

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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May 13, 2019

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

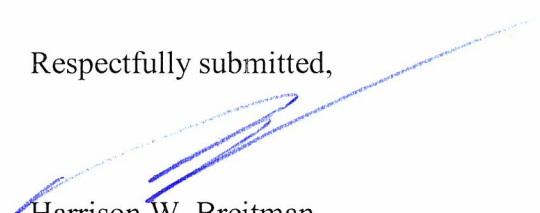
Re: Application of Pennsylvania-American Water
Company Pursuant to Sections 507, 1102, and
1329 of the Public Utility Code for Approval
of its Acquisition of the Wastewater System
Assets of Exeter Township
Docket No. A-2018-3004933

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Prehearing Memorandum in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,


Harrison W. Breitman
Assistant Consumer Advocate
PA Attorney I.D. # 320580
E-Mail: HBreitman@paoca.org

Enclosures:

cc: Honorable Andrew Calvelli
Certificate of Service
*272113

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Pennsylvania-American	:	
Wastewater, Inc. Pursuant to Sections 507,	:	
1102, and 1329 of the Public Utility Code	:	
for Approval of its Acquisition of the	:	Docket No. A-2018-3004933
Wastewater System Assets of Exeter	:	
Township	:	

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. § 333 and the Prehearing Order issued by Administrative Law Judge Andrew M. Calvelli on April 22, 2019, the Office of Consumer Advocate (OCA) provides the following:

I. INTRODUCTION

On September 25, 2018, Pennsylvania-American Water Company (PAWC or Company) filed an Application under Sections 507, 1102, and 1329 of the Public Utility Code seeking Public Utility Commission (Commission) approval of the acquisition of Exeter Township's (Township) sewer system and the right of PAWC to provide wastewater service in the areas served by the Township and approval of the ratemaking rate base of the assets as determined under Section 1329(c)(2) of the Public Utility Code. By Secretarial Letter dated October 1, 2018, the Commission notified PAWC that the Application was not accepted for filing purposes because it was incomplete. On December 5, 2018, PAWC filed an Amended Application to address the issues raised by Commission Staff. On December 14, 2018, the OCA filed a Petition

to Reject or Hold In Abeyance The Application. By Secretarial Letter dated December 19, 2018, the Commission conditionally accepted the Amended Application with a condition requiring individual notice to be provided to PAWC's existing water and wastewater customers and requiring PAWC to ensure that concurrent notice was provided to all current Exeter Township wastewater customers, along with newspaper notice in the Exeter Township area. Upon completion, PAWC was directed to file a verification that the notice has been provided.

The Bureau of Investigation and Enforcement (I&E) filed Motion to Reject or Hold In Abeyance on December 20, 2018. On January 4, 2019, the Borough of St. Lawrence filed a Petition to Intervene. The OCA filed a Protest and Public Statement on January 14, 2019 and a Petition for Stay. By Secretarial Letters dated February 8, 2019, the Commission informed OCA and I&E that the docket was inactive and that any motions, petitions and other filings would be addressed at the time the docket becomes active.

On April 15, 2019, PAWC filed a letter, with an attached verification, stating that it had complied with the notice requirements contained in the December 19, 2018 Secretarial letter. By Secretarial Letter dated April 16, 2019, the Commission informed PAWC that it had accepted the Application for filing. Notice of a prehearing conference was served on April 17, 2019. A prehearing conference order was issued on April 22, 2019 directing the parties to submit a prehearing conference memorandum by 4:00 p.m. on May 13, 2019.

II. SERVICE ON THE OCA

The OCA will be represented in this proceeding by Senior Assistant Consumer Advocates Christine Maloni Hoover and Erin L. Gannon, and by Assistant Consumer Advocate Harrison W. Breitman. Two copies of all documents should be served in the OCA as follows:

Christine Maloni Hoover
Senior Assistant Consumer Advocate
Office of Consumer Advocate
555 Walnut Street, Forum Place 5th Floor
Harrisburg, PA 17101-1923
Telephone: (717) 783-5048
Fax: (717) 783-7152
Email: CHoover@paoca.org

The OCA requests that these additional addresses be included on the e-mail distribution list:

EGannon@paoca.org, AEverette@paoca.org, HBreitman@paoca.org, and watkinsg@tai-econ.com. The OCA will extend the same courtesy to any other parties requesting that additional persons be included on the e-mail distribution list.

