the overall cost of capital to a certain
 9 point). I will discuss my adjustments regarding the individual components of the cost of
 10 capital in the following sections.

11 **Q. What is your adjusted cost of capital for EBMA?**

12 A. The following table summarizes my cost of capital adjustment for EBMA.³⁴

**Figure 7:
 Cost of Capital Adjustment**

Capital Component	Proposed Ratio	Cost Rate	After-Tax Rate	Weighted Cost
Long Term Debt	48%	3.9%	3.1%	1.49%
Equity	<u>52%</u>	7.7%	7.7%	<u>3.99%</u>
Total	100%			5.49%

³⁴ OCA Exhibit DJG-6.

1 The capital composition and rates contemplated in this calculation produce a cost of capital
2 estimate of 5.49%. This is the figure I used in the discount rate of my discounted cash flow
3 adjustment for EBMA.³⁵

4 **Q. How does your cost of capital adjustment compare to the UVEs' cost of capital**
5 **estimates?**

6 A. Mr. Walker estimates a range for the cost of capital of 7.85% – 9.71%.³⁶ Mr. Weinert
7 estimates a cost of capital of 7.97%.³⁷ Thus, my adjusted cost of capital is less than the
8 estimate of both UVEs. All else held constant, a lower discount rate produces a higher
9 indicated valuation under the income approach. The differences in our cost of capital
10 estimates stem from the differences between the various components of the cost of capital
11 – primarily the cost of equity and capital structure, which are further discussed below.

C. Cost of Equity

12 **Q. Describe the cost of equity.**

13 A. The cost of equity refers to the required return on equity expected from a company's equity
14 investor based on the risk inherent in that investment. The required return from the
15 investors' perspective is synonymous with the *cost* from the company's perspective.
16 Unlike the known, contractual and embedded cost of debt, there is not any explicitly
17 quantifiable "cost" of equity. Instead, the cost of equity must be estimated through various
18 financial models. The two most widely used financial models to estimate the cost of equity

³⁵ OCA Exhibit DJG-4.

³⁶ EBMA Statement No. 2, Direct Testimony of Harold Walker, III, p. 20, lines 6-7.

³⁷ PAWC Statement No. 4, Direct Testimony of Jerome C. Weinert, p. 5, lines 9-11.

1 (particularly in regulatory proceedings) are the DCF Model and the Capital Asset Pricing
2 Model (the “CAPM”). I applied each of these models to the same proxy group in order to
3 calculate my adjustment to EBMA’s cost of equity.

1. DCF Analysis

4 **Q. Describe the inputs to the DCF Model.**

5 A. There are three primary inputs in the DCF Model: (1) stock price; (2) dividend; and (3) the
6 long-term growth rate. The stock prices and dividends are known inputs based on recorded
7 data, while the growth rate projection must be estimated.

8 **Q. How did you determine the stock price input of the DCF Model?**

9 A. For the stock price (P_0), I used a 30-day average of stock prices for each company in the
10 proxy group.³⁸ Analysts sometimes rely on average stock prices for longer periods (*e.g.*,
11 60, 90, or 180 days). According to the efficient market hypothesis, however, markets
12 reflect all relevant information available at a particular time, and prices adjust
13 instantaneously to the arrival of new information.³⁹ Past stock prices, in essence, reflect
14 outdated information. The DCF Model used in utility rate cases is a derivation of the
15 dividend discount model, which is used to determine the current value of an asset. Thus,
16 according to the dividend discount model and the efficient market hypothesis, the value for

³⁸ Exhibit OCA DJG-8.

³⁹ See Eugene F. Fama, *Efficient Capital Markets: A Review of Theory and Empirical Work*, Vol. 25, No. 2 The Journal of Finance 383 (1970); see also John R. Graham, Scott B. Smart & William L. Megginson, *Corporate Finance: Linking Theory to What Companies Do* 357 (3rd ed., South Western Cengage Learning 2010). The efficient market hypothesis was formally presented by Eugene Fama in 1970 and is a cornerstone of modern financial theory and practice.

1 the “P₀” term in the DCF Model should technically be the current stock price, rather than
2 an average.

3 **Q. Why did you use a 30-day average for the current stock price input?**

4 A. Using a short-term average of stock prices for the current stock price input adheres to
5 market efficiency principles while avoiding any irregularities that may arise from using a
6 single current stock price. In the context of a utility rate proceeding, there is a significant
7 length of time from when an application is filed, and testimony is due.⁴⁰ Choosing a current
8 stock price for one particular day could raise a separate issue concerning which day was
9 chosen to be used in the analysis. In addition, a single stock price on a particular day may
10 be unusually high or low. It is arguably ill-advised to use a single stock price in a model
11 that is ultimately used to set rates for several years, especially if a stock is experiencing
12 some volatility. Thus, it is preferable to use a short-term average of stock prices, which
13 represents a good balance between adhering to well-established principles of market
14 efficiency while avoiding any unnecessary contentions that may arise from using a single
15 stock price on a given day. The stock prices I used in my DCF analysis are based on 30-
16 day averages of adjusted closing stock prices for each company in the proxy group.⁴¹

⁴⁰ Further, it is worth noting that my market and financial analyses is based on much more recent and relevant information than those of Mr. Walker and Mr. Weinert due to the significant difference in time during which the analysis was conducted. Mr. Weinert and Mr. Walker filed their respective testimonies on February 23, 2023. However, this application was not formally accepted by the Commission until December 31, 2024. Neither Mr. Weinert nor Mr. Walker updated their direct testimony to reflect current market conditions.

⁴¹ Exhibit DJG-4. Adjusted closing prices, rather than actual closing prices, are ideal for analyzing historical stock prices. The adjusted price provides an accurate representation of the firm’s equity value beyond the mere market price because it accounts for stock splits and dividends.

1 **Q. Describe how you determined the dividend input of the DCF Model.**

2 A. The dividend term in the DCF Model represents dividends per share (d_0). I used forward-
3 looking annualized dividends published by Yahoo! Finance for the dividend input to my
4 constant growth DCF Model.⁴² Dividing these dividends by the stock prices for each proxy
5 company results in the dividend yield for each company.⁴³

6 **Q. Please summarize the growth rate input in the DCF Model.**

7 A. The most critical input in the DCF Model is the growth rate. Unlike the stock price and
8 dividend inputs, the growth rate input (g) must be estimated. As a result, the growth rate
9 is often the most contentious DCF input in utility rate cases. The DCF model used in this
10 case is based on the constant growth valuation model. Under this model, a stock is valued
11 by the present value of its future cash flows in the form of dividends. Before future cash
12 flows are discounted by the cost of equity, however, they must be “grown” into the future
13 by a long-term growth rate. As stated above, one of the inherent assumptions of this model
14 is that these cash flows in the form of dividends grow at a constant rate forever. Thus, the
15 growth rate term in the constant growth DCF model is often called the “constant” or
16 “stable” growth rate. For young, high-growth firms, estimating the growth rate to be used
17 in the model can be especially difficult, and may require the use of multi-stage growth
18 models. For mature, low-growth firms such as utilities, however, estimating the constant
19 growth rate is more transparent.

⁴² Exhibit DJG-5.

⁴³ *Id.*

1 **Q. Should the annual sustainable growth rate used in the DCF Model exceed the annual**
2 **growth rate of the aggregate economy?**

3 A. No. A fundamental concept in finance is that no firm can grow forever at a rate higher than
4 the growth rate of the economy in which it operates.⁴⁴ Thus, the sustainable growth rate
5 used in the DCF Model should not exceed the aggregate economic growth rate. This is
6 especially true when the DCF Model is conducted on public utilities because these firms
7 have defined service territories. As stated by Dr. Damodaran: “[i]f a firm is a purely
8 domestic company, either because of internal constraints . . . or external constraints (such
9 as those imposed by a government), the growth rate in the domestic economy will be the
10 limiting value.”⁴⁵

11 In fact, it is reasonable to assume that a regulated utility would grow at a rate that
12 is less than the U.S. economic growth rate. Unlike competitive firms, which might increase
13 their growth by launching a new product line, franchising, or expanding into new and
14 developing markets, utility operating companies with defined service territories cannot do
15 any of these things to grow. Gross Domestic Product (“GDP”) is one of the most widely
16 used measures of economic production and is used to measure aggregate economic growth.
17 According to the Congressional Budget Office’s 2022 Long-Term Budget Outlook, the
18 long-term forecast for nominal U.S. GDP growth is 3.9%.⁴⁶ In contrast, the UVEs used
19 various growth rates over different periods of time, as further discussed below.

⁴⁴ See *Id.* at p. 306.

⁴⁵ *Id.*

⁴⁶ Congressional Budget Office, The 2022 Long-Term Budget Outlook, <https://www.cbo.gov/system/files/2022-07/57971-LTBO.pdf>.

1 **Q. How do your adjustments to the DCF Model in this case compare with the approach**
2 **used by the UVEs?**

3 A. One of the primary differences between the UVEs' DCF Models and my adjustments relate
4 to the time period over which we are discounting the assumed cash flows. In the vast
5 majority of utility rate cases, expert witnesses who apply the DCF Model to estimate the
6 utility's cost of capital use the constant growth form of the DCF Model. That is, annual
7 cash flows are assumed to be consistent, and one growth rate is applied to those cash flows.
8 Very rarely do I see cost of capital witnesses use multi-stage DCF Models, as the UVEs
9 did in this case. In this case, the UVEs have considered cash flows for over 20 years.
10 Again, my application of the DCF Model in this case to arrive at my adjustments to the
11 UVEs' income approach valuations is consistent with my approach to the DCF Model in
12 other cases.

13 **Q. Please describe the final results of your DCF Model.**

14 A. My DCF Model cost of equity estimate for EBMA is 6.5%.⁴⁷ This is based on the average
15 DCF result for each company in the proxy group.

2. CAPM Analysis

16 **Q. Describe the CAPM.**

17 A. The CAPM is a market-based model founded on the principle that investors expect higher
18 returns for incurring additional risk.⁴⁸ The CAPM estimates this expected return. The

⁴⁷ See OCA Exhibit DJG-7.

⁴⁸ William F. Sharpe, *A Simplified Model for Portfolio Analysis* 277-93 (Management Science IX 1963).

1 CAPM is a useful model because it directly considers the amount of risk inherent in a
2 business.

3 **Q. Describe the inputs for the CAPM.**

4 A. The basic CAPM equation requires only three inputs to estimate the cost of equity: (1) the
5 risk-free rate; (2) the beta coefficient; and (3) the equity risk premium. Here is the CAPM
6 formula:

**Equation 1:
Basic CAPM**

7 **Cost of Equity = Risk-free Rate + (Beta × Equity Risk Premium)**

8 Each input is discussed separately below.

9 **A. The Risk-Free Rate**

10 **Q. Explain the risk-free rate.**

11 A. The first term in the CAPM is the risk-free rate (R_F). The risk-free rate is simply the level
12 of return investors can achieve without assuming any risk. The risk-free rate represents the
13 bare minimum return that any investor would require on a risky asset. Even though no
14 investment is technically void of risk, investors often use U.S. Treasury securities to
15 represent the risk-free rate because they accept that those securities essentially contain no
16 default risk. The Treasury issues securities with different maturities, including short-term
17 Treasury Bills, intermediate-term Treasury Notes, and long-term Treasury Bonds.

18 **Q. Is it preferable to use the yield on long-term Treasury bonds for the risk-free rate in**
19 **the CAPM?**

20 A. Yes. In valuing an asset, investors estimate cash flows over long periods of time. Common
21 stock is viewed as a long-term investment, and the cash flows from dividends are assumed

1 to last indefinitely. Thus, short-term Treasury Bill yields are rarely used in the CAPM to
2 represent the risk-free rate. Short-term rates are subject to greater volatility and thus can
3 lead to unreliable estimates. Instead, long-term Treasury bonds are usually used to
4 represent the risk-free rate in the CAPM. I considered a 30-day average of daily Treasury
5 yield curve rates on 30-year Treasury Bonds in my risk-free rate estimate, which resulted
6 in a risk-free rate of 4.64%.⁴⁹

7 **Q. How is the beta coefficient used in this model?**

8 A. As discussed above, beta represents the sensitivity of a given security to movements in the
9 overall market. The CAPM states that in efficient capital markets, the expected risk
10 premium on each investment is proportional to its beta. Recall that a security with a beta
11 greater (or less) than one is more (or less) risky than the market portfolio. An index such
12 as the S&P 500 Index is used as a proxy for the market portfolio. The historical betas for
13 publicly traded firms are published by various institutional analysts. Beta may also be
14 calculated through a linear regression analysis, which provides additional statistical
15 information about the relationship between a single stock and the market portfolio. As
16 discussed above, beta also represents the sensitivity of a given security to the market as a
17 whole. The market portfolio of all stocks has a beta equal to one. Stocks with betas greater
18 than 1.0 are relatively more sensitive to market risk than the average stock. For example,
19 if the market increases (or decreases) by 1.0%, a stock with a beta of 1.5 will, on average,
20 increase (or decrease) by 1.5%. In contrast, stocks with betas of less than 1.0 are less

⁴⁹ OCA Exhibit DJG-10.

1 sensitive to market risk. For example, if the market increases (or decreases) by 1.0%, a
2 stock with a beta of 0.5 will, on average, only increase (or decrease) by 0.5%.

3 **Q. Describe the source for the betas you used in your CAPM analysis.**

4 A. I used betas recently published by Value Line Investment Survey. The beta for each proxy
5 company is less than 1.0.⁵⁰ Thus, we have an objective measure to prove the well-known
6 concept that utility stocks are less risky than the average stock in the market.

7 **Q. Describe the equity risk premium.**

8 A. The final term of the CAPM is the equity risk premium (“ERP”), which is the required
9 return on the market portfolio less the risk-free rate ($R_M - R_F$). In other words, the ERP is
10 the level of return investors expect above the risk-free rate in exchange for investing in
11 risky securities. To estimate the ERP, I considered expert surveys, an implied ERP
12 calculation, and the ERP published by a third-party financial advising firm.

13 **Q. Describe the expert survey approach to estimating the ERP.**

14 A. As its name implies, the expert survey approach to estimating the ERP involves conducting
15 a survey of experts including professors, analysts, chief financial officers, and other
16 executives around the country and asking them what they think the ERP is. The IESE
17 Business School conducts a periodic survey that asks experts around the country about
18 their opinions on the ERP. Their 2024 expert survey reported an average ERP of 5.5%.⁵¹

⁵⁰ See OCA Exhibit DJG-7.

⁵¹ Pablo Fernandez, et al., *Survey: market Risk Premium and Risk-Free Rate used for 80 countries in 2023* (IESE Business School 2020), copy available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4407839 IESE Business School is the graduate business school of the University of Navarra. IESE offers Master of Business

1 **Q. Describe the implied ERP approach.**

2 A. The third method of estimating the ERP is arguably the best. The implied ERP relies on
3 the stable growth model proposed by Gordon, often called the “Gordon Growth Model,”
4 which is a basic stock valuation model widely used in finance for many years.⁵² This model
5 is a mathematical derivation of the DCF Model. In fact, the underlying concept in both
6 models is the same: the current value of an asset is equal to the present value of its future
7 cash flows. Instead of using this model to determine the discount rate of one company, we
8 can use it to determine the discount rate for the entire market by substituting the inputs of
9 the model. Specifically, instead of using the current stock price (P_0), we will use the current
10 value of the S&P 500 (V_{500}). Similarly, instead of using the dividends of a single firm, we
11 will consider the dividends paid by the entire market. Additionally, we should consider
12 potential dividends. In other words, stock buybacks should be considered in addition to
13 paid dividends, as stock buybacks represent another way for the firm to transfer free cash
14 flow to shareholders. Focusing on dividends alone without considering stock buybacks
15 could understate the cash flow component of the model, and ultimately understate the
16 implied ERP. The market dividend yield plus the market buyback yield gives us the gross
17 cash yield to use as our cash flow in the numerator of the discount model. This gross cash
18 yield is increased each year over the next five years by the growth rate. These cash flows
19 must be discounted to determine their present value. The discount rate in each denominator

Administration (MBA), Executive MBA and Executive Education programs. IESE is consistently ranked among the leading business schools in the world.

