



VIA E-FILING

November 20, 2018

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

**RE: Reply Comments of Aqua Pennsylvania, Inc.
Implementation of Section 1329 of the Public Utility Code
Tentative Supplemental Implementation Order
Docket No. M-2016-2543193**

Dear Secretary Chiavetta:

Enclosed please find the Reply Comments of Aqua Pennsylvania, Inc. to the Pennsylvania Public Utility Commission's September 20, 2018 Tentative Supplemental Implementation Order concerning the implementation of Section 1329 of the Public Utility Code.

If you have any questions regarding this filing, please contact me at 610-645-1130.

Sincerely,

A handwritten signature in blue ink, appearing to read "Alexander R. Stahl".

Alexander R. Stahl
Regulatory Counsel

Enclosure

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Implementation of Section 1329 of the : Docket No. M-2016-2543193
Public Utility Code :

Reply Comments of
Aqua Pennsylvania, Inc.

Dated: November 20, 2018

A. Checklist for Applications Requesting Section 1329 Approval

The Company agrees with Pennsylvania American Water Company's and Suez Water Pennsylvania, Inc.'s comments concerning filing of two separate applications for a transaction involving a municipality selling its water and wastewater systems. The Company agrees that a combined filing can be made instead of two separate applications that would include duplicative information.

In the initial Final Implementation Order of Section 1329¹, the Commission established a checklist of information to be provided with applications filed under Section 1329. In the TSIO, the Commission included as Appendix A an updated checklist for Section 1329 applications, which provided formatting changes to the checklist along with reordering of certain checklist items. Some interested parties provided comment concerning the checklist.

The OCA suggested that the utilities provide bates stamping of all pages of the 1329 application. The Company opposes this suggestion and submits that the applications that have been filed have provided clear sufficient numbering of exhibits to allow the parties to reference information in the filing. Moreover, large, multi-exhibit, filings like rate cases have not required bates stamping.

B. Public Meetings and the Section 1329(d)(2) Six-Month Consideration Period

Section 1329 provides that a final order shall be issued within six months of the filing of an application, and interested parties responded to the alternatives set forth by the Commission concerning the six-month timeframe. The Company reiterates that it is fairly simple for utilities to back in to a public meeting date which will allow all the parties the most amount of time for processing the application. Aqua commits to filing in this manner, unless there are extraordinary

¹ *Implementation of Section 1329 of the Public Utility Code*, Docket No. M-2016-2543193 (Oct. 27, 2016).

circumstances. Therefore, the timing issue should be alleviated for those utilities that have been through the process.

C. Public Notice of Accepted Section 1329 Applications

The OCA suggested that the statutory advocates be served with copies of any acceptance or rejection letter in each of the Section 1329 applications. The Company does not oppose this as it will provide the statutory advocates with timely notice of the beginning of the six-month consideration period.

D. Standard Data Requests for Applications Seeking Section 1329 Valuation

The Commission explained that standard data request (“SDR”) information provided up front with the filing will assist in providing the interested parties with more information at the outset of the application, and thereby facilitate the application process and reduce overall discovery necessary during the application. The Company agrees that certain information can be provided in the SDRs that will assist the application process.

The OCA suggested that the buyer and seller provide all valuation studies used in the evaluation of the system, or in preparation of the request for proposals to the checklist. The Company submits that the fair market valuations that are submitted with the Section 1329 application in determination of the fair market value are the only relevant valuations. Any other valuations that are not completed under the Uniform Standards of Professional Appraisal Practice and the Commission’s proposed jurisdictional exceptions, do not provide comparable information relevant to the determination of the fair market value of a system.

E. The Uniform Standards of Professional Appraisal Practice

Range of Values Discussion

The Company reiterates that an important point of reference that should be considered when the Commission is reviewing a transaction and whether the transaction is in the public interest, is the requested ratemaking rate base and its comparison to the average cost per customer of the acquiring utility. The Company again points out that the average cost per customer is just one data point, and this information can be helpful in guiding the acquiring utilities, selling municipalities, and the Commission. The Company proposes that ratemaking rate base requests that exceed \$15,000 net plant per customer (or equivalent customer unit) should be more thoroughly reviewed by the Commission for whether such a transaction would be in the public interest. Ratemaking rate base requests that fall between \$7,500 and \$15,000 net plant per customer (or equivalent customer unit) the Commission should require documentation of the stand-alone rate impact of such a request on the acquired customers.

Finally, a ratemaking rate base request that is \$7,500 and below should garner less scrutiny from the Commission and should provide an additional data point that such a transaction is more likely to be in the public interest. The Company again supports adding this additional language in the Commission's Final Supplemental Implementation Order. The Commission may revisit such guidance based on inflation, other market factors, or future understanding as more 1329 applications are processed.

F. Jurisdictional Exceptions

The Commission proposed to establish jurisdictional exceptions through the TSIO under the USPAP jurisdictional exception rule. The OCA provided additional modifications and additions to the Jurisdictional Exceptions. The Company does not oppose the OCA's

modifications and additions, as the language largely tracks prior settlement agreements on file with the Commission.

G. UVE Direct Testimony

The Commission stated in the TSIO that UVEs must provide direct testimony with the application filing in support of their appraisal, and provide detail on the data used and conclusions reached by the UVE. The OCA provided additional edits to the sample testimony included with its comments. The Company does not oppose the changes suggested by the OCA in its Attachment C to its comments.

The Company would reiterate that the sample UVE direct testimony included as Appendix D to the TSIO is a guide for the UVEs, and that testimony provided by the UVEs that does not exactly mirror the question and answer in that sample should not be considered deficient in determining whether an application is complete.

III. CONCLUSION

Aqua appreciates the opportunity to provide reply comments on the Tentative Supplemental Implementation Order and asks that the Commission consider its reply comments. Aqua looks forward to continuing to work with the Commission on these issues. Please direct any questions with regard to these comments to the undersigned.

Respectfully submitted,



Alexander R. Stahl
Aqua Pennsylvania, Inc.
762 W. Lancaster Avenue
Bryn Mawr, PA 19010
Phone: 610-645-1130
astahl@aquaamerica.com

Dated: November 20, 2018