III. DISCOVERY

Discovery modifications have been addressed in the ALJ's Prehearing Order due to the expedited schedule under Section 1329, which requires a Commission Order on the Section 1329 request no later than six months after the filing of such application. 66 Pa. C. S. § 1329. The OCA has served eight sets of discovery to date.

IV. WITNESSES

The OCA intends to present the testimony of Ashley E. Everette (Financial, Ratemaking, Appraisal and Policy Issues) and Glenn A. Watkins (Appraisal and Policy Issues). Their contact information is as follows:

Ashley E. Everette
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Telephone: (717) 783-5048
E-mail: aeverette@paoca.org

Glenn A. Watkins
Technical Associates, Inc.
1503 Santa Rosa Road, Suite 130
Richmond, VA 23229
E-mail: watkinsg@tai-econ.com

To the extent necessary, the OCA's witnesses will present testimony regarding the impact of the proposed transaction on PAWC's existing customers, the acquired customers, and other financial, technical and ratemaking issues presented in this proceeding.

The OCA specifically reserves the right to call additional witnesses and to expand the issues addressed in testimony, as necessary. If the OCA determines that an additional witness is necessary for any portion of its case, it will notify all parties of record immediately.

V. ISSUES

The OCA is participating in this proceeding to ensure the interests of PAWC's existing customers and acquired customers are protected. Based upon a preliminary analysis of the Application, the OCA has compiled a list of issues which it anticipates will be included in its investigation. It is anticipated that other issues may arise and may be pursued once all of the answers to the OCA's interrogatories have been received and analyzed.

The issues set forth below will be analyzed and presented as appropriate by the OCA with the assistance of its expert witnesses:

(1) Provision of Safe, Adequate and Reasonable Service at Just and Reasonable Rates: The Asset Purchase Agreement provides that PAWC will pay \$96 million for the Township's wastewater assets. PAWC seeks to have the purchase price approved for inclusion in rate base under Section 1329, as part of this proceeding. The OCA will examine each appraisal and the requested rate base determination.

(2) Notice: The OCA will examine whether PAWC's notice to ratepayers provided adequate and accurate notice.

(3) Substantial Affirmative Benefits: The OCA submits that additional information is necessary to determine how the transaction will substantially and affirmatively benefit PAWC's existing customers.

(4) Conditions: The OCA will examine whether any conditions should be imposed upon the proposed transfer to ensure that PAWC's existing customers are treated in a fair and just manner in accord with Pennsylvania law and Commission rules and regulations.

The OCA reserves the right to raise additional issues as the case proceeds and further information is obtained from the Applicant.

VI. PUBLIC INPUT HEARINGS

The OCA is unaware of any specific consumer requests for public input hearings in this matter to date. The OCA notes, however, that PAWC's notice to ratepayers did not discuss the option to request a public input hearing. If the OCA becomes aware of substantial consumer interest, the OCA will promptly notify the Administrative Law Judge and parties, and will request a public input hearing.

VII. SCHEDULE

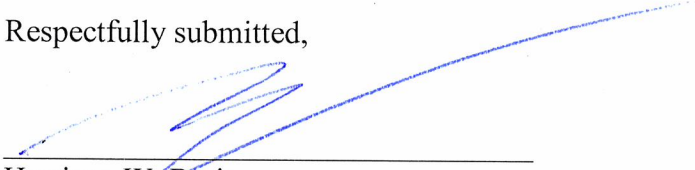
The OCA proposes the following schedule, which it understands to be acceptable to all parties:

Other Party Direct Testimony	June 7, 2019
Rebuttal Testimony	June 18, 2019
Surrebuttal Testimony	June 26, 2019
Rejoinder	June 27, 2019
Hearings	June 27-June 28, 2019
Main Briefs	July 10, 2019
Reply Briefs	July 18, 2019
Recommended Decision	August 9, 2019
Public Meeting	October 3, 2019
End of six month suspension period	October 16, 2019

VIII. SETTLEMENT

The OCA is willing to engage in settlement discussions with all parties.

Respectfully submitted,



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DATED: May 13, 2019
272030

CERTIFICATE OF SERVICE

Re: Application of Pennsylvania-American :
Water Company Pursuant to Sections :
507, 1102, and 1329 of the Public : Docket No. A-2018-3004933
Utility Code for Approval of its :
Acquisition of the Wastewater System :
Assets of Exeter Township :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Prehearing Memorandum, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 13th day of May 2019.

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SERVICE BY E-MAIL and FIRST CLASS MAIL, POSTAGE PREPAID

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/s/ Harrison W. Breitman
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