⁵² Myron J. Gordon and Eli Shapiro, *Capital Equipment Analysis: The Required Rate of Profit* 102–10 (Management Science Vol. 3, No. 1 Oct. 1956).

1 is the risk-free rate (R_F) plus the discount rate (K). The following formula shows how the
2 implied return is calculated. Since the current value of the S&P is known, we can solve
3 for K : the implied market return.⁵³

**Equation 2:
Implied Market Return**

4
$$V_{500} = \frac{CY_1(1 + g)^1}{(1 + R_F + K)^1} + \frac{CY_2(1 + g)^2}{(1 + R_F + K)^2} + \dots + \frac{CY_5(1 + g)^5 + TV}{(1 + R_F + K)^5}$$

where: V_{500} = current value of index (S&P 500)
 CY_{1-5} = average cash yield over last five years (includes dividends and buybacks)
 g = compound growth rate in earnings over last five years
 R_F = risk-free rate
 K = implied market return (this is what we are solving for)
 TV = terminal value = $CY_5 (1+R_F) / K$

5 The discount rate is called the “implied” return here because it is based on the current value
6 of the index as well as the value of free cash flow to investors projected over the next five
7 years. Thus, based on these inputs, the market is “implying” the expected return; or in
8 other words, based on the current value of all stocks (the index price), and the projected
9 value of future cash flows, the market is telling us the return expected by investors for
10 investing in the market portfolio. After solving for the implied market return (K), we
11 simply subtract the risk-free rate from it to arrive at the implied ERP.

**Equation 3:
Implied Equity Risk Premium**

12
$$\text{Implied Expected Market Return} - R_F = \text{Implied ERP}$$

⁵³ See Exhibit DJG-9 for detailed calculation.

1 **Q. Discuss the results of your implied ERP calculation.**

2 A. After collecting data for the index value, operating earnings, dividends, and buybacks for
3 the S&P 500 over the past six years, I calculated the dividend yield, buyback yield, and
4 gross cash yield for each year. I also calculated the compound annual growth rate (g) from
5 operating earnings. I used these inputs, along with the risk-free rate and current value of
6 the index to calculate a current expected return on the entire market of 9.9%. I subtracted
7 the risk-free rate to arrive at the implied equity risk premium of 5.1%.⁵⁴ Dr. Damodaran,
8 one of the world's leading experts on the ERP, promotes the implied ERP method discussed
9 above. He calculates monthly and annual implied ERPs with this method and publishes
10 his results. Dr. Damodaran's average ERP estimate for May 2025 using several implied
11 ERP variations was 4.6%.⁵⁵

12 **Q. What are the results of your final ERP estimate?**

13 A. For the final ERP estimate I used in my CAPM analysis, I considered the results of the
14 ERP surveys along with the implied ERP calculations and the ERP reported by Kroll
15 (formerly Duff & Phelps).⁵⁶ The results are presented in the following figure:

⁵⁴ OCA Exhibit DJG-12.

⁵⁵ Aswath Damodaran, *Implied Equity Risk Premium Update*, DAMODARAN ONLINE (last visited Nov. 2, 2020) <http://pages.stern.nyu.edu/~adamodar/>.

⁵⁶ OCA Exhibit DJG-12.

**Figure 8:
Equity Risk Premium Results**

IESE Business School Survey	5.5%
Kroll (Duff & Phelps) Report	5.0%
Damodaran (average)	4.6%
Garrett	5.1%
Average	5.1%

1 I selected the average ERP estimate of 5.1% to use in my CAPM analysis.

2 **Q. Please explain the final results of your CAPM analysis.**

3 A. Using the inputs for the risk-free rate, beta coefficient, and ERP discussed above, I estimate
4 that the CAPM cost of equity is 9.0%.⁵⁷

5 **Q. Given the results of your DCF and CAPM analyses, what is your estimated cost of**
6 **equity for EBMA?**

7 A. To arrive at my cost of equity estimate, I average the indicated cost of equity results of the
8 CAPM (9.0%) and DCF Model (6.5%), to arrive at an overall cost of equity estimate of
9 7.7%.⁵⁸

⁵⁷ OCA Exhibit DJG-7.

⁵⁸ OCA Exhibit DJG-7.

1 **Q. Please summarize your adjustment to the income approach valuations of the UVEs.**

2 A. Based on my cost of equity and the other cost of capital components discussed above, my
3 adjustments to the UVE appraisals result in an adjusted income approach valuation of \$22.5
4 million, which is \$8.9 million less than the UVE income approach valuations.⁵⁹

D. Cost of Debt and Capital Structure

5 **Q. Please describe your adjustments to the cost of debt and capital structure.**

6 A. As discussed above, the cost of debt and capital structure are also components that
7 comprise the overall cost of capital. Since I used the utility proxy group to estimate the
8 cost of equity, I used the same group to estimate the cost of debt and capital structure. In
9 addition, I relied on the same source for the information – Value Line Investment Survey.
10 To estimate the cost of debt, I considered the interest expense and long-term debt reported
11 for each of the proxy companies. To estimate the capital structure, I considered the long-
12 term debt ratios for each proxy company. Again, I considered substantially the same proxy
13 group of companies as both UVEs as well as their consideration of Value Line as a source
14 for some of the pertinent financial data used in their analyses, including the debt ratios.
15 My average, adjusted cost of debt (pre-tax) and debt ratio for the proxy group is 3.9% and
16 48%, respectively.⁶⁰

⁵⁹ OCA Exhibit DJG-2.

⁶⁰ OCA Exhibit DJG-7.

1 **Q. How does your capital structure adjustment compare with the capital structures used**
2 **by the UVEs?**

3 A. Mr. Walker utilized a debt ratio of only 25.3%,⁶¹ which is significantly less than the
4 average debt ratio of the proxy group. Assuming an unreasonably low level of debt will
5 have an increasing effect on the estimated cost of capital. This is because the cost of debt
6 is significantly less than the cost of equity, so having less debt (and thus more equity) in
7 the capital structure will increase the cost of capital. Mr. Weinert utilized a capital structure
8 consisting of only 30% debt, which is also much less than the proxy group average.⁶²

9 **Q. Please summarize and illustrate the final results of your proposed adjustments under**
10 **the income approach.**

11 A. First, I used a Year 0 annual cash flow of \$334,482. I then applied an annual, constant
12 growth rate of 3.7%, which is equal to projected long-term GDP growth. I then discounted
13 the projected future cash flows back to present value using EBMA's estimated weighted
14 average cost of capital of 5.49%. The following figure presents the final results:⁶³

**Figure 9:
Adjusted Income Approach Results**

Annual Cash Flow	\$	334,482
Constant Growth Rate		3.70%
Discount Rate		5.49%
Adjusted Value		<u><u>\$ 19,420,497</u></u>

⁶¹ EBMA Statement No. 2, Direct Testimony of Harold Walker, III, p. 20, lines 6-7.

⁶² PAWC Statement No. 4, Direct Testimony of Jerome C. Weinert, p. 5, lines 9-11.

⁶³ See also OCA Exhibit DJG-4.

1 Under these assumptions, EBMA’s indicated valuation under the income approach is \$19.4
2 million, which is nearly equal to the indicated valuation under the market approach.

VI. CONCLUSION AND RECOMMENDATION

3 **Q. Please summarize the key points of your testimony.**

4 A. I reviewed the market, cost, and income valuations proposed by each appraisal. Certain
5 assumptions made by each UVE caused the results of their valuations under each approach
6 to be unreasonably high. Applying reasonable adjustments to their models, I estimated a
7 reasonable fair market value for acquisition of the EBMA system.

8 **Q. What is your recommendation to the Commission?**

9 A. If the Commission approves the acquisition, the Commission should adopt my proposed
10 adjustments to the appraisals. Also, if the Commission approves the acquisition, I
11 recommend a ratemaking rate base of \$22,100,000 for EBMA’s system, as outlined in
12 OCA Exhibit DJG-2, rather than the \$28,000,000 proposed by PAWC.

13 **Q. Does this conclude your testimony?**

14 A. Yes. To the extent that I did not specifically address a particular issue, that does not
15 constitute my agreement with such issue. I reserve the right to modify or supplement my
16 testimony if additional information is received.

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EDUCATION

University of Oklahoma Master of Business Administration Areas of Concentration: Finance, Energy	Norman, OK 2014
University of Oklahoma College of Law Juris Doctor Member, American Indian Law Review	Norman, OK 2007
University of Oklahoma Bachelor of Business Administration Major: Finance	Norman, OK 2003

PROFESSIONAL DESIGNATIONS

Society of Depreciation Professionals
Certified Depreciation Professional (CDP)

Society of Utility and Regulatory Financial Analysts
Certified Rate of Return Analyst (CRRA)

WORK EXPERIENCE

Resolve Utility Consulting PLLC <u>Managing Member</u> Provide expert analysis and testimony specializing in depreciation and cost of capital issues for clients in utility regulatory proceedings.	Oklahoma City, OK 2016 – Present
Oklahoma Corporation Commission <u>Public Utility Regulatory Analyst</u> <u>Assistant General Counsel</u> Represented commission staff in utility regulatory proceedings and provided legal opinions to commissioners. Provided expert analysis and testimony in depreciation, cost of capital, incentive compensation, payroll and other issues.	Oklahoma City, OK 2012 – 2016 2011 – 2012
Perebus Counsel, PLLC <u>Managing Member</u> Represented clients in the areas of family law, estate planning, debt negotiations, business organization, and utility regulation.	Oklahoma City, OK 2009 – 2011

Moricoli & Schovanec, P.C.

Associate Attorney

Represented clients in the areas of contracts, oil and gas, business structures and estate administration.

Oklahoma City, OK
2007 – 2009

TEACHING EXPERIENCE

University of Oklahoma

Adjunct Instructor – “Conflict Resolution”

Adjunct Instructor – “Ethics in Leadership”

Norman, OK

2014 – 2021

Rose State College

Adjunct Instructor – “Legal Research”

Adjunct Instructor – “Oil & Gas Law”

Midwest City, OK

2013 – 2015

PROFESSIONAL ASSOCIATIONS

Oklahoma Bar Association

2007 – Present

Society of Depreciation Professionals

Board Member – President

Participate in management of operations, attend meetings, review performance, organize presentation agenda.

2014 – Present

2017

Society of Utility Regulatory Financial Analysts

2014 – Present

Utility Regulatory Proceedings

Regulatory Agency	Utility Applicant	Docket Number	Issues Addressed	Parties Represented
Pennsylvania Public Utility Commission	Veolia Water Pennsylvania, Inc.	R-2024-3045192 R-2024-3045193	Cost of capital, depreciation rates, net salvage	Pennsylvania Office of Consumer Advocate
Pennsylvania Public Utility Commission	PECO Energy Company - Gas Division	R-2024-3046932	Cost of capital, awarded rate of return, capital structure	Pennsylvania Office of Consumer Advocate
Pennsylvania Public Utility Commission	PECO Energy Company - Electric Division	R-2024-3046931	Cost of capital, awarded rate of return, capital structure	Pennsylvania Office of Consumer Advocate
Oklahoma Corporation Commission	Oklahoma Gas & Electric Company	PUD 2023-000087	Cost of capital, depreciation rates, net salvage	Oklahoma Industrial Energy Consumers
Maryland Public Service Commission	Maryland Water Service, Inc.	9729	Cost of capital, awarded rate of return, capital structure	Maryland Office of People's Counsel
Kansas Corporation Commission	Kansas Gas Service	24-KGSG-610-RTS	Depreciation rates, service lives, net salvage	The Citizens' Utility Ratepayer Board
Pennsylvania Public Utility Commission	FirstEnergy Pennsylvania Electric Company	R-2024-3047068	Depreciation rates, service lives, net salvage	Pennsylvania Office of Consumer Advocate
Maryland Public Service Commission	Chesapeake Utilities Corporation Sandpiper Energy, Inc. Elkton Gas Company	9721	Depreciation rates, service lives, net salvage	Maryland Office of People's Counsel
Pennsylvania Public Utility Commission	Duquesne Light Company	R-2024-3046523	Cost of capital, depreciation rates, net salvage	Pennsylvania Office of Consumer Advocate
Public Utility Commission of Texas	CenterPoint Energy Houston Electric	PUC 56211	Depreciation rates, service lives, net salvage	Texas Coast Utilities Coalition
Washington Utilities & Transportation Commission	Avista Corporation	UE-240006 UG-240007	Cost of capital, awarded rate of return, capital structure	Washington Office of Attorney General
Public Utility Commission of Texas	AEP Texas Inc.	PUC 56165	Depreciation rates, service lives, net salvage	Cities Served by AEP Texas
Public Utilities Commission of Nevada	Southwest Gas Corporation	23-09012	Depreciation rates, service lives, net salvage	Bureau of Consumer Protection
Public Utilities Commission of the State of California	Southern California Edison	A.23-05-010	Depreciation rates, service lives, net salvage	The Utility Reform Network

Utility Regulatory Proceedings

Regulatory Agency	Utility Applicant	Docket Number	Issues Addressed	Parties Represented
Pennsylvania Public Utility Commission	Pennsylvania-American Water Company	R-2023-3043189 R-2023-3043190	Cost of capital, awarded rate of return, capital structure	Pennsylvania Office of Consumer Advocate
Indiana Utility Regulatory Commission	Northern Indiana Public Service Company	45967	Depreciation rates, service lives, net salvage	Indiana Office of Utility Consumer Counselor
Massachusetts Department of Public Utilities	Massachusetts Electric Company and Nantucket Electric Company D/B/A National Grid	D.P.U. 23-150	Depreciation rates, service lives, net salvage	Massachusetts Office of the Attorney General, Office of Ratepayer Advocacy
Iowa Utilities Board	Interstate Power and Light Company	RPU-2023-0002	Depreciation rates, service lives, net salvage	Office of Consumer Advocate
Public Service Commission of South Carolina	Duke Energy Carolinas	2023-388-E 2023-403-E	Depreciation rates, service lives, net salvage	South Carolina Office of Regulatory Staff
Indiana Utility Regulatory Commission	Citizens Energy Group	45988	Depreciation rates, service lives, net salvage	Indiana Office of Utility Consumer Counselor
Railroad Commission of Texas	CenterPoint Energy Resources Corp.	OS-23-00015513	Depreciation rates, service lives, net salvage	Alliance of CenterPoint Municipalities
Indiana Utility Regulatory Commission	CenterPoint Energy Indiana South	45990	Depreciation rates, service lives, net salvage	Indiana Office of Utility Consumer Counselor
Delaware Public Service Commission	Artesian Water Company, Inc.	23-0601	Cost of capital, depreciation rates, net salvage	Division of the Public Advocate
Maryland Public Service Commission	Washington Gas Light Company	9704	Cost of capital, awarded rate of return, capital structure	Maryland Office of People's Counsel
Delaware Public Service Commission	Veolia Water Delaware Inc.	23-0598	Cost of capital, awarded rate of return, capital structure	Division of the Public Advocate
Connecticut Public Utilities Regulatory Authority	United Illuminating Company	22-08-08	Depreciation rates, service lives, net salvage	PURA Staff
Public Utility Commission of Texas	Southwestern Public Service Company	PUC 54634	Depreciation rates, service lives, net salvage	Alliance of Xcel Municipalities
Railroad Commission of Texas	SiEnergy, LP	OS-23-00013504	Depreciation rates, service lives, net salvage	Texas municipal intervenor group

