



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

May 6, 2016

Secretary Rosemary Chiavetta
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Joint Application of Pennsylvania American Water Company (PAWC) and the Sewer Authority of the City of Scranton for approval of 1) the transfer, by sale, of substantially all of the Sewer Authority of the City of Scranton's Sewer System and Sewage Treatment Works assets, properties and rights related to its wastewater collection and treatment system to PAWC, and 2) the right of PAWC to begin to offer or furnish wastewater service to the public in the City of Scranton and the Borough of Dunmore, Lackawanna County, Pennsylvania
Docket No. A-2016-2537209

Dear Secretary Chiavetta:

Enclosed please find the Bureau of Investigation and Enforcement's (I&E) **Prehearing Memorandum** in the above-captioned proceeding.

Copies are being served on parties as identified in the attached certificate of service. If you have any questions, please contact me at (717) 783-7998.

Sincerely,

Allison C. Kaster
Senior Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #93176

ACK/snc
Enclosure

cc: Certificate of Service
ALJ David A. Salapa
ALJ Steven K. Haas

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of Pennsylvania American :
Water Company (PAWC) and the Sewer :
Authority of the City of Scranton for :
approval of 1) the transfer, by sale, of :
substantially all of the Sewer Authority of :
the City of Scranton's Sewer System and : Docket No. A-2016-2537209
Sewage Treatment Works assets, properties :
and rights related to its wastewater collection :
and treatment system to PAWC, and 2) the :
right of PAWC to begin to offer or furnish :
wastewater service to the public in the City :
of Scranton and the Borough of Dunmore, :
Lackawanna County, Pennsylvania :

**BUREAU OF INVESTIGATION AND ENFORCEMENT
PREHEARING MEMORANDUM**

TO THE HONORABLE DAVID A. SALAPA AND STEVEN K. HAAS:

Pursuant to the Prehearing Conference Order dated April 27, 2016, the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”) respectfully submits the following Prehearing Memorandum in the above-captioned proceeding.

I. BACKGROUND

On March 30, 2016, Pennsylvania-American Water Company (“PAWC”) and the Sewer Authority of the City of Scranton (“Authority” or “SSA”) filed an Application for approval of (1) PAWC’s acquisition of the assets, properties and rights of the Authority’s sewer system; and, (2) PAWC’s right to offer and supply wastewater service in the service areas served by the Authority. The purchase price is approximately \$195 million and PAWC will assume the

Authority's obligation to make system improvements estimated to be approximately \$140 million.

On April 8, 2016, I&E and filed its Notice of Appearance. Protests were filed by the Office of Consumer Advocate on April 5, 2016 and the Office of Small Business Advocate on April 25, 2016.

On April 27, 2016, a Prehearing Conference Order was issued in this proceeding. A Prehearing Conference is scheduled for Wednesday, May 10, 2013, at 10:00 a.m. with Administrative Law Judges David A. Salapa and Steven K. Haas presiding.

II. SERVICE ON I&E

The I&E Prosecutor assigned to this proceeding is Allison C. Kaster. Contact information is as follows:

By mail:	Allison C. Kaster Pennsylvania Public Utility Commission Bureau of Investigation and Enforcement P.O. Box 3265 Harrisburg, PA 17105-3265
By e-mail:	akaster@pa.gov
By telephone:	(717) 783-7998
By fax:	(717) 772-2677

I&E requests that electronic transmittal of materials satisfy the service requirement. It is understood that electronic service will be followed by hard copy delivery via first-class mail.

III. ISSUES

The following list represents a preliminary determination of potential issues in this proceeding. The list is complete as can be made at this time; however, I&E reserves the right to address other issues as it deems appropriate:

- Whether PAWC will be able to provide safe, reasonable and adequate service to its current and newly acquired customers.
- Whether PAWC is technically fit to serve the additional SSA customers.
- Whether PAWC is financially fit to acquire the Authority's sewer system assets and make the projected \$140 million system upgrades as required by the Environmental Protection Agency.
- Whether the rate provisions contained in the Asset Purchase Agreement will result in just and reasonable rates for PAWC customers.
- Whether any other reasonable conditions should be imposed to protect the public interest.

IV. WITNESSES

It is currently expected that I&E will call the following expert witnesses:

Lisa Gumby, Fixed Utility Valuation Engineer

Ethan Cline, Fixed Utility Valuation Engineer

The I&E witnesses can be reached at the contact information provided above. Because the witness list is provided without the benefit of complete discovery or analysis of the positions of other parties to this proceeding, I&E reserves the right to call additional witnesses or withdraw the witnesses listed above.

V. SCHEDULE

I&E is currently working with the other parties to develop a mutually agreeable procedural schedule.

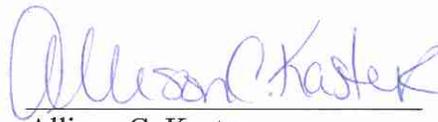
VI. EVIDENCE

I&E expects to present all written direct, rebuttal and surrebuttal testimony and accompanying exhibits at the evidentiary hearing. Moreover, I&E intends to rely on the filing, answers to interrogatories, annual reports and other documents submitted to the Commission, other relevant Commission filings, any other relevant Commonwealth agency letters or reports, and other public documents and reports.

VII. SETTLEMENT

I&E is willing to make a good faith effort to successfully resolve this matter through settlement.

Respectfully submitted,



Allison C. Kaster
Senior Prosecutor
PA Attorney I.D. #93176

Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
P.O. Box 3265
Harrisburg, Pennsylvania 17105-3265

Dated: May 6, 2016

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Joint Application of Pennsylvania :
American Water Company (PAWC) and :
the Sewer Authority of the City of :
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System and Sewage Treatment Works :
assets, properties and rights related to its :
wastewater collection and treatment :
system to PAWC, and 2) the right of :
PAWC to begin to offer or furnish :
wastewater service to the public in the :
City of Scranton and the Borough of :
Dunmore, Lackawanna County, :
Pennsylvania :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated May 6, 2016, in the manner and upon the persons listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party):

Served via First Class and Electronic Mail

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