

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES

APPROPRIATIONS SUBCOMMITTEE ON
GOVERNMENT & FINANCIAL OVERSIGHT AND CONSUMER
AFFAIRS SUBCOMMITTEE ON PUBLIC UTILITIES HEARING

STATE CAPITOL
IRVIS OFFICE BUILDING ROOM 515 AND VIRTUAL
HARRISBURG, PENNSYLVANIA

WEDNESDAY, MAY 26, 2021

IN RE: SECTION 1329 OF TITLE 66 PUBLIC UTILITIES

BEFORE:

HONORABLE THOMAS SANKEY, MAJORITY CHAIRMAN,
SUBCOMMITTEE CONSUMER AFFAIRS
HONORABLE PETER SCHWEYER, MINORITY CHAIRMAN,
SUBCOMMITTEE CONSUMER AFFAIRS
HONORABLE JOHN LAWRENCE, MAJORITY CHAIRMAN,
SUBCOMMITTEE GOVERNMENT & FINANCIAL OVERSIGHT
HONORABLE LEANNE KRUEGER, MINORITY CHAIRWOMAN,
SUBCOMMITTEE GOVERNMENT & FINANCIAL OVERSIGHT
HONORABLE ERIC NELSON
HONORABLE RYAN WARNER
HONORABLE JIM MARSHALL, EX-OFFICIO
HONORABLE ROBERT MATZIE, EX-OFFICIO
HONORABLE JOHN HERSHEY
HONORABLE TIM O'NEAL
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ALSO IN ATTENDANCE :

- HONORABLE ELIZABETH FEIDLER**
- HONORABLE DOYLE HEFFLEY**
- HONORABLE ZACH MAKO**
- HONORABLE CARL WALKER METZGAR**
- HONORABLE DARISHA PARKER**
- HONORABLE CHRIS QUINN**
- HONORABLE CHRISTINA SAPPEY**
- HONORABLE JESSE TOPPER**
- HONORABLE CRAIG WILLIAMS**

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1 P R O C E E D I N G S

2 * * *

3 MAJORITY CHAIRMAN SANKEY: I hereby call this
4 hearing of the Joint House Subcommittee on public utilities
5 and the House Subcommittee on Government & Financial
6 Oversight to order.

7 And I'd like to welcome all the verbal testifiers
8 today. We do have everybody online. And the way we're
9 going to run this is, we're going to hear all the testifiers
10 and then we're going to hold our questions of the members
11 until the end. So for those of you here virtually, if we
12 can keep you on the line until the question part of it, we'd
13 really appreciate it.

14 And first a few opening comments. I'm still
15 waiting on Pete somewhere. There he is.

16 MINORITY CHAIRMAN SCHWEYER: Here I come.

17 MAJORITY CHAIRMAN SANKEY: We'll save Pete for
18 last. A few opening comments. We're going to start with
19 Representative John Lawrence from Chester County.

20 REPRESENTATIVE LAWRENCE: Thank you, Mr.
21 Chairman.

22 I appreciate the opportunity to have this hearing
23 today. I'm looking forward to the testimony. I don't want
24 to make any lengthy opening remarks because I want to get
25 right into the testimony and the questions. So I appreciate

1 your indulgence.

2 Thank you, Mr. Chairman.

3 MAJORITY CHAIRMAN SANKEY: Representative
4 Krueger.

5 REPRESENTATIVE KRUEGER: Thank you, Mr. Chairman.

6 I just want to say for the record that I greatly
7 appreciate the support of the Majority Chairman, Chairman
8 Marshall, Minority Chairman Rob Matzie, and Appropriations
9 Chairs Stan Saylor and Matt Bradford.

10 In my time in the Legislature, I have not seen a
11 bipartisan hearing like this on an issue that I know is of
12 great interest to my constituents in Delaware County. And I
13 greatly appreciate their leadership and permitting us to
14 cochair this hearing today.

15 Thank you, Chairman.

16 MAJORITY CHAIRMAN SANKEY: Now my good friend
17 Chairman Schweyer.

18 MINORITY CHAIRMAN SCHWEYER: Thank you, Mr.
19 Chairman.

20 I thank you for indulging me and giving us a
21 second. I think I have the distinct honor of being one of
22 the very few people in the Legislature, if not the only
23 person in the Legislature, that on my time as a municipal
24 official prior to my election to the State Legislature of
25 being involved in a water transaction where I supported a

1 lease and worked towards a lease of my municipal system that
2 ended up merging with our county system. So it still stayed
3 a public water system.

4 It's a unique process. It's a difficult process.
5 It's one that obviously creates a lot of concern from folks
6 throughout a community. So having an opportunity like this
7 in a bipartisan fashion with two key committees on this
8 process, I think it's going to be a very good one as we
9 flesh out the policy, flesh out the concerns that folks
10 have, and see if there's a potential consensus for everyone.

11 So I don't want to take up any more time.
12 Testifiers are far more important than me today. I just
13 really appreciate everybody's participation.

14 MAJORITY CHAIRMAN SANKEY: Thank you.

15 So we'll start with Mr. Marc Lucca, the President
16 of Aqua America. Come and take a seat.

17 We're going to shorten everybody as much as we
18 can. So we're going to try to get as much in so we don't
19 lose any members. I'm sure we're going to have a lot of
20 questions. We won't completely cut you off in five minutes,
21 but points for brevity.

22 Thank you.

23 MR. MARC LUCCA: Good morning.

24 Thank you for having me here today. My name is
25 Marc Lucca. I am the president of Aqua Pennsylvania and

1 happy to be here today to speak with you about Section 1329
2 of the Pennsylvania Public Utilities Code.

3 A little bit about Aqua Pennsylvania. We were
4 founded over 135 years ago in Delaware County. And today we
5 are one of the largest investor-owned utilities in the state
6 and one of the largest employers in both Delaware and
7 Chester Counties where hundreds of our employees, their
8 families, and friends call home.

9 We serve 1.4 million Pennsylvanians in 32
10 counties where our employees maintain more than 20,000 fire
11 hydrants that stand protection against fire to homes and
12 residents. We operate 40 wastewater treatment plants, 11
13 surface water treatment plants, and about 300 wells, all of
14 which can produce over 150 million gallons a day of drinking
15 water to our customers.

16 Protecting and providing earth's most essential
17 resource is our mission and we are guided by our core values
18 of integrity, respect, and pursuit of excellence as we serve
19 our customers in our essential work.

20 We truly are stewards of the environment. And I
21 would like to speak a little bit more now with you about
22 some of the diversity in the electric, gas, water, and
23 wastewater utilities. Unlike the electric and gas sector,
24 the water and wastewater sector is highly fragmented.

25 There are more than 53,000 water systems and

1 16,000 wastewater systems in the United States. They
2 provide anywhere from service from one well or a septic
3 field through a homeowners' association, up to very large
4 utilities.

5 It's been more than 20 years that policies have
6 encouraged regulated utilities like Aqua to acquire various
7 systems for different reasons, whether it was that they just
8 wanted to exit the business or whether they were unable to
9 continue to provide service as required by Federal and State
10 law.

11 In no case, in absolutely no case, were any of
12 these systems taken over in a hostile way. There was never
13 a hostile takeover. We can't do that in the United States.
14 Rather every single one was approved by their Board of
15 Directors. And that is the only way to consummate such a
16 deal.

17 The American Society of Civil Engineers 2018
18 report card on infrastructure in Pennsylvania gave our water
19 and wastewater systems a D and a D- respectively. And it is
20 clear that the providers of this service are failing their
21 customers.

22 In contrast I would share with you that
23 investor-owned utilities are 24 percent less likely to have
24 safe drinking water violations than government-owned
25 systems, this according to a 2014 study by Georgetown

1 University and Texas A&M.

2 Our customers benefit from strong public health
3 and environmental records. Consider some of the changes in
4 things that are going on around us that make our business
5 much more complicated than it was ten years ago but
6 certainly 20, 30, or 40 more years ago.

7 The Pennsylvania Department of Environmental
8 Protection and the U.S. Environmental Protection Agency are
9 currently working on setting a maximum contaminant level for
10 PFAS. This is the firefighting foam that we found in some
11 of our drinking water wells and surface water.

12 Essentially utilities, Aqua Pennsylvania, we have
13 set our own standard, recognizing that the government may
14 not be able to complete their maximum contaminant level
15 setting process for two years. But we've set our own above
16 which any source that we have would receive treatment or
17 would be taken out of service.

18 Coming out of Flint, Michigan, we can see so many
19 changes to lead and copper rules. And in 2023, we expect a
20 change here in Pennsylvania to come forward. And in that
21 case, all regulated utilities, all utilities in the state
22 will be required to sample for lead every six months,
23 whereas today they only do it every three years.

24 Customer-owned service lines, lead service lines,
25 will have to be replaced. And we are already working on

1 doing that. We are already preparing to help our customers
2 who might be in a situation of having lead service lines. I
3 would ask anyone, how will your water provider respond to
4 these and so many more open issues?

5 What would happen if a hacker got into your water
6 system and released chemicals into your drinking water? We
7 saw this almost happen in Florida not that long ago with the
8 Colonial Pipeline. Do water and wastewater systems that
9 exist today have cybersecurity task forces like we do?

10 We are ready every day that we have people
11 focused on this very, very important issue. Think about a
12 hacker getting into your system and releasing chlorine gas
13 into the environment, into your communities. Are you
14 prepared? Are all of our water providers equally prepared?
15 I can say that we are.