Utility Regulatory Proceedings

Regulatory Agency	Utility Applicant	Docket Number	Issues Addressed	Parties Represented
Pennsylvania Public Utility Commission	Aqua Pennsylvania, Inc.	A-2022-3034143	Fair market value review	Pennsylvania Office of Consumer Advocate
Wyoming Public Service Commission	Rocky Mountain Power	20000-633-ER-23	Cost of capital and authorized rate of return	Wyoming Industrial Energy Consumers
Maryland Public Service Commission	Potomac Electric Power Company	9702	Depreciation rates, service lives, net salvage	Maryland Office of People's Counsel
Public Utilities Commission of Nevada	Nevada Power Company d/b/a NV Energy	23-06007 23-06008	Depreciation rates, service lives, net salvage	Bureau of Consumer Protection
Public Utilities Commission of Ohio	Northeast Ohio Natural Gas Corp.	23-0154-GA-AIR	Cost of capital, awarded rate of return, capital structure	Office of the Ohio Consumers' Counsel
New York State Public Service Commission	The Brooklyn Union Gas Company and Keyspan Gas East Corporation d/b/a Nation Grid	23-G-0225 23-G-0226	Depreciation rates, service lives, net salvage, depreciation reserve	The City of New York
Idaho Public Utilities Commission	Idaho Power Company	IPC-E-23-11	Cost of capital, awarded rate of return, capital structure	Micron Technology, Inc.
Indiana Utility Regulatory Commission	Indiana Michigan Power Company	45933	Depreciation rates, service lives, net salvage	Indiana Office of Utility Consumer Counselor
Massachusetts Department of Public Utilities	Fitchburg Gas and Electric Company d/b/a Until	D.P.U. 23-80; D.P.U. 23-81	Depreciation rates, service lives, net salvage	Massachusetts Office of the Attorney General, Office of Ratepayer Advocacy
Kansas Corporation Commission	Evergy Kansas Central, Evergy Kansas South, and Evergy Metro	23-EKCE-775-RTS	Depreciation rates, service lives, net salvage	The Citizens' Utility Ratepayer Board
Delaware Public Service Commission	Delmarva Power & Light Company	22-0897	Cost of capital, awarded rate of return, capital structure	Division of the Public Advocate
Connecticut Public Utilities Regulatory Authority	Connecticut Water Company	23-08-32	Depreciation rates, service lives, net salvage	PURA Staff
Connecticut Public Utilities Regulatory Authority	Connecticut Natural Gas Corporation and The Southern Connecticut Gas Company	23-11-02	Depreciation rates, service lives, net salvage	PURA Staff
Railroad Commission of Texas	Atmos Pipeline – Texas	OS-23-00013758	Depreciation rates, service lives, net salvage	Atmos Texas Municipalities

Utility Regulatory Proceedings

Regulatory Agency	Utility Applicant	Docket Number	Issues Addressed	Parties Represented
Wyoming Public Service Commission	Black Hills Wyoming Gas	30026-78-GR-23	Depreciation rates, service lives, net salvage	Wyoming Office of Consumer Advocate
Indiana Utility Regulatory Commission	Indianapolis Power & Light Company d/b/a AES Indiana	45911	Depreciation rates, service lives, net salvage	Indiana Office of Utility Consumer Counselor
New Mexico Public Regulation Commission	Southwestern Public Service Company	22-00286-UT	Cost of capital, depreciation rates, net salvage	The New Mexico Large Customer Group; Occidental Permian
Public Utilities Commission of the State of California	Southern California Gas Company San Diego Gas & Electric Company	A.22-05-015 A.22-05-016	Depreciation rates, service lives, net salvage	The Utility Reform Network
Public Utilities Commission of the State of Colorado	Public Service Company of Colorado	22AL-0530E 22AL-0478E	Cost of capital, awarded rate of return, capital structure	Colorado Energy Consumers
New Mexico Public Regulatory Commission	Public Service Company of New Mexico	22-00270-UT	Cost of capital, depreciation rates, net salvage	The Albuquerque Bernalillo County Water Utility Authority
Florida Public Service Commission	Peoples Gas System	20230023-GU 20220219-GU 20220212-GU	Cost of capital, depreciation rates, net salvage	Florida Office of Public Counsel
Maryland Public Service Commission	Potomac Edison Company	9695	Cost of capital, depreciation rates, net salvage	Maryland Office of People's Counsel
Public Service Commission of the State of Montana	Montana-Dakota Utilities Company	2022.11.099	Depreciation rates, service lives, net salvage	Montana Consumer Counsel and Denbury Onshore
Indiana Utility Regulatory Commission	Indiana-American Water Company	45870	Depreciation rates, service lives, net salvage	Indiana Office of Utility Consumer Counselor
Public Service Commission of South Carolina	Dominion Energy South Carolina	2023-70-G	Depreciation rates, service lives, net salvage	South Carolina Office of Regulatory Staff
Maryland Public Service Commission	Columbia Gas of Maryland	9701	Cost of capital, awarded rate of return, capital structure	Maryland Office of People's Counsel
Pennsylvania Public Utility Commission	Columbia Water Company	R-2023-3040258	Cost of capital, awarded rate of return, capital structure	Pennsylvania Office of Consumer Advocate
Maryland Public Service Commission	Baltimore Gas and Electric Company	9692	Depreciation rates, service lives, net salvage	Maryland Office of People's Counsel

Utility Regulatory Proceedings

Regulatory Agency	Utility Applicant	Docket Number	Issues Addressed	Parties Represented
Arizona Corporation Commission	Arizona Public Service Company	E-01345A-22-0144	Cost of capital, awarded rate of return, capital structure	Residential Utility Consumer Office
Oklahoma Corporation Commission	Public Service Company of Oklahoma	PUD 2022-000093	Cost of capital, depreciation rates, net salvage	Oklahoma Industrial Energy Consumers
Public Service Commission of the State of Montana	NorthWestern Energy	2022.07.078	Cost of capital, depreciation rates, net salvage	Montana Consumer Counsel and Montana Large Customer Group
Indiana Utility Regulatory Commission	Northern Indiana Public Service Company	45772	Cost of capital, depreciation rates, net salvage	Indiana Office of Utility Consumer Counselor
Public Service Commission of South Carolina	Duke Energy Progress	2022-254-E	Depreciation rates, service lives, net salvage	South Carolina Office of Regulatory Staff
Wyoming Public Service Commission	Cheyenne Light, Fuel and Power Company D/B/A Black Hills Energy	20003-214-ER-22	Depreciation rates, service lives, net salvage	Wyoming Office of Consumer Advocate
Railroad Commission of Texas	Texas Gas Services Company	OS-22-00009896	Depreciation rates, service lives, net salvage	The City of El Paso
Public Utilities Commission of Nevada	Sierra Pacific Power Company	22-06014	Depreciation rates, service lives, net salvage	Bureau of Consumer Protection
Washington Utilities & Transportation Commission	Puget Sound Energy	UE-220066 UG-220067 UG-210918	Depreciation rates, service lives, net salvage	Washington Office of Attorney General
Public Utility Commission of Texas	Oncor Electric Delivery Company LLC	PUC 53601	Depreciation rates, service lives, net salvage	Alliance of Oncor Cities
Florida Public Service Commission	Florida Public Utilities Company	20220067-GU	Cost of capital, depreciation rates	Florida Office of Public Counsel
Public Utility Commission of Texas	Entergy Texas, Inc.	PUC 53719	Depreciation rates, decommissioning costs	Texas Municipal Group
Florida Public Service Commission	Florida City Gas	2020069-GU	Cost of capital, depreciation rates	Florida Office of Public Counsel
Connecticut Public Utilities Regulatory Authority	Aquarion Water Company of Connecticut	22-07-01	Depreciation rates, service lives, net salvage	PURA Staff

Utility Regulatory Proceedings

Regulatory Agency	Utility Applicant	Docket Number	Issues Addressed	Parties Represented
Washington Utilities & Transportation Commission	Avista Corporation	UE-220053 UG-220054 UE-210854	Cost of capital, awarded rate of return, capital structure	Washington Office of Attorney General
Federal Energy Regulatory Commission	ANR Pipeline Company	RP22-501-000	Depreciation rates, service lives, net salvage	Ascent Resources - Utica, LLC
Pennsylvania Public Utility Commission	Columbia Gas of Pennsylvania, Inc.	R-2022-3031211	Cost of capital, awarded rate of return, capital structure	Pennsylvania Office of Consumer Advocate
Public Service Commission of South Carolina	Piedmont Natural Gas Company	2022-89-G	Depreciation rates, service lives, net salvage	South Carolina Office of Regulatory Staff
Pennsylvania Public Utility Commission	UGI Utilities, Inc. - Gas Division	R-2021-3030218	Cost of capital, awarded rate of return, capital structure	Pennsylvania Office of Consumer Advocate
Public Utilities Commission of the State of California	Pacific Gas & Electric Company	A.21-06-021	Depreciation rates, service lives, net salvage	The Utility Reform Network
Pennsylvania Public Utility Commission	PECO Energy Company - Gas Division	R-2022-3031113	Cost of capital, awarded rate of return, capital structure	Pennsylvania Office of Consumer Advocate
Oklahoma Corporation Commission	Oklahoma Gas & Electric Company	PUD 202100164	Cost of capital, depreciation rates, net salvage	Oklahoma Industrial Energy Consumers
Massachusetts Department of Public Utilities	NSTAR Electric Company D/B/A Eversource Energy	D.P.U. 22-22	Depreciation rates, service lives, net salvage	Massachusetts Office of the Attorney General, Office of Ratepayer Advocacy
Michigan Public Service Company	DTE Electric Company	U-20836	Cost of capital, awarded rate of return, capital structure	Michigan Environmental Council and Citizens Utility Board of Michigan
New York State Public Service Commission	Consolidated Edison Company of New York, Inc.	22-E-0064 22-G-0065	Depreciation rates, service lives, net salvage, depreciation reserve	The City of New York
Pennsylvania Public Utility Commission	Aqua Pennsylvania Wastewater / East Whiteland Township	A-2021-3026132	Fair market value estimates for wastewater assets	Pennsylvania Office of Consumer Advocate
Public Service Commission of South Carolina	Kiawah Island Utility, Inc.	2021-324-WS	Cost of capital, awarded rate of return, capital structure	South Carolina Office of Regulatory Staff
Pennsylvania Public Utility Commission	Aqua Pennsylvania Wastewater / Willistown Township	A-2021-3027268	Fair market value estimates for wastewater assets	Pennsylvania Office of Consumer Advocate

Utility Regulatory Proceedings

Regulatory Agency	Utility Applicant	Docket Number	Issues Addressed	Parties Represented
Indiana Utility Regulatory Commission	Northern Indiana Public Service Company	45621	Depreciation rates, service lives, net salvage	Indiana Office of Utility Consumer Counselor
Arkansas Public Service Commission	Southwestern Electric Power Company	21-070-U	Cost of capital, depreciation rates, net salvage	Western Arkansas Large Energy Consumers
Federal Energy Regulatory Commission	Southern Star Central Gas Pipeline	RP21-778-002	Depreciation rates, service lives, net salvage	Consumer-Owned Shippers
Railroad Commission of Texas	Participating Texas gas utilities in consolidated proceeding	OS-21-00007061	Securitization of extraordinary gas costs arising from winter storms	The City of El Paso
Public Service Commission of South Carolina	Palmetto Wastewater Reclamation, Inc.	2021-153-S	Cost of capital, awarded rate of return, capital structure, ring-fencing	South Carolina Office of Regulatory Staff
Public Utilities Commission of the State of Colorado	Public Service Company of Colorado	21AL-0317E	Cost of capital, depreciation rates, net salvage	Colorado Energy Consumers
Pennsylvania Public Utility Commission	City of Lancaster - Water Department	R-2021-3026682	Cost of capital, awarded rate of return, capital structure	Pennsylvania Office of Consumer Advocate
Public Utility Commission of Texas	Southwestern Public Service Company	PUC 51802	Depreciation rates, service lives, net salvage	The Alliance of Xcel Municipalities
Pennsylvania Public Utility Commission	The Borough of Hanover - Hanover Municipal Waterworks	R-2021-3026116	Cost of capital, awarded rate of return, capital structure	Pennsylvania Office of Consumer Advocate
Maryland Public Service Commission	Delmarva Power & Light Company	9670	Cost of capital and authorized rate of return	Maryland Office of People's Counsel
Oklahoma Corporation Commission	Oklahoma Natural Gas Company	PUD 202100063	Cost of capital, awarded rate of return, capital structure	Oklahoma Industrial Energy Consumers
Indiana Utility Regulatory Commission	Indiana Michigan Power Company	45576	Depreciation rates, service lives, net salvage	Indiana Office of Utility Consumer Counselor
Public Utility Commission of Texas	El Paso Electric Company	PUC 52195	Depreciation rates, service lives, net salvage	The City of El Paso
Pennsylvania Public Utility Commission	Aqua Pennsylvania	R-2021-3027385	Cost of capital, awarded rate of return, capital structure	Pennsylvania Office of Consumer Advocate

Utility Regulatory Proceedings

Regulatory Agency	Utility Applicant	Docket Number	Issues Addressed	Parties Represented
Public Service Commission of the State of Montana	NorthWestern Energy	D2021.02.022	Cost of capital, awarded rate of return, capital structure	Montana Consumer Counsel
Pennsylvania Public Utility Commission	PECO Energy Company	R-2021-3024601	Cost of capital, awarded rate of return, capital structure	Pennsylvania Office of Consumer Advocate
New Mexico Public Regulation Commission	Southwestern Public Service Company	20-00238-UT	Cost of capital and authorized rate of return	The New Mexico Large Customer Group; Occidental Permian
Oklahoma Corporation Commission	Public Service Company of Oklahoma	PUD 202100055	Cost of capital, depreciation rates, net salvage	Oklahoma Industrial Energy Consumers
Pennsylvania Public Utility Commission	Duquesne Light Company	R-2021-3024750	Cost of capital, awarded rate of return, capital structure	Pennsylvania Office of Consumer Advocate
Maryland Public Service Commission	Columbia Gas of Maryland	9664	Cost of capital and authorized rate of return	Maryland Office of People's Counsel
Indiana Utility Regulatory Commission	Southern Indiana Gas Company, d/b/a Vectren Energy Delivery of Indiana, Inc.	45447	Depreciation rates, service lives, net salvage	Indiana Office of Utility Consumer Counselor
Public Utility Commission of Texas	Southwestern Electric Power Company	PUC 51415	Depreciation rates, service lives, net salvage	Cities Advocating Reasonable Deregulation
New Mexico Public Regulatory Commission	Avangrid, Inc., Avangrid Networks, Inc., NM Green Holdings, Inc., PNM, and PNM Resources	20-00222-UT	Ring fencing and capital structure	The Albuquerque Bernalillo County Water Utility Authority
Indiana Utility Regulatory Commission	Indiana Gas Company, d/b/a Vectren Energy Delivery of Indiana, Inc.	45468	Depreciation rates, service lives, net salvage	Indiana Office of Utility Consumer Counselor
Public Utilities Commission of Nevada	Nevada Power Company and Sierra Pacific Power Company, d/b/a NV Energy	20-07023	Construction work in progress	MGM Resorts International, Caesars Enterprise Services, LLC, and the Southern Nevada Water Authority
Massachusetts Department of Public Utilities	Boston Gas Company, d/b/a National Grid	D.P.U. 20-120	Depreciation rates, service lives, net salvage	Massachusetts Office of the Attorney General, Office of Ratepayer Advocacy
Public Service Commission of the State of Montana	ABACO Energy Services, LLC	D2020.07.082	Cost of capital and authorized rate of return	Montana Consumer Counsel
Maryland Public Service Commission	Washington Gas Light Company	9651	Cost of capital and authorized rate of return	Maryland Office of People's Counsel

