

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, OCTOBER 28, 2009

CLERK'S OFFICE

JOINT PETITION OF

2009 OCT 28 P 2:02

SKYLINE WATER CO., INC,
REBEL WATER WORKS, INC.,
and
AQUA VIRGINIA, INC.

DOCUMENT CONTROL

CASE NO. PUE-2009-00098

For approval of a transfer of utility assets
and for the transfer of a certificate of
public convenience and necessity

ORDER FOR NOTICE AND COMMENT

On September 18, 2009, Aqua Virginia, Inc. ("Aqua Virginia"), Skyline Water Co., Inc. ("Skyline"), and Rebel Water Works, Inc. ("Rebel") (collectively, "Parties" or "Joint Petitioners"), filed a completed Joint Petition with the State Corporation Commission ("Commission").¹ The Parties have petitioned the Commission for approval of: (i) the acquisition and disposition of utility assets of Skyline and Rebel pursuant to the Utility Transfers Act;² (ii) the transfer of Skyline's certificate of public convenience and necessity for the provision of public utility service to Aqua Virginia pursuant to the Utility Facilities Act;³ (iii) the discontinuation of the Plant Improvement Contribution Surcharge ("PICS") for the Pelham Manor system; and (iv) any further relief the Commission deems necessary.

Skyline is a closely held Virginia public service corporation that operates as a public utility. It has been granted a certificate of public convenience and necessity by the Commission.

¹ The Parties first filed their Joint Petition on September 3, 2009, but the Joint Petition was deemed incomplete until additional material was filed on September 18, 2009. Moreover, in both the September 3, 2009, and September 18, 2009 filings, the Parties incorrectly referred to Skyline Water Co., Inc., as Skyline Water Works, Inc. On October 14, 2009, the Parties filed an amended Verification, which properly referred to Skyline Water Co., Inc., instead of Skyline Water Works, Inc.

² Va. Code § 56-88 *et seq.*

³ Va. Code § 56-265.1 *et seq.*

Rebel is a closely held Virginia corporation that owns small water systems that are not regulated by this Commission. Skyline and Rebel currently serve approximately 491 residential customers in Culpeper, Fauquier, and Orange Counties.⁴ Aqua Virginia, a subsidiary of Aqua Utilities, Inc.,⁵ is a Virginia public service company that owns and operates over 100 water systems in Virginia. Aqua Virginia currently serves approximately 19,982 water customers.⁶

The Joint Petitioners executed an Asset Purchase Agreement ("Agreement") in June 2009.⁷ Pursuant to the Agreement, Aqua Virginia has agreed to purchase the assets of Skyline and Rebel for a base purchase price of Five Hundred Sixty-four Thousand Dollars (\$564,000).⁸ As a result of this transfer of assets, if approved by the Commission, the systems owned by Skyline and Rebel would become part of Aqua Virginia and, following the transfer, Aqua Virginia would own and operate the utility systems and provide service to former Skyline and Rebel customers.⁹

The Joint Petitioners have asserted that there would be no immediate change in the rates paid by customers of Skyline or Rebel as a result of this transaction.¹⁰ Aqua Virginia has proposed to maintain separate records for, and to continue charging, the rates approved by the Commission for Skyline in Case No. PUE-2008-00065,¹¹ and to continue charging the existing

⁴ Joint Petition at 3.

⁵ Aqua Utilities, Inc. is a subsidiary of Aqua America, Inc. *Id.* at 4.

⁶ *Id.* at 3-4.

⁷ *Id.* at 3.

⁸ *Id.* at 6.

⁹ *Id.* at 3, 5.

¹⁰ *Id.* at 8.