16 Now to the point of the matter today. 2016
17 legislation was adopted as Section 1329 of the Pennsylvania
18 Code and it is affirmation of the necessity to consolidate
19 in this fragmented industry. Hopefully, some of my comments
20 have highlighted to you some of the challenges that smaller
21 water utilities simply can't perform.

22 It did not change. Section 1329 did not change
23 that owners could sell their water and wastewater systems.
24 And it does not subject them to a hostile takeover. They
25 have always been able to sell their water systems and

1 wastewater systems. Fair market value legislation, which is
2 what 1329 is sometimes known as, just let them get a fair
3 price for their system. That's the biggest difference as we
4 see it.

5 Some of you represent areas where water and
6 wastewater providers may be struggling and they may want to
7 sell perhaps because the system is in poor condition or
8 worse, their systems are inoperable. There are times when
9 we walk into systems that are for sale where they simply
10 have systems that are not operable.

11 And, yes, their rates are low. But they're low
12 for a reason. They're not investing in their systems. And
13 as a result, they keep rates low but it is a ticking time
14 bomb, something that we take every day for granted when we
15 turn on our drinking water or hope that the fire hydrant in
16 front of our home works if there's a fire.

17 These are the things that we invest in.
18 Cybersecurity are the things that we invest in. We invest
19 in our people, their safety, their training to make sure
20 that they are prepared, to make sure that there is a
21 sustainable water system that you can rely on.

22 In closing, I would say that I understand and
23 appreciate your important role as watchdogs for your
24 constituents. Periodic reviews of existing laws are what I
25 would expect of my elected officials. And I thank you for

1 taking the time to review this. But this is a working law.
2 It works for struggling municipalities who choose to sell.
3 It works for the environment and it works for public health.
4 It is not the time to take away tools from municipals whose
5 elected officials believe that a partnership with a company
6 like Aqua is best for their community.

7 Thank you for your time. And I look forward to
8 your questions later.

9 MAJORITY CHAIRMAN SANKEY: Thank you, Marc. I
10 appreciate that. And if you can stick around in case
11 there's some questions at the end.

12 Rob Powelson, can you hear us?

13 MR. ROBERT POWELSON: Good morning, Chairman.

14 MAJORITY CHAIRMAN SANKEY: Everyone, this is Rob
15 Powelson, President and CEO of the National Association of
16 Water Companies.

17 We're ready when you are, Rob.

18 MR. ROBERT POWELSON: Thank you, Chairman.

19 It's a pleasure to be with everyone this morning
20 and joining with some of our fellow companies, Aqua
21 Pennsylvania. And I see my good friend Jeff Hines, who
22 served with distinction running the York Water Company, by
23 the way, the oldest water company in America.

24 I'm really looking forward to our conversation
25 today. And as a former Chairman of the PUC here in

1 Pennsylvania, Mr. Chairman, I know brevity is always a good
2 thing in a hearing so I'm going to start with some
3 high-level points.

4 First off, just by way of background, NAWC, the
5 National Association of Water Companies based in
6 Philadelphia, Pennsylvania, serves over 73 million customers
7 here in the U.S. Our top five member companies invest per
8 annum about \$3.5 billion in infrastructure across the United
9 States.

10 And as we sit here today, you know, America has
11 the highest per capita of water use in the world.
12 Unfortunately, our groundwater is being depleted 25 percent
13 faster than it's being replenished. And a more alarming
14 statistic -- and we are blessed here in Pennsylvania with
15 ample supplies of water. But 40 states across the U.S. over
16 the next decade are going to face some type of
17 water-scarcity issue. We're seeing it today in areas of
18 California and the southwest.

19 You know, I think Marc Lucca set it up nicely.
20 Providing affordable, safe, and reliable water service is
21 the highest priority for our member companies. It's
22 embedded in our corporate ethos. Water companies are, as
23 one presenter at one of our events just said, the pillars of
24 civilization. That's a very bold statement. But I want you
25 to think about it in the context of what I have in my hand

1 here.

2 This is the only public utility service we
3 ingest. And I need not remind anybody about the tragic
4 events that more recently happened in Jackson, Mississippi,
5 or the tragic events that have unfolded in Flint, Michigan.
6 If we don't treat at parts per trillion, we don't invest in
7 cyber and physical security, we don't assess our assets and
8 look at asset optimization, bad things happen in the water
9 grid.

10 And I think, as Marc had mentioned, the recent
11 events in Oldsmar, Florida, serve as a stark reminder that
12 cyber attacks and the threat vectors associated with those
13 attacks are having profound impacts not only on the water
14 grid but as well as our electric and gas grid.

15 And let me just say by way of background, in
16 conversation with the Biden Administration, in early June
17 the President will roll out an Executive Order focused on
18 water and wastewater cyber. And this is going to be
19 probably, in my view, long overdue that this takes place.

20 Now, as the former Chairman of the Pennsylvania
21 PUC and now in my new role serving NAWC, I think it's fair
22 to say we have too many water systems here in the U.S. The
23 number of systems eclipses something like 51,145 systems.
24 And let me just give you kind of a context. With 51,145
25 systems, there's only 3,200 electric distribution systems in

1 this country. So imagine in your home area, whether you're
2 serviced by PPL, PECO, West Penn Power, Duquesne, there's
3 only 3,200 electric distribution systems. And there's
4 roughly 1,000 gas local distribution companies in the U.S.

5 So by all reasonable measures, we have too many
6 systems. And within that portfolio of systems, there are
7 well-run municipal systems, there are well-run rural
8 systems, and there are well-run private investor-owned
9 systems.

10 What we're talking about today are some of the
11 marginal systems that are in dire need or in violation of
12 the Safe Water Drinking Act and also in the context of local
13 governments that are interested in selling these assets.
14 And I think it's fair to say when you look at the water
15 industry in its entirety, we are one of the most capital
16 intensive industries here in the U.S.

17 And I'm very proud of the Pennsylvania track
18 record that we have established over a 20-year period around
19 water consolidation policy. When I joined the Commission in
20 2008, we had something like 5,000 water systems across the
21 Commonwealth of Pennsylvania.

22 And I will share with you anecdotally one of the
23 real tragedies that happened during the Thanksgiving weekend
24 in Senator Mary Jo White's district, former Senator. We had
25 a situation where the Embleton Water Company was being

1 monitored by DEP officials and in less than a ten-day
2 period, traces of cryptosporidium were found in the water
3 table. Working in cooperation with the DEP and then
4 Governor Corbett and others, we immediately shut down the
5 system.

6 We were able to bring in, through the support of
7 Aqua Pennsylvania, water buffalos to provide drinking water
8 service to the community. And if I could just share with
9 you how touching it was that we averted a huge public health
10 crisis in that community.

11 And if I showed you pictures of that system
12 today, we went from looking at a third world piece of
13 infrastructure here in the Commonwealth of Pennsylvania to
14 having an investor-owned water utility that invested in not
15 only environmental compliance but invested in the overall
16 water grade of that community.

17 And fortunately, as I mentioned, Pennsylvania has
18 a very strong history of enacting proactive policies to
19 combat what we call marginal system operation. For example,
20 legislation such as Act 120 was passed in 2018, which made
21 it easier for utilities to replace lead service lines. Act
22 11 back in 2012 encouraged water and wastewater utilities to
23 proactively invest in their distribution systems through our
24 distribution system improvement charge and then Act 12 of
25 2016, Section 1329, which further continues a longstanding

1 consolidation policy for water and wastewater systems.

2 And I can share with you that the Commission has
3 done a remarkable job in the implementation of the fair
4 market value legislation. And, you know, we look at this in
5 the lens of public health and the problems that many
6 communities across the U.S. face today. The U.S.
7 Environmental Protection Agency estimates that Pennsylvania
8 needs to spend more than \$16 billion over the next 20 years
9 to just modernize its drinking water infrastructure.

10 And I know in these trying times that there's not
11 \$16 billion in the \$38 billion State Operating Budget to
12 solve this problem overnight. And unfortunately, many small
13 systems struggle to have the capital reserves necessary and
14 the rate structures to pay for infrastructure upgrades.

15 EPA data shows that only 17 percent of the water
16 systems are confident that they can cover the cost of
17 existing service to customers let alone fund needed upgrades
18 with the current rates and fee structure.

19 You know, you'll often hear policymakers and
20 ratepayers say, you know, my municipal rates are low and I
21 want to keep them that way. And it's a very noble thing but
22 I can assure you that because of our infrastructure being
23 underground, it is critically important that companies --
24 and here in Pennsylvania, thanks to the PUC, companies are
25 required to submit capital infrastructure plans. And those

1 infrastructure plans are monitored and they demonstrate to
2 the PUC that utilities are investing in infrastructure.
3 They're not kicking the can down the road. And there are a
4 number of examples where we've seen on the municipal side of
5 the ledger where they have just been kicked to the side and
6 lack of investment in the overall grid creates problems for
7 those communities.

8 So we've seen time and time again that ensuring
9 high-quality water service requires extraordinary amounts of
10 capital investment. And I think it's fair to say that you
11 will not see our member companies waver in our commitment to
12 investing here in the Commonwealth of Pennsylvania. And
13 more importantly, we want to ensure you through this hearing
14 today that we will continue to provide safe and reliable
15 drinking water service at reasonable prices.

16 One thing I want to give this Committee is peace
17 of mind that we'll continue to adopt policies that make the
18 Commonwealth of Pennsylvania a national leader in water and
19 wastewater policies.