Utility Regulatory Proceedings

Regulatory Agency	Utility Applicant	Docket Number	Issues Addressed	Parties Represented
Florida Public Service Commission	Utilities, Inc. of Florida	20200139-WS	Cost of capital and authorized rate of return	Florida Office of Public Counsel
New Mexico Public Regulatory Commission	El Paso Electric Company	20-00104-UT	Cost of capital, depreciation rates, net salvage	City of Las Cruces and Doña Ana County
Public Utilities Commission of Nevada	Nevada Power Company	20-06003	Cost of capital, awarded rate of return, capital structure, earnings sharing	MGM Resorts International, Caesars Enterprise Services, LLC, Wynn Las Vegas, LLC, Smart Energy Alliance, and Circus Circus Las Vegas, LLC
Wyoming Public Service Commission	Rocky Mountain Power	20000-578-ER-20	Cost of capital and authorized rate of return	Wyoming Industrial Energy Consumers
Florida Public Service Commission	Peoples Gas System	20200051-GU 20200166-GU	Cost of capital, depreciation rates, net salvage	Florida Office of Public Counsel
Wyoming Public Service Commission	Rocky Mountain Power	20000-539-EA-18	Depreciation rates, service lives, net salvage	Wyoming Industrial Energy Consumers
Public Service Commission of South Carolina	Dominion Energy South Carolina	2020-125-E	Depreciation rates, service lives, net salvage	South Carolina Office of Regulatory Staff
Pennsylvania Public Utility Commission	The City of Bethlehem	2020-3020256	Cost of capital, awarded rate of return, capital structure	Pennsylvania Office of Consumer Advocate
Railroad Commission of Texas	Texas Gas Services Company	GUD 10928	Depreciation rates, service lives, net salvage	Gulf Coast Service Area Steering Committee
Public Utilities Commission of the State of California	Southern California Edison	A.19-08-013	Depreciation rates, service lives, net salvage	The Utility Reform Network
Massachusetts Department of Public Utilities	NSTAR Gas Company	D.P.U. 19-120	Depreciation rates, service lives, net salvage	Massachusetts Office of the Attorney General, Office of Ratepayer Advocacy
Georgia Public Service Commission	Liberty Utilities (Peach State Natural Gas)	42959	Depreciation rates, service lives, net salvage	Public Interest Advocacy Staff
Florida Public Service Commission	Florida Public Utilities Company	20190155-El 20190156-El 20190174-El	Depreciation rates, service lives, net salvage	Florida Office of Public Counsel
Illinois Commerce Commission	Commonwealth Edison Company	20-0393	Depreciation rates, service lives, net salvage	The Office of the Illinois Attorney General

Utility Regulatory Proceedings

Regulatory Agency	Utility Applicant	Docket Number	Issues Addressed	Parties Represented
Public Utility Commission of Texas	Southwestern Public Service Company	PUC 49831	Depreciation rates, service lives, net salvage	Alliance of Xcel Municipalities
Public Service Commission of South Carolina	Blue Granite Water Company	2019-290-WS	Depreciation rates, service lives, net salvage	South Carolina Office of Regulatory Staff
Railroad Commission of Texas	CenterPoint Energy Resources	GUD 10920	Depreciation rates and grouping procedure	Alliance of CenterPoint Municipalities
Pennsylvania Public Utility Commission	Aqua Pennsylvania Wastewater / East Norriton Township	A-2019-3009052	Fair market value estimates for wastewater assets	Pennsylvania Office of Consumer Advocate
New Mexico Public Regulation Commission	Southwestern Public Service Company	19-00170-UT	Cost of capital and authorized rate of return	The New Mexico Large Customer Group; Occidental Permian
Indiana Utility Regulatory Commission	Duke Energy Indiana	45253	Cost of capital, depreciation rates, net salvage	Indiana Office of Utility Consumer Counselor
Maryland Public Service Commission	Columbia Gas of Maryland	9609	Depreciation rates, service lives, net salvage	Maryland Office of People's Counsel
Washington Utilities & Transportation Commission	Avista Corporation	UE-190334	Cost of capital, awarded rate of return, capital structure	Washington Office of Attorney General
Indiana Utility Regulatory Commission	Indiana Michigan Power Company	45235	Cost of capital, depreciation rates, net salvage	Indiana Office of Utility Consumer Counselor
Public Utilities Commission of the State of California	Pacific Gas & Electric Company	18-12-009	Depreciation rates, service lives, net salvage	The Utility Reform Network
Oklahoma Corporation Commission	The Empire District Electric Company	PUD 201800133	Cost of capital, authorized ROE, depreciation rates	Oklahoma Industrial Energy Consumers and Oklahoma Energy Results
Arkansas Public Service Commission	Southwestern Electric Power Company	19-008-U	Cost of capital, depreciation rates, net salvage	Western Arkansas Large Energy Consumers
Public Utility Commission of Texas	CenterPoint Energy Houston Electric	PUC 49421	Depreciation rates, service lives, net salvage	Texas Coast Utilities Coalition
Massachusetts Department of Public Utilities	Massachusetts Electric Company and Nantucket Electric Company	D.P.U. 18-150	Depreciation rates, service lives, net salvage	Massachusetts Office of the Attorney General, Office of Ratepayer Advocacy

Utility Regulatory Proceedings

Regulatory Agency	Utility Applicant	Docket Number	Issues Addressed	Parties Represented
Oklahoma Corporation Commission	Oklahoma Gas & Electric Company	PUD 201800140	Cost of capital, authorized ROE, depreciation rates	Oklahoma Industrial Energy Consumers and Oklahoma Energy Results
Public Service Commission of the State of Montana	Montana-Dakota Utilities Company	D2018.9.60	Depreciation rates, service lives, net salvage	Montana Consumer Counsel and Denbury Onshore
Indiana Utility Regulatory Commission	Northern Indiana Public Service Company	45159	Depreciation rates, grouping procedure, demolition costs	Indiana Office of Utility Consumer Counselor
Public Service Commission of the State of Montana	NorthWestern Energy	D2018.2.12	Depreciation rates, service lives, net salvage	Montana Consumer Counsel
Oklahoma Corporation Commission	Public Service Company of Oklahoma	PUD 201800097	Depreciation rates, service lives, net salvage	Oklahoma Industrial Energy Consumers and Wal-Mart
Nevada Public Utilities Commission	Southwest Gas Corporation	18-05031	Depreciation rates, service lives, net salvage	Nevada Bureau of Consumer Protection
Public Utility Commission of Texas	Texas-New Mexico Power Company	PUC 48401	Depreciation rates, service lives, net salvage	Alliance of Texas-New Mexico Power Municipalities
Oklahoma Corporation Commission	Oklahoma Gas & Electric Company	PUD 201700496	Depreciation rates, service lives, net salvage	Oklahoma Industrial Energy Consumers and Oklahoma Energy Results
Maryland Public Service Commission	Washington Gas Light Company	9481	Depreciation rates, service lives, net salvage	Maryland Office of People's Counsel
Indiana Utility Regulatory Commission	Citizens Energy Group	45039	Depreciation rates, service lives, net salvage	Indiana Office of Utility Consumer Counselor
Public Utility Commission of Texas	Entergy Texas, Inc.	PUC 48371	Depreciation rates, decommissioning costs	Texas Municipal Group
Washington Utilities & Transportation Commission	Avista Corporation	UE-180167	Depreciation rates, service lives, net salvage	Washington Office of Attorney General
New Mexico Public Regulation Commission	Southwestern Public Service Company	17-00255-UT	Cost of capital and authorized rate of return	HollyFrontier Navajo Refining; Occidental Permian
Public Utility Commission of Texas	Southwestern Public Service Company	PUC 47527	Depreciation rates, plant service lives	Alliance of Xcel Municipalities

Utility Regulatory Proceedings

Regulatory Agency	Utility Applicant	Docket Number	Issues Addressed	Parties Represented
Public Service Commission of the State of Montana	Montana-Dakota Utilities Company	D2017.9.79	Depreciation rates, service lives, net salvage	Montana Consumer Counsel
Florida Public Service Commission	Florida City Gas	20170179-GU	Cost of capital, depreciation rates	Florida Office of Public Counsel
Washington Utilities & Transportation Commission	Avista Corporation	UE-170485	Cost of capital and authorized rate of return	Washington Office of Attorney General
Wyoming Public Service Commission	Powder River Energy Corporation	10014-182-CA-17	Credit analysis, cost of capital	Private customer
Oklahoma Corporation Commission	Public Service Co. of Oklahoma	PUD 201700151	Depreciation, terminal salvage, risk analysis	Oklahoma Industrial Energy Consumers
Public Utility Commission of Texas	Oncor Electric Delivery Company	PUC 46957	Depreciation rates, simulated analysis	Alliance of Oncor Cities
Nevada Public Utilities Commission	Nevada Power Company	17-06004	Depreciation rates, service lives, net salvage	Nevada Bureau of Consumer Protection
Public Utility Commission of Texas	El Paso Electric Company	PUC 46831	Depreciation rates, interim retirements	City of El Paso
Idaho Public Utilities Commission	Idaho Power Company	IPC-E-16-24	Accelerated depreciation of North Valmy plant	Micron Technology, Inc.
Idaho Public Utilities Commission	Idaho Power Company	IPC-E-16-23	Depreciation rates, service lives, net salvage	Micron Technology, Inc.
Public Utility Commission of Texas	Southwestern Electric Power Company	PUC 46449	Depreciation rates, decommissioning costs	Cities Advocating Reasonable Deregulation
Massachusetts Department of Public Utilities	Eversource Energy	D.P.U. 17-05	Cost of capital, capital structure, and rate of return	Sunrun Inc.; Energy Freedom Coalition of America
Railroad Commission of Texas	Atmos Pipeline - Texas	GUD 10580	Depreciation rates, grouping procedure	City of Dallas
Public Utility Commission of Texas	Sharyland Utility Company	PUC 45414	Depreciation rates, simulated analysis	City of Mission

Utility Regulatory Proceedings

Regulatory Agency	Utility Applicant	Docket Number	Issues Addressed	Parties Represented
Oklahoma Corporation Commission	Empire District Electric Company	PUD 201600468	Cost of capital, depreciation rates	Oklahoma Industrial Energy Consumers
Railroad Commission of Texas	CenterPoint Energy Texas Gas	GUD 10567	Depreciation rates, simulated plant analysis	Texas Coast Utilities Coalition
Arkansas Public Service Commission	Oklahoma Gas & Electric Company	160-159-GU	Cost of capital, depreciation rates, terminal salvage	Arkansas River Valley Energy Consumers; Wal-Mart
Florida Public Service Commission	Peoples Gas	160-159-GU	Depreciation rates, service lives, net salvage	Florida Office of Public Counsel
Arizona Corporation Commission	Arizona Public Service Company	E-01345A-16-0036	Cost of capital, depreciation rates, terminal salvage	Energy Freedom Coalition of America
Nevada Public Utilities Commission	Sierra Pacific Power Company	16-06008	Depreciation rates, net salvage, theoretical reserve	Northern Nevada Utility Customers
Oklahoma Corporation Commission	Oklahoma Gas & Electric Co.	PUD 201500273	Cost of capital, depreciation rates, terminal salvage	Public Utility Division
Oklahoma Corporation Commission	Public Service Co. of Oklahoma	PUD 201500208	Cost of capital, depreciation rates, terminal salvage	Public Utility Division
Oklahoma Corporation Commission	Oklahoma Natural Gas Company	PUD 201500213	Cost of capital, depreciation rates, net salvage	Public Utility Division

Summary Results

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Gannett Fleming Results and Adjustments								
Approach		Base Value	Weight	Weighted Value	OCA Adjustment	Adjusted Value	OCA Weight	OCA Weighted Value
Market	\$	27,678,195	33.3%	\$ 9,226,065	\$ (3,311,767)	\$ 24,366,428	33.3%	\$ 8,122,143
Cost		28,371,029	33.3%	9,457,010	(5,875,026)	22,496,004	33.3%	7,498,668
Income		28,359,361	33.3%	9,453,120	(8,938,864)	19,420,497	33.3%	6,473,499
Total			100.0%	\$ 28,136,195	Total		100.0%	\$ 22,094,309
WADS Consultants Results and Adjustments								
Approach		Base Value	Weight	Weighted Value	OCA Adjustment	Adjusted Value	OCA Weight	OCA Weighted Value
Market	\$	27,221,430	33.3%	\$ 9,073,810	\$ (2,855,002)	\$ 24,366,428	33.3%	\$ 8,122,143
Cost		30,657,221	33.3%	10,219,074	(8,161,218)	22,496,004	33.3%	7,498,668
Income		28,344,391	33.3%	9,448,130	(8,923,894)	19,420,497	33.3%	6,473,499
Total			100.0%	\$ 28,741,014	Total		100.0%	\$ 22,094,309
Results Summary								
	Appraiser Weighted Value				OCA Adjusted Value			
Gannett Fleming				\$ 28,136,195				\$ 22,094,309
WADS Consultants				28,741,014				22,094,309
Average				\$ 28,438,605				\$ 22,094,309
Purchase Price				\$ 28,000,000				\$ 28,000,000
Lesser of Purchase Price and Market Value				\$ 28,000,000				\$ 22,094,309

[1] Valuation approach
 [2] Appraised value
 [3] Applied weighting
 [4] = [2] * [3];
 [5] = [6] - [2]
 [6] OCA adjusted value
 [7] Applied weighting
 [8] = [6] * [7]