¹¹ *Application of Skyline Water Co., Inc., For changes in rates, charges, rules and regulations*, Case No. PUE-2008-00065, Final Order (July 20, 2009).

rates for Rebel customers until the next rate case.¹² The Parties noted in the Joint Petition that Aqua Virginia intends to wait at least eighteen (18) months, but not more than thirty-six (36) months, from the date of the closing of the proposed transaction to further evaluate rates.¹³

While Aqua Virginia does not desire to use any PICS for the Pelham Manor system, it does plan to pursue upgrades at Pelham Manor soon after approval of the proposed Joint Petition is granted, if such approval is indeed granted by the Commission.¹⁴ In preparation for the substantial capital that may be required if the Joint Petition is approved, Aqua Virginia has prepared and submitted informational reports to the Virginia Department of Health entitled "Preliminary Engineering Report for Asset Purchase Transaction of Skyline Water Company Compliance and Capital Expenditure Summary." The Virginia Department of Health responded to Aqua Virginia's reports and Aqua Virginia has accounted for the Virginia Department of Health's suggestions. Aqua Virginia, therefore, maintains that it is working closely with the Virginia Department of Health and believes that it has the engineering and operational knowledge to make the needed upgrades to the water systems in a highly efficient and cost-effective manner.¹⁵

The Parties have asserted that, in compliance with § 56-90 of the Code of Virginia, the transfer of assets from Skyline and Rebel to Aqua Virginia would neither impair nor jeopardize adequate service to the public at just and reasonable rates.¹⁶ The Parties believe that the customers of Skyline and Rebel would be advantaged by the approval of the Joint Petition

¹² Joint Petition at 8, n. 5.

¹³ *Id.* at 8-9.

¹⁴ *Id.*

¹⁵ *Id.* at 9.

¹⁶ *Id.* at 6.

because the customers would be served by a highly experienced organization that has the financial resources to make the investment in capital and improvements needed to maintain quality service in the future.¹⁷

NOW UPON CONSIDERATION of the Joint Petition, the Commission is of the opinion and finds that the Joint Petition should be docketed; that the Commission Staff should conduct an investigation into the reasonableness of the Joint Petition and present its findings in a Staff Report; that this Order should be served upon appropriate persons; and that interested persons should have an opportunity to comment on, or request a hearing on, the Joint Petitioners' filing.

Accordingly, IT IS ORDERED THAT:

(1) This case is docketed and assigned Case No. PUE-2009-00098.

(2) Copies of the Joint Petition may be obtained by submitting a written request to counsel for Aqua Virginia: Anthony Gambardella, Esquire, Woods Rogers PLC, 823 East Main Street, Suite 1200, Richmond, Virginia 23219. If acceptable to the requesting party, the Joint Petitioners may provide the Joint Petition by electronic means. Copies of the Joint Petition, as well as a copy of this Order for Notice and Comment, also shall be available for interested persons to review in the Commission's Document Control Center, located on the First Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia, between the hours of 8:15 a.m. and 5:00 p.m., Monday through Friday, excluding holidays. Interested persons may also download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

(3) On or before November 24, 2009, the Joint Petitioners shall mail the following notice (bill inserts are acceptable) to all customers in the Joint Petitioners' service territory:

¹⁷ *Id.* at 7-8.

NOTICE TO THE PUBLIC OF A JOINT PETITION BY:
SKYLINE WATER CO., INC, REBEL WATER WORKS, INC.,
AND AQUA VIRGINIA, INC.,
FOR APPROVAL OF A TRANSFER OF UTILITY ASSETS
AND FOR THE TRANSFER OF A CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY
CASE NO. PUE-2009-00098

On September 18, 2009, Aqua Virginia, Inc. ("Aqua Virginia"), Skyline Water Co., Inc. ("Skyline"), and Rebel Water Works, Inc. ("Rebel") (collectively, "Parties" or "Joint Petitioners"), filed a completed Joint Petition with the State Corporation Commission ("Commission"). The Parties have petitioned the Commission for approval of: (i) the acquisition and disposition of utility assets of Skyline and Rebel pursuant to the Utility Transfers Act; (ii) the transfer of Skyline's certificate of public convenience and necessity for the provision of public utility service to Aqua Virginia pursuant to the Utility Facilities Act; (iii) the discontinuation of the Plant Improvement Contribution Surcharge ("PICS") for the Pelham Manor system; and (iv) any further relief the Commission deems necessary.

