

Act 12: Water and Wastewater



PENNSYLVANIA OFFICE OF
CONSUMER ADVOCATE

COMMITTED TO PROTECTING THE INTERESTS OF
PENNSYLVANIA UTILITY CONSUMERS SINCE 1976



Section 1329

Fair Market Valuation

- ▶ In original cost state like PA, changed method and timing for calculating what is included in rates for specific acquisitions
- ▶ Voluntary and in PA applies to acquisition of municipal systems.
- ▶ Original source of funding for any of the assets of the selling municipal utility is **not** relevant to determining the value of the assets. Section 1329(d)(5)
- ▶ Not limited to trouble systems, and none have been bought using this
- ▶ 6-month time frame for disposition



Overview of Cases Filed

- ▶ Twenty cases with final orders
 - ▶ Aqua–eight
 - ▶ PAWC–ten (including two water)
 - ▶ Veolia–one water, one wastewater
- ▶ Almost 90,000 customers
 - ▶ Aqua–41,313
 - ▶ PAWC–47,836
 - ▶ Veolia–2,806
- ▶ Six cases pending
- ▶ Others in the pipeline



Added to Rate Base

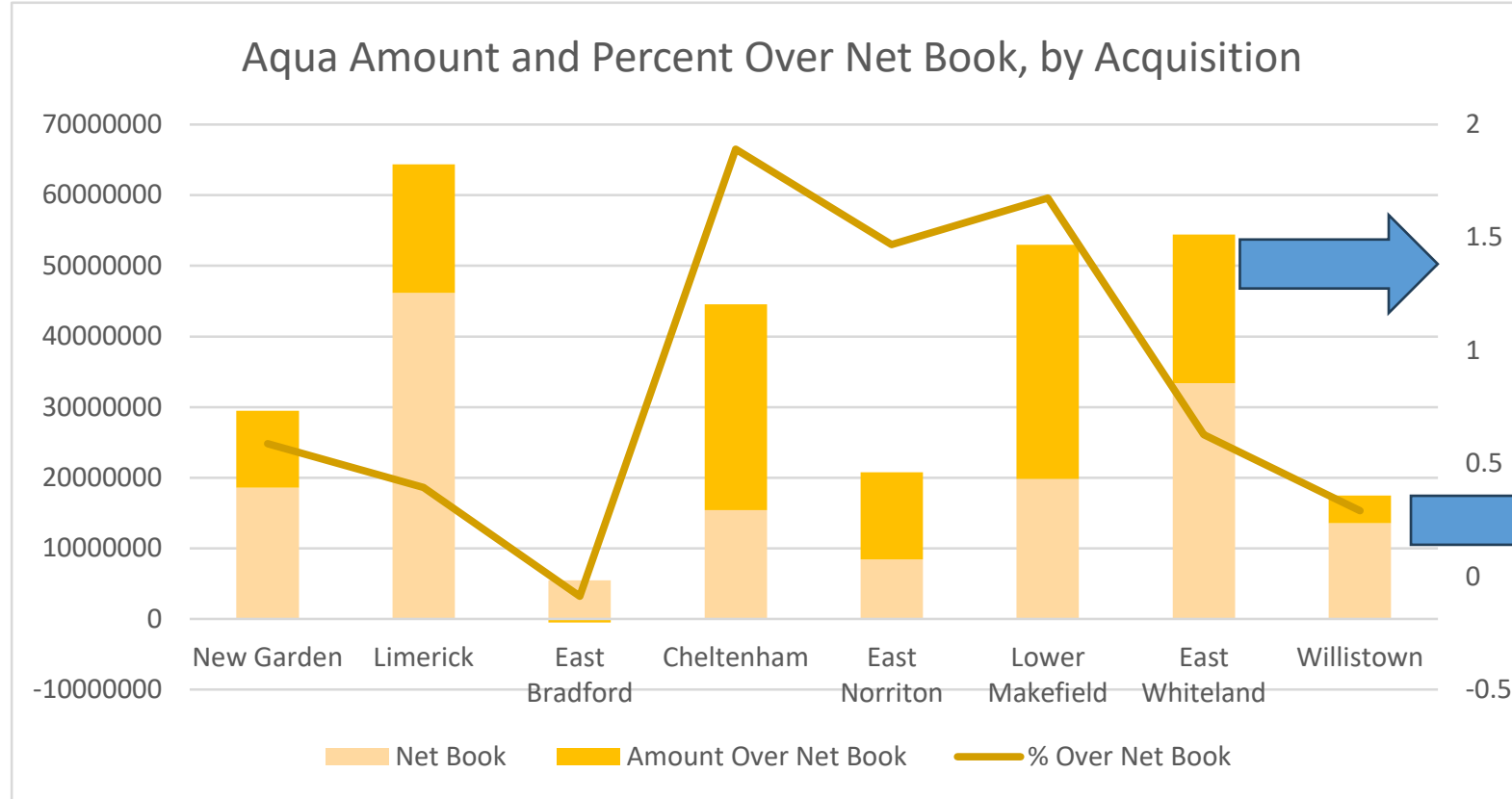
Acquisition Docket No.	As-Filed Purchase Price	Final Rate Base	Sale Amount	Number of Customers
PAWC				
Totals	\$ 590,335,000	\$ 575,885,000	\$ 578,635,000	47,836
Aqua				
Totals	\$ 300,780,000	\$ 283,595,272	\$ 300,780,000	41,918
Veolia				
Totals	\$ 9,500,000	\$ 9,500,000	\$ 9,500,000	2,806
Totals all acquisitions	\$ 900,615,000	\$ 868,980,272	\$ 888,915,000	92,560