Market Approach Valuation Adjustment

Selected Transaction Metrics								
System Name	Service Type	System Type	Purchase Price	Investor Capital	Gross PP&E	Net PP&E	Customers	Population
Municipal Authority of the City of Mckeessport	WW	INT	\$ 156,000,000	\$ 83,903,219	\$ 91,435,797	\$ 73,813,794	12,780	46,468
New Garden Township/Authority's WW System's Assets	WW	INT	\$ 29,500,000	\$ 23,001,140	\$ 25,988,330	\$ 17,967,319	1,796	12,085
Limerick Township Wastewater System's Assets	WW	INT	\$ 75,100,000	\$ 43,501,755	\$ 60,847,250	\$ 36,113,701	5,416	18,798
Steelton Borough (Water) Authority	W	INT	\$ 22,500,000				2,472	5,932
Exeter Township Wastewater System Assets	WW	INT	\$ 96,000,000				8,984	27,609
Kane Borough Authority Wastewater System	WW	INT	\$ 17,560,000	\$ 10,809,115	\$ 20,265,926	\$ 8,897,773	2,019	4,645
Borough of Royersford Wastewater System Assets	WW	INT	\$ 13,000,000	\$ 4,702,972	\$ 6,883,116	\$ 4,545,699	1,596	5,154
Muni Auth Borough of Shenandoah Water System Assets	W	INT	\$ 12,000,000	\$ 13,119,705	\$ 21,134,020	\$ 11,252,247	2,899	6,166
Butler Area Sewer Authority	WW	INT	\$ 231,500,000	\$ 74,049,964	\$ 138,491,270	\$ 58,390,335	14,699	52,499
York City Sewer Authority Wastewater System Assets	WW	INT	\$ 235,000,000	\$ 100,493,098	\$ 120,654,506	\$ 78,592,332	13,747	80,929
Sadsbury Township Wastewater Utility	WW	C/D	\$ 9,250,000				998	3,850
East Bradford Township Wastewater System Assets	WW	C/D	\$ 5,000,000	\$ 1,298,627			1,248	9,942
Township of Mahoning Water System Assets	W	C/D	\$ 4,734,800				1,186	4,218
Township of Mahoning Sewer System Assets	WW	C/D	\$ 4,765,200				1,451	4,218
Cheltenham Township Wastewater System Assets	WW	C/D	\$ 50,250,000				10,219	37,841
East Norriton Township Wastewater System Assets	WW	C/D	\$ 21,000,000	\$ 4,055,138			4,966	14,296
Valley Township Water System Assets	W	C/D	\$ 7,325,000				1,669	7,493
Valley Township Wastewater System Assets	WW	C/D	\$ 13,950,000				3,125	7,493
Upper Pottsgrove Township Wastewater System Assets	WW	C/D	\$ 13,750,000		\$ 15,295,347	\$ 11,548,897	1,428	5,530
Lower Makefield Township Wastewater System Assets	WW	C/D	\$ 53,000,000	\$ 16,525,411		\$ 17,592,071	11,151	33,197
Willistown Township Wastewater Systems Assets	WW	C/D	\$ 17,500,000	\$ 9,866,721	\$ 8,673,707	\$ 4,887,532	2,294	11,214
East Whiteland Township Wastewater System Assets	WW	C/D	\$ 54,930,000	\$ 42,513,245	\$ 48,672,940	\$ 34,143,673	3,895	14,720
Elizabeth Borough MA Wastewater System Assets				\$ 18,965,320	\$ 19,220,013	\$ 16,620,978	683	5,384
Indicated Valuations								
Municipal Authority of the City of Mckeessport				\$ 35,261,936	\$ 32,791,556	\$ 35,127,209	\$ 8,337,089	\$ 18,074,890
New Garden Township/Authority's WW System's Assets				\$ 24,323,879	\$ 21,817,115	\$ 27,289,483	\$ 11,218,541	\$ 13,142,573
Limerick Township Wastewater System's Assets				\$ 32,741,105	\$ 23,722,074	\$ 34,564,041	\$ 9,470,698	\$ 21,509,650
Steelton Borough (Water) Authority							\$ 6,216,626	\$ 20,421,443
Exeter Township Wastewater System Assets							\$ 7,298,308	\$ 18,720,852
Kane Borough Authority Wastewater System				\$ 30,810,202	\$ 16,653,738	\$ 32,801,958	\$ 5,940,307	\$ 20,353,722
Borough of Royersford Wastewater System Assets				\$ 52,424,118	\$ 36,300,444	\$ 47,533,441	\$ 5,563,283	\$ 13,580,132
Muni Auth Borough of Shenandoah Water System Assets				\$ 17,346,719	\$ 10,913,217	\$ 17,725,503	\$ 2,827,182	\$ 10,478,106
Butler Area Sewer Authority				\$ 59,290,665	\$ 32,127,895	\$ 65,897,146	\$ 10,756,820	\$ 23,741,328
York City Sewer Authority Wastewater System Assets				\$ 44,349,814	\$ 37,435,013	\$ 49,698,612	\$ 11,675,638	\$ 15,633,951
Sadsbury Township Wastewater Utility							\$ 6,330,411	\$ 12,935,584
East Bradford Township Wastewater System Assets				\$ 73,020,660			\$ 2,736,378	\$ 2,707,705
Township of Mahoning Water System Assets							\$ 2,726,702	\$ 6,043,661
Township of Mahoning Sewer System Assets							\$ 2,243,027	\$ 6,082,465
Cheltenham Township Wastewater System Assets							\$ 3,358,523	\$ 7,149,547
East Norriton Township Wastewater System Assets				\$ 98,214,098			\$ 2,888,240	\$ 7,908,786
Valley Township Water System Assets							\$ 2,997,588	\$ 5,263,286
Valley Township Wastewater System Assets							\$ 3,048,912	\$ 10,023,595
Upper Pottsgrove Township Wastewater System Assets					\$ 17,278,142	\$ 19,788,768	\$ 6,576,506	\$ 13,386,980
Lower Makefield Township Wastewater System Assets				\$ 60,825,232		\$ 50,074,368	\$ 3,246,256	\$ 8,595,716
Willistown Township Wastewater Systems Assets				\$ 33,637,629	\$ 38,778,140	\$ 59,512,064	\$ 5,210,331	\$ 8,401,998
East Whiteland Township Wastewater System Assets				\$ 24,504,482	\$ 21,690,806	\$ 26,739,663	\$ 9,632,141	\$ 20,091,245
Average				\$ 37,774,162	\$ 26,318,922	\$ 38,896,021	\$ 5,922,705	\$ 12,920,328
Indicated Valuation						\$ 24,366,428		

Income Approach Adjustment Summary

OCA Exhibit DJG-4

Annual Cash Flow	\$	334,482	[1]
Constant Growth Rate		3.70%	[2]
Discount Rate		5.49%	[3]
Adjusted Value	\$	<u>19,420,497</u>	[4]

[1] From OCA Exhibit DJG-5

[2] From OCA Exhibit DJG-7

[3] From OCA Exhibit DJG-6

[4] = [1] * (1+[2]) / ([3] - [2])

Annual Free Cash Flow Calculation

	<u>Year 0</u>
Operating Revenues	\$ 1,780,000
EBIT	833,460
Tax (21%)	<u>175,027</u>
EBIT (1-t)	658,433
Depreciation	-
Capital Expenditures	<u>323,951</u>
Free Cash Flow from Operations	<u><u>\$ 334,482</u></u>

See Exhibit R, Gannett Fleming Appraisal, Exh. 13, p. 1.

Adjust to account for capital expenditures

Weighted Cost of Capital Calculation

OCA Exhibit DJG-6

<u>Capital Component</u>	<u>Proposed Ratio</u>	<u>Cost Rate</u>	<u>After-Tax Rate</u>	<u>Weighted Cost</u>
Long Term Debt	48%	3.9%	3.1%	1.49%
Equity	<u>52%</u>	7.7%	7.7%	<u>3.99%</u>
Total	100%			5.49%

Cost of Capital Summary

OCA Exhibit DJG-7

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
Company	Ticker	Stock Price (\$)	Dividend (\$)	Beta	Debt Ratio	Interest Exp. (mill)	Long-Term Debt (mill)	Debt Cost	DCF Result	CAPM Result
American States Water Co	AWR	79.35	1.860	0.75	47%	\$ 42.0	\$ 805.0	5.2%	6.1%	8.6%
American Water Works Co Inc	AWK	144.81	3.310	0.85	55%	506.0	12,533.0	4.0%	6.1%	9.1%
Artesian Resources -CL A	ARTNA	34.33	1.230	0.75	44%	8.8	176.9	5.0%	7.4%	8.6%
California Water Service Gp	CWT	48.97	1.200	0.85	40%	40.0	1,104.6	3.6%	6.2%	9.1%
Essential Utilities, Inc.	WTRG	39.88	1.300	0.90	54%	300.0	7,368.4	4.1%	7.1%	9.4%
Middlesex Water Co	MSEX	60.44	1.360	0.80	44%	7.5	352.8	2.1%	6.0%	8.9%
SJW Corp	SJW	53.56	1.510	0.80	56%	50.0	1,706.9	2.9%	6.6%	8.9%
York Water Co	YORW	34.11	0.880	0.80	47%	8.9	205.6	4.3%	6.4%	8.9%
Average		61.93	1.581	0.81	48%	\$ 120.4	\$ 3,031.7	3.9%	6.5%	9.0%
Terminal Growth Rate (DCF)	3.7%	[10]								
Risk-Free Rate (CAPM)	4.8%	[11]								
Equity Risk Premium (CAPM)	5.1%	[12]								
Average Cost of Equity Result	7.7%	[13]								

[1] Average stock prices from OCA Exhibit DJG-8

[2] Yahoo! Finance

[3], [4], [5], [6] Value Line Investment Survey

[7] = [5] / [6]

[8] Constant annaul growth DCF model = [2] * (1 + [10]) / [1] + [10]

[9] = [11] + [3] * [12]

[10] Growth rate from OCA Exhibit DJG-9

[11] Risk-free rate from OCA Exhibit DJG-10

[12] Equity risk premium from OCA Exhibit DJG-12

[13] = Average of [8] and [9]

DCF Terminal Growth Rate Determinants

<u>Terminal Growth Determinants</u>	<u>Rate</u>
Nominal GDP	3.7%
Real GDP	1.6%
Highest	3.7%

CBO, The Long-Term Budget Outlook: 2025-2055, p. 32

CAPM Risk-Free Rate

OCA Exhibit DJG-10

<u>Date</u>	<u>Rate</u>
04/11/25	4.85%
04/14/25	4.80%
04/15/25	4.79%
04/16/25	4.74%
04/17/25	4.80%
04/21/25	4.91%
04/22/25	4.88%
04/23/25	4.83%
04/24/25	4.77%
04/25/25	4.74%
04/28/25	4.69%
04/29/25	4.64%
04/30/25	4.66%
05/01/25	4.74%
05/02/25	4.79%
05/05/25	4.83%
05/06/25	4.81%
05/07/25	4.77%
05/08/25	4.83%
05/09/25	4.83%
05/12/25	4.89%
05/13/25	4.94%
05/14/25	4.97%
05/15/25	4.91%
05/16/25	4.89%
05/19/25	4.92%
05/20/25	4.96%
05/21/25	5.08%
05/22/25	5.05%
05/23/25	5.04%
Average	4.85%

*Daily Treasury Yield Curve Rates on 30-year T-bonds, <http://www.treasury.gov/resources-center/data-chart-center/interest-rates/>

CAPM - Implied Equity Risk Premium Estimate

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Year	Market Value	Operating Earnings	Dividends	Buybacks	Earnings Yield	Dividend Yield	Buyback Yield	Gross Cash Yield
2013	16,495	956	312	476	5.80%	1.89%	2.88%	4.77%
2014	18,245	1,004	350	553	5.50%	1.92%	3.03%	4.95%
2015	17,900	885	382	572	4.95%	2.14%	3.20%	5.33%
2016	19,268	920	397	536	4.77%	2.06%	2.78%	4.85%
2017	22,821	1,066	420	519	4.67%	1.84%	2.28%	4.12%
2018	21,027	1,282	456	806	6.10%	2.17%	3.84%	6.01%
2019	26,760	1,305	485	729	4.88%	1.81%	2.72%	4.54%
2020	31,659	1,019	480	520	3.22%	1.52%	1.64%	3.16%
2021	40,356	1,739	511	882	4.31%	1.27%	2.18%	3.45%
2022	32,133	1,656	565	923	5.15%	1.76%	2.87%	4.63%
2023	36,870	1,790	588	795	4.85%	1.60%	2.16%	3.75%

Cash Yield	4.50%	[9]
Growth Rate	6.47%	[10]
Risk-free Rate	4.85%	[11]
Current Index Value	5,620	[12]

	[13]	[14]	[15]	[16]	[17]
Year	1	2	3	4	5
Expected Dividends	270	287	306	325	346
Expected Terminal Value					7167
Present Value	245	238	230	223	4684
Intrinsic Index Value	5620	[18]			
Required Return on Market	9.9%	[19]			
Implied Equity Risk Premium	5.1%	[20]			

[1-4] S&P Quarterly Press Releases, data found at <https://us.spindices.com/indices/equity/sp-500> (additional info tab) (all dollar figures are in \$ billions)

[1] Market value of S&P 500

[5] = [2] / [1]

[6] = [3] / [1]

[7] = [4] / [1]

[8] = [6] + [7]

[9] = Average of [8]

[10] = Compound annual growth rate of [2] = $(\text{end value} / \text{beginning value})^{1/10} - 1$

[11] Risk-free rate from DJG risk-free rate exhibit

[12] 30-day average of closing index prices from DJG stock price exhibit

[13-16] Expected dividends = $[9] * [12] * (1 + [10])^0$; Present value = $\text{expected dividend} / (1 + [11] + [19])^0$

[17] Expected terminal value = $\text{expected dividend} * (1 + [11]) / [19]$; Present value = $(\text{expected dividend} + \text{expected terminal value}) / (1 + [11] + [19])^0$

[18] = Sum([13-17]) present values.

[19] = [20] + [11]

[20] Internal rate of return calculation setting [18] equal to [12] and solving for the discount rate

CAPM Equity Risk Premium Results

OCA Exhibit DJG-12

IESE Business School Survey	5.5%	[1]
Kroll (Duff & Phelps) Report	5.0%	[2]
Damodaran (average)	4.6%	[3]
Garrett	<u>5.1%</u>	[4]
Average	5.1%	

[1] IESE Business School Survey 2024

[2] Kroll (Duff & Phelps), 6-6-2024

[3] <http://pages.stern.nyu.edu/~adamodar/>, 5-1-2025

[4] ERP estimation from Exhibit DJG-9

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In re: Application of Pennsylvania- :
American Water Company under Sections : Docket No. A-2025-3052983
1102(a) and 1329 of the Pennsylvania :
Public Utility Code, 66 Pa C.S. § § :
1102(a) and 1329, for approval of (1) the :
transfer, by sale, to Pennsylvania- :
American Water Company, of :
substantially all of the assets, properties :
and rights related to the wastewater :
treatment plant and collection :
system owned and operated by the :
Elizabeth Borough Municipal Authority, :
(2) the rights of Pennsylvania- American :
Water Company to begin to offer or :
furnish wastewater service to the public in :
the Borough of Elizabeth, and portions of :
the Borough of Lincoln, and the :
Townships of Elizabeth and Forward, in :
Allegheny County, Pennsylvania :

VERIFICATION

I, David J. Garrett, hereby state that the facts above set forth in my Direct Testimony, OCA Statement 2, 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 herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: June 3, 2025

Signature:



David J. Garrett

Address:

Resolve Utility Consulting PLLC
101 Park Avenue
Suite 1125
Oklahoma City, OK 73102

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American :
Water Company under Sections 1102(a) and 1329 :
of the Pennsylvania Public Utility Code, 66 Pa : Docket No. A-2025-3053499
C.S. § § 1102(a) and 1329, for approval of (1) the :
transfer, by sale, to Pennsylvania-American Water :
Company, of substantially all of the assets, :
properties and rights related to the wastewater :
treatment plant and collection system owned and :
operated by the Elizabeth Borough Municipal :
Authority, (2) the rights of Pennsylvania- :
American Water Company to begin to offer or :
furnish wastewater service to the public in the :
Borough of Elizabeth, and portions of the Borough :
of Lincoln, and the Townships of Elizabeth and :
Forward, in Allegheny County, Pennsylvania :
:

SURREBUTTAL TESTIMONY

OF

DAVID J. GARRETT

ON BEHALF OF

THE PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

June 12, 2025

I. INTRODUCTION

1 **Q. State your name and occupation.**

2 A. My name is David J. Garrett. I am a consultant specializing in public utility regulation. I
3 am the managing member of Resolve Utility Consulting, PLLC. My business address is
4 5000 Carrington Place, Oklahoma City, Oklahoma 73131.