20 Mr. Chairman, I look forward to our questions
21 later on this morning.

22 Thank you.

23 MAJORITY CHAIRMAN SANKEY: I appreciate that,
24 Rob.

25 We'll keep you on the line there. We'll keep the

1 machine rolling here.

2 Is Tanya here? This is Tanya McCloskey with the
3 Office of Consumer Advocate.

4 Tanya, when you're ready.

5 MS. TANYA McCLOSKEY: Good morning.

6 My name is Tanya McCloskey and I am serving as
7 the Acting Consumer Advocate for the Office of Consumer
8 Advocate.

9 Thank you for having me here today to discuss
10 Section 1329 of the Public Utility Code. I have provided
11 more detailed written testimony but let me just touch on a
12 few key points in my oral remarks.

13 I did not support Act 12 or Section 1329 when it
14 was enacted for numerous reasons. Let me be clear at the
15 outset, it is not the acquisition of municipal systems by
16 investor-owned utilities or the further consolidation in the
17 water and wastewater industry that was the source of my
18 concern. My office has supported consolidation,
19 particularly of small troubled systems, that has occurred in
20 Pennsylvania pursuant to Section 1327 of the Public Utility
21 Code since 1990.

22 That section has successfully brought many small
23 system s under the professional management of our large
24 investor-owned utilities and improved the safety and
25 reliability of water service to thousands of Pennsylvania

1 residents.

2 The major flaw in Section 1329 that was my major
3 concern was the concept of fair market value, a concept
4 similar to the fair value method of ratemaking that
5 Pennsylvania abandoned in 1984. Fair value was replaced
6 with the objective standard of original cost less
7 accumulated depreciation, commonly referred to as net
8 original cost.

9 Setting rates and rate base using net original
10 cost serves as a check on the amounts that can be charged to
11 ratepayers by monopoly providers. In an acquisition
12 situation, net original cost eliminates the significant
13 profit motivation of the sellers of the systems to
14 artificially inflate the asking price for the utility assets
15 and the profit motive of the buyers of the system to
16 increase the rate base upon which shareholders are in a
17 profit.

18 Under the fair market value system of determining
19 rate base, no party in the negotiation is seeking the lowest
20 price or even a lower price. The impact of the fair market
21 value system quickly became apparent in Pennsylvania as
22 acquisitions began at prices far in excess of net original
23 cost. I've included some detailed tables and an appendix
24 and throughout my written testimony with some of the basic
25 information about these acquisitions for your consideration.

1 While the amounts in excess of net original cost
2 have varied, the premiums being paid have ranged from about
3 1.1 times the net original cost to over three times the net
4 original cost or 11 percent to 226 percent more. Another
5 measure of the impact of these acquisitions on customers is
6 to assess the average plant cost per customer for the
7 acquired system.

8 Aqua's first purchase under Section 1329 was for
9 the New Garden system which Aqua purchased at an average
10 rate base amount of \$14,008 per customer, more than three
11 times the then existing Aqua average per customer.

12 One of Pennsylvania American's first municipal
13 purchases under Section 1329 was the Municipal Authority of
14 the City of McKeesport. Under the revised purchase price
15 for that acquisition, the average rate base per customer was
16 \$12,363 per customer or two times Pennsylvania American's
17 2016 average.

18 Between 2016 and 2020, Pennsylvania American's
19 average rate base per customer increased almost 54 percent
20 due in substantial part to the Section 1329 acquisitions.

21 Aqua's average rate base per customer increased
22 by 95 percent driven largely by the Section 1329
23 acquisitions.

24 The rate impacts of these acquisitions is now
25 becoming apparent. In Pennsylvania American's recently

1 filed base rate case, an annual increase of \$19.9 million
2 was needed just to cover the acquisition, the amount above
3 the net original cost, associated with five Section 1329
4 acquisitions. All of that annual increase was assigned to
5 Pennsylvania American's Zone 1 water customers under Section
6 1311(c) of the Public Utility Code.

7 The customers of the acquired system will also
8 pay higher rates as they are transitioned to paying the
9 increased cost of the system under the utility ownership due
10 to the fair market value, the return component, and the
11 taxes. That is before any upgrades will need to be made to
12 the system. In recent notices to customers related to these
13 acquisitions, rate increases of 35 percent to 105 percent
14 have been provided to the customers.

15 In my view, the best path forward would be to put
16 a halt to municipal acquisitions at fair market value and
17 arrive at a more targeted approach to these acquisitions
18 that is fair to ratepayers and the communities seeking to
19 sell the assess.

20 In the interim, however, I think there are some
21 critical steps that should be taken. I would like to lend
22 my support to House Bill 97 sponsored by Representative
23 Lawrence and House Bill 144 sponsored by Representative
24 Sappey. These bills would require a referendum by the
25 municipality on the proposed acquisition. I think it is

1 critical that the referendum not only advise the customers
2 of the community of the purchase price, but as specified in
3 House Bill 97, that it advise customers of the potential
4 rate increase that they will see as a result of the
5 acquisition.

6 I have provided some other recommendations in my
7 written testimony, including the need for a plan for
8 consolidation and regionalization so that they are done in
9 an economically efficient way.

10 But I would like to point out in particular that
11 if the purpose that is sought to be achieved is to assist
12 distressed communities and repairing troubled systems or
13 systems that may fall into disrepair due to the municipals'
14 inability to finance changes, then acquisitions in fair
15 market value, if allowed at all, should be limited to the
16 circumstances.

17 Currently Section 1329 contains no such limits
18 and most of the acquisitions have not been of distressed or
19 troubled systems that are experiencing violations.

20 Again, thank you for your consideration of these
21 matters. And I refer you to my written testimony for
22 extensive details. I've been gravely concerned about the
23 impact of Section 1329 acquisitions on all ratepayers, both
24 existing and acquired ratepayers.

25 Thank you.

1 MAJORITY CHAIRMAN SANKEY: Thank you, Tanya. I
2 really appreciate that.

3 And if we could get you to stick around, too.

4 Next, virtually I believe we're going to have
5 Elizabeth Marx, who is the Executive Director of the
6 Pennsylvania Utility Law Project. Can you hear us,
7 Elizabeth?

8 MS. ELIZABETH MARX: I can. Can you hear me?

9 MAJORITY CHAIRMAN SANKEY: Yes.

10 Fire away.

11 MS. ELIZABETH MARX: Great.

12 Good morning, Chairman and members, and thanks
13 for the invitation to appear today. This is a really
14 important matter.

15 My name is Elizabeth Marx. I'm the Executive
16 Director of the Pennsylvania Utility Law Project. We're a
17 statewide specialty legal program that's focused on ensuring
18 that all Pennsylvanians can connect and maintain safe and
19 affordable utility service in their home.

20 We work to achieve this mission by providing
21 representation, advice, education, and support services to
22 low-income individuals and also community groups across the
23 state.

24 I'll say from the outset, my office has not
25 historically taken a position on water and wastewater

1 acquisitions. We do believe that when carefully planned,
2 the regionalization and consolidation of water and
3 wastewater services can increase access to critical consumer
4 protections that are available only to customers of
5 regulated utilities. They can also protect consumers when
6 systems become troubled or unable to provide safe service.

7 At this juncture we're just no longer able to
8 remain neutral on this issue, as the purported benefits of
9 consolidation give way to substantial and largely
10 unconstrained rate impacts that threaten the ability of
11 low-income Pennsylvanians to afford life-sustaining water
12 and wastewater services.

13 I explained in further detail in my comments that
14 there are significant procedural constraints in Section 1329
15 which interfere with the ability for consumers to
16 meaningfully participate in the process for review.

17 These constraints are driven by the compressed
18 timeframe with which acquisitions are reviewed, as well as
19 the lack of any specific enumerated legal requirement to
20 consider rate affordability or the anticipated rate impacts
21 for both the acquired and the acquiring utility's customers
22 in reviewing a proposed acquisition.

23 It is critical that we reinsert rate
24 affordability into consolidation and regionalization policy.
25 Water and wastewater services are increasingly unaffordable

1 across the Commonwealth as rates have risen precipitously
2 over the last decade. Low-income families now regularly pay
3 more than 10 percent of their gross household income for
4 water and wastewater services alone. And there are few
5 assistance programs that exists to meaningfully reduce the
6 increased burden.

7 Critical infrastructure needs have driven this
8 largely for both public and privately owned systems across
9 the state. But infrastructure costs are not alone
10 responsible for the increase in rates.

11 As Ms. McCloskey just highlighted for you in her
12 testimony, acquisition of relatively healthy and financially
13 stable publicly owned water and wastewater systems at fair
14 market value pursuant to 1329 at full recovery of those
15 acquisition costs through rates is contributing to the
16 growing costs.

17 The premium costs borne by consumers as a result
18 of the current valuation standards bear no relationship to
19 the provision of safe service nor is there any cap on the
20 number of systems that an investor-owned company can acquire
21 while passing these premiums on to the consumers. Rather
22 the generous valuation has been used to consolidate these
23 healthier systems providing financial benefits to
24 municipalities and acquiring utilities and leaving
25 ratepayers with the bill.

1 Many acquisition provisions are included that
2 shield acquired utility customers from rate increases for a
3 period of years following a rate increase. But these
4 provisions do not hold rates down for all. They simply
5 shift the cost from the sale of the acquiring utility's
6 customer base. Eventually the rate freeze will always come
7 to an end and can lead to rate shock for customers of the
8 acquired company when their rates are increased to reach
9 parity with the acquiring utility's customers.