Skyline is a closely held Virginia public service corporation that operates as a public utility. It has been granted a certificate of public convenience and necessity by the Commission. Rebel is a closely held Virginia corporation that owns small water systems that are not regulated by this Commission. Skyline and Rebel currently serve approximately 491 residential customers in Culpeper, Fauquier, and Orange Counties. Aqua Virginia, a subsidiary of Aqua Utilities, Inc., is a Virginia public service company that owns and operates over 100 water systems in Virginia. Aqua Virginia currently serves approximately 19,982 water customers.

The Joint Petitioners executed an Asset Purchase Agreement ("Agreement") in June 2009. Pursuant to the Agreement, Aqua Virginia has agreed to purchase the assets of Skyline and Rebel for a base purchase price of Five Hundred Sixty-four Thousand Dollars (\$564,000). As a result of this transfer of assets, if approved by the Commission, the systems owned by Skyline and Rebel would become part of Aqua Virginia and, following the transfer, Aqua Virginia would own and operate the utility systems and provide service to former Skyline and Rebel customers.

The Joint Petitioners have asserted that there would be no immediate change in the rates paid by customers of Skyline or Rebel as a result of this transaction. Aqua Virginia has proposed

to maintain separate records for, and to continue charging, the rates approved by the Commission for Skyline in Case No. PUE-2008-00065, and to continue charging the existing rates for Rebel customers until the next rate case. The Parties noted in the Joint Petition that Aqua Virginia intends to wait at least eighteen (18) months, but not more than thirty-six (36) months, from the date of the closing of the proposed transaction to further evaluate rates.

While Aqua Virginia does not desire to use any PICS for the Pelham Manor system, it does plan to pursue upgrades at Pelham Manor soon after approval of the proposed Joint Petition is granted, if such approval is indeed granted by the Commission. In preparation for the substantial capital that may be required if the Joint Petition is approved, Aqua Virginia has prepared and submitted informational reports to the Virginia Department of Health entitled "Preliminary Engineering Report for Asset Purchase Transaction of Skyline Water Company Compliance and Capital Expenditure Summary." The Virginia Department of Health responded to Aqua Virginia's reports and Aqua Virginia has accounted for the Virginia Department of Health's suggestions. Aqua Virginia, therefore, maintains that it is working closely with the Virginia Department of Health and believes that it has the engineering and operational knowledge to make the needed upgrades to the water systems in a highly efficient and cost-effective manner.

The Parties have asserted that, in compliance with § 56-90 of the Code of Virginia, the transfer of assets from Skyline and Rebel to Aqua Virginia would neither impair nor jeopardize adequate service to the public at just and reasonable rates. The Parties believe that the customers of Skyline and Rebel would be advantaged by the approval of the Joint Petition because the customers would be served by a highly experienced organization that has the financial resources to make the investment in capital and improvements needed to maintain quality service in the future.

The Commission entered an Order for Notice and Comment that, among other things, ordered the Joint Petitioners to provide notice of their Joint Petition and provided interested persons an opportunity to comment or request a hearing on the Joint Petition.

Copies of the Joint Petition and the Commission's Order for Notice and Comment may be obtained by submitting a written request to counsel for Aqua Virginia: Anthony Gambardella, Esquire, Woods Rogers PLC, 823 East Main Street, Suite 1200, Richmond, Virginia 23219. If acceptable to the requesting party, the Joint Petitioners may provide the Joint Petition by electronic

means. Copies of the Joint Petition, as well as a copy of the Order for Notice and Comment, also shall be available for interested persons to review in the Commission's Document Control Center, located on the First Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia, between the hours of 8:15 a.m. and 5:00 p.m., Monday through Friday, excluding holidays. Interested persons may also download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

On or before December 18, 2009, any interested person may file with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, written comments on the Joint Petition. On or before December 18, 2009, any interested person desiring to submit comments electronically may do so by following the instructions found on the Commission's website: <http://www.scc.virginia.gov/case>. All correspondence shall refer to Case No. PUE-2009-00098.