5 **Q. Have you previously filed testimony in this proceeding?**

6 A. Yes. I provided direct testimony in OCA Statement 2 on June 3, 2025, on behalf of the
7 Pennsylvania Office of Consumer Advocate (“OCA”). A summary of my qualifications is
8 included in my direct testimony. My direct testimony addresses the application filed by
9 Pennsylvania-American Water Company (“PAWC” or the “Company”) for the acquisition
10 of the wastewater system assets of Elizabeth Borough Municipal Authority (“EBMA”).
11 My testimony responds to the fair market value (“FMV”) approaches addressed in the
12 testimony of Harold Walker, III of Gannett Fleming, who sponsors the FMV appraisal
13 commissioned by EBMA, and the testimony of Jerome C. Weinert, of Weinert Appraisal
14 and Depreciation Services, LLC (“WADS”), who sponsors the appraisal commissioned by
15 PAWC.

16 **Q. What is the purpose of your surrebuttal testimony?**

17 A. My surrebuttal testimony responds to the rebuttal testimonies of Mr. Walker and Mr.
18 Weinert regarding the three valuations approaches used to estimate the fair market value
19 (“FMV”) of EBMA’s wastewater system: (1) the market approach; (2) the cost approach;
20 and (3) the income approach.

1 **Q. Did any of the arguments raised by Mr. Walker or Mr. Weinert in their rebuttal**
2 **testimonies persuade you to change your opinions as stated in your direct testimony?**

3 A. No. In addition, to the extent I do not address a particular statement or position raised in
4 the rebuttal testimonies does not constitute my agreement with the same.

II. MARKET APPROACH

5 **Q. Please summarize Mr. Walker’s rebuttal testimony regarding your proposed**
6 **adjustments to his Market Approach valuation.**

7 A. Mr. Walker claims my opinions regarding his market value estimate are “in direct violation
8 of Section 1329.”¹ Mr. Walker also disagrees with my adjustments to his selected
9 transactions method as part of his Market Approach. He also disagrees with my criticisms
10 of his market multiples approach.

11 **Q. Do you agree with Mr. Walker that your recommendations are in “direct violation of**
12 **Section 1329”?**

13 A. No. Mr. Walker has repeatedly made this claim in every Section 1329 case in which I have
14 testified.² Mr. Walker provides no other arguments or context as to why my testimony is
15 in violation of Section 1329. Rather, his statements are conclusory, unsupported, and
16 clearly incorrect. Section 1329 describes the process to establish the fair market value of
17 the selling utility. It does not describe standards to which intervening parties must adhere
18 in making recommendations to the Commission to assist in its review of the appraisal.

¹ EBMA Statement No. 2-R, Rebuttal Testimony of Harold Walker, III, p. 2, lines 10-11.

² See e.g. Beaver Falls Statement No. 6-R, Rebuttal Testimony of Harold Walker, III, Docket No. A-2022-3033138.

1 **Q. Mr. Walker points out other differences between your applications of the market**
2 **approach. What is your response?**

3 A. Mr. Walker notes that I used the wastewater system's 680 domestic customers in my
4 market approach adjustment. I used this number because it is the same number used by
5 Mr. Walker in his selected transactions method. Mr. Walker notes that he conducted
6 multiple variations of the selected transactions method, and I did not attempt to recreate
7 each of his variations. By using each of the same metrics used by Mr. Walker in his ex-
8 ante selected transactions method (presented in Exhibit 19), my adjustments show an
9 apples-to-apples comparison of the results we obtained under that selected transaction
10 method variation. In his rebuttal testimony, Mr. Walker points out the difference in our
11 approaches, but does not provide any convincing evidence why his approach is better. He
12 simply states that my approach (which exactly mirrors one of his approaches but with two
13 transactions being removed), does not represent the system's "characteristics of value."³

14 **Q. Mr. Walker claims you gave unequal weightings to the capital and demographic items**
15 **in the selected transaction approach. What is your response?**

16 A. Mr. Walker states that I "gave 44% weight to the values suggested by Capital Items and
17 56% weight to his Demographics Items in his application of the selected transaction
18 method."⁴ I conducted an average of the results of each of the indicated valuations under
19 the capital and demographic statistics.⁵ In my direct testimony, I effectively characterized
20 this approach (and distinguished from Mr. Walker's market multiples approach) as
21 applying equal weightings to the capital and demographic metrics. In other words, I took

³ EBMA Statement No. 2-R, Rebuttal Testimony of Harold Walker, III, p. 6, line 10.

⁴ *Id.* at p. 5, lines 13-15.

⁵ See Exhibit DJG-4 to my direct testimony.

1 a basic average of the results rather than applying mathematically lower or higher
2 weightings to any of the indicated valuations under any metric. However, since three of
3 the five metric categories are capital items (investor capital, gross PP&E, and net PP&E)
4 and two of the categories are demographic (customers and population), taking an average
5 of all the results could be interpreted as effectively applying a 60% weighting (3 of 5) to
6 the capital categories and a 40% weighting to the demographic categories. Instead, had I
7 applied “equal” weightings to each of the two categories (i.e., first averaging the three
8 capital results, then averaging the demographic results, then taking an average of those two
9 results), it would have resulted in an even lower adjusted valuation of \$21.9 million instead
10 of \$24.4 million.⁶ However, if I had applied unequal weightings (i.e., not simply taking an
11 average of all results, but rather assigning higher percentages to the capital item results),
12 then my overall adjusted valuation under the market approach would have been higher.

13 **Q. Mr. Walker claims your comments about his using unequal weightings in the market**
14 **multiples approach is misleading. What is your response?**

15 A. It appears Mr. Walker misinterpreted my testimony on this issue. On page 13 of my direct
16 testimony, I stated: “While one could argue that capital items could be given more weight
17 than demographic items, Mr. Walker decision to apply unequal weightings in this case does
18 not appear to be objective or unbiased.” In his response to the question, Mr. Walker
19 acknowledges that he used unequal weightings, but then states that my testimony is
20 “misleading at its core.”⁷ However, we both agree Mr. Walker used unequal weightings

⁶ See *id.* Averaging \$37.7, \$26.3, and \$38.9 = \$34.3; averaging \$5.9 and \$12.9 = \$9.4; and averaging \$34.3 and \$9.4 = \$21.9.

⁷ EBMA Statement No. 2-R, Rebuttal Testimony of Harold Walker, III, p. 9, lines 1-2.

1 (though we had different opinions about this approach). There is no factual
2 misrepresentation or anything misleading about this issue.

3 **Q. Mr. Walker also disagrees with your removal of the East Bradford and East Norriton**
4 **transactions in selected transactions adjustment. What is your response?**

5 A. Mr. Walker is apparently suggesting I should have excluded some or all of the values
6 suggested by customers and population for the same reasons I excluded the two higher
7 indicated valuations of East Bradford and East Norriton valuations claims I should have
8 also excluded some if not all of indicated valuations under the customer and population
9 metrics. There are many lower indicated valuations under the population and customer
10 metrics. If I had eliminated the two lowest valuations (to contrast eliminating the two
11 highest valuations), it would have had an immaterial impact on my final recommendation
12 (less than \$50,000).⁸

13 **Q. Mr. Weinert claims it is not appropriate to make adjustments to one UVE appraisal**
14 **and use that for the basis of the adjustment to the other UVE appraisal. What is your**
15 **response?**

16 A. In his rebuttal testimony, Mr. Weinert claims it is not appropriate “to make adjustments to
17 one UVE’s appraisal and then simply make adjustments to the other UVE’s appraisal.”⁹ to
18 produce the same result. I disagree. There is nothing in Section 1329 or any other rule I
19 am aware of that dictates the approach intervening parties must take regarding their
20 proposed adjustments to the UVE valuation estimates.

⁸ Referring to Exhibit DJG-3, the lowest customer value of \$2.2 million from Mahoning and the lowest population value of \$2.7 million from East Bradford would be removed. My overall indicated valuation of \$22,094,309 would change to \$22,138,412.

⁹ PAWC Statement No. 4-R, Rebuttal Testimony of Jerome C. Weinert, p. 7, lines 6-8.

III. COST APPROACH

1 **Q. Please summarize the UVEs’ rebuttal testimonies regarding your Cost Approach**
2 **recommendations.**

3 A. Both UVEs disagree with my recommendation to consider the depreciated original cost
4 amount under the cost approach. I will discuss several of their arguments below.

5 **Q. Mr. Walker states that the wastewater system cannot be constructed today for the**
6 **same prices that existed at the original date of construction. What is your response.**

7 A. This statement taken alone is correct, of course. However, if we were simply assessing the
8 Fair Market Value (FMV) of the wastewater system in a vacuum without consideration of
9 what entity is purchasing the system and its ultimate purpose, then perhaps depreciated
10 original cost would not be factored into the appraisal. However, the purpose of Section
11 1329 proceedings is to ultimately establish a ratemaking rate base for the utility-buyer.
12 Simply put, rate base is original cost less accumulated depreciation. In other words, the
13 value of EBMA’s “rate base” is \$16.6 million. If a utility-buyer is adding the wastewater
14 system to its rate base, in my opinion it is reasonable to consider the “value” of the seller’s
15 ratebase when assessing a fair rate base valuation for the utility-buyer.

16 **Q. Are there other indications that provide additional confidence in your cost approach**
17 **adjusted valuation?**

18 A. Yes. My adjusted cost approach valuation (\$22.4 million) is in between my adjusted
19 market approach valuation (\$24.4 million) and my adjusted income approach valuation
20 (\$19.4 million). This provides further indication that the approach is not unreasonable.

1 **Q. Mr. Weinert notes the Reasonableness Review Ratio (“RRR”) is his rebuttal**
2 **testimony to the cost approach. What is your response?**

3 A. According to the Commission’s FISO, the RRR is neither meant to be binding or to replace
4 FMV.¹⁰ The Commission should focus on the merits of the proposed valuations and
5 adjustments in this case rather than the RRR. To the extent the UVEs’ valuations in this
6 case and/or the proposed purchase price were influenced by the 1.68 RRR first established
7 years ago as part of another proceeding, in my opinion that would indicate the valuations
8 and/or purchase price proposed in this might run the risk of not being purely objective
9 estimates. Otherwise, it would be quite a coincidence that the proposed purchase price of
10 \$28,000,000 is exactly equal to the original RRR of 1.68.

IV. INCOME APPROACH

11 **Q. Do you agree with Mr. Walker’s criticisms of your use of a constant growth DCF**
12 **Model in your income approach adjustment?**

13 A. No. When using the DCF Model for mature, low-growth firms such as utility companies,
14 whether in cost of equity derivations or valuation estimates, it is reasonable to assume a
15 constant growth rate based on the cash-flow or dividends from the current period. In
16 contrast, younger firms with high growth opportunities may require the use of varying cash
17 flows and growth rates over different periods. The vast majority of DCF Models used to
18 estimate cost of equity in utility rate proceedings are some variation of a constant-growth
19 DCF Model, consistent with the DCF Model I used in this case. In rate proceedings in
20 which I have responded to Mr. Walker’s cost of capital testimony, he has used constant

¹⁰ *Act 12 of 2016 Implementation*, Docket No. M-2016-2543193 2024 FSIO pg. 106.

1 growth DCF Models, including cases before the Commission.¹¹ In those cases, we are not
2 assuming different, individual amounts of cash flows (or dividends) in future years (other
3 than growing each year by a constant growth rate). In contrast, Mr. Walker states in this
4 case that he does not believe it is appropriate to use the cash flow from a single year in the
5 DCF Model as it relates to the income approach valuation. I am not suggesting it is
6 necessarily wrong to assume different levels of cash flow or growth rates in different
7 periods in a DCF Model; however, I believe it is not necessary in this case. Moreover,
8 attempting to estimate separate cash flow and other metrics for many years into the future
9 provides multiple opportunities for inaccurate assumptions.

10 **Q. Mr. Walker also criticizes your discount rate and capital structure estimates. Do you**
11 **agree with his testimony?**

12 A. No. Mr. Walker states that my discount rate should “be based on a municipality’s discount
13 rate, not an investor-owned discount rate.”¹² Such an approach, however, is inconsistent
14 with the use of an investor-owned proxy group for other inputs to the cost of equity and
15 DCF Models. Furthermore, it is not practical to estimate the required return on equity of a
16 municipality for valuation purposes because such a low cost of equity (due to very low
17 risk) would only exist for the entity as a municipality. In other words, some amount of
18 consideration should be given to the fact that the nature of the entity will change once it
19 ceases to be a municipality (i.e., it will have higher risk). Furthermore, it would be
20 inconsistent to use only some elements of the investor-owned proxy group, which include
21 using entity-specific elements and inputs that are unique to a municipality, such as a 100%

¹¹ See e.g. Docket No. R-2020-3020256 (City of Bethlehem)

¹² EBMA Statement No. 2-R, Rebuttal Testimony of Harold Walker, III, p. 24, lines 26-27.

1 debt ratio. Several of the key inputs taken from the proxy group, such as the beta term used
2 to assess a firm's susceptibility to market risk, are necessarily connected with other
3 financial characteristics of those firms, such as capital structure and the cost of debt. For
4 example, it would be highly unlikely to observe a firm with a beta of less than 1.0 and a
5 debt ratio of 100%. To be consistent, I used the proxy group to gather all of these required
6 inputs to the CAPM and DCF Models.

7 **Q. Mr. Walker also criticizes your approach as a "capitalization of earnings." Do you**
8 **have a response?**

9 A. Yes. Mr. Walker appears to be referring to the fact that my adjustment to his income
10 approach valuation involves discounting projected cash flows (free cash flow from
11 operations) based on one year of known data, rather than attempting to project up to 20
12 years of cash flow data based on new ownership, as is contemplated under Mr. Walker's
13 approach. In my view, the value of an asset is primarily based on its present value. I am
14 not suggesting that projecting future cash flows should entirely ignore future ownership,
15 however, the various and numerous assumptions Mr. Walker has made in his discounted
16 cash flow model indicate a much different (and higher) value than if the analysis is based
17 on a reasonable projected growth (and discount) of known cash flow metrics under current
18 ownership. If, for example, a real estate investor were looking to buy a house to rehab and
19 rent, the investor would still use present cash flow metrics when estimating the FMV, rather
20 than the higher cash flow she might project once the rehab is complete. Future ownership
21 can impact value, but the FMV of an asset is primarily driven by present value. In my
22 opinion, the Commission should place a greater weight on the data we know about cash
23 flow, rather than Mr. Walker's projected data.