10 The solution to rising infrastructure costs is
11 not to continue incentivizing acquisition of stable
12 municipally owned water and wastewater systems by private
13 investor-owned utilities. Investor-owned systems charge
14 substantially higher prices compared to municipally owned
15 systems, as unlike municipal systems, private utilities are
16 statutorily entitled to a rate of return and the cost of
17 capital is often lower for municipally owned utilities,
18 which have greater access to low or no cost municipal
19 financing and other public funds to help pay for these
20 infrastructure projects.

21 So I'll conclude by offering a few
22 recommendations. And the first is, I'd like to second the
23 consumer advocate's recommendation that the General Assembly
24 halt 1329 acquisitions and develop a plan for
25 regionalization and consolidation that more appropriately

1 values water and wastewater systems. Affordability has to
2 be a central and explicit component of this plan.

3 But to the extent that this valuation system
4 under 1329 remains intact, I offer the following: One,
5 extend the statutory timeframe for Section 1329 from six
6 months to nine months to allow adequate time for
7 investigation of proposals.

8 Two, require the Commission to explicitly
9 consider the rate impact of the proposed acquisition on
10 low-income consumers of the acquired and the acquiring
11 utility.

12 Three, require proposed acquisitions to include a
13 rate mitigation strategy and enhance programming to offset
14 identified rate impacts.

15 Four, set limits on the acquisition premium
16 permitted to be recovered through rates.

17 Five, limit fair market valuations standards.
18 The acquisition of troubled or struggling water and
19 wastewater systems.

20 Finally, we urge the General Assembly to pursue
21 solutions that incentivize municipal consolidation as it
22 would help minimize costs and preserve public ownership of
23 critical resources. To ensure the full benefits of
24 consolidation and regionalization are realized, the General
25 Assembly should require acquiring municipal utilities to

1 comply with Public Utility Commission's standards for
2 consumer billing, collection, and termination standards that
3 apply to all regulated utilities.

4 This concludes my remarks. And I'm thankful once
5 again for the invitation. I'm happy to answer questions and
6 note that me and my team are ready to assist the
7 Subcommittees in their consideration.

8 Thanks.

9 MAJORITY CHAIRMAN SANKEY: Thank you, Elizabeth.
10 We certainly appreciate that.

11 And we've got a couple more testifiers and we'll
12 be holding questions to the end.

13 Jeff Hines. Jeff, are you on there? We're ready
14 when you are.

15 MR. JEFF HINES: Yes. Mr. Chairman, can you hear
16 me okay?

17 MAJORITY CHAIRMAN SANKEY: Yes.

18 MR. JEFF HINES: Good morning.

19 My name is Jeff Hines. I'm a professional
20 engineer and retired CEO of the York Water Company. I've
21 spent the last 31 years involved in the Pennsylvania
22 regulated water sector. These comments are my own opinions
23 and as a citizen of the city of York.

24 First off, I believe that Section 1329, known as
25 Act 12 or fair market value, can be a unique, reasonable,

1 and fair tool of Pennsylvania when properly administered and
2 deployed. There are some issues with it so far.

3 So using the city of York, where I live, as an
4 example, the seller is typically a city, has economic
5 challenges often involving higher debt, high taxes, and
6 underfunded pensions. Often the seller also typically
7 hasn't spent the necessary operating and capital funds to
8 maintain an efficient, sustainable, and environmentally
9 compliant water or sewer system.

10 But with the advent of Section 1329, a city or
11 other seller can receive fair market value for their water
12 or sewer system. The city of York is a fine example. I'm
13 going to use some round numbers here to demonstrate this.

14 The regulated utility buys a sewer system for
15 fair market value for, let's say, \$200 million. And the
16 book value is \$100 million. Who is paying the extra \$100
17 million? According to Section 1329, the customers pay the
18 market value amount. Then because it was also perhaps
19 poorly maintained, as some of the other speakers have
20 mentioned, the buyer will likely invest in this system 50 to
21 100 million dollars in cap over the next five or so years.

22 So now we've transferred a system worth \$100
23 million and a cost to the customers approaching \$300
24 million. Who is paying for that?

25 Another way to look at this, prior to Act 12,

1 utilities were purchased for, as Ms. McCloskey mentioned,
2 the net original cost. And recent sales, in my experience,
3 have been in the range of five hundred to one thousand
4 dollars per customer. Now, with fair market value, recent
5 sales have averaged about \$10,000 a customer, over ten times
6 the book value. Who pays for that?

7 There are two ways to pay for it according to the
8 law. One, make the acquired customers pay for it -- in
9 York's case, there's about 28,000 customers on the sewer
10 system -- or use Section 1311, known as Act 11, and spread
11 those costs across your statewide water and sewer customers.

12 So the two largest utilities would argue, let's
13 just spread those costs across our, say, three-quarters of a
14 million customers instead of the 28,000 customers served by
15 the seller. They will argue that this will avoid rate shock
16 and economies of scale will benefit everyone. Could be a
17 win for the seller, a win for the buyer, and a win for the
18 customer. That's what they will argue.

19 Throughout the process, the customers are never
20 told what the future rate impact will be. However, using
21 either of these methods, cost of the 300 million in cap and
22 sale of the system will be anything but a win for the
23 customers. And the more systems that these larger utilities
24 acquire, the bigger the problem becomes. Based on a recent
25 rate case settlement, that \$300 million in capital costs

1 will cost the customers about \$42 million a year. And
2 that's kind of forever.

3 Divide that amongst 750,000 customers and it's
4 \$56 a year. So a water customer in say McKeesport or
5 Steelton will pay an extra \$56 more for their water so that
6 in this case, Pennsylvania American, you buy the city of
7 York's wastewater system. Now, some say that's a small
8 number, especially since the average water customer of those
9 two largest utilities will pay an average of almost \$1,000 a
10 year for 5,000 gallons of water a month. And that's almost
11 \$1,000 a year for sewer and almost \$1,000 a year for water.

12 That's just the increase from one sewer
13 acquisition. It doesn't include operation of maintenance
14 and other costs. These larger utilities acquire several
15 systems like this each year. By the way, according to the
16 EPA, affordable water or sewer service should be no greater
17 than 2 percent of average household income.

18 Here in York, and also in Chester, average
19 household incomes is about \$30,000 a year. Currently York
20 citizens pay about \$550 for sewer and about \$500 for water
21 per year, which is considered affordable. Forcing these
22 lower-income residents to now pay upwards of \$1,000 a year
23 for water and then 1,000 for in this case sewer over the
24 next few years would be unaffordable and perhaps
25 catastrophic. That is clearly not in the public interest.

1 Using Section 1329, Section 1311 to allocate
2 these costs across the state, you're essentially telling the
3 folks that live in, say, Coatesville or Scranton or any
4 other three-quarters of a million water customers across the
5 state to pay 56 bucks a year to frankly bail out the city of
6 York's pension crisis. Does that seem fair? Is that in the
7 public interest?

8 Maybe the folks in York will initially be okay
9 with it. But then what happens when that same utility buys
10 another three or four systems next year and York's rate
11 quickly spirals up to their current system average for that
12 \$1,000 a year?

13 What you are doing is having your regulated water
14 utility customers all across the state bail out cities that
15 have frankly mismanaged their own affairs. Is that in the
16 public interest and is that the intent of Section 1329? And
17 is that the role of a water utility?

18 Finally, I believe that allowing larger utilities
19 to allocate their fair market value acquisitions across the
20 entire customer base in Pennsylvania and then having them
21 proclaim that it's a disingenuous method. And they will use
22 it over and over again as they buy new systems and the
23 resulting rates will rapidly exceed customers' ability to
24 pay. And that is clearly not in the public interest.

25 And finally, how do we fix this? There's a

1 simple legislative regulatory fix that will allow 1329 to be
2 used as originally intended and makes all those problems go
3 away. Mandate that utilities that use 1329 to acquire a
4 sewer or water system shall not be allowed to use Section
5 1311 to allocate those across the state.

6 If this isn't fixed, I suspect many of your
7 regulated water constituents will be back here in this very
8 Chamber decrying the fact that they have to pay over \$1,000
9 a year for water and \$1,000 a year for sewer, meanwhile a
10 customer in a well-run nearby township or municipal
11 authority pays about one-third of that amount for the same
12 service or similar service. I don't believe that will be in
13 the public interest.

14 I believe that frankly as elected leaders that
15 may be one of your biggest risks and as utility managers
16 that is one of their biggest long-term risks.

17 That concludes my comments.

18 MAJORITY CHAIRMAN SANKEY: Thank you, Jeff.

19 I appreciate that.

20 So next up, last up, we're going to Nicole
21 Whitaker, the Upper Chichester Township Commissioner.

22 Are you here, Nicole?

23 MS. NICOLE WHITAKER: Yes.

24 MAJORITY CHAIRMAN SANKEY: Oh, my goodness.
25 Hello.

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MS. NICOLE WHITAKER: Thank you. Good morning.

My name is Nicole Whitaker. I live in Upper Chichester Township, Delaware County, Pennsylvania. My neighborhood in the township is called Twin Oaks. And I am the fourth generation of my family to live there.

I am in my 12th year of service as the elected Second Ward Township Commissioner. At the primary election on Tuesday, May 18th, I won reelection as the Republican-nominated Commissioner candidate and I was written in by a majority of my Democratic constituents as their Commissioner candidate. I speak about this bipartisan support from my constituents because I am happy to be here at a bipartisan committee hearing.

It does my heart good to see people in both parties working together for the common good. I think there was more bipartisanship in my first year in township government than now in my 12th year. I do not think it's happening in the Congress in Washington at all. Both parties do not work together as often as they should.