Any person may request a hearing on the Joint Petition by filing an original and fifteen (15) copies of its request for hearing on or before December 18, 2009, with the Clerk of the Commission at the address set forth above. Requests for hearing must include: (i) a precise statement why a hearing should be conducted in the matter and (ii) a precise statement why such issues cannot be adequately addressed in written comments. Persons filing a request for hearing shall send a copy of their request to counsel for Aqua Virginia: Anthony Gambardella, Esquire, Woods Rogers PLC, 823 East Main Street, Suite 1200, Richmond, Virginia 23219; and to the contacts for Skyline and Rebel: Hunter B. Chapman, P.C., Attorney and Counselor-at-law, 14115 Lovers Lane, Suite 110, Culpeper, Virginia 22701; and David Travers, President, Skyline Water Co., Inc., and Rebel Water Works, Inc., 8284 James Madison Highway, Rapidan, Virginia 22733.

SKYLINE WATER CO., INC, REBEL WATER WORKS, INC.,
AND AQUA VIRGINIA, INC.

(4) On or before November 24, 2009, the Joint Petitioners shall serve a copy of this Order for Notice and Comment on the chairman of the board of supervisors and county attorney of each county and upon the mayor or manager of every city and town (or upon equivalent officials in counties, towns and cities having alternate forms of government) in which the Joint

Petitioners provide service. Service shall be made by first class mail to the customary place of business or residence of the person served.

(5) On or before December 15, 2009, the Joint Petitioners shall file proof of notice and proof of service as ordered herein with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118.

(6) On or before December 18, 2009, any person wishing to request a hearing on the Joint Petition shall file an original and fifteen (15) copies of a request for hearing in writing with the Clerk of the Commission at the address set forth above. Written requests for hearing shall refer to Case No. PUE-2009-00098 and shall include: (i) a precise statement why a hearing should be conducted in the matter and (ii) a precise statement why such issues cannot be adequately addressed in written comments. A copy shall also simultaneously be served on counsel for Aqua Virginia: Anthony Gambardella, Esquire, Woods Rogers PLC, 823 East Main Street, Suite 1200, Richmond, Virginia 23219; and served on the contacts for Skyline and Rebel: Hunter B. Chapman, P.C., Attorney and Counselor-at-law, 14115 Lovers Lane, Suite 110, Culpeper, Virginia 22701; and David Travers, President, Skyline Water Co., Inc., and Rebel Water Works, Inc., 8284 James Madison Highway, Rapidan, Virginia 22733.

(7) On or before December 18, 2009, any interested person may file with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, written comments on the Joint Petition. On or before December 18, 2009, any interested person desiring to submit comments electronically may do so by following the instructions found on the Commission's website: <http://www.scc.virginia.gov/case>. All correspondence shall refer to Case No. PUE-2009-00098.

(8) The Commission Staff shall analyze the reasonableness of the Joint Petition and present its findings in a Staff Report to be filed on or before January 14, 2010.

(9) On or before January 29, 2010, the Joint Petitioners may file with the Clerk of the Commission an original and fifteen (15) copies of any responses to the Staff Report or comments and requests for hearing filed with the Commission.

(10) The Joint Petitioners shall respond to written interrogatories or data requests within seven (7) business days after the receipt of the same. Persons who filed requests for hearing shall provide to the Joint Petitioners, the Commission Staff, and any other persons who filed requests for hearing any workpapers or documents used in preparation of their requests for hearing, promptly upon request. Except as so modified, discovery shall be in accordance with Part IV of the Commission's Rules of Practice and Procedure.

(11) This matter is continued generally.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:
Anthony Gambardella, Esquire, Woods Rogers PLC, 823 East Main Street, Suite 1200,
Richmond, Virginia 23219; Christopher Luning, Vice President, Corporate Development and
Corporate Counsel, Aqua America, Inc., 762 W. Lancaster Ave., Bryn Mawr, Pennsylvania
19010; Hunter B. Chapman, P.C., Attorney and Counselor-at-law, 14115 Lovers Lane, Suite
110, Culpeper, Virginia 22701; David Travers, President, Skyline Water Co., Inc., and Rebel
Water Works, Inc., 8284 James Madison Highway, Rapidan, Virginia 22733; C. Meade
Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of
Attorney General, 900 East Main Street, Second Floor, Richmond, Virginia, 23219; and the
Commission's Office of General Counsel and Divisions of Energy Regulation, Economics and
Finance, Public Service Taxation, and Public Utility Accounting.