



100 Pine Street • PO Box 1166 • Harrisburg, PA 17108-1166
Tel: 717.232.8000 • Fax: 717.237.5300

Adeolu A. Bakare
Direct Dial: 717.237.5290
abakare@mcneeslaw.com

February 4, 2019

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA ELECTRONIC FILING

RE: Application and related filings of Pennsylvania-American Water Company under Sections 507, 1102(a), and 1329 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§ 507, 1102(a), 1329, for approval of its acquisition of water system assets of the Steelton Borough Authority, related water service rights, fair market valuation ratemaking treatment, deferral of the post-acquisition improvement costs, and certain contracts with municipal corporations; Docket No. A-2019-3006880, *et al.*

Dear Secretary Chiavetta:

Attached for filing with the Pennsylvania Public Utility Commission is the Answer of the Steelton Borough Authority to the Office of Consumer Advocate's Petition for Appeal of Staff Action and/or a Determination of Finality in the above-referenced proceeding.

As shown by the attached Certificate of Service, all parties to this proceeding are being duly served. Thank you.

Sincerely,

McNEES WALLACE & NURICK LLC

By


Adeolu A. Bakare

Counsel to the Steelton Borough Authority

c: Chief Administrative Law Judge Charles E. Rainey, Jr. (via E-Mail and First-Class Mail)
Certificate of Service

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CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of Section 1.54 (relating to service by a participant).

VIA E-MAIL AND FIRST CLASS MAIL

Susan Simms Marsh, Esq.
Elizabeth Rose Triscari, Esq.
Pennsylvania American Water Company
800 Hersheypark Drive
Hershey, PA 17033
susan.marsh@amwater.com
Elizabeth.Triscari@amwater.com

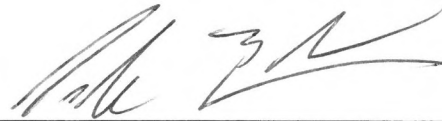
Scott B. Granger, Esq.
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
400 North Street
Harrisburg, PA 17105-3265
sgranger@pa.gov

Christine M. Hoover
Erin L. Gannon
Harrison W. Breitman
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101
CHoover@paoca.org
EGannon@paoca.org
HBreitman@paoca.org

John R. Evans
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17101
jorevan@pa.gov

VIA FIRST CLASS MAIL

Office of Attorney General
Strawberry Square, 16th Floor
Harrisburg, PA 17120



Adeolu A. Bakare

Counsel to the Steelton Borough Authority

Dated this 4th day of February, 2019, in Harrisburg, Pennsylvania.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application and related filings of Pennsylvania- :
American Water Company under Sections 507, : Docket No. A-2019-3006880, *et al.*
1102(a), and 1329 of the Pennsylvania Public :
Utility Code, 66 Pa. C.S. §§ 507, 1102(a), 1329, :
for approval of its acquisition of water system :
assets of the Steelton Borough Authority, related :
water service rights, fair market valuation :
ratemaking treatment, deferral of the post- :
acquisition improvement costs, and certain :
contracts with municipal corporations. :

**ANSWER OF THE STEELTON BOROUGH AUTHORITY TO THE OFFICE OF
CONSUMER ADVOCATE'S PETITION FOR APPEAL OF STAFF ACTION
AND/OR A DETERMINATION OF FINALITY**

TO THE HONORABLE, THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

Pursuant to Sections 5.61, 5.62 and 5.101 of the Commission's Regulations, 52 Pa. Code §§ 5.61, 5.62 and 5.101, the Steelton Borough Authority ("Authority"), by its attorneys, hereby answers the Office of Consumer Advocate's ("OCA") Petition for Appeal of Staff Action and/or a Determination of Finality ("Petition") filed with the Pennsylvania Public Utility Commission ("PUC" or "Commission") on January 24, 2019. The Authority respectfully requests that the Commission deny OCA's Petition. In support thereof, the Authority avers as follows:

I. BACKGROUND

1. On January 2, 2019, PAWC filed the above-captioned Application with the Pennsylvania Public Utility Commission ("PUC" or "Commission") pursuant to 66 Pa. C.S. §§ 507, 1102(a), and 1329.