And I want to take a moment to recognize the courage of Representative Lawrence and Representative Krueger in joining forces to hold this hearing. Their joint effort is not a small thing. It's a big thing. And it is real leadership and needs to be recognized.

Thank you and the other members of your

1 representative committees for pursuing the issues before you
2 on a bipartisan basis. My township constituents applaud
3 your working together. The rest of the state is watching
4 and will benefit from your example and your good work.
5 Thank you for listening to us.

6 My family in Twin Oaks has been drinking public
7 water produced and delivered to our home by the Chester
8 Water Authority since before the second world war. We love
9 the consistent high quality of our water. We love our
10 friends and neighbors who work for the Authority. We love
11 the customer service that we get from the Authority. And we
12 love the low rates for the water.

13 There is no life without water and we do not take
14 our water for granted. I value what the Pennsylvania
15 Constitution says about every Pennsylvanians' right to pure
16 water but the Chester Water Authority gives us more because
17 it is responsive to us. The Authority Board is appointed by
18 officials that we elect.

19 The Chester Water Authority does not have
20 stockholders. It does not answer to stockholders like a
21 for-profit company does and that is important to us. The
22 Chester Water Authority is responsive to us and we want to
23 keep it that way.

24 Members of the Committee, the two proposed bills
25 that are before you allow us, your constituents, to keep the

1 water that we have, control over our water. We are not
2 asking you to give us anything extra. We just want to keep
3 what we have.

4 It is so important to allow the customers of
5 Chester Water Authority to have a say in what happens to the
6 Authority and I thought that it was worth taking time away
7 from my job as township manager in Darby Township, Delaware
8 County, to come here and tell you that my constituents do
9 not want Chester Water Authority to be taken over by a
10 private for-profit company.

11 I am not an economist but there is something
12 about this whole privatization effort that I do not
13 understand. The Authority was built by fees for water paid
14 by ratepayers, not from contributions from any of the local
15 governments that appoint the Authority Board members.

16 If a ratepayer's money was used to build the
17 Authority, does not the Authority belong to the ratepayers?
18 How can some people say the Authority should be sold and
19 money given to a local government and the ratepayers get
20 nothing? Well, in that situation, the ratepayers would get
21 a whole lot more than nothing. They would get hit with
22 permanent high water rates. Why would ratepayers have to
23 keep paying for something that they already built and paid
24 for?

25 In summary, my constituents and I support both

1 Representative Lawrence and Representative Sappey's
2 ratepayer protection bills. In addition to all of the other
3 good things that I mentioned about the Authority, the
4 Authority keeps its rates low and those low rates protect
5 our poor and those on fixed incomes.

6 Let the ratepayers decide the issue of the
7 Authority's future. We are happy with what we have. We
8 cherish it and we want to keep it. Please help us do that
9 and pass both of these valuable bills.

10 Thank you.

11 MAJORITY CHAIRMAN SANKEY: Great. Thank you very
12 much, Nicole.

13 For the three that are here, Marc, if you want to
14 come up here so you guys can be close to a mike. And,
15 Tanya, wherever you feel comfortable. You can slide them
16 down a little bit. If it's more comfortable and as long as
17 the other testifiers are online, we are going to open it up
18 for questions because we're going to have lots, I'm sure.

19 We're going to actually start out with
20 Representative Krueger first.

21 REPRESENTATIVE KRUEGER: Thank you, Mr. Chairman.

22 And thank you, all of you, for your testimony
23 today and to those who came to Harrisburg to make your
24 voices heard on this very important issue.

25 I've got two questions. First for Ms. McCloskey.

1 The legislative intent of House Bill 1326 that became Act 12
2 was to help distressed water systems and their communities.
3 And I remember debates about effect, because we voted on
4 that bill shortly after I got here to Harrisburg, allowing
5 them to pay more for a system than it's really worth to give
6 resources to fix those distressed systems.

7 However, in Delaware County, the Chester Water
8 Authority is not currently a distressed system nor is
9 Delcora. Both of these are systems that Aqua is seeking to
10 acquire. Should Act 12 apply to the acquisition of a
11 healthy system in your opinion?

12 MS. TANYA McCLOSKEY: In my opinion, first of
13 all, let me say that Act 12 did not have any limitation on
14 it as to the condition of the system. So it was not limited
15 to distressed systems, even though there was some discussion
16 about that in the legislative debate. It did not make that
17 into the law.

18 But in my view, as I said, I think it should be
19 limited to the use of fair market value, if it's used at
20 all, to be limited to distressed systems for communities.
21 But having said that, we already have Section 1327 that
22 allows for acquisition of small troubled systems. And it
23 does allow for the acquisition premium to be included in
24 rates if certain standards are met.

25 So even with a distressed system, I think there

1 should be standards that have to be met.

2 REPRESENTATIVE KRUEGER: And again, I remember I
3 went back and read the legislation and appropriation for
4 today. The word distress does not exist.

5 MS. TANYA McCLOSKEY: It does not.

6 REPRESENTATIVE KRUEGER: I'm wondering if maybe
7 it should be amended to include that terminology.

8 MS. TANYA McCLOSKEY: If you're going to utilize
9 fair market value, I think it should. But, again, we'll
10 have to create some standards for distressed. And I don't
11 want to ignore what is in the New Jersey law called emergent
12 conditions. There are some -- we don't have to let a system
13 fall completely into disrepair if the community is
14 struggling. You have to reach that balance.

15 REPRESENTATIVE KRUEGER: And according to your
16 testimony today, from 2016 to 2019, Aqua's rate base per
17 customer included increases, you said, by 95 percent from
18 \$3,795 to \$7,404. And we've heard testimony from other
19 folks today that when the average rate base per customer
20 increases, the utility may increase rates on all of their
21 customers to support these acquisitions.

22 So simply put, when a public water or wastewater
23 system is acquired by a publicly traded company, will the
24 rates always go up for customers?

25 MS. TANYA McCLOSKEY: The rates will always go up

1 under 1329 acquisitions because 1329 guarantees recovery to
2 the utility of the approved rate base, the rate base that's
3 approved at the time of acquisition.

4 REPRESENTATIVE KRUEGER: Thank you.

5 And, Mr. Chairman, if I may, one more question?

6 MAJORITY CHAIRMAN SANKEY: Yes. Real quick.

7 REPRESENTATIVE KRUEGER: Yes.

8 So this question is for Mr. Lucca and
9 Mr. Powelson. Senate Bill 597 was voted out of the Senate
10 Consumer Protection and Professional Licensure Committee
11 yesterday. And the intent of that bill appears to be to
12 remove DEP from its oversight of water systems and asset
13 management and put it under PUC.

14 Did either of you or your staff play a role in
15 drafting or advising on that legislation?

16 MR. ROBERT POWELSON: I can start.

17 I had been across the 50-state footprint as part
18 of my job responsibility promoting fair market value and
19 water -- you're referring to water quality accountability,
20 which was signed into law in New Jersey and Indiana. So the
21 answer is, yes, we are intensely involved in promoting
22 legislation that calls for greater compliance of all water
23 operators, public or private, in the state.

24 MR. MARC LUCCA: And I would say that it is
25 extremely important that we're all held to the same

1 standard. And so to that end, we're involved in and
2 interested in making sure that all utilities are held to the
3 same operating standards.

4 That's not the case, as I said earlier, where you
5 have differences in how systems are run, differences in
6 cybersecurity ability for protection, differences in lab
7 protection, which does generate some impact on rates.

8 REPRESENTATIVE KRUEGER: And I understand that.
9 Did you or your staff play a role in drafting or advising on
10 Senate Bill 597?

11 MR. MARC LUCCA: We were involved in the review
12 of that, yes.

13 REPRESENTATIVE KRUEGER: Okay.

14 And for the record, some municipal systems in the
15 state believe that this legislation is another attempt to
16 take away their ability to control their own rates and
17 system operations, so I would urge my colleagues to keep a
18 close eye on this one.

19 Thank you, Mr. Chairman.

20 MAJORITY CHAIRMAN SANKEY: Thank you.

21 And thank you for the answers.

22 Okay. Representative Parker. You're up.

23 REPRESENTATIVE PARKER: Thank you.

24 Aqua is in a joint venture with Energy Transfer
25 Solutions to provide water to the fracking industry in PA.

1 There is deep concern that should this takeover occur that
2 they will draw water from the reservoir for frackers at the
3 expense of the people who rely on this water.

4 Will Aqua draw water from the Octoraro Reservoir
5 for this purpose?

6 MR. MARC LUCCA: Yes. Thank you for the
7 question.

8 So there are a couple of things embedded in there
9 I'd like to speak to. First of all, as to the Octoraro, the
10 disposition of that, should it be sold, should it be sold to
11 us, we have already made a commitment that we will not
12 develop nor will we change the use of the activities of that
13 reservoir now or in the future. We have committed to put
14 that into an easement, a conservation easement or something
15 of that sort, in perpetuity so there would be no change.

16 The second point, we are not in a joint venture
17 with Energy Transfer Partners. That was the case up until
18 about a year ago. We did not enter into that agreement with
19 Energy Transfer Partners. Energy Transfer purchased the
20 entity that was our partner and that's how we became
21 partners with them. But we have since divested ourselves of
22 that.

23 I would also like to say that we have taken ETP
24 to task, Energy Transfer to task, for their abysmal
25 construction practices. I've personally talked with the

1 Pennsylvania Department of Environmental Protection and
2 recently wrote an op ed to the paper that expressed my
3 concerns along this front. So I hope that that helps.

