

# The Manwalamink Water Company

## Manwalamink Sewer Company

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June 19, 2020

Secretary, Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor  
Harrisburg, PA 17120

Re: Docket No. L-2020-3017232 - Comments on Proposed Rulemaking to Address Potential Barriers to Enhance Water and Wastewater Services

Please replace previous comments with those attached to this filing. I changed one word from previous submission ("utility" replaced "entity" in 3<sup>rd</sup> paragraph).

Thank you.



Robert A. Shebelsky, CEO and Chairman  
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Re: Docket No. L-2020-3017232 - Comments on Proposed Rulemaking to Address Potential Barriers to Enhance Water and Wastewater Services

My comments are in response to Item B.1. of the ANOPR: "Parties should discuss how the Commission goals of regionalization and consolidation may be further improved to promote the acquisition of systems with fewer than 3,300 connections by larger more viable systems".

Section 1329 of 66 Pa. C.S. (Act 12) provides for the acquiring public utility or entity and the selling utility to choose to utilize fair market valuation which allows for enhanced rate base adjustments for the acquiring public utility or entity. The fair market valuation is not tied to the original cost of construction minus accumulated depreciation.

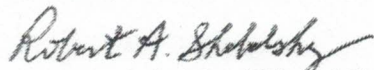
The fair market valuation option is limited to a sale in which the selling entity is "owned by a municipal corporation or authority". My suggestion is to pursue a legislative change to eliminate those seven words from the definition of selling utility so that Section 1329 applies to all systems. In the alternative, adding "or a water or wastewater system with fewer than 3,300 connections" to the definition would have Section 1329 also apply to the smaller systems not owned by a municipality or authority.

The background of why Act 12 was enacted was municipal and authority-owned systems were greatly depreciated or were constructed using grants or contributions in aid of construction which caused very low valuations using original cost less depreciation valuations. Many smaller systems not owned by a municipality or authority are in the same position with a very low depreciated original cost and have contributions in aid of construction. There are older systems that have valuations approaching zero because of years of depreciation. These are the very systems the Commission would like to be consolidated. An acquiring investor-owned entity would get little or no credit in its rate base for acquiring such a system if it pays more than the depreciated original cost of the acquired system. This is a major impediment to acquiring older smaller systems.

Section 1327 offers some relief for acquiring troubled systems with less than 3,300 connections but more can be done to encourage the acquisition of viable and nonviable smaller systems.

Expanding Section 1329 to include viable and nonviable smaller systems not owned by a municipality or authority would be a better incentive and certainly be consistent with the Commission's goals of regionalization and consolidation.

Thank you for your consideration.



Robert A. Shebelsky, CEO and Chairman  
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