1 **Q. Do you have a response to Mr. Weinert's criticism of your income approach**
2 **adjustment?**

3 A. Yes. Mr. Weinert makes similar criticisms as Mr. Walker did to my income approach
4 adjustments. In that regard, my response to his testimony would be the same.

5 **Q. Does this conclude your surrebuttal testimony?**

6 A. Yes.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In re: Application of Pennsylvania- :
American Water Company under Sections : Docket No. A-2025-3052983
1102(a) and 1329 of the Pennsylvania :
Public Utility Code, 66 Pa C.S. § § :
1102(a) and 1329, for approval of (1) the :
transfer, by sale, to Pennsylvania- :
American Water Company, of :
substantially all of the assets, properties :
and rights related to the wastewater :
treatment plant and collection :
system owned and operated by the :
Elizabeth Borough Municipal Authority, :
(2) the rights of Pennsylvania- American :
Water Company to begin to offer or :
furnish wastewater service to the public in :
the Borough of Elizabeth, and portions of :
the Borough of Lincoln, and the :
Townships of Elizabeth and Forward, in :
Allegheny County, Pennsylvania :

VERIFICATION

I, David J. Garrett, hereby state that the facts above set forth in my Surrebuttal Testimony, OCA Statement 2SR, 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 herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: June 12, 2025

Signature: 
David J. Garrett

Address: Resolve Utility Consulting PLLC
5000 Carrington Pl.
Oklahoma City, OK 73131

FORWARD CROSS-EXAMINATION

EXHIBIT 2

10. Please provide a copy of the study referenced on page 11 of Mr. Kohl's testimony which indicates that the Authority would need to raise rates to approximately \$95.80/month, or 62%, should the Authority retain ownership and have to invest in the LTCP. This \$95.80 is also referenced in Mr. Guffey's testimony on page 9.

RESPONSE:

A copy of the report showing that EBMA's fees would reach a minimum of \$112.45 per month is included herein. The calculation was an estimate utilizing a mix of proposed low interest PennVest and revenue bond borrowing. Based on the calculation, the average customer would pay either \$112.45 per month if a revenue bond having a thirty (30) year repayment schedule was utilized to fund the LTCP or \$114.23 if there was a mix of revenue bond funding and PennVest funding.

11. Over what period of time will EBMA need to increase their current rates to those stated on page 9 of Mr. Guffey's testimony?

RESPONSE:

EBMA would be required to increase their current rates at the time the borrowing referenced in its Response to Interrogatory Number 10 would take place.

35. At any time within the last five years has EBMA been unable to conduct necessary infrastructure replacements or updates to its wastewater system? If "yes" identify and explain each such occurrence.

RESPONSE:

EBMA had one instance where it was unable to conduct necessary infrastructure replacements. EBMA attempted to repair its Combine Sewer Overflow outfalls by obtaining grant funding from a Community Development Block Grant ("CDBG") in 2023. However, the available funding was not sufficient to cover project costs. EBMA received additional CDBG funding in 2024 and is progressing through pre-bidding procedures.

36. At any time within the same five-year period has EBMA been unable to obtain necessary financing for the wastewater utility? If "yes" identify and explain each such occurrence.

RESPONSE:

See response to Interrogatory Number 35.

39. Why has the Authority not been able to meet the requirements of its Long Term Control Plan?

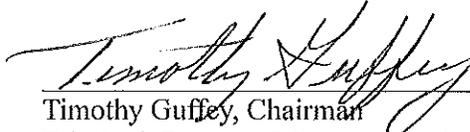
RESPONSE:

The Authority has not met the requirements of the Long Term Control Plan mainly due to cost.

VERIFICATION

I, Timothy Guffey, the Chairman of the Board of Directors of the Elizabeth Borough Municipal Authority, hereby verify that the statements of fact made in the foregoing Responses to Interrogatories are true and correct to the best of my knowledge, information and belief and 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.A. § 4904 (relating to unsworn falsification to authorities).

Date: *April 30, 2025*


Timothy Guffey, Chairman
Elizabeth Borough Municipal Authority

FORWARD CROSS-EXAMINATION

EXHIBIT 3

Application of Pennsylvania-American Water Company under Sections 1102(a) and 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S. §§ 1102(a) and 1329, for approval of (1) the transfer, by sale, to Pennsylvania-American Water Company, of substantially all of the assets, properties and rights related to the wastewater treatment plant and collection system owned and operated by the Elizabeth Borough Municipal Authority, (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in the Borough of Elizabeth, and portions of the Borough of Lincoln, and the Townships of Elizabeth and Forward, in Allegheny County, Pennsylvania Docket No. A-2025-3052983

**Forward Township Interrogatories, Requests for Production and Requests for Admission
Directed to Elizabeth Borough Municipal Authority**

INTERROGATORIES

1. Identify all persons who assisted with the responses to these Discovery requests. For each list their name, title, party affiliation and contact information.

RESPONSE:

Sarah Harris – EBMA Administrative Assistant
Timothy Guffey – Chairman EBMA Board of Directors.

2. Identify the total amount paid by Forward Township ratepayers, directly or indirectly, for each of the last 5 years for Elizabeth Township Municipal Authority “EBMA” services.

RESPONSE:

Forward Township residents do not pay EBMA for sewage treatment services. In return for sewage treatment service over the last five (5) years, Forward Township paid \$843,191 in relation to Elizabeth Manor, \$508,841.90 in relation to Fallen Timber and \$976,131.26 for Kelly Run Sanitation.

8. Identify all agreements related distribution of the proceeds from sale or cash held by EBMA and identified as an excluded asset in the Asset Purchase Agreement at issue. For each, identify the parties to the Agreement and the amount and types of distributions.

RESPONSE:

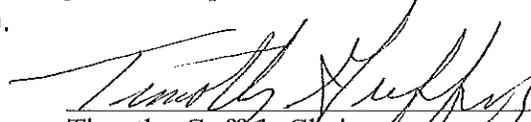
Please see EBMA-000520-000537 and refer to the attachment to your discovery requests as the document speaks for itself.

VERIFICATION

I, Timothy Guffey, the Chairman of the Board of Directors of the Elizabeth Borough Municipal Authority, hereby verify that the statements of fact made in the foregoing Responses to Forward Township Interrogatories, Requests for Production and Requests for Admission Directed to Elizabeth Borough Municipal Authority are true and correct to the best of my knowledge, information and belief and 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.A. § 4904 (relating to unsworn falsification to authorities).

Date:

May 19 2025



Timothy Guffey, Chairman
Elizabeth Borough Municipal Authority

FORWARD CROSS-EXAMINATION

EXHIBIT 4

AGREEMENT

This Agreement, made this 9th day of January 2024, by and between the Elizabeth Borough Municipal Authority, a municipal authority organized and existing under the laws of the Commonwealth of Pennsylvania, having its principal place of business at 1 Locust Avenue, Elizabeth, Pennsylvania, 15037 (hereinafter “EBMA”),

AND

The Borough of Elizabeth, a Borough and incorporating municipality of EBMA, organized and existing under the laws of the Commonwealth of Pennsylvania, having its principal office located at 121 North 2nd Avenue, Elizabeth, Pennsylvania 15037 (hereinafter “Elizabeth Borough”),

AND

The Township of Elizabeth, a First Class Township organized and existing under the laws of the Commonwealth of Pennsylvania, having its municipal office located at 522 Rock Run Road, Elizabeth, Pennsylvania 15037 (hereinafter “Elizabeth Township”),

WITNESSETH

WHEREAS, EBMA and Elizabeth Township are parties to a Sewage Service Agreement dated November 26, 1957, governing the terms and conditions governing the conveyance and treatment of sewage from Elizabeth Township to EBMA; and

WHEREAS, EBMA has entered into an Asset Purchase Agreement with Pennsylvania American Water (hereinafter “PAWC”) dated January 24, 2023, where EBMA has agreed to sell its System, assets, properties and rights to PAWC in exchange for consideration in the amount of Twenty-Eight Million (\$28,000,000.00) Dollars (“EBMA Sale”); and

WHEREAS, in an effort to close the transaction, EBMA finds it will become necessary to obtain certain approvals from Elizabeth Township; and

WHEREAS, Elizabeth Township may have certain rights under these Agreements that have the possibility of being impacted by the EBMA sale to PAWC; and

WHEREAS, in order to avoid costly dispute regarding the contractual obligations contained within the Agreements that these entities are parties to, a resolution amongst the parties has been reached; and

WHEREAS, Elizabeth Borough, the incorporating municipality of EBMA, approves of the EBMA Sale; and

WHEREAS, in exchange for the consideration described fully herein provided by EBMA, Elizabeth Borough, and Elizabeth Township agree to take all actions necessary to convey its approval for the EBMA Sale of its facilities to PAWC.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and intending to be legally bound hereby, the parties hereto covenant and agree as follows:

1. Payment to Elizabeth Township.

- a. In return for the consideration enumerated below, EBMA shall render payment to Elizabeth Township in the total amount of Two Million Seven Hundred Fifty Thousand (\$2,750,000.00) Dollars, contingent on the EBMA Sale of its system and facilities receiving approval of the Pennsylvania Utilities Commission (“PUC”) and the transaction closing.
- b. At the closing of the EBMA Sale, EBMA will escrow an amount of Seven Hundred Fifty Thousand (\$750,000.00) Dollars. In the event that EBMA receives a favorable decision at Docket Number GD-23-009235, which

permits it to proceed towards closing of the transaction without facilitating any payment to Forward Township, EBMA shall remit payment to Elizabeth Township in an amount of Seven Hundred Fifty Thousand (\$750,000.00) Dollars at the time of closing or upon the favorable decision herein described, whichever occurs last. In the event that EBMA receives an unfavorable decision at Docket Number GD-23-009235, which requires EBMA to remit payment to Forward Township, through judgement, settlement or otherwise, EBMA shall remit payment to Elizabeth Township any remaining escrowed funds.

- c. In the event that the EBMA Sale to PAWC does not receive PUC Approval or close, the Payment will not be made to Elizabeth Township and this Agreement shall terminate immediately. Additionally, Elizabeth Township shall have no cause of action against EBMA for failure to render payment in the event the EBMA Sale to PAWC does not receive PUC Approval or close.
- d. Upon PUC approval and closing of the EBMA Sale, the payment will be made from the proceeds during closing in the form of which shall be described as part of the agreement described above in Section 1(b).

2. Duties and Responsibilities of Elizabeth Township.

- a. In return for the consideration enumerated in Section 1, above, Elizabeth Township shall pass a resolution in a form and substance acceptable by EBMA supporting the EBMA Sale, approving of the assignment of all agreements between parties to PAWC, authorizing the approval of any

document or instrument required by environmental regulatory agencies, including but not limited to the Pennsylvania Department of Environmental Protection. If Elizabeth Township fails to approve said resolution acceptable to EBMA, this Agreement shall terminate immediately.

- b. Elizabeth Township agrees to execute any and all documentation necessary required to achieve PUC approval or to achieve closing of the EBMA Sale within no more than five (5) business days of a request from EBMA.
- c. Elizabeth Township agrees to refrain from initiating any legal action or challenge to prevent PUC approval or closing of the EBMA Sale.
- d. Elizabeth Township agrees to release and forever discharge EBMA, its successors and assigns and agents from any and all claims, damages, demands, actions, cause of actions or suites of whatever kind or nature, that may have accrued or will accrue after effective date of this Agreement.

3. Elizabeth Borough Duties and Responsibilities.

- a. Elizabeth Borough agrees that upon closing of the EBMA Sale to PAWC, it has authority by law to dissolve EBMA and cause any remaining assets to be transferred to itself.
- b. Elizabeth Borough agrees to execute any and all documentation necessary required to achieve PUC approval or to achieve closing of the EBMA Sale within no more than five (5) business days of a request from EBMA.
- c. Elizabeth Borough agrees to refrain from initiating any legal action or challenge to prevent PUC approval or closing of the EBMA Sale.

d. Elizabeth Borough agrees to release and forever discharge EBMA, its successors and assigns and agents from any and all claims, damages, demands, actions, cause of actions or suites of whatever kind or nature, that may have accrued or will accrue after effective date of this Agreement.

4. **Binding and Contractual Nature of the Agreement.** This Agreement shall be binding upon the heirs, assigns, administrators, executors, beneficiaries, legal representatives, affiliates, subsidiaries, parents and successors of all Parties to this Agreement and shall inure to the benefit of all Parties to this Agreement or their heirs, assigns, administrators, executors, beneficiaries, legal representatives, affiliates, subsidiaries, parents and successors.
5. **Entire Agreement.** This Agreement constitutes and contains the entire settlement and understanding between the Parties concerning the subject matter of this Agreement, and it supersedes all prior negotiations, proposed agreements or understandings, if any, among the Parties concerning any of the provisions of this Agreement.
6. **Governing Law.** This Agreement is made and entered into in the Commonwealth of Pennsylvania and shall be construed, interpreted and governed by the laws of the Commonwealth of Pennsylvania without regard to choice of law principals.
7. **Severability.** Each Party agrees it shall bear its own costs and attorney fees in connection with the negotiation and drafting of this Agreement.
8. **Execution and Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which, when taken together, constitute one and the same document. Signature of any Party to

any counterpart shall be deemed as a signature to and may be appended to any other counterpart. Further, an electronic copy of a Party's signature (e.g. PDF or fax) shall be sufficient to bind such party as if it were an original signature.

9. **Governing Law.** This Agreement is made and entered into in the Commonwealth of Pennsylvania and shall be construed, interpreted and governed by the laws of the Commonwealth of Pennsylvania without regard to choice of law principals.

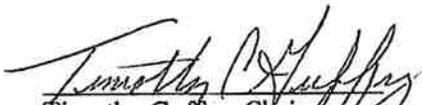
10. **Rule of Construction.** The Parties acknowledge that this Agreement and all the terms and conditions contained herein have been fully reviewed and negotiated by the Parties. Each party has been represented by Counsel during the negotiation and drafting of this Agreement and has a full and complete understanding of the terms contained herein. Having acknowledged the foregoing, the Parties agree that any principle of construction or rule of law that provides that, in the event of any inconsistency or ambiguity, an agreement shall be construed against the drafter of the agreement shall have no application to the terms and conditions of this Agreement.

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IN WITNESS WHEREOF, the parties hereto have set their hands and seals this day and year first above written.

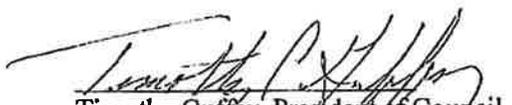
ATTEST:

ELIZABETH BOROUGH
MUNICIPAL AUTHORITY

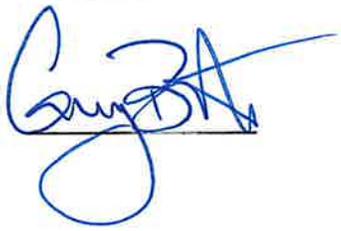

Timothy Guffey, Chairman

ATTEST:

ELIZABETH BOROUGH


Timothy Guffey, President of Council

ATTEST:



ELIZABETH TOWNSHIP


Josh Walls, President

FORWARD CROSS-EXAMINATION

EXHIBIT 5



WWW.LAW-DMC.COM
TEL: (412) 243-1600
FAX: (412) 243-1643

March 15, 2023

Matthew D. Racunas, Esquire
2611 Hayden Blvd., Suite 2
Elizabeth, PA 15037

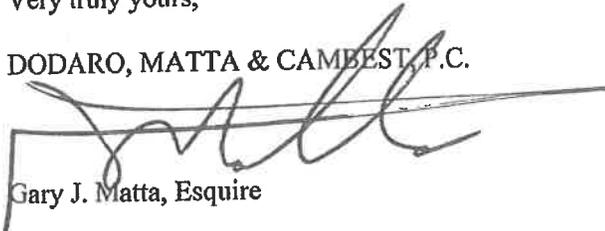
**Re: Elizabeth Borough Municipal Authority-
Forward Township Agreement**

Dear Mr. Racunas,

Please see the attached Agreement and resolution regarding the Agreement between the Elizabeth Borough Municipal Authority and Forward Township. Its contents were derived based upon the negotiations of representatives of our respective clients. The Authority would like to have this resolved at your client's April meeting. Please review and do not hesitate to contact my office with any questions or concerns.