4 REPRESENTATIVE PARKER: It does. But will you
5 make sure that there's, like, a legal document stating that?

6 MR. MARC LUCCA: Well, the legal document stating
7 the use of the Octoraro Reservoir would be in the permits
8 that are submitted or exist from DEP. So, yes, they will
9 exist. They are legal documents.

10 REPRESENTATIVE PARKER: Thank you so much.

11 MR. MARC LUCCA: You're welcome. Thank you for
12 your question.

13 MAJORITY CHAIRMAN SANKEY: Thank you.

14 Representative Lawrence.

15 REPRESENTATIVE LAWRENCE: Thank you, Mr.
16 Chairman.

17 I want to thank each of the testifiers for being
18 here today. I know it's a burden to travel to Harrisburg.
19 Even online, it takes time out. You know, everyone has
20 other things to be doing so I appreciate you being here
21 before the Committee today.

22 Mr. Lucca, I have questions for you. So I
23 reviewed the Aqua for Chester website. It is maintained by
24 Aqua. It outlines Aqua's views on the Chester Water
25 Authority. Right up at the top of the website it states

1 that Aqua and the City of Chester believe that the City of
2 Chester is the legal owner of CWA and has the right to sell
3 that asset. Is that your position today?

4 MR. MARC LUCCA: It is, yes.

5 REPRESENTATIVE LAWRENCE: All right. So
6 obviously, personally, I think it's outrageous to claim that
7 the City owns Chester Water Authority. CWA is an
8 independent authority with a governing board that's
9 established under state law.

10 But my question is this: Four years ago Aqua
11 made an unsolicited offer to the Board of the Chester Water
12 Authority to purchase CWA for over \$300 million. The CWA
13 Board unanimously rejected the offer.

14 If Aqua believes that the City of Chester is the
15 legal owner of CWA, why did you first approach the Board?
16 Was Aqua of the opinion at that time that the Board was
17 really the legal decision-maker?

18 MR. MARC LUCCA: So there's a couple of things in
19 your question. And thank you for that.

20 First of all, it's not uncommon for an authority
21 to be owned by another entity. An authority could be owned
22 by a city or could be owned by a group of other
23 representatives. So the fact that the City of Chester, we
24 believe -- and this is a matter for the courts to decide who
25 owns the Chester Water Authority.

1 We believe that back in 2011 or 2012, I don't
2 recall the exact date, there was a change of governance to
3 the structure of how that organization was managed. But we
4 believe that that did not change the ownership. And again,
5 we have our beliefs but that is a matter for the court to
6 decide.

7 Now, as far as who we submitted the bid to, it
8 seems on its face a prudent thing to do to address the Board
9 of Directors when presenting such an idea and that is what
10 we did at the time.

11 REPRESENTATIVE LAWRENCE: So it seems to me
12 you're trying to have it both ways. I don't disagree with
13 you that it's not uncommon for another entity to own. There
14 are many municipalities that directly run water or sewer
15 operations for their residents and have chosen not to set up
16 an authority.

17 Chester Water Authority is probably somewhat
18 unique in that State law specifically directs the
19 organization of the Board of Chester Water in a somewhat
20 unique way.

21 Again, I think it's incredible that you would
22 approach the Board and then when you received an answer that
23 perhaps you didn't like, that you've instead tried to
24 litigate and kind of move on to Plan B. So we went with
25 Plan A to go to the Chester Water Authority Board. And that

1 didn't work out. So now we're on Plan B. And it appears
2 perhaps there was a Plan C.

3 I recall a couple years ago there was an attempt
4 to change kind of in the middle of a budget hearing or
5 budget debate how the CWA Board was constituted. I don't
6 know who was behind that. That seemed to be a Plan C. It
7 seems to me there's a Plan D involving Act 47 receivership
8 of the City of Chester and DCED.

9 My question is, if the answer to the \$380 million
10 offer that Aqua made for Chester Water Authority was, thank
11 you, but, no, why wasn't that the end of it?

12 MR. MARC LUCCA: Well, thank you for the
13 question.

14 Quite simply, the city of Chester issued a
15 request for bid. So early last year this --

16 REPRESENTATIVE LAWRENCE: Sir, I don't want to
17 interrupt you. I apologize. I am interrupting you. I
18 apologize. But if I submitted a request for proposals for
19 Representative Krueger's Toyota Prius -- and said, I'd like
20 to sell Representative Krueger's Prius.

21 You have a Prius, right?

22 REPRESENTATIVE KRUEGER: Yes.

23 REPRESENTATIVE LAWRENCE: -- I'd like to sell her
24 Prius and while she's not looking this morning, I took the
25 keys. And Ms. McCloskey says, sure, I'll buy that Prius. I

1 love Priuses. And I sell her the Prius. And then
2 Representative Krueger comes out and says, where's my car?

3 My question is, again, I come back to, you made
4 an offer. The answer was politely, thank you, but, no. Why
5 wasn't that the end of it?

6 MR. MARC LUCCA: May I?

7 REPRESENTATIVE LAWRENCE: Yes.

8 MR. MARC LUCCA: So, again, the City of Chester
9 expressed its right of ownership which immediately went to
10 the courts. The Chester Water Authority submitted a bid on
11 the purchase of the Chester Water Authority itself, which is
12 perplexing as to why an entity would attempt to purchase
13 itself when it's already had the express desire that it owns
14 the assets.

15 Put that aside for a moment because it is equally
16 confusing to say as it is to probably understand on its
17 face. I will say to you that the City of Chester has
18 expressed its right of ownership. The courts are going to
19 decide. In that process, we submitted a bid along with two
20 other utilities, including the Chester Water Authority.

21 Now, keep in mind, you bring up, Representative,
22 Act 47. This is an impoverished community that's been in
23 Act 47 likely for decades. It is likely one of the only, if
24 not the only, opportunity that this poor minority community
25 has to launch itself out of financial distress. And the

1 ability for anyone or desire for anyone to stop that is a
2 bit perplexing to me.

3 I do hope I've answered your question. I've
4 attempted to try to say, you know, that request for bid
5 submitted, three bids submitted back, and they are
6 expressing to sell that based on what the courts decide.

7 MS. NICOLE WHITAKER: Are you saying --

8 REPRESENTATIVE LAWRENCE: There will be no direct
9 debate. You can ask me a question. But there is no direct
10 debate between testifiers.

11 MS. NICOLE WHITAKER: Okay. Thank you.

12 So my comment is that if the sale of Chester
13 Water, as he expressed, were to happen, those rates will be
14 passed on to everyone in the service area, right? So we
15 would essentially in Chichester, in Aston, in Lower Chi, all
16 the other areas would essentially be paying the bill for the
17 City of Chester to get out of debt.

18 That should not be the burden of the ratepayers.
19 That should be on the Governor, right, to assist the City of
20 Chester to get out of their financial -- they have been in
21 financial straits for decades. Selling this water company
22 is not going to be the solution to that.

23 REPRESENTATIVE LAWRENCE: Thank you.

24 Mr. Chairman, do we have time for a second
25 question or are there other folks who want to?

1 MAJORITY CHAIRMAN SANKEY: We have a few
2 questions. But, John, this really affects your district so
3 I'm going to give you the leeway that you need.

4 REPRESENTATIVE LAWRENCE: I do have a question
5 for Mr. Powelson. Is he still on the line?

6 MR. ROBERT POWELSON: I'm here.

7 REPRESENTATIVE LAWRENCE: Rob, can you hear me?

8 MR. ROBERT POWELSON: Yes, Representative.

9 How are you?

10 REPRESENTATIVE LAWRENCE: Holding it together.
11 Thanks. Holding it together.

12 Rob, I appreciate the time you've taken to be
13 here and your years of service to the people of Chester
14 County and this state prior to your current role.

15 Rob, the companies you represent in your
16 organization, where do they get their revenue from? Is it
17 fair to say that, in general, nearly all their revenue comes
18 from ratepayers paying their water and sewer bills?

19 MR. ROBERT POWELSON: That is correct.

20 We are regulated utilities and we file rate cases
21 and provide justification for rates from customers just as a
22 municipal authority would do, less the regulation.

23 REPRESENTATIVE LAWRENCE: Sure.

24 MR. ROBERT POWELSON: Excuse me. Less the
25 economic regulation with a public utility.

1 REPRESENTATIVE LAWRENCE: So the New Garden
2 Township, which is directly adjacent to my district, New
3 Garden Township, which is in Chester County, recently
4 completed the sale of their wastewater treatment facility to
5 a privately held company for just under \$30 million.

6 Back in 2017, you were serving as Commissioner on
7 the PUC. And you issued a motion, which I have here, moving
8 that the Commission approve the deal and add the nearly \$30
9 million purchase price into the rate base for the acquiring
10 company. Now, I read through this. And included in the
11 motion was this language -- and I'm going to read it right
12 off the page here.

13 Aqua and its share -- Aqua was the acquiring
14 company. Aqua and its shareholders shall bear all risk of a
15 shortfall between revenues that is permitted to recover
16 under the Access Purchase Agreement with New Garden and the
17 cost Aqua will incur with respect to the acquired system.
18 To the extent that Aqua is unwilling or unable to charge
19 costs in excess of the limitations provided in the Asset
20 Purchase Agreement, the excess cost should be borne by
21 shareholders and not spread to other ratepayers.

22 Now, I've seen this type of language elsewhere.
23 And in plain English, the idea being presented is that
24 shareholders are going to absorb these extra costs, not
25 ratepayers. Could you clarify this for me? because it kind

1 of seems like double-talk to me. How would excess costs be
2 borne by shareholders?