Aqua 1329 Acquisitions with final orders

Total Net Book Value:
\$158,007,997

Total Over Net Book Value:
\$125,587,275



East Whiteland was reversed on appeal. PUC, Aqua, and EW have filed with Pa. S. Ct. for review

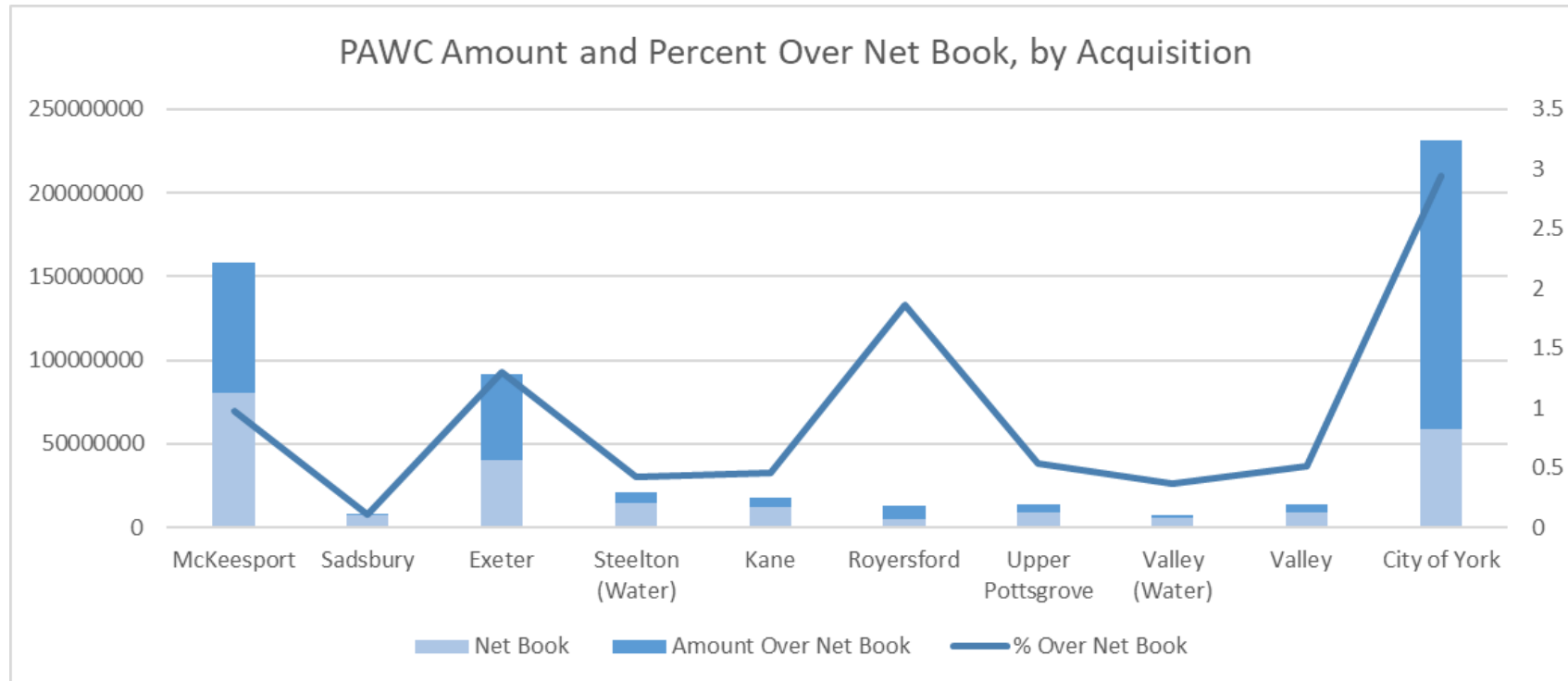
Willistown exercised an opt-out after OCA appeal, but before decision.



PAWC 1329 Acquisitions with final orders

Total Net Book
Value:
\$240,998,660

Total Over Net
Book Value:
\$334,886,340





Impact of Cases on Revenue Requirement

- ▶ Rate cases incorporating most of these 1329 acquisitions:
 - ▶ Aqua—one rate case (litigated)
 - ▶ PAWC—two rate cases (one litigated, one settled)
 - ▶ Veolia—no rate case since Mahoning Township acquisition



Impact of Cases on Revenue Requirement, cont.

- ▶ Additional annual revenue requirement = approximately \$68.3 million for 20 cases
 - ▶ This is the revenue requirement for the ratemaking rate base;
 - ▶ Does not include additional capital expenditures that may be included as part of acquisition



Impact of Cases on Revenue Requirement, cont.

REVENUE REQUIREMENT SHORTFALL					
Aqua	New Garden	\$ 1,662,142	PAWC	McKeesport	\$ 16,737,759
Aqua	Limerick	\$ 7,778,000	PAWC	Sadsbury	\$ 94,062
Aqua	East Bradford	\$ -	PAWC	Exeter	\$ 5,378,000
Aqua	Cheltenham	\$ 2,772,000	PAWC	Steelton	\$ 1,117,000
Aqua	East Norriton	\$ 1,155,000	PAWC	Kane	\$ 1,265,000
Aqua	Lower Makefield	\$ 2,828,000	PAWC	Royersford	\$ 1,210,343
Aqua	East Whiteland	\$ 5,011,000	PAWC	Upper Pottsgrove	\$ 1,002,000
Aqua	Willistown	\$ 1,789,000	PAWC	Valley W	\$ 1,697,000
Veolia	Mahoning W	\$ 492,666	PAWC	Valley WW	\$ (1,413,000)
Veolia	Mahoning WW	\$ 114,651	PAWC	City of York	\$ 17,557,000
TOTAL ANNUAL REVENUE DEFICIENCY					\$ 68,247,623