2. On January 9, 2019, the Commission's Bureau of Technical Utility Services ("TUS") directed PAWC to furnish additional information deemed necessary to complete the Application.

3. On January 14, 2019, PAWC filed responses to the TUS data requests.

4. On January 17, 2019, TUS issued a Secretarial Letter conditionally accepting PAWC's Application for filing purposes ("Secretarial Letter").

5. On January 22, 2019, the Authority filed a Petition to Intervene.

6. On January 24, 2019, OCA filed the Petition requesting that the Commission rescind the conditional acceptance of PAWC's Application pending substantive modifications to the Customer Notices to be issued to PAWC customers and Authority customers. Alternatively, OCA requests that the Commission find the Secretarial Letter to be a final order subject to appeal.

7. On January 28, 2019, PAWC filed an Answer requesting that the Commission deny OCA's Petition on grounds that the requested substantive relief extends beyond the limited authority delegated to TUS by the Commission and that the Secretarial Letter is not an adjudication subject to appeal.

II. ANSWER

8. The Authority supports the procedural and legal arguments raised in PAWC's Answer and hereby incorporates PAWC's Answer by reference, as if fully set forth herein.

9. Additionally, to the extent OCA proposes that the Customer Notice for Authority customers should be modified to state that the proposed acquisition will result in a 0.2%-47% rate

increase when PAWC files its next base rate case, the Authority further opposes OCA's request as speculative and inaccurate. The timing of PAWC's next base rate case is entirely unknown, as is the magnitude of the request, the level of rate base, revenue, expenses and capital structure included in the rate case request and ultimately the relief that is granted by the Commission. PAWC may complete several more acquisitions before its next rate case. Any present estimate of rate impact for a future rate case to be filed several years from now, with fully-projected rate components, is highly speculative and unreliable. Moreover, the 47% ceiling of OCA's projected rate impact range assumes PAWC would allocate capital improvements for the Authority's customers solely to the current Authority customers. Petition, at n. 5; *see also* Petition, Affidavit of Ashley E. Everette, at ¶ 19. This assumption is in direct conflict with PAWC's Application, which affirms that "[t]he acquisition will further the Commission's goal of regionalization." Application, at 8.

10. OCA's references to the Customer Notice developed in *Barash v. Pennsylvania Public Utility Commission*, 564 A.2s 1296 (Pa. Cmwlth. 1988) ("Milesburg Notice"), should also be rejected. The Milesburg Notice concerned electric supply costs to be recovered from customers on a dollar-for-dollar basis. *See* Petition, Attachment A – Notice of Filing, at 2. To the contrary, any rate impact to Authority customers arising from the proposed transaction would be subject to Commission review and additional customer notice pursuant to Section 1308 of the Public Utility Code. 66 Pa. C.S. § 1308. Notably, the Customer Notice for Authority customers appended to PAWC's Application already informs customers that rates may be adjusted when PAWC files its next base rate case.

11. For the reasons set forth above, the Commission should expeditiously deny the OCA's Petition.

III. CONCLUSION

WHEREFORE, the Steelton Borough Authority respectfully requests that the Pennsylvania Public Utility Commission deny the Petition for Appeal of Staff Action and/or a Determination of Finality filed by the OCA in the above-captioned proceeding.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 

Kathy L. Pape (Pa. I.D. 28027)
Adeolu A. Bakare (Pa. I.D. 208541)
Alessandra L. Hylander (Pa. I.D. 320967)
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
Phone: (717) 232-8000
Fax: (717) 237-5300
kpape@mcneeslaw.com
abakare@mcneeslaw.com
ahylander@mcneeslaw.com

Counsel to the Steelton Borough Authority

Dated: February 4, 2019