3 MR. ROBERT POWELSON: So I approached it back
4 then, Representative Lawrence, as we would apply the single
5 tariff pricing doctrine, which is currently on the books,
6 that allows the utility, as you heard earlier, to spread
7 those costs amongst their universal rate base. And that's
8 how it's been for decades here in the Commonwealth.

9 I think what my expressed view was taking on the
10 New Garden system, which you and I both know, being
11 residents of Southern Chester County, is that if there were
12 massive overruns which puts a little bit of a burden on the
13 utility engineering, if there are any cost overruns to
14 upgrade the system, then, yeah, I said put it on the backs
15 of shareholders. But keep in mind, embedded in the
16 shareholders is the captive customer of the utility.

17 REPRESENTATIVE LAWRENCE: Right.

18 MR. ROBERT POWELSON: But that's no different
19 than PECO. That is no different than PPL or any other
20 utility here in the Commonwealth.

21 REPRESENTATIVE LAWRENCE: So how would
22 shareholders pay? Would there be some sort of assessment
23 for every shareholder of Aqua stock? I mean, I was with J.P
24 Morgan for ten years. I've never heard of anything like
25 that.

1 MR. ROBERT POWELSON: Yeah. The shareholders
2 would pay because of the lack of confidence in the
3 investment banking community and the utility malfeasance to
4 poorly run the asset. And if you had a portfolio of assets
5 that weren't performing, you would lose market confidence.
6 It's that simple. And that's really where, you know --
7 that's how markets work.

8 Look at companies like York American. We are
9 A-rated, investor-owned water utilities. Our bond ratings
10 are maintained. We're proud of that. We have cheap costs
11 of capital. We're very well run. And every decision a
12 utility makes in the spirit of just and reasonableness is
13 approved by the Public Utility Commission.

14 I just share that with you because anytime you do
15 an acquisition, there's a tremendous amount of due diligence
16 that goes into --

17 REPRESENTATIVE LAWRENCE: And I'm not trying to
18 cut you off. We do have limited time.

19 MR. ROBERT POWELSON: Sure.

20 REPRESENTATIVE LAWRENCE: I don't disagree with
21 many of your points there. Certainly if a corporation
22 doesn't run itself well, then its shareholders are going to
23 lose stock value. But that's not what you said in this
24 document. You didn't talk about the share price is going to
25 go down. You said, excess costs are going to be borne by

1 shareholders. I don't understand how that's possible.

2 Shareholders are not going to bear any access
3 cost. It's going to be the other ratepayers because that's
4 the only source of revenue that the water and sewer company
5 has. It's going to be other ratepayers making up that
6 difference. Am I correct or am I wrong?

7 MR. ROBERT POWELSON: Those costs would be borne
8 amongst ratepayers. But going back to my original point,
9 you know, if you bought a bunch of assets, you'd erode
10 confidence in the investment community and the stock prices
11 of the company would suffer. And that would have ripple
12 effects across the balance sheet of the utility.

13 REPRESENTATIVE LAWRENCE: And I don't debate
14 that. What I'm saying is that you said in a document where
15 you said this deal should go through was that any additional
16 costs are not going to be borne by ratepayers. They are
17 going to be borne by shareholders. And shareholders, you
18 know, we tend to think of them, they're evil, right? I
19 mean, ratepayers, right, we want to make sure we're
20 protecting them. And those shareholders, they are going to
21 be the ones. It's going to be the other guy. Don't tax me.
22 Don't tax me. Tax the guy behind the tree. The guy behind
23 the tree, he's the one who's going to pay for it.

24 The reality of the situation is the shareholders
25 are not going to pay any excess cost. It's going to be

1 ratepayers who are going to pay extra costs. And you've
2 confirmed that to me. You've confirmed that to me.

3 MR. ROBERT POWELSON: Well, let's not use the
4 word -- and it's not in our vernacular, Representative, to
5 call me ratepayers. They're consumers. And I think it's
6 important to use that word. That's old-school vernacular.
7 They are consumers of utility service.

8 REPRESENTATIVE LAWRENCE: Right. But, Rob, I'm
9 quoting right from your -- these are your words. The excess
10 cost should be borne by shareholders and not spread to other
11 ratepayers.

12 MR. ROBERT POWELSON: I can't speak for the
13 Chester Water Authority other than the fact that I'm a
14 customer. And if I have a complaint with my bill, who do I
15 go to? They're not regulated by the PUC. Or my meter went
16 down for 90 days and no one was able to justify or explain
17 to me why my meter went down for 90 days.

18 REPRESENTATIVE LAWRENCE: And, Rob, with all due
19 respect, I'm sorry to hear that.

20 MR. ROBERT POWELSON: I know in my prior life
21 that's a violation of the Public Utility Code. And a
22 utility would be brought to bear by the PUC to explain why
23 that happened. I see my colleague Mr. Hines nodding his
24 head. He knows that.

25 REPRESENTATIVE LAWRENCE: And that's not the

1 question. The question was -- and you said you think
2 ratepayers is not the word to use. I'm using your word.
3 The excess costs should be borne by shareholders and not
4 spread to other ratepayers. That's what it says on the
5 document you signed.

6 But we've learned today that that's not going to
7 be the case. It will be borne -- other costs are borne by
8 ratepayers because there's no one else to bear them. The
9 source of revenue is ratepayers.

10 Now, why does this even matter? Why it matters
11 is this: At the end of the day -- and I know I'm way over,
12 Mr. Chairman.

13 But the end of the day, who is going to pay all
14 the bills for these acquisition costs? Rate freezes are
15 promised. There are all kinds of threats of things that are
16 promised. But at the end of the day, who is going to pay?
17 It's going to be the ratepayers who are going to pay.

18 And you can say, yes, the PUC has to approve our
19 rates. That's correct. That's 100 percent correct. But
20 the PUC is required by law to take into consideration the
21 acquisition costs plus up to 5 percent above.

22 I'm way over my time, Mr. Chairman. I appreciate
23 your indulgence.

24 MAJORITY CHAIRMAN SANKEY: We'll come back.

25 We've got so many questions, Marc. I'll come

1 back to you and let you make a comment on it. I'm going to
2 cut the hostility for a minute. I'll come back to you
3 because we have a couple of other things we want to do here
4 and we have finite time. We're going to have to be on the
5 Floor soon.

6 So, Chris, go ahead.

7 REPRESENTATIVE QUINN: Thank you, Mr. Chairman.

8 I'm going to switch gears completely but I'm
9 going to stick with Rob Powelson if he's still on the line.
10 I think he is.

11 Rob, I read an article recently that the FBI was
12 investigating two hacker threats into a couple of our
13 Pennsylvania water authorities. Can you describe to me, is
14 there a difference in how a public water utility versus a
15 municipal water authority would handle this? Do they both
16 have to have security cyber protection plans? Can you tell
17 me more about that?

18 MR. ROBERT POWELSON: Sure. Thank you for the
19 question, Representative Quinn.

20 This is a hot-button topic right now obviously
21 with the events that have unfolded with the Colonial
22 Pipeline. As mentioned earlier, President Biden is going to
23 issue an Executive Order which will have a profound impact
24 on the water and wastewater sector. There is a fundamental
25 difference.

1 Let me start with here in Pennsylvania under the
2 leadership of the Pennsylvania PUC, regulating utilities now
3 submit cyber plans to the PUC. Those cyber plans are
4 audited. The PUC conducts tabletop exercises. There's a
5 tremendous amount of collaboration. And the investment
6 cycle that goes into physical and cybersecurity, going back
7 to the earlier point about rates and what's embedded in
8 rates, private water companies invest heavily in cyber
9 protocols.

10 Most of what we're seeing in the water space
11 right now on the municipal side is obviously they are not
12 regulated by public utility commissions so there's no reason
13 or requirement to submit a cyber or physical security plan.
14 That's why New Jersey passed that water quality
15 accountability act requiring all water providers to do that.

16 So we think it's another best practice in having
17 strong compliance in cyber and physical security investment
18 to give customers peace of mind that their water source is
19 protected and that their billing information is protected.
20 And we invest heavily in that. That is embedded in our
21 corporate ethos.

22 So thank you for the question.

23 REPRESENTATIVE QUINN: Thank you.

24 MAJORITY CHAIRMAN SANKEY: Thanks, Representative
25 Quinn.

1 Okay. Marc, we're going to let you make your
2 statement, but if it turns into a long conversation, I'll
3 cut you all off.

4 MR. MARC LUCCA: Please do.

5 So thank you very much. I did want to talk a
6 little bit about risk from my perspective. There's a
7 tremendous amount of risk that we bear in the fair market
8 value process. And so if we agree to a purchase price with
9 a seller that exceeds the fair market value as determined
10 through the Public Utility Commission process, we bear that
11 difference. So if we buy a system for 20 million but only
12 15 is approved by the PUC, that 5 million is borne by the
13 company. So there's a tremendous amount of risk there.

14 And now, you know there was some discussion about
15 rates and do we buy at the highest price or how do we come
16 to our purchase price? I can tell you I personally have
17 conversations with sellers that talk to them about rates.
18 And we have sellers who have said to us, we don't want the
19 highest purchase price. We want you to consider rates. And
20 so we do. We have very frank, open, honest conversations
21 with the sellers of these utilities.

22 And the other thing is when we invest in our
23 systems, I certainly never take for granted that everything
24 that we invest in is going to be accepted cart blanche by
25 the Public Utility Commission and its rates. I respect the

1 process too much.

