

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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May 15, 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 Water  
Assets of Steelton Borough Authority  
Docket No. A-2019-3006880

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,

A handwritten signature in blue ink that reads "Erin L. Gannon".

Erin L. Gannon  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 83487  
E-Mail: EGannon@paoca.org

Attachment

cc: Honorable Steven K. Haas  
Honorable Benjamin J. Myers  
Certificate of Service  
\*272211

CERTIFICATE OF SERVICE

Re: Application of Pennsylvania-American :  
Water Company Pursuant to Sections :  
507, 1102 and 1329 of the Public Utility : Docket No. A-2019-3006880  
Code for Approval of its Acquisition of :  
the Water Assets of Steelton Borough :  
Authority :

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 15<sup>th</sup> day of May 2019.

SERVICE BY E-MAIL & INTER-OFFICE MAIL

Scott B. Granger  
Bureau of Investigation & Enforcement  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor  
Harrisburg, PA 17120

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

Erin K. Fure, Esquire  
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Office of Small Business Advocate  
300 North Second Street, Suite 202  
Harrisburg, PA 17101

Kathy L. Pape, Esquire  
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Alessandra L. Hylander, Esquire  
McNees Wallace & Nurick LLC  
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Harrisburg, PA 17108-1166

Susan Simms Marsh, Esquire  
Elizabeth Rose Triscari, Esquire  
Pennsylvania-American Water Company  
852 Wesley Drive  
Mechanicsburg, PA 17055

/s/ Erin L. Gannon

Erin L. Gannon

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\*272212

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In re: Application of Pennsylvania-American :  
Water Company Pursuant to Sections 507, : Docket No. A-2019-3006880  
1102 and 1329 of the Public Utility Code for :  
Approval of its Acquisition of the Water :  
Assets of Steelton Borough Authority :

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PREHEARING MEMORANDUM  
OF THE  
OFFICE OF CONSUMER ADVOCATE

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Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. § 333, and the Prehearing Conference Order issued by Administrative Law Judges Steven K. Haas and Benjamin J. Myers on April 18, 2019, the Office of Consumer Advocate (OCA) provides the following:

**I. INTRODUCTION**

On January 2, 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, *inter alia*, of the acquisition of the Steelton Borough Authority (Authority) water system, the right of PAWC to provide water service in the areas served by the Authority, 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 January 17, 2019, the Commission conditionally accepted the Application with a condition requiring individual notice to be provided to PAWC's existing water customers and requiring PAWC to ensure that concurrent notice was provided to all current Steelton Borough Authority

water customers, along with newspaper notice in the Steelton Borough area. Upon completion, PAWC was directed to file a verification that the notice has been provided.

On January 22, 2019, the Steelton Borough Authority filed a Petition to Intervene. On January 23, 2019, the Bureau of Investigation & Enforcement filed a Notice of Appearance. On January 24, 2019, the OCA filed a Petition for Appeal of Staff Action and/or Determination of Finality, which PAWC answered on January 28, 2019. The Authority filed an Answer on February 4, 2019. The OCA filed a Protest and Public Statement on February 5, 2019. On February 6, 2019, the Office of Small Business Advocate filed a Notice of Intervention. By Secretarial Letter dated February 15, 2019, the Commission informed the OCA that the docket was inactive and that the petition and related answers would be addressed at the time the docket becomes active. On February 19, 2019, PAWC filed an amended pro forma tariff.

On March 8, 2019, PAWC filed a letter stating that it intended to begin serving individual notice of the Application to customers. On April 15, 2019, PAWC filed a letter, with an attached verification, stating that it had complied with the notice requirements contained in the January 17, 2019 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 18, 2019 directing the parties to submit a prehearing conference memorandum by 12:00 p.m. on May 15, 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  
E-mail: [CHoover@paoca.org](mailto:CHoover@paoca.org)

The OCA requests that these additional addresses be included on the e-mail distribution list: [EGannon@paoca.org](mailto:EGannon@paoca.org), [AEverette@paoca.org](mailto:AEverette@paoca.org), [HBreitman@paoca.org](mailto:HBreitman@paoca.org), and [watkinsg@tai-econ.com](mailto: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 ALJs' 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 six 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  
5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
Telephone: (717) 783-5048  
E-mail: [aeverette@paoca.org](mailto:aeverette@paoca.org)

Glenn A. Watkins  
Technical Associates, Inc.  
1503 Santa Rosa Road, Suite 130  
Richmond, VA 23229  
E-mail: [watkinsg@tai-econ.com](mailto: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 that 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 \$22.5 million for the Authority's water assets. PAWC seeks to have \$22.34 million 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 and acquired customers.

(4) **Conditions:** The OCA will examine whether any conditions should be imposed upon the proposed transfer to ensure that PAWC's existing and acquired 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 Judges 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	May 22, 2019
Rebuttal Testimony	May 30, 2019
Surrebuttal Testimony	June 6, 2019
Rejoinder Outline	June 7, 2019
Hearings with Oral Rejoinder, in Harrisburg	June 10, 2019
Main Briefs	July 2, 2019
Reply Briefs	July 12, 2019
Recommended Decision	August 9, 2019
Public Meeting	October 3, 2019
End of six month suspension period	October 16, 2019

The OCA requests that all dates included in the schedule be considered “in-hand” dates and that e-mail service by 4:30 p.m. on the due date will satisfy the “in-hand” requirement, where hard copies are mailed (first-class) or hand-delivered by the next business day.

**VIII. SETTLEMENT**

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

Respectfully submitted,



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DATED: May 15, 2019  
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