Very truly yours,

DODARO, MATTA & CAMBEST, P.C.



Gary J. Matta, Esquire

cc: Elizabeth Borough Municipal Authority

Washington County Office
Southpointe Town Center
1900 Main Street, Suite 207
Canonsburg, Pennsylvania 15317

AGREEMENT

This Agreement, made ____ day of _____ 2023, by and between the Elizabeth Borough Municipal Authority, a municipal authority organized and existing under the laws of the Commonwealth of Pennsylvania, having its principal place of business a 1 Locust Avenue, Elizabeth, Pennsylvania, 15037 (hereinafter “EBMA”),

AND

The Borough of Elizabeth, a Borough and incorporating municipality of EBMA, organized and existing under the laws of the Commonwealth of Pennsylvania, having its principal office located at 121 North 2nd Avenue, Elizabeth, Pennsylvania 15037 (hereinafter “Elizabeth Borough”),

AND

The Township of Elizabeth, a First Class Township organized and existing under the law of the Commonwealth of Pennsylvania, having its municipal office located at 522 Rock Run Road, Elizabeth, Pennsylvania 15037 (hereinafter “Elizabeth Township”),

AND

The Township of Forward, a Second Class Township, organized and existing under the laws of the Commonwealth of Pennsylvania, having its municipal office located at 1000 Golden Circle, Elizabeth, Pennsylvania 15037 (hereinafter “Forward Township”).

WITNESSETH

WHEREAS, EBMA and Elizabeth Township are parties to a Sewage Service Agreement dated November 26, 1957, governing the terms and conditions governing the conveyance and treatment of sewage from Elizabeth Township to EBMA; and

WHEREAS, EBMA and Forward Township are parties a Sewage Service Agreement dated January 23, 1958, governing the terms and conditions governing the conveyance and treatment of sewage from Elizabeth Township to EBMA; and

WHEREAS, EBMA, Elizabeth Township, and Forward Township are parties to an agreement entitled Fallen Timber Run Watershed Area Interceptor Sewer Project Agreement, that facilitated the construction of a sewage interceptor; and

WHEREAS, EBMA has entered into an Asset Purchase Agreement with Pennsylvania American Water (hereinafter "PAWC") dated January 24, 2023, where EBMA has agreed to sell its System, assets, properties and rights to PAWC in exchange for consideration in the amount of Twenty-Eight Million (\$28,000,000.00) Dollars ("EBMA Sale"); and

WHEREAS, in an effort to close the transaction, EBMA finds it will become necessary to obtain certain approvals from Elizabeth Township and Forward Township; and

WHEREAS, Elizabeth Township and Forward Township may have certain rights under these Agreements that have the possibility of being impacted by the EBMA sale to PAWC; and

WHEREAS, in order to avoid costly dispute regarding the contractual obligations contained within the Agreements that these entities are parties to, a resolution amongst the parties has been reached; and

WHEREAS, Elizabeth Borough, the incorporating municipality of EBMA, approves of the EBMA Sale; and

WHEREAS, in exchange for the consideration described fully herein provided by EBMA, Elizabeth Borough, Elizabeth Township and Forward Township agree to take all actions necessary to convey its approval for the EBMA Sale of its facilities to PAWC.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and intending to be legally bound hereby, the parties hereto covenant and agree as follows:

1. Payment to Elizabeth Township and Forward Township.

- a. In return for the consideration enumerated below, EBMA shall render one joint payment to Elizabeth Township and Forward Township in the total amount of Three Million Five Hundred (\$3,500,000.00) Dollars, contingent on the EBMA Sale of its system and facilities receiving approval of the Pennsylvania Utilities Commission ("PUC") and the transaction closing ("Joint Payment").
- b. Elizabeth Township and Forward Township shall negotiate and enter into an agreement determining how the parties will share and disburse the Joint Payment.
- c. In the event that the EBMA Sale to PAWC does not receive PUC Approval or close, the Joint Payment will not be made to Elizabeth Township and Forward Township and this Agreement shall terminate immediately. Additionally, Elizabeth Township and Forward Township shall have no cause of action against EBMA for failure to render payment in the event the EBMA Sale to PAWC does not receive PUC Approval or close.
- d. Upon PUC approval and closing of the EBMA Sale, the Joint Payment will be made from the proceeds during closing in the form of which shall be described as part of the agreement described above in Section 1(b).

2. Duties and Responsibilities of Elizabeth Township and Forward Township.

- a. In return for the consideration enumerated in Section 1, above, Elizabeth Township and Forward Township shall pass a resolution supporting the EBMA Sale, approving of the assignment of all agreements between parties to PAWC, authorizing the approval of any document or instrument required by environmental regulatory agencies, including but not limited to the Pennsylvania Department of Environmental Protection.
- b. Elizabeth Township and Forward Township agree to execute any and all documentation necessary required to achieve PUC approval or to achieve closing of the EBMA Sale within no more than five (5) business days of a request from EBMA.
- c. Elizabeth Township and Forward Township agree to refrain from initiating any legal action or challenge to prevent PUC approval or closing of the EBMA Sale.
- d. Elizabeth Township and Forward Township agree to release and forever discharge EBMA, its successors and assigns and agents from any and all claims, damages, demands, actions, cause of actions or suites of whatever kind or nature, that may have accrued or will accrue after effective date of this Agreement.

3. Elizabeth Borough Duties and Responsibilities.

- a. Elizabeth Borough agrees that upon closing of the EBMA Sale to PAWC, it has authority by law to dissolve EBMA and cause any remaining assets to be transferred to itself.

- b. Elizabeth Borough agrees to execute any and all documentation necessary required to achieve PUC approval or to achieve closing of the EBMA Sale within no more than five (5) business days of a request from EBMA.
 - c. Elizabeth Borough agrees to refrain from initiating any legal action or challenge to prevent PUC approval or closing of the EBMA Sale.
 - d. Elizabeth Borough agrees to release and forever discharge EBMA, its successors and assigns and agents from any and all claims, damages, demands, actions, cause of actions or suites of whatever kind or nature, that may have accrued or will accrue after effective date of this Agreement.
4. **Binding and Contractual Nature of the Agreement.** This Agreement shall be binding upon the heirs, assigns, administrators, executors, beneficiaries, legal representatives, affiliates, subsidiaries, parents and successors of all Parties to this Agreement and shall inure to the benefit of all Parties to this Agreement or their heirs, assigns, administrators, executors, beneficiaries, legal representatives, affiliates, subsidiaries, parents and successors.
5. **Entire Agreement.** This Agreement constitutes and contains the entire settlement and understanding between the Parties concerning the subject matter of this Agreement, and it supersedes all prior negotiations, proposed agreements or understandings, if any, among the Parties concerning any of the provisions of this Agreement.
6. **Governing Law.** This Agreement is made and entered into in the Commonwealth of Pennsylvania and shall be construed, interpreted and governed by the laws of the Commonwealth of Pennsylvania without regard to choice of law principals.

7. **Severability.** Each Party agrees it shall bear its own costs and attorney fees in connection with the negotiation and drafting of this Agreement.
8. **Execution and Counterparts.** This Agreement may be executed in or more counterparts, each of which shall be deemed an original and all of which, when taken together, constitute one and the same document. Signature of any Party to any counterpart shall be deemed as a signature to and may be appended to any other counterpart. Further, an electronic copy of a Party's signature (e.g. PDF or fax) shall be sufficient to bind such party as if it were an original signature.
9. **Governing Law.** This Agreement is made and entered into in the Commonwealth of Pennsylvania and shall be construed, interpreted and governed by the laws of the Commonwealth of Pennsylvania without regard to choice of law principals.
10. **Rule of Construction.** The Parties acknowledge that this Agreement and all the terms and conditions contained herein have been fully reviewed and negotiated by the Parties. Each party has been represented by Counsel during the negotiation and drafting of this Agreement and has a full and complete understanding of the terms contained herein. Having acknowledged the foregoing, the Parties agree that any principle of construction or rule of law that provides that, in the event of any inconsistency or ambiguity, an agreement shall be construed against the drafter of the agreement shall have no application to the terms and conditions of this Agreement.

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IN WITNESS WHEREOF, the parties hereto have set their hands and seals this day and year first above written.

ATTEST:

ELIZABETH BOROUGH
MUNICIPAL AUTHORITY

Timothy Guffey, Chairman

ATTEST:

ELIZABETH BOROUGH

Timothy Guffey, President of Council

ATTEST:

ELIZABETH TOWNSHIP

Dan Poirier, President

ATTEST

FORWARD TOWNSHIP

Tom DeRosa, Chairman

A RESOLUTION OF THE TOWNSHIP OF FORWARD, ALLEGHENY COUNTY, PENNSYLVANIA, SIGNIFYING ITS APPROVAL OF THE SALE OF THE ELIZABETH BOROUGH MUNICIPAL AUTHORITY TO PENNSYLVANIA AMERICAN WATER, APPROVING OF THE ASSIGNMENT OF ALL AGREEMENTS AND AUTHORIZING THE EXECUTION OF ANY DOCUMENTATION OR INSTRUMENT REQUIRED TO FACILITATE THE TRANSACTION

WHEREAS, Forward Township is a party to a Sanitary Sewage Service Agreement with the Elizabeth Borough Municipal Authority dated January 23, 1958; and

WHEREAS, Forward Township is a party to an agreement entitled Fallen Timber Run Watershed Area Interceptor Sewer Project Agreement, that facilitated the construction of a sewage interceptor; and

WHEREAS, Forward Township has certain rights provided to it under both agreements; and

WHEREAS, Elizabeth Borough Municipal Authority has notified Forward Township that it has entered into an Asset Purchase Agreement with Pennsylvania American Water for the sale of its conveyance system and treatment facility; and

WHEREAS, the sale would impact Forward Township's aforementioned rights and obligations under the aforementioned agreements; and

WHEREAS, to avoid a costly dispute regarding the contractual obligations contained within the Agreements that these entities are parties to, a resolution amongst the parties has been reached; and

WHEREAS, it is the intent of Forward Township to enter into the Agreement incorporated herein as Exhibit "A."

NOW THEREFORE, BE IT RESOLVED, by the Board of Supervisors of Forward Township as follows:

1. Forward Township hereby adopts the Agreement set forth in Exhibit A.
2. Forward Township in adopting this Resolution, hereby approves and supports the Sale of the Elizabeth Borough Municipal Authority to Pennsylvania American Water.
3. Forward Township agrees to assign any and all contracts it is a party to with the Elizabeth Borough Municipal Authority to Pennsylvania American Water, including but not limited to, the January 23, 1958 Sewage Service Agreement and the Fallen Timber Run Watershed Area Interceptor Sewer Project Agreement.
4. All necessary Forward Township officials are hereby authorized to execute any documents upon request of the Elizabeth Borough Municipal Authority deemed necessary to effectuate the Sale.
5. This Resolution shall become effective immediately.

Resolved on this ___ date of _____, 2023.

ATTEST:

FORWARD TOWNSHIP:

By:

By:

Chairman

FORWARD CROSS-EXAMINATION

EXHIBIT 6

Application of Pennsylvania-American Water Company under Sections 1102(a) and 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S. §§ 1102(a) and 1329, for approval of (1) the transfer, by sale, to Pennsylvania-American Water Company, of substantially all of the assets, properties and rights related to the wastewater treatment plant and collection system owned and operated by the Elizabeth Borough Municipal Authority, (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in the Borough of Elizabeth, and portions of the Borough of Lincoln, and the Townships of Elizabeth and Forward, in Allegheny County, Pennsylvania Docket No. A-2025-3052983

Forward Township Second Set of Interrogatories, Requests for Production Directed to Elizabeth Borough Municipal Authority

INTERROGATORIES

1. What is the proposed distribution of funds after the purchase proceeds are paid?

RESPONSE:

Any proposed distribution of funds will be finalized upon closing of the transaction and after a determination of the EBMA status as a Municipal Authority according to the Municipality Authorities Act.

2. Describe how the proceeds paid to EBMA, should the proposed transaction be consummated, will be distributed to Forward Township, Elizabeth Township, Lincoln Borough and Elizabeth Borough.

RESPONSE:

See response to Interrogatory Number 1, above and the documentation produced by EBMA as part of its Responses to Forward Township's First Set of Interrogatories, Requests for Production and Requests for Admission directed towards EBMA.

VERIFICATION

I, Timothy Guffey, the Chairman of the Board of Directors of the Elizabeth Borough Municipal Authority, hereby verify that the statements of fact made in the foregoing Responses to Forward Township's Second Set Interrogatories, Requests for Production and Requests for Admission Directed to Elizabeth Borough Municipal Authority are true and correct to the best of my knowledge, information and belief and 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.A. § 4904 (relating to unsworn falsification to authorities).

Date: May 19 2025


Timothy Guffey, Chairman
Elizabeth Borough Municipal Authority

FORWARD CROSS-EXAMINATION

EXHIBIT 7

ELIZABETH BOROUGH MUNICIPAL AUTHORITY

Income Statement

January 2019 through April 2025

	2019	2020	2021	2022	2023	2024	Jan - Apr 25	TOTAL
Ordinary Income/Expense								
Income								
4000 · Operating Revenues								
4010 · Elizabeth Borough	414,855.88	677,111.84	567,561.05	601,759.88	616,730.16	595,731.51	215,728.33	3,689,478.65
4020 · Elizabeth Township	713,149.60	795,679.20	892,359.40	834,507.20	875,021.80	795,604.00	215,357.80	5,121,679.00
4030 · Forward Township								
4031 · Elizabeth Manor	112,507.40	131,421.60	133,468.00	142,128.80	144,604.80	144,128.80	34,932.00	843,191.40
4032 · Fallen Timber	72,331.45	75,090.20	81,404.50	85,811.50	85,258.00	81,900.75	27,045.50	508,841.90
4033 · Kelly Run Sanitation	263,219.14	155,143.84	128,291.84	149,350.64	137,004.24	127,183.96	15,937.60	976,131.26
Total 4030 · Forward Township	448,057.99	361,655.64	343,164.34	377,290.94	366,867.04	353,213.51	77,915.10	2,328,164.56
4040 · Lincoln Borough	5,236.00	5,595.20	6,067.20	6,976.80	6,796.00	6,465.60	0.00	37,136.80
Total 4000 · Operating Revenues	1,581,299.47	1,840,041.88	1,809,151.99	1,820,534.82	1,865,415.00	1,751,014.62	509,001.23	11,176,459.01