2 So if they deemed that a particular investment
3 was not prudent or that it was out of their calculus, we
4 spent too much, we understand that that can affect our
5 rates. That is a tremendous amount of risk that we bear.

6 It wasn't the question, but I thought from my
7 perspective it would help, a little bit of color commentary
8 from that perspective.

9 Thank you very much.

10 MAJORITY CHAIRMAN SANKEY: We appreciate that.

11 Okay. Let's go to -- is Representative O'Neal
12 still here?

13 REPRESENTATIVE O'NEAL: Yes, I am.

14 MAJORITY CHAIRMAN SANKEY: You're up.

15 REPRESENTATIVE O'NEAL: You know, my question is
16 really along some of the testimony I believe -- forgive me
17 at this point. I may have mixed up who it was, but I
18 believe it was Mr. Hines. But I know Ms. McCloskey and
19 Ms. Marx also kind of touched on where my question is going.

20 Mr. Hines, I believe, testified that low-income
21 ratepayers are adversely affected or potentially adversely
22 affected by large rate increases or it's spread across the
23 whole system. I believe you referenced 1311. You know, so
24 my question is, if we're talking about systems that have not
25 increased rates over a long period of time that are in

1 substantial need of repair, if we're not spreading the rates
2 over the entire system of some of these large publicly
3 traded companies, how do you prevent -- what's the mechanism
4 to prevent the large increases anyway as a system begins to
5 go into the process of fixing the issues that it has?

6 Can you just talk to that piece of it? What's
7 the mechanism in place if we're not doing this to still
8 protect those low-income people who are already paying a
9 disproportionate amount of their income on something like
10 water or sewage?

11 MR. JEFF HINES: Absolutely.

12 A system -- and I'll give you the city of York
13 again. If they are falling behind on their infrastructure
14 placement and not putting the proper funds into the system
15 and it's decaying, yes, there has to be a catch-up. And
16 it's going to be costly.

17 If the city is now -- I mean, they have the
18 opportunity to use low-interest loans, perhaps grants. We
19 have talked about a mythical infrastructure building that
20 may happen. Those are the ways they have been doing it in
21 the past. But you're right. The systems -- and if they are
22 falling in disrepair and violating the Clean Water Act or
23 the Safe Drinking Water Act, then, yes, I think it is in the
24 public interest to use 1329 to allocate some of those costs
25 across the state.

1 Now, whether you continue that forever or work
2 that system to kind of self-sustainability and cost for
3 service, that's another question. But, yes, there's
4 definitely going to be some rate shock for systems that are
5 improperly run.

6 MS. ELIZABETH MARX: If I could?

7 MAJORITY CHAIRMAN SANKEY: Yes. Go ahead.

8 MS. ELIZABETH MARX: I just want to add just a
9 couple of pieces here. And I think, you know, some of the
10 things that I highlighted in my testimony and there's some
11 research in there from various folks comparatively looking
12 at the cost of municipal water services versus the cost of
13 investor-owned water systems.

14 And I think there's a big disparity there because
15 there's costs that are built in to investor-owned systems,
16 including, as we just discussed, shareholder dollars. But
17 also the cost of floating a municipal bond is a lot less.
18 And so I think if you were to look at, you know, as
19 Mr. Hines points out, there's a number of public funds that
20 are available to municipally owned utilities that can help
21 offset those costs.

22 I'm not going to lie. There are challenges right
23 now with our municipal systems . And one thing I'd like to
24 point to is the Pittsburgh Water and Sewer Authority, which
25 was brought under the jurisdiction of the PUC to improve

1 many of the challenges that they had, to improve customer
2 services, to bring Low-Income Assistance Programs to bear so
3 that, you know, areas with a high concentration of poverty
4 and a struggling water system can really improve under the
5 guidance and oversight of the Public Utility Commission.

6 I think they have seen a lot of success in PWSA
7 in bringing them under the jurisdiction of the PUC. So I
8 think you can do that without incentivizing the purchase of
9 the water systems which adds additional costs that are, you
10 know, unnecessarily baked in. But, yes, it's challenging.
11 It's costly. And I think everybody recognizes that.

12 But are we incentivizing the privatization of
13 these companies or are we making it more feasible for
14 municipal authorities to make these infrastructure
15 investments and to improve without including those
16 unnecessary costs?

17 REPRESENTATIVE O'NEAL: Well, it's interesting,
18 if I could. It's interesting that you bring up that example
19 of Pittsburgh because that's exactly where I was going to go
20 as well. And I will tell you I'm from the Southwest, so I
21 don't live in the city of Pittsburgh by any means. But the
22 Pittsburgh Water and Sewer Authority is very well known in
23 our district. And this is the first time I've ever heard
24 anybody describe it as being successful.

25 You know, it really is this dynamic. And I

1 appreciate the hearing because it's such a complex issue and
2 you really do have this dynamic where you simply have
3 municipal water authorities and sewage authorities, for that
4 matter, completely disregarding maintenance over the course
5 of decades.

6 So, yes, there's give and take on both sides of
7 this issue. But the alternative of doing nothing over the
8 course and letting these systems essentially get to the
9 point of near failure isn't a good option either. So I
10 guess it's up to us to figure out what's the lesser of two
11 evils here.

12 But nevertheless, we can't just continue across
13 the Commonwealth to let the systems fail. We have to come
14 up with a solution to ensure that the systems are being
15 maintained properly and effectively to protect our citizens.

16 MS. TANYA McCLOSKEY: If I could just add one
17 point.

18 And I agree with all the comments that have been
19 made and with your comments. But the one point I would
20 make, in spite of using the fair market value system, we're
21 actually adding an unnecessary acquisition premium. So
22 we're driving those costs, those rates, even higher than
23 what they actually have to be.

24 REPRESENTATIVE O'NEAL: Well, I don't disagree
25 with that. But the reality is a publically traded company

1 simply isn't going to invest in a system without some return
2 to their shareholders. And municipalities aren't doing it.

3 MS. TANYA McCLOSKEY: Well, they will get return
4 for everything they invest. When they make those
5 investments, you know, they will get a return to their
6 shareholders. It's just the premium, the amount over that
7 investment, that is driving things even further.

8 REPRESENTATIVE O'NEAL: Right.

9 At a certain point, it becomes a business
10 decision, right. So, you know, businesses have a limited
11 amount of capital to invest. They have to make investment
12 decisions based on that return. And that's why the company
13 exists. I mean, that's not an evil thing. It's just the
14 way it is. But the reality is, these systems are failing
15 and if our alternative is letting them fail -- I'll stop
16 there.

17 MAJORITY CHAIRMAN SANKEY: I'm going to interrupt
18 you all and segue to a happy place.

19 Real quick, because we have something else we
20 want to do here and we're running out of time.

21 Chairman Schweyer, if you can ask your question
22 extremely quickly and save me enough time for the last part,
23 please.

24 MINORITY CHAIRMAN SCHWEYER: How about I do this,
25 sir? How about I give you a closing comment and we cut it

1 in half? Deal? Tommy and I work very well together.

2 MAJORITY CHAIRMAN SANKEY: Yes.

3 First of all, this has been extraordinarily
4 fascinating. And as I mentioned, I may be experiencing some
5 PTSD from my time of leasing our water system when I was in
6 municipal government.

7 The one thing that I will say is, the impetus
8 behind this meeting is clearly something that's happening in
9 two counties with one system that's going to involve the
10 courts and all kinds of other stuff potentially.

11 And it's still important to know that there are
12 lessons learned that we can apply across the Commonwealth of
13 Pennsylvania for these things. My experience, having gone
14 through this process myself, it leads me to say that there
15 is one major missing piece in this conversation and that's
16 the conversation including the potential sellers of this.

17 Commissioner Whitaker, you are in a position of
18 being the only elected official representing two counties
19 here who has a very clear perspective and goal of preventing
20 this. But we didn't hear anybody from the City of Chester.
21 We didn't hear from anybody from the Chester Authority, at
22 least today we haven't, which makes me think that we're
23 actually missing half the equation.

24 If we're talking about a business transaction
25 like this, we really need to be hearing from two. And it

1 leads me to think that a lot of the problems -- I don't live
2 in Delaware County. I do not live in Chester County. I do
3 not pretend to be an expert in this. But I wonder how much
4 of this is a direct result of a process that may be less
5 than robust.

6 I know when we were going through ours, we had a
7 number of public hearings, something like 30 of them in 14
8 months. So the process was very, very robust and we were
9 able to land on a good spot for the municipality, for our
10 ratepayers, and for the taxpayers and residents of the city
11 of Allentown.

12 So as we move forward with this, I would like to
13 remind everybody that there actually are two parties to this
14 conversation and we need to probably learn a little bit more
15 and focus on the process because I think that that's where
16 we might be able to get some significant movement on a
17 statewide policy.

18 Mr. Chairman, that's all I got.

19 MAJORITY CHAIRMAN SANKEY: Thank you, Mr.
20 Chairman Schweyer.

21 I want to thank all of you. Points for brevity.
22 This is a very hot-button issue and everybody stayed very
23 respectful. I'm new at this. They just threw me to wolves
24 to see what happens. They promised me it would be
25 interesting.

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I'm going to officially adjourn the meeting but
I'm going to turn the mike over to Chairman Matzie and
Chairman Marshall because they want to take a few moments to
say a few words.

Thank you.

(Whereupon, the hearing adjourned.)

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I hereby certify that the proceedings and
evidence are contained fully and accurately in the notes
taken by me on the within proceedings and that this is a
correct transcript of the same.

Jean M. Davis